

TOWN OF CHESTER

FINANCIAL POLICY MANUAL

JUNE 5, 2020



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

June 5, 2020

Board of Selectmen
Town of Chester
15 Middlefield Road
Chester, MA 01011

Dear Board Members,

I am pleased to present the enclosed set of financial policies for the Town of Chester. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the board of selectmen's request, the Division of Local Services Technical Assistance Bureau (TAB) created a financial policy manual for the Town of Chester. In requesting this project, Chester's leaders acknowledged the important role policies play in municipal government and sought guidance for formalizing sound budgetary and planning practices, as well as strengthening ongoing operations. Accordingly, the first section of the new manual contains policies concerned with financial planning, while those in the second half relate to day-to-day operations. Each policy defines objectives, roles, and responsibilities to promote accountability, foster efficient coordination, and highlight the oversight and functional controls necessary to safeguard against deficiencies. Adopting formal policies also promotes good stewardship of resources and provides a foundational component for the town's system of internal controls for risk management.

Chester is in the process of converting its accounting records, or general ledger, from the statutory accounting method to the uniform municipal system (UMAS) basis of accounting that is used by almost all Massachusetts communities. UMAS is a type of fund accounting that follows the national standards promulgated by the Governmental Accounting Standards Board (GASB) and conforms to general accepted accounting principles. With UMAS, resources are allocated to and accounted for in individual funds based upon their purpose, which provides essential information regarding revenues and expenditures needed to make decisions that affect the Town's short-term and long-term financial goals. The policies in this manual were developed for Chester based on UMAS, or fund, accounting.

Chester's municipal electric light department operates under the direction of the light board, who establishes the department's budget and rates within its own fiscal year. However, as a Town department, many of the policies within this manual are applicable as they relate to financial operations administered by the Town. Specifically, we include an Indirect Cost Allocation policy, typically used for business-type activities, to be adopted by both the board of selectmen and the light board in a way to formalize a cost sharing agreement.

Please note that there are three policies that will require specific town meeting action before Chester can adopt them as presented here.

OPEB: Chester town meeting previously accepted [M.G.L. c. 32B, § 20](#) to create a trust fund for other postemployment benefits (OPEB). The Governmental Accounting Standards Board (GASB) subsequently issued Statement 75, which requires that an OPEB trust fund comply with the following criteria: 1) the fund's contributions and earnings are irrevocably committed to OPEB use; 2) the OPEB plan's assets are dedicated exclusively to providing benefits to plan members; and 3) the OPEB plan's

assets are legally protected against creditors. In light of Statement 75, the Massachusetts legislature modified M.G.L. c. 32B, § 20 to meet the new guidelines. Consequently, we advise the board of selectmen to present town meeting voters with articles that propose the following:

1. Reaccept M.G.L. c. 32B, § 20 to establish a GASB-compliant OPEB trust fund.
2. Authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#) to make available the options required to meet the investment goals of the OPEB trust.
3. Designate the treasurer as fund trustee.

Tailings: The tailings policy includes expedited procedures for managing uncashed checks as allowed under [M.G.L. c. 200A, § 9A](#). Accordingly, it can only be adopted after town meeting's acceptance of this statute.

Tax Enforcement: To adopt the tax title payment agreement section of the tax enforcement policy, town meeting must approve a related bylaw, per [M.G.L. c. 60, § 62A](#). The following text may serve as a template:

Chapter X, Section X: Payment Agreements for Properties in Tax Title

- Section X (a) Pursuant to the provisions of M.G.L. c. 60, sec. 62A, the Treasurer will pursue and establish a written payment agreement with any person(s) entitled to redeem ownership of parcels taken by the Town for nonpayment of real estate taxes ("redeemer").
- Section X (b) Tax title categories eligible for payment agreements include [*specify criteria here, based on: amount owed, assessed property value, length of delinquency, and/or any other criteria*].
- Section X (c) At the start of the agreement, the redeemer shall pay 25 percent of the total amount due.
- Section X (d) The agreement's maximum term shall be five years.
- Section X (e) Full compliance with agreement terms will result in a waiver of [*local decision: choose a percent up to 50 percent*] of the tax title account's accrued interest.

All the policies presented here should be periodically reassessed and modified as conditions change. Incorporated in them are specific provisions local leaders need to consider and decide upon. An example taken from the capital planning policy is: "A capital improvement is a tangible asset or project estimated to cost over [\$10,000], to have or to extend five or more years of useful life and are purchased or undertaken at intervals of not less than five-years." As discussed with the financial team, throughout the draft policy are brackets around key decision points with the word(s) or

amounts in the bracket representing TAB's suggestion based on researched best practices. In these cases, local officials should finalize the decisions and remove the brackets prior to adopting the policies.

To that point, the town currently has three special purpose stabilization funds, each for a specific capital purpose. In a community such as Chester that is in the process of building its reserve levels, we recommend limiting the number of special purpose stabilization funds to those with clear but broadly defined purposes. Pooling resources into a capital stabilization fund that supports the town's capital improvement plan, rather than dividing monies up into multiple, more restrictive funds may prove more successful in securing the town's capital acquisitions. For this reason, the Financial Reserves policy is presented with the addition of a capital improvement stabilization fund noted in brackets.

CHESTER MASSACHUSETTS

FINANCIAL POLICIES MANUAL



PREFACE

The Town of Chester is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies are intended to outline objectives, provide direction, and define authority to help ensure sound fiscal stewardship and management practices. Each should be periodically reviewed and updated as necessary.

With these policies, the Town of Chester, through its Board of Selectmen, Town Administrator, Finance Committee, and employees, commits to the following objectives:

- Sustaining a consistent level of service and value for residents and businesses
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets
- Conforming to general law, uniform professional standards, and municipal best practices
- Establishing a credit rating for the town
- Promoting transparency and public disclosure
- Assuring accurate and timely reporting

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FINANCIAL PLANNING POLICIES

ANNUAL BUDGET CYCLE

PURPOSE

To promote transparency, fiscal sustainability, and procedural consistency, this policy establishes guidelines for developing, documenting, adopting, monitoring, and reporting the Town's annual budget. As the Town's central policy document, the annual budget lays out the community's prioritization of annual, and longer-range objectives, identifies financial goals, and articulates challenges. An instrument for turning strategic plans into reality, the budget constitutes a contract between the Town and its residents, explaining how funds are to be raised and allocated for the delivery of services.

APPLICABILITY

This policy pertains to Town's annual budget development, documentation, and adoption, and monitoring processes, and it encompasses the general fund and capital budgets. Within that scope, it applies to the policymaking and statutory roles of the Board of Selectmen and Finance Committee, and job specific duties of the Town Administrator and Town Accountant. Additionally, it applies to the budget planning duties of all department heads and to the boards and committees that have spending authority (all referred to here as "department heads").

POLICY

Town officials will work together to prepare a balanced budget for the approval of town meeting voters. The creation of the budget will be guided by and reflect all the other financial planning policies adopted by the Town and contained in its policy manual. Town meeting has sole authority to appropriate funds for the budget, except for specific instances where statutes or regulations do not require appropriation (i.e., grants, gifts, revolving funds, and offset receipts). Furthermore, any approved appropriation can only be amended through a subsequent annual or special town meeting vote.

The Town Administrator is responsible for developing the annual budget and will do so according to the vision, goals, and strategic plans laid out by the Board of Selectmen. The budget presented to town meeting voters shall be the Board of Selectmen's finalized proposal. As the advisor for the interests of town meeting voters, the Finance Committee makes recommendations on all financial matters, including the budget. It is the goal of these parties to work together in a collaborative manner to present voters with a consensus budget.

All parties applicable under this policy are expected to conform to the milestone time frames laid out in section C. Budget Calendar and detailed in the Budget Cycle Calendar. In addition, all department heads will timely provide the Town Administrator with all requisite information for the creation of an informative and reader-friendly budget document, which will be made available to voters in advance of town meeting. As a model for the budget document, the Town Administrator will use the standards established by the Government Finance Officers Association (GFOA) in its Distinguished Budget Presentation program.

A. Budget Goals

At minimum each year, the Town's budget goals will include the following provisions:

- General Fund -- The annual budget presented will sustain a sufficient level of municipal services, provide for required mandates, preserve the Town's quality of life, and respond to economic changes.
- Capital investment —To pay for items in the capital plan, the Town will strive to maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Beyond this, the Town will plan to regularly fund, within departmental operating budgets, the maintenance costs for capital equipment, facilities, infrastructure, and other assets to maximize their useful lifespans.

B. Principles for Balanced and Sustainable Budgets

The Town Administrator will prepare an annual budget for approval by the Board of Selectmen and Finance Committee and eventual incorporation in the annual town meeting warrant. To ensure maximum efficiencies, the Town Administrator will also review and report to these boards on the Town's methods of operation, program service delivery, resource expenditures, and manpower allocation. To assure the budget proposal is balanced and provides for sustainable trends in future budget years, the Town Administrator will apply the following principles:

- Current revenues will be sufficient to support current expenditures.
- The Town will avoid using any one-time revenue source to fund ongoing services unless necessitated by exceptional circumstances. Any such usage will require the Town Administrator to document a plan for replacing this revenue source in future years.
- Departmental budgets will be prepared to reflect the full costs of providing the services.
- Commitments to new wage increases and service enhancements can be considered after core services have been secured with recurring revenue.
- The Town Administrator will cultivate a strong, communicative relationship with the Gateway Regional School District School Committee, regional authorities, and other collaboratives the community participates in to obtain early notice of their budget directions.

C. Budget Calendar

The budget process will be coordinated in a way that major policy issues are identified for review and discussion several months prior to budget approval. This will allow adequate time for public input and analysis of options. Annual and capital budget activities, beginning in each [October] with a kick-off meeting and continuing through annual town meeting in May, will be published in an annual budget calendar that specifies dates for estimating initial revenue projections, sending out appropriation guidelines and returning departmental requests, updating the capital improvement plan, compiling a working budget, and completing the finalized budget proposal. It will allow for hearings, reviews and approvals at different levels and account for the time needed to print and distribute the warrant.

D. Budget Document

The Town Administrator will produce a transparent and user-friendly budget document that illustrates the budget's short- and long-term strategic goals. It will incorporate narrative information on departmental and organizational goals, provide details about the plans and resource allocations needed to meet them, and include graphical information about available financial resources. As a guide for the document, the Town Administrator will use the standards laid out by the [Government Financial Officers Association](#) (GFOA) in its Distinguished Budget Presentation Award program. The budget should include GFOA's [essential criteria](#).

E. Budget Monitoring

The Town Accountant will continually monitor the budget and provide regular formal reports to the Town Administrator, Board of Selectmen, and Finance Committee. Budget-to-actual revenues will be reported at least quarterly to ensure timely budget adjustments, if needed, and thereby prevent any potential revenue deficit. Budget-to-actual expenditure balances will be reported monthly to ensure that the total of expenditures and purchase commitments in any account does not exceed the authorized budget for that account.

The Town will take immediate corrective actions if at any time during the fiscal year expenditure or revenue estimates indicate a projected operating deficit by year-end. Corrective actions can include, but are not limited to, hiring freezes, expenditure reductions, layoffs, or use of contingency funds.

F. Cyclical Budget-Related Activities

Beyond the development, implementation, and monitoring of the budget, the budget cycle encompasses other events throughout the fiscal year. These include providing instructions for closing one fiscal year and opening of the new one in compliance with the Year-End Closing policy, preparing for an audit, submitting state reports and other documentation, and evaluating prior year results as found in the Budget Cycle Calendar in the Appendix.

REFERENCES

[M.G.L. c. 39, § 16](#)

[M.G.L. c. 41, §§ 15A, 57, 58, 59, 60](#)

[M.G.L. c.44, §§31, 33A, 33B, 53A](#)

[M.G.L. c. 58, §§ 25, 25A](#)

[M.G.L. c. 59, § 21C](#)

[M.G.L. c. 69, §1B](#)

[M.G.L. c. 70](#)

[M.G.L. c. 78, §19A-19B](#)

Chester policies on Capital Planning, Debt Management, Financial Reserves, Forecasting, One-Time Revenues, and Other Postemployment Benefits Liability and Year-End Closing

Division of Local Services (DLS) Best Practices: [The Annual Budget Process Specific to Towns](#)

DLS Informational Guideline Releases [17-13: Appropriation Transfers](#)

DLS [Municipal Calendar](#)

Association of Town Finance Committees [Finance Committee Handbook](#)

Government Finance Officers Association Best Practices [Achieving a Structurally Balanced Budget](#)
and [Financial Forecasting in the Budget Preparation Process](#)

FORMS

Departmental Budget Request

EFFECTIVE DATE

This policy was adopted on [date].

CAPITAL PLANNING

PURPOSE

To effectively maintain the Town's infrastructure and protect the value of its capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the Town meet its capital needs despite limited resources.

APPLICABILITY

This policy establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen and Finance Committee. It also applies to related job duties of the Town Administrator and Town Accountant.

POLICY

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The Town Administrator is charged to oversee Chester's capital improvement program. This involves maintaining a capital asset inventory, identifying and prioritizing projects, analyzing funding, and creating a long-term financial plan achievable within the Town's budget limitations.

A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over [\$10,000], to have or to extend five or more years of useful life and are purchased or undertaken at intervals of not less than five-years. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, such as streets, sidewalks, and stormwater drains
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold

B. Capital Asset Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator, with the assistance of the Town Accountant, will annually update and maintain a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current

conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

C. Evaluation of Capital Projects

As part of the annual budget process, the Town Administrator will solicit capital project requests from department heads and then evaluate and prioritize them using the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Supports adopted plans, goals, objectives, and policies
4. Stabilizes or reduces operating costs
5. Uses outside financing sources, such as grants
6. Makes better use of a facility or replaces a clearly obsolete one
7. Maintains or improves productivity or existing standards of service
8. Directly benefits the Town's economic base by increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value

D. Multiyear Capital Improvement Plan

The Town Administrator will annually update a five-year capital improvement plan (CIP) and provide it to the Finance Committee and Board of Selectmen. The CIP will include the upcoming fiscal year's capital budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources. Only projects that have gone through the evaluation process will be included in the CIP unless required by an emergency. In this case, a written report explaining the emergency must be provided to the Board of Selectmen.

E. Capital Financing

Annually, the Town will strive to maintain [three to five] percent of the general fund operating budget, net of debt, on capital investment allocations. The CIP shall be prepared and financed in accordance with the following principles:

- Available funds (e.g., free cash, special purpose stabilization funds) will be a funding source for capital projects as much as practical.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- In accordance with Chester's Debt Management policy, the Town will restrict long-term debt funding to projects with lifespans greater than 10 years and costs exceeding [\$50,000].
- Before any long-term, bonded capital project is recommended, the project's annual operating costs and debt service costs shall be identified.
- Special revenue sources (e.g., grants, revolving funds) shall be evaluated as funding options whenever practical.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.

- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.

REFERENCES

[M.G.L. c. 44, § 20](#)

Chester policies on Debt Management and Financial Reserves

Division of Local Services (DLS) Best Practice: [Presenting and Funding Major Capital Projects](#)

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide – Developing a Comprehensive Community Program](#)

FORMS

Capital Project Request
Assets and Fleet Inventory
Facilities Inventory
Capital Improvement Plan

EFFECTIVE DATE

This policy was adopted on [date].

DEBT AFFORDABILITY ANALYSIS

PURPOSE

To ensure any debt the Town may issue will not adversely affect its long-term fiscal health and stability, this policy provides guidelines for assessing the affordability of potential borrowings.

APPLICABILITY

This policy applies to the financial analysis responsibilities of the Town Accountant. It further applies to the Board of Selectmen and Finance Committee in their budget decision-making duties.

BACKGROUND

For any given, highly expensive capital project, a debt issuance may present the most appropriate financing strategy. Not only does it provide funds not otherwise available upfront, but the amortizing of the debt over multiple years equitably distributes the project's cost among taxpayers who may settle in or move out of town over time. Particularly in a small town with a small annual budget and modest local wealth, any decisions around the use of debt must be made in the context of affordability relative to long-term revenue and expenditure forecasts.

The [Municipal Databank](#) of the Division of Local Services (DLS) provides the data needed for the analyses outlined in this policy.

POLICY

Under state and federal legal provisions, the officials subject to this policy may propose that town meeting vote to authorize a debt issuance to finance the construction, reconstruction, or acquisition of any asset with a minimum cost of [\$50,000] and minimum useful lifespan of 10 years. Any such proposal will be founded on a favorable analysis of the project's affordability as outlined in this policy. Further, the officials will manage any authorized debt obligation in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt issued to minimize the impact on taxpayers.

Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, will only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

A. Debt Affordability Factors

When an expensive capital improvement is under consideration, the Town Accountant, at the direction of the Board of Selectmen, will calculate a series of ratios. Taking the total of the project's estimated principal and interest costs (i.e., its projected annual debt service), the Town Accountant will combine it with any existing debt and then calculate:

- Total debt service as a percentage of annual Town revenue
- Total debt service per capita population
- Total debt service as a percentage of per capita personal income
- Total debt service as a percentage of total assessed property value

The Town Accountant will review historical, multiyear trends in the above variables to make projections against the proposed length of the debt service term.

B. Benchmarking and Reporting

The Town Accountant will use the debt ratio data to benchmark Chester in comparison to peer communities. Using the DLS Databank's [Community Comparison](#) report, the Town Accountant will first determine Chester's peers based on factors such as population, general fund budget, equalized valuation per capita, income per capita, average single-family tax bill, geographic region, and population density. Using the same and other Databank reports, the Town Administrator will then calculate the current debt ratios listed in Section A for each community in the peer group.

Note: DLS Technical Assistance Bureau's suggests Blandford, Chesterfield, Colrain, Goshen, Granville, New Braintree, New Salem, Petersham, Phillipston, and Royalston as peers for the Town. A comparison chart with these communities is included in the Appendix

C. Reporting and Decision Making

The Town Accountant will write a debt affordability report with an analysis summary and recommendation(s) and provide it to the Board of Selectmen and Finance Committee. These boards will also review and comply with the separately adopted Debt Management policy before recommending any debt issuance.

REFERENCES

[M.G.L. c. 41, § 59](#)

[M.G.L. c. 41, § 61](#)

[M.G.L. c. 44, § 4](#)

[M.G.L. c. 44, § 6](#)

[M.G.L. c. 44, § 6A](#)

[M.G.L. c. 44, § 7](#)

[M.G.L. c. 44, § 8](#)

[M.G.L. c. 44, § 17](#)

[M.G.L. c. 44, § 19](#)

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 21A](#)

[26 USC § 148](#)

Chester policies on Debt Management and Capital Planning

DLS Best Practice: [Understanding Municipal Debt](#)

Government Finance Officers Association Best Practices: [Benchmarking and Measuring Debt Capacity](#)

EFFECTIVE DATE

This policy was adopted on [date].

DEBT MANAGEMENT

PURPOSE

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and sustain capital investment capacity. It can also help the Town to obtain, maintain, or enhance a favorable bond rating in order to achieve long-term interest savings.

APPLICABILITY

This policy applies to the budget decision-making duties of the Board of Selectmen, Town Administrator, and Finance Committee. Further, it applies to the Treasurer's debt management responsibilities and Town Accountant's budget analysis and reporting duties.

POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, will only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for purposes that are authorized by state law and qualify for tax-exempt bonds and only when the financing sources have been clearly identified.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least [\$50,000] and that have at least [10] years of useful life or whose useful lifespans will be prolonged by at least [10] years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Use Division of Local Services' [State House Note Program](#) for bond anticipation notes and serial loans as much as possible.
6. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.

B. Debt Limits

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and any self-supporting debt, shall be limited to [10] percent of general fund revenues, with a target balance of [five to seven] percent.
2. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

C. Structure and Term of Debt

The following shall be the Town's guidelines on debt terms and structure:

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than [10] years, except for major buildings, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
4. The Town will seek to maintain an average maturity of Town's total outstanding long-term debt at less than 10 years.
5. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
6. The Town will work within the DLS State House Note Program or with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

D. Bond Refunding

To achieve potential debt service savings on long-term, tax-exempt debt through bond refunding the Town will:

1. Issue debt with optional call dates no later than 10 years from issue.
2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
3. Use any net premium and accrued interest to reduce the amount of the refunding.
4. Work with the Town's financial advisor to determine the optimal time and structure for bond refunding.

E. Protection of Bond Rating

To obtain and maintain a favorable bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

F. Reporting

1. The Treasurer will report to the Board of Selectmen and Town Administrator on the Town's debt status at least annually.
2. The Town Accountant will include an indebtedness summary as part of a report on receipts and expenditures in Chester's Annual Town Report.
3. The Town Accountant, with the Town's financial advisor, will file an annual audit report and continuing disclosure statement within 270 days of the end of the fiscal year for debt with continuing disclosure requirements.

REFERENCES

[M.G.L. c. 41, § 59](#)

[M.G.L. c. 41, § 61](#)

[M.G.L. c. 44, § 4](#)

[M.G.L. c. 44, § 6](#)

[M.G.L. c. 44, § 6A](#)

[M.G.L. c. 44, § 7](#)

[M.G.L. c. 44, § 8](#)

[M.G.L. c. 44, § 17](#)

[M.G.L. c. 44, § 19](#)

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 21A](#)

[26 USC § 148](#)

Chester Capital Planning policy

DLS Best Practice: [Understanding Municipal Debt](#)

DLS Borrowing Guidelines: [Asset Useful Life - Borrowing Limits](#)

DLS Informational Guideline Releases 17-21: [Borrowing](#) and 17-22: [Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#)

Government Finance Officers Association Best Practice: [Refunding Municipal Bonds](#)

Internal Revenue Service Guidance: [Arbitrage Guidance for Tax-Exempt Bonds](#)

EFFECTIVE DATE

This policy was adopted on [date].

FINANCIAL RESERVES

PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, Chester can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact establishing the Town's credit rating and consequently its long-term cost to fund major projects.

APPLICABILITY

This policy pertains to the short- and long-range budget decision-making duties of the Board of Selectmen, Town Administrator, and Finance Committee. It also applies to the related job duties of the Town Accountant and Board of Assessors.

POLICY

The Town is committed to building and maintaining its reserves to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. In total for the general fund reserves under this policy, the Town will strive to maintain a minimum funding level of 17 percent of its annual operating budget. Equating to two months' worth of operating expenditures, this is a generally accepted reserve target for small communities with modest budgets and limited access to the bond market. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, and overlay surplus.

A. Free Cash

The Division of Local Services (DLS) defines free cash as "the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year." DLS must certify free cash before the Town can appropriate it.

To generate free cash, the Town Administrator will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects, snow and ice deficits, or emergencies).

The Town shall set a goal of maintaining its year-end unappropriated free cash balance in the range of [three to five] percent of the annual general fund budget. The Town will appropriate the excess above this target range to build reserves or to offset unfunded liabilities.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be

appropriated for any lawful purpose. Chester currently has a general stabilization fund and [three] special purpose stabilization funds authorized under [M.G.L. c. 40 § 5B](#) as detailed below.

General Stabilization: The Town will endeavor to gradually increase the amount annually appropriated to the general stabilization fund with the goal of achieving and maintaining a minimum balance of [12] percent of the operating budget. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events and for one-time capital expenditures. When possible, withdrawals of funds should be limited to the amount available above the [12] percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance. Further, the Town Administrator will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

Special Purpose Stabilization Funds: The Town currently has [four] special purpose stabilization funds:

Fire Truck Replacement Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding one or more replacement fire engines.

Town Building Maintenance Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding the maintenance costs of Town owned buildings.

Town Road Maintenance Stabilization Fund: The Town will annually appropriate or transfer from available funds for the purpose of funding the maintenance of public ways.

[Capital Improvement Stabilization Fund: The Town will appropriate annually to this fund so that over time it achieves a target balance sufficient to cover the Town's cash outlay for capital. The fund's target balance shall be [15 to 20] percent of the Town's annual operating budget.]

C. Other Reserves

School Assessment Stabilization Reserve Fund established to allow implementation of the Gateway School Assessment Stabilization Plan. This fund is used to offset the imbalance resulting from the alternate assessment formula based on student population instituted for the year beginning July 1, 2018.

D. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other two types of general fund reserves, this policy does not set a consistent, specific funding target for the overlay. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Abatement liability of cases pending before, or on appeal from, the Appellate Tax Board
- Timing of the next DLS certification review (scheduled every five years)

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Administrator and Town Accountant an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the overlay balance exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare it as surplus and available for use in the Town's capital improvement plan or for any other one-time expense.

REFERENCES

[M.G.L. c. 40 § 5B](#)

[M.G.L. c. 59 § 25](#)

Chester policies on Capital Planning, Forecasting, and Overlay

DLS Best Practices: [Free Cash](#) and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Releases 17-20: [Stabilization Funds](#) and 17-23: [Overlay and Overlay Surplus](#)

Government Finance Officers Association Best Practices: [Fund Balance Guidelines for the General Fund](#)

EFFECTIVE DATE

This policy was adopted on [date].

FORECASTING

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for creating multiyear projections of revenues and expenditures as part of the annual budget process and long-term fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions. In so doing, a multiyear forecast helps guide forward-looking budget processes that enable the community to avert potential deficits, promote long-term financial health, and strategize for capital investment and community development.

APPLICABILITY

This policy applies to the Board of Selectmen, Town Administrator, and Finance Committee in their budget analysis and decision-making responsibilities. It also applies to the Town Administrator's and Assessing Clerk's job duties.

POLICY

To determine the Town's operating capacity for future fiscal years, the Town Administrator will annually create a detailed forecast containing five-year projections of revenues and expenditures. The Town Administrator, Finance Committee, and Board of Selectmen will use the forecast to support their decision making for the upcoming year's operating and capital budgets and for the Town's multiyear capital expenditure plan. As a rule, the Town Administrator will create conservative forecasts. In basic terms, this entails reviewing historical revenue and expenditure trends, anticipating factors that may impact those trends going forward, analytically developing assumptions, and then formulating reasonable revenue and realistic expenditure projections.

Early in the annual budget process, the Town Administrator will present the initial forecast to a joint meeting of Board of Selectmen and Finance Committee. Throughout the budget process, these boards will use the forecast to inform their decision making. In addition, the Town Administrator will promptly revise the forecast projections whenever circumstances change and provide updates to the Finance Committee and Board of Selectmen.

On an annual basis, the Town Administrator will review the performance accuracy of the prior-year forecast and any evolving factors related to the underlying assumptions to consider how projections in the new forecast may need to be adjusted. Factors to consider include changes in laws, regulations, inflation rate, interest rate, town goals, and policy decisions.

A. Guidelines for Revenue Assumptions

The following principles shall guide the formulation of revenue assumptions:

- Projections of the property tax levy will be confined by the limits of Proposition 2½ (absent any overrides) and take into consideration consensus decisions regarding the Town's level of excess levy capacity.
- New growth projections will consider the Town's three-, five- and 10-year averages by property class and advice from the Board of Assessors.

- The Town Administrator will annually review the levy limit's relationship to the levy ceiling (which is 2.5 percent of the Town's real and personal property total value) to identify potential override capacity and to guard against the levy limit approaching or hitting the ceiling, which would impact future levy growth.
- Local aid projections will correspond with economic cycles.
- Estimates for local receipts (e.g., motor vehicle excise, inspection fees, etc.) will not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.
- One-time revenues will not be used in the projections to fund ongoing or recurring operating expenditures.
- Revenues from grant programs will be reviewed annually to determine their sustainability.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

B. Guidelines for Expenditure Assumptions

Annually, the Town Administrator will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

The following principles shall guide the formulation of expenditure assumptions:

- The Town's current level of services will provide the baseline for projections.
- Historical trends in the growth of operating expenses and employee benefits will prevail.
- Only known increases due to a compensation plan or schedule for the salaries/wages of regular employees will be factored in the projections.
- Potential cost-of-living adjustments to account for the impact of future wage increases will be calculated independent of the forecast.
- The Town will cultivate a strong relationship with the Gateway Regional School District's School Committee to receive timely, long-term estimates of district assessments.
- The Town will pay its annual pension contributions and make appropriations to amortize its other postemployment benefits liability.
- The Town will pay all existing debt service obligations and adhere to its Capital Planning and Debt Management policies.

REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

Chester policies on Capital Planning, Debt Affordability Analysis, Debt Management, Financial Reserves, Grants Management, and One-Time Revenues

DLS Informational Guideline Release 17-21: [Borrowing](#) and Best Practice: [Revenue and Expenditure Forecasting](#)

Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

EFFECTIVE DATE

This policy was adopted on [date].

INDIRECT COST ALLOCATION

PURPOSE

To apportion all the indirect costs associated with the Chester Municipal Light Department (CMELD) in an equitable manner that reflects their true shared costs, this policy provides guidelines for calculating and allocating those costs.

APPLICABILITY

This policy applies to the budgetary responsibilities of the Town Administrator, Town Accountant, and Light Department General Manager.

BACKGROUND

Under authority established in [M.G.L. c. 164](#), the accounting transactions for this operation are recorded and managed separately from the general fund. Their revenues and expenses are not commingled with those of any other governmental activity, and consequently they are reported separately on the financial statements. Consolidating this program's direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the Town to demonstrate to the public the true, total cost of providing the service.

POLICY

As part of the annual budget process, the Town Accountant will calculate the indirect costs to the general fund of the CMELD and review the calculations with the Town Administrator and CMELD General Manager. Based on the results, the Town Accountant will record transfers from the CMELD account by June 15 each year. The Town Accountant will maintain written procedures detailing the costs and their calculation methodologies.

A. Cost Categories

The calculation of indirect costs will consider the CMELD's personnel expenses budgeted in the general fund. Also accounted for will be certain administrative services performed on behalf of CMELD by other departments, namely:

- Accounts payable, payroll, and general ledger services provided by the Accounting Department
- Turnover processing, banking, investment, and tax title provided by the Treasurer
- Network, systems, and data services provided by the town
- Personnel administration, benefits, and payroll services provided by the Town Administrator and Treasurer

For these expenses and those listed below, the Town Accountant will calculate indirect costs based on the most recent fiscal year's appropriations and using either the actual, proportional, or estimated support methodology, as each is outlined below.

The following expenses will be included in the calculations for CMELD:

- Benefits for active and retired employees, including insurance and Medicare tax

- Pensions
- Property insurance
- Independent audit services
- Actuarial services
- Other costs that may be agreed to and documented

B. Explanation of Calculation Methodologies

1. **Actual cost**, as the term implies, involves the identification of specific costs attributable to the CMELD based on documented schedules or bills payable, such as insurance premiums.
2. The **proportional** method is a straightforward calculation of CMELD's net-of-debt budget as percentage of the total combined net-of-debt budget of CMELD and the general fund. The resulting percentage is then applied against the total budget (including employee benefits) of each town department that provides support to CMEL or against the total cost of the specific type of expenditure.
3. A department or official may be able to provide a reasonable **estimate of support** (i.e., an estimate of the average time spent to support a particular service). For an example, the Town Accountant estimates her department spends an average of two hours weekly, or five percent, on CMELD-related activities (e.g., creating warrants, bookkeeping). This percentage is applied against the department's or official's salary and benefits, including health and life insurance, Medicare, retirement and any workers' compensation.

$$\frac{\text{Hours worked on CMELD activities per year by individual(s)}}{\text{Total hours worked per year by individual(s)}} \times \text{Salary and benefits (as allowed) of individual(s) working on CMELD activities} = \text{Indirect Departmental Salaries}$$

C. Calculations by Cost Category

[This section should be expanded when calculation methodologies are established for other categories.]

1. **Health and Life Insurances**

Costs for health and life insurances will be calculated using the actual method by adding up the actual amounts paid by the Town for the participating CMELD employees during the current fiscal year. CMELD's portion of the Town's OPEB liability will be calculated as part of the biennial OPEB valuation.

2. **Medicare**

The Town's Medicare cost represents the employer match of the Medicare tax charged to employees hired after April 1, 1986. Using the actual cost method and based on employee W-

2s, the costs will be calculated as 1.45 percent of the total gross wages paid by the Town on behalf of each eligible CMELD employee during the preceding calendar (not fiscal) year.

3. Retirement

Indirect pension costs will be calculated using the proportional method. The Town's total annual contributory retirement assessment payable to the Hampden County Regional Retirement System is multiplied by the respective proportion of the CMELD employees' compensation to the total employee compensation as reported to the Public Employee Retirement Administration Commission.

4. Administrative Services

The indirect costs for department-related administrative services performed by the Accounting, Treasurer, and Town Administrator Departments will be calculated using the estimate of support method. It will be based on each department's annual estimate of the time required to perform the services for the department.

REFERENCES

DLS Informational Guideline Release 08-101: [Enterprise Funds](#)

Government Finance Officers Association Best Practices: [Indirect Cost Allocation](#) and [Full Cost Accounting for Government Services](#)

EFFECTIVE DATE

This policy was adopted on [date].

INVESTMENTS

PURPOSE

To ensure the Town's public funds achieve the highest possible rates of return that are reasonably available while following prudent standards associated with safety, liquidity and yield, this policy establishes investment guidelines and responsibilities. In addition, the policy has been designed to comply with the Governmental Accounting Standards Board's requirement that every community define and disclose its investment risk management strategy.

APPLICABILITY

This policy applies to the Treasurer's duties to manage and invest Town funds. If the Town contracts with any investment advisor(s), the Treasurer will provide this policy to them and verify compliance. The policy's scope pertains to all short-term operating funds and to all long-term reserve, investment, and trust funds, except for the Town's retirement fund, which is managed and invested by the Hampden County Regional Board of Retirement.

POLICY

The Treasurer will invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to prudent investment standards. The Treasurer will manage all investments to achieve a fair market average rate of return within the context of all relevant statutory, safety, and liquidity constraints.

A. Investment Objectives

In priority order, the Treasurer's investment objectives shall be:

- **Safety:** Safety of principal is foremost, and the Treasurer will adhere to this policy's risk mitigation strategies for the purpose of preserving capital in the overall portfolio.
- **Liquidity:** The investment portfolio must remain sufficiently liquid to enable it to meet all reasonably anticipated operating requirements.
- **Yield:** The investment portfolio will be designed with the objective of attaining a fair market average rate of return throughout budgetary and economic cycles, in accordance with the Town's investment risk constraints and the portfolio's cash flow characteristics.

The Treasurer will ensure that all **short-term operating funds**, such as general funds, special revenue funds, bond proceeds, and capital project funds remain sufficiently liquid to pay all reasonably anticipated operating requirements and debt service.

For **trusts and other long-term funds** (e.g., stabilization funds, cemetery perpetual care, and any similar funds set aside for long-term use), liquidity is less important than growth. The Treasurer will pool any individual funds that are invested in the same institution while also maintaining each fund in its own account to allow for the proper proportioning of interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer's control unless otherwise directed by their particular donor(s).

B. Conflict of Interest

The Treasurer is prohibited from making a deposit in any bank, trust company, or banking company for which he or she is or has been an officer or employee at any time in the last three years. The Treasurer will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. The Treasurer will disclose to the Town Administrator and Board of Selectmen any large personal financial investment positions or loans that could be related to the performance of the Town's investments. Further, when contracting for any investment services, the Treasurer will adhere to requirements under [M.G.L. c. 30B](#) and the Town's Procurement Conflict of Interest policy.

C. Investment Instruments

To ensure compliance with state statutes, the table below defines allowable investment instruments and guidelines.

Instrument Type	Short-term Funds	Long-term Funds
Depository accounts in Massachusetts state-chartered banks, including savings, checking and NOW accounts, and money market deposit accounts	No limitations	No limitations
Certificates of deposit (CDs) in Massachusetts state-chartered banks only	Unlimited amounts and maturity up to three years	No limits on amounts or maturity dates
The Massachusetts Municipal Depository Trust (MMDT) , the State Treasurer's investment pool for public entities.	No limitations and the pool is liquid	No limitations
U.S. Treasury or other U.S. government agency obligations	Unlimited amounts and up to one year from date of maturity	No limitations
Bank-issued repurchase agreements ("repos") secured by U.S. Treasury or other U.S. government agency	Maximum maturity of 90 days	Repos are by their nature short-term and therefore not appropriate for the growth objective of long-term funds.

Instrument Type	Short-term Funds	Long-term Funds
Money market mutual funds	<ul style="list-style-type: none"> ▪ Must be registered with the Securities and Exchange Commission (SEC) ▪ Must have the highest possible rating from at least one rating organization ▪ These are liquid investments, so maturity term is not applicable 	<ul style="list-style-type: none"> ▪ Must be registered with the SEC ▪ Must have the highest possible rating from at least one rating organization
Common and preferred stock, investment funds, and any other type of investment instrument specified in the List of Legal Investments	Not allowed	<ul style="list-style-type: none"> ▪ The Town’s aggregate amount of long-term funds must exceed \$250,000 to invest in these. ▪ Investment in mortgages, collateral loans, and international obligations is prohibited. ▪ Cannot invest more than 1.5% of a fund in the stock of any single banking or insurance company ▪ Cannot invest more than 15% of total aggregated funds in banking or insurance company stocks

Note: This policy confines the allowed depository accounts only to those offered by Massachusetts state-chartered banks, a provision that is more restrictive than state statutes and the Massachusetts Collectors & Treasurers Association’s sample investment policy statement. The reason is that the MA-chartered banks’ depository accounts are fully insured through a combination of the Federal Deposit Insurance Corporation and the state’s Depositors Insurance Fund. However, funds placed in these banks’ mutual funds or annuity products are not covered by either insurance, and the Treasurer must manage those and any other type of investments in accordance with other applicable provisions of this policy.

D. Risk Tolerance Guidelines

The Treasurer will employ the following strategies to mitigate the range of investment risks:

Type of Risk	Mitigation Strategy
<p>Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.</p>	<ul style="list-style-type: none"> ▪ Investments in any of the following are safe from credit risk: state-chartered banks' depository accounts (including CDs), obligations backed by the U.S. Treasury or other U.S. government agency, and the MMDT. ▪ For any other investments, the Treasurer will only purchase investment grade securities highly concentrated in those rated A or better.
<p>Concentration of credit risk is the risk arising from all funds being invested in a single issuer.</p>	<p>The Treasurer will diversify the portfolio among multiple issuers/institutions (see Section E).</p>
<p>Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover deposits or to recover collateral securities in the possession of an outside party.</p>	<p>The Treasurer will negate this risk by only making deposits at MA-chartered banks.</p>
<p>Custodial risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Town would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.</p>	<ul style="list-style-type: none"> ▪ The Treasurer will review the financial institution's financial statements and its advisor's background to ensure it has proven financial strength, capital adequacy, and an overall positive reputation in the municipal investment industry (see Section F). ▪ If a security is to be held by a third-party custodian, the Treasurer must approve that party and verify that the security is held in the Town's name and tax ID number, as evidenced by its CUSIP (Committee on Uniform Security Identification Procedures) code.
<p>Interest rate risk is the risk that interest rate changes will adversely affect an investment's fair market value.</p>	<p>The Treasurer will negotiate for competitive interest rates that are locked in for long terms.</p>
<p>Foreign currency risk is the risk that an investment will lose value as the result of an unfavorable exchange rate.</p>	<p>The Treasurer will negate this risk by not investing in any instruments with foreign currency exposures.</p>

E. Diversification

The Treasurer will invest in a diverse portfolio to prevent overconcentration in any institution, issuer, or maturity type. Apart from money placed in the MMDT or obligations backed by U.S. government agencies, the Treasurer will invest no more than 25 percent the Town's long-term funds with a single financial institution. In addition, the Treasurer will ensure compliance with the various allowable

percentage thresholds for specific investment instruments and issuers set forth in the List of Legal Investments.

F. Selection of and Relationship with Financial Institutions

When selecting from among MA-chartered banks to hold short-term funds, the Treasurer will consider their fee structure, service efficiencies, and account management control features. For investing long-term funds, the Treasurer will also assess the soundness, stability and reputation of prospective financial institutions and dealers/brokers. Brokers must be recognized, reputable dealers and members of the Financial Industry Regulatory Authority. The Treasurer will require any brokerage houses and brokers/dealers wishing to do business with the Town to provide the following:

- Audited financial statements
- Form ADV Part 2 showing the broker/dealer to be actively registered with both the SEC and Massachusetts Secretary of State's Office and providing information on the types of services offered, fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel
- Statement that the broker/dealer has read and will comply with this policy

The Treasurer will also consult the [Veribanc](#) rating service to select and monitor financial institutions. The Treasurer may invest in institutions rated green by Veribanc and will continue to review their ratings quarterly. If a bank's rating turns yellow, the Treasurer will request the bank provide a written explanation with an expected timetable for changing back to green. If the rating remains yellow for a second quarter, the Treasurer will consider liquidating all funds that are uninsured or uncollateralized. If any rating becomes red, the Treasurer will remove the money from the banking institution.

The Treasurer will review all banking and financial services at least annually to ensure their quality and the competitiveness of their fee structure and interest rates. On an annual basis, the Treasurer will also send letters to banks in the local region requesting them to report all usage of the Town's tax identification number to ensure the number is used only by the Treasurer and no outside entities.

G. Standards of Care

The Treasurer must review, understand and comply with the state's Prudent Investor Act ([M.G.L. c. 203C](#)). The Treasurer shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided that its purchase and sale have been carried out in accordance with the Act and the provisions of this policy.

H. Reporting Requirements

The Treasurer will assess investment activity and keep the Town of Administrator and Board of Selectmen apprised of any major changes by providing a report of investment activity annually or more often as needed. The investment activity report shall incorporate all the Town's investment funds and include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases
- Disclosure of the fees associated with managing each fund
- Brief statement of general market and economic conditions and other factors that may affect the Town's cash position
- Statements on the degree of compliance with the provisions of this policy

REFERENCES

[M.G.L. c. 30B](#)

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 44, § 54](#)

[M.G.L. c. 44, § 55](#)

[M.G.L. c. 44, § 55A](#)

[M.G.L. c. 44, § 55B](#)

[M.G.L. c. 110A, § 201](#)

[M.G.L. c. 167, § 15A](#)

[M.G.L. c. 203C](#)

Chester Procurement Conflict of Interest policy

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#)

MA Division of Banks [List of Legal Investments](#) and database of [MA-chartered banks](#)

Massachusetts Depositors Insurance Fund [FAQs](#)

MA Secretary of State webpage, [Registration Inspections, Compliance and Examinations Section](#)

Governmental Accounting Standards Board Statement 40: [Deposit and Investment Risk Disclosures](#)

SEC webpage [Form ADV Information](#)

EFFECTIVE DATE

This policy was adopted on [date].

ONE-TIME REVENUES

PURPOSE

To promote structurally balanced budgets by ensuring that operational expenses are supported by recurring revenue sources, this policy sets guidelines for the use of one-time revenues. It is fiscally prudent to avoid using any one-time revenue source to finance any ongoing operations since that funding source, by definition, cannot be expected to reoccur. Doing this without identifying future available offsets effectively postpones difficult decisions necessary to achieve structurally sound and sustainable spending plans.

APPLICABILITY

This policy applies to the Town Administrator, Finance Committee, and Board of Selectmen in their budget analysis and decision-making responsibilities. It pertains to any source of revenue that occurs in isolation in a given year (i.e., not repetitively, either year after year or over a limited period of years). These sources can include, but are not limited to, free cash, overlay surplus, sale of municipal assets, tax lien sales, insurance proceeds, and gifts.

POLICY

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. Instead, the Town will use the revenue to finance approved capital improvements, pay one-time expenditures, help reduce unfunded liabilities, or meet stated reserve goals before considering using any portion for operational needs. The Town Accountant will inform the Town Administrator of an anticipated receipt of any sizable or extraordinary one-time revenues and will thoroughly analyze them before proposing appropriation.

In addition, the following shall be the Town's priority order for appropriating one-time revenues:

1. Cash capital budget
2. General stabilization fund
3. Other Stabilization (capital) or reserve fund
4. OPEB trust fund

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenues. In such cases, the Town Administrator, with the Town Accountant may recommend their use for operational appropriations and will develop an action plan to avoid continued reliance on one-time revenues.

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:

- Sale of real estate: [M.G.L. c. 44, § 63](#) and [M.G.L. c. 44, § 63A](#)
- Gifts and grants: [M.G.L. c. 44, § 53A](#) and [M.G.L. c. 44, § 53A½](#)
- Bond proceeds: [M.G.L. c. 44, § 20](#)

REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

[M.G.L. c. 44, § 53](#)

[M.G.L. c. 44, § 53A](#)

Chester policies on Financial Reserves and Forecasting

DLS Informational Guideline Release 17-22: [*Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt*](#)

EFFECTIVE DATE

This policy was adopted on [date].

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other postemployment benefits for eligible current and future retirees. It is designed to achieve generational equity among those called upon to fund this liability and thereby avoid transferring costs into the future.

BACKGROUND

In addition to salaries, the Town compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially.

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Board of Selectmen, Town Administrator, and Finance Committee in their budget decision-making duties, and it also applies to the OPEB-related job duties of the Treasurer and Town Accountant.

POLICY

The Town is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

A. Accounting for and Reporting the OPEB Liability

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board¹. The Town Administrator will ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its biennial audits and reports on these to the Board of Selectmen.

B. Trust Management and Investment

The Town established an OPEB Trust Fund and designated as its trustee the Treasurer. As fund custodian, the Treasurer will manage the OPEB Trust Fund in conformance with the Town's

¹ Chester qualifies to use the Alternative Measurement Method (AMM) to comply with the valuation requirement. The AMM permits simplified methods for setting the assumptions used in the calculation thus reducing the Town's cost.

investment policy and the state's prudent investor laws. On an annual basis, the Town will analyze its option to invest the OPEB trust with the [State Retiree Benefits Trust Fund](#)².

C. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Town Accountant will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Treasurer will regularly audit the group insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, active Medicare status, or other factors.

D. OPEB Funding Strategies

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB Trust Fund from taxation, free cash, and any other legal form.

Achieving full funding of the liability requires the Town to commit to funding its actuarially determined contribution (ADC) each year. Among strategies to consider for funding the ADC:

- Appropriate an annually increasing dollar amount or percentage of yearly general fund revenues.
- Compel the Chester Municipal Electric Light Department to annually appropriate to the fund based on their portion of the liability.
- Determine and commit to appropriating an annual portion of free cash.
- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Once the pension system's accrued liability has been fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund an amount equivalent to the former unfunded liability expense (i.e., separate from the normal cost).

REFERENCES

[M.G.L. c. 32B, § 20](#) and [20A](#)

[M.G.L. c. 44, § 54](#) and [55](#)

[M.G.L. c. 203C](#)

Chester Investments policy

Division of Local Services Information Guideline Release 19-10 [Other Postemployment Benefits Liability Trust Fund](#)

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

² The State Retiree Benefits Trust Fund requires a minimum investment of \$100,000 but may be waived at the request of the Town.

Government Finance Officers Association Best Practices: [*Ensuring Other Postemployment Benefits \(OPEB\) Sustainability*](#) and [*Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits \(OPEB\)*](#)

EFFECTIVE DATE

This policy was adopted on [date].

OVERLAY

PURPOSE

To ensure the Town can adequately offset all unrealized tax levy revenues, this policy sets guidelines for determining the annual overlay amount in the Town's budget and for deciding whether any overlay balance can be certified as surplus. The allowance for abatements and exemptions, commonly referred to as the overlay, is an account to offset anticipated abatements and exemptions of committed real and personal property taxes. The account may also be charged in the event property taxes are deemed to be uncollectable.

BACKGROUND

The statute providing for an overlay account ([M.G.L. c. 59, §25](#)) was modified effective November 2016 to allow the maintenance of a single account. Previously, separate overlay reserves accounts for each fiscal year was required. Although this policy treats overlay as a single account, to continue historical information and facilitate reconciliations, the Town Accountant may elect to maintain subsidiary ledgers by levy year for overlay balances.

APPLICABILITY

This policy applies to the job duties of the Board of Assessors, Assessing Clerk, Town Accountant, and Town Administrator, as well as to the Board of Selectmen's and Finance Committee's roles as budget decision makers.

POLICY

A. Annual Overlay

Each year, the Board of Assessors will vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the Town's tax recapitulation sheet. The Assessing Clerk will determine and propose to the Board the amount to be added to the overlay account based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of the next certification review by the Division of Local Services (scheduled every five years)

The Board of Assessors shall notify the Town Administrator and the Town Accountant of the amount of overlay voted.

B. Excess Overlay

Annually, the Assessing Clerk and Town Accountant will conduct an analysis to see if there is any excess in the overlay account balance by factoring the following:

- Current balance in the overlay account after reconciling with the Town Accountant’s records
- Balance of the property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years
- Estimated amount of potential abatements, including any cases subject to ATB hearings or other litigation

Upon determining any excess in the overlay account, the Assessing Clerk will present the analysis to the Board of Assessors for its review and notify the Town Administrator.

C. Overlay Surplus

If there is an excess balance in the overlay account, the Board of Assessors will formally vote in an open meeting to certify an amount to transfer to overlay surplus and will notify the Board of Selectmen, Town Administrator, and Town Accountant in writing of its vote. If the Board of Selectmen makes a written request for a determination of overlay surplus, the Board of Assessors will vote on the matter within the next 10 days and notify the Board of Selectmen of the result in writing.

After being certified, Town Meeting may appropriate overlay surplus for any lawful purpose until the end of the fiscal year. However, the appropriation should be as prescribed in the Town’s Financial Reserves policy (re: overlay surplus) and its One-Time Revenues policy. Overlay surplus not appropriated by year-end closes to the general fund’s undesignated fund balance.

REFERENCES

[M.G.L. c. 59, §25](#)

DLS Informational Guideline Release 17-23: [Overlay and Overlay Surplus](#)

Chester policies on Financial Reserves and One-Time Revenues

EFFECTIVE DATE

This policy was adopted on [date].

PROSPECTIVE SHARED SERVICES

PURPOSE

To ensure the Town continually examines opportunities to improve the economy, efficiency and effectiveness of its services, this policy lays out guidance for identifying, analyzing, and proposing potential regional service agreements.

APPLICABILITY

This policy applies to the Board of Selectmen and Town Administrator in their duties to strategically plan for the Town's long-range goals. It also applies to the Finance Committee in its advisory role for the fiscal interests of Town Meeting. It further applies to other Town officials, employees, contractors, or other stakeholders who may be called upon to participate in the analysis of a prospective shared service.

This policy pertains only to the early-stage evaluation of the potential for pursuing new intercommunity shared services. Establishing a shared service agreement is a complex, multifaceted process. As such, once a proposal gets to the stage of having a steering committee, that committee should establish specific procedures for how it will study and report on the matter.

BACKGROUND

Massachusetts general laws contain numerous provisions that allow municipalities to work together to provide services under a variety of arrangements. These include establishing intermunicipal agreements (IMA), mutually contracting for services, forming regional districts, purchasing shared equipment, providing mutual aid, and others. To date, the Town has entered into agreements with neighboring communities to share the costs and responsibilities associated with providing the following services:

Service	Partners
Police	Blandford
Council of Aging	Southern Hilltowns COA Consortium
Veteran's Services	Hampshire Veterans Services
Economic development	Hilltown Collaborative
Ambulance Service	Hilltown Community Ambulance Association

POLICY

As part of long-range planning, the Town will proactively consider potential opportunities to enter into shared service agreements with nearby communities. The potential to achieve significant cost-savings does not have to be the sole driving factor for considering a shared service opportunity. Other valid justifications can include potential improvements in service efficiency or effectiveness, mitigation of risk liabilities to the Town, compliance with statutory mandates, and promotion of long-term sustainability.

A. Networking

The members of the Board of Selectmen and Finance Committee and the Town Administrator will actively develop relationships with counterparts in nearby communities to learn about common concerns, existing or potential shared service agreements, and useful resources. The Town supports employees' and officials' memberships in municipal associations and attendance at educational conferences, which can be helpful in this regard.

B. Timing

The Board of Selectmen and Town Administrator will be on alert for the occurrence of the following circumstances as prompts to considering shared services:

- Other community(s) proposing a shared service
- Department head's notification that he or she will be leaving Town service
- Upcoming expiration in a town contract
- Impending capital expenditure or equipment purchase
- Gifts to the Town or grant programs that present the potential to fund start-up costs

In response to these types of occurrences, the Board of Selectmen will direct the Town Administrator to begin the analysis under Section C.

C. Research and Preliminary Cost-Benefit Analysis

The Town Administrator has chief responsibility for conducting the initial research into a prospective shared service. Along with enlisting the expertise of Town employees as needed, this effort will involve having exploratory discussions with potential partner communities, assembling and analyzing relevant data sets, doing cost analyses, and assessing organizational impacts. The Town Administrator will also identify the proposal's potential stakeholders. These are the individuals or groups who may be impacted by the proposal and those who could directly or indirectly influence the process.

The Town Administrator will present the Board of Selectmen with a written report of the results of her analysis. If the Town Administrator recommends continuing to pursue the prospect, the report should clearly explain:

- The specific objective(s) that could be accomplished by sharing the service
- The reason for selecting the prospective partner community(s)
- Potential structure of the relationship, such as (but not limited to):
 - One community is the host that provides services to the other(s)
 - Forming a regional district
 - Contracting for services
- Potential type of agreement (e.g., IMA, memorandum of understanding, etc.)
- Organizational impact
- Potential cost-savings
- Existence of any outside funding potentially available for start-up costs, along with information on the viability of sustaining the service when grant funds are no longer available.

If the Town Administrator does not recommend going forward, the report will lay out that argument in similar fashion.

D. Steering Committee

The Board of Selectmen will review the Town Administrator's prospective partnership report and will vote on the recommendation. If the Selectmen vote to continue a process toward a new shared service, they will then appoint Town representatives to an intercommunity steering committee charged to conduct a more detailed study into the prospect.

REFERENCES

MA Community Compact Cabinet: [Efficiency & Regionalization Grant Program](#)

Massachusetts Association of Regional Planning Agencies: [Massachusetts Shared Services Manual, A Guide for Sharing Public Services in Massachusetts](#)

EFFECTIVE DATE

This policy was adopted on [date].

FINANCIAL OPERATIONS POLICIES

ANTIFRAUD

PURPOSE

To protect the Town's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities or any appearance thereof. Policy objectives include:

- To create an environment in which employees and citizens can report any suspicion of fraud
- To communicate the Town's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties

APPLICABILITY

This policy pertains to any suspected fraud, abuse, or similar irregularity against the Town. It applies to all elected and appointed Town officials and employees and to any other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients.

POLICY

The Town is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. Town officials, employees and other persons acting on behalf of the Town must, at all times, comply with all applicable policies, laws, and regulations. "Person acting on behalf of the Town" refers to any individual responsible for or to Chester's government placed in that position by some official relationship with the Town.

The Town will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject of such investigation.

A. Actions Constituting Fraud or Abuse

Fraud and abuse of authority can take many forms, all of which are covered by this policy and described in examples below.

Abuse of authority can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of Town property, equipment, materials, records, or other resources
- Waste of public funds

Fraudulent activity includes, but is not limited to, the following:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

B. Antifraud Responsibilities

Every employee has a duty to report any suspected fraudulent activity. Department heads are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud. All Town officials, department heads, and supervisory staff must familiarize themselves with the types of fraud that could occur within their areas of responsibility and be alert for any indications of such conduct. The Town Administrator has primary responsibility for coordinating all fraud investigations.

C. Reporting Suspicion of Fraud

Any Town employee or official who suspects fraud or abuse has occurred will promptly report it to the Town Administrator, who will duly post the matter for discussion in an executive session of the Board of Selectmen. If the suspected fraud or abuse involves the Town Administrator, the employee/official will report it to the Board of Selectmen Chair or to a different member of the Board if the Chair is suspected to be involved. Whoever receives the initial report will document it in writing and include sufficient details to ensure a clear understanding of the issues raised.

The Town Administrator is accountable for maintaining the confidentiality of all information related to a report of potential fraud or abuse, and the person making the report is protected from retaliation under the provisions of Section G below. The Town therefore strongly encourages individuals to put their names to reports; however, an anonymous report can be emailed to the Town Administrator at kwarden@townofchester.net.

D. Security of Evidence

Upon receipt of a report of suspected fraud or abuse, the Town Administrator will take immediate actions to prevent the alteration, theft, or destruction of relevant records and assets. Such actions may include, but are not limited to:

- Limiting access to the location where the records and assets exist
- Preventing access by the individual or individuals suspected of committing fraud or abuse
- Relocating the records and assets to a secure location

E. Investigation

As soon as possible after receipt of a report of potentially fraudulent activity, the Town Administrator will schedule a Board of Selectmen executive session to consider the following:

- Is a formal investigation necessary, and if so, who will lead it?
- Is there an immediate need for legal assistance or advice?
- Is police involvement immediately necessary?
- Is there a need for any external support (e.g., forensic accountants, technology professionals)?
- Should the Board of Selectmen and Town Administrator devise a media strategy on the issue?
- Is there a need to report the issue to any external parties?

The Town will investigate every nonanonymous report of suspected fraud. For any anonymous report, the Board of Selectmen will decide whether a formal investigation is justified based on the following:

- Credibility of the concern
- Seriousness of the issue (i.e., magnitude of negative impact to the Town)
- Sufficiency of details provided to enable an investigation

To begin the formal investigation, the Town Administrator will consult with the Town Counsel to obtain guidance on next steps. From there, the Town Administrator may also seek the involvement of the Police Chief, Town Accountant, and other personnel as needed. The Town Administrator may also recommend to the Board of Selectmen the employment an outside consultant to lead the investigation, such as an independent auditor.

F. Conclusion of Investigation, Corrective Actions, and Disclosures

At the investigation's conclusion, the Town Administrator or other assigned investigator will provide a written report of findings to the Board of Selectmen. If it supports a finding of fraud, the Town will pursue disciplinary actions against any individual(s) involved and make every reasonable effort to recover any lost assets. On the advice of Town Counsel, the Board of Selectmen may also report the violation(s) to the local district attorney's office to pursue appropriate legal actions.

Additionally, the Town Administrator, in consultation with the assigned investigator if any, will determine the corrective actions needed to implement new or enhanced internal controls, in the subject department and potentially Town-wide, to mitigate the risk of future fraudulent activity. The subject department head(s) will subsequently provide the Town Administrator with updates on the status of the corrective action(s) monthly or upon request.

If the Town's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery, or gratuity potentially affecting a federal award, the Town Administrator will disclose such in writing to the federal awarding agency in compliance with the Office of Management and Budget's Omni Circular. Similarly, if there are findings of bond offering information falsification, the Town Administrator will disclose this in writing to the bondholders.

G. Confidentiality and Media Relations

All participants involved in a fraud investigation will keep its details and results confidential so as not to violate any individual's expectation of privacy, and the Town Administrator will ensure that all related documents are securely stored. No investigation-related verbal information or documents may be shared with anyone not formally assigned to the investigation. No person employed by or otherwise acting on behalf of the Town may make any comment to the media or any other party without explicit authorization from the Town Administrator or Board of Selectmen.

H. Whistleblower Protection

Regardless of an investigation's outcome, no employee who makes a good faith report pursuant to this policy shall be subject to retaliatory actions by Town management, such as:

- Dismissal or threat of dismissal
- Discipline, suspension, or threat of these actions
- Intimidation or coercion
- Any other form of penalization or retaliation

Any party found to have retaliated against an employee for making a report pursuant to this policy will be subject to disciplinary action, up to and including termination.

Any employee who knowingly makes a false report, provides evidence they know to be false, or provides information without a reasonable belief in its truth and accuracy may be subject to disciplinary action. Evidence of false allegations made with malicious intent will result in disciplinary action, up to and including termination.

I. Ethics Training and Annual Acknowledgments

In July of every year, the Town Administrator will distribute this policy to all employees and officials along with a copy of the state's conflict of interest law, and each recipient is required to acknowledge receipt. Every two years, all Town employees must complete the state's conflict of interest training. In addition, any Town employee responsible for managing a vendor contract will ensure the vendor receives a copy of this policy and returns a signed acknowledgment. The Town Administrator or her designee will maintain a database to track the status of all acknowledgments and employee trainings and will follow up with those who are noncompliant with either requirement.

REFERENCES

Chester Code of Conduct

[M.G.L. c. 12, §§ 5A, 5B, 5C, 5D, 5E, 5F, 5J](#)

[M.G.L. c. 268A](#)

MA Office of the Inspector General's informational webpage: [What is Fraud?](#)

MA Ethics Commission summary of the conflict of interest statute: <https://www.mass.gov/service-details/summary-of-the-conflict-of-interest-law-for-municipal-employees>

MA Ethics Commission training webpage: <https://www.mass.gov/how-to/complete-the-online-training-program-for-municipal-employees>

U.S. Office of Management and Budget, December 2013: [Omni Circular](#)

EFFECTIVE DATE

This policy was adopted on [date].

DEBIT CARD USAGE

PURPOSE

To ensure all debit card purchases comply with the Town's Disbursements policy, this policy establishes standards for proper card use when conducting Town business.

APPLICABILITY

This policy applies to the job responsibilities of the Town Administrator, Treasurer, and Town Accountant. It also applies to all Town department heads, officials, and employees with spending authority (all referred to below as "employees").

POLICY

Under the custody and control of the Treasurer, the Town shall have [three] debit card accounts, each with one physical debit card and with a maximum spending limit of \$1,000. Exceptions to any provisions in this policy must be approved in advance by the Town Administrator and Town Accountant.

A. Allowable Use

Town employees may only make a purchase using a Town debit card on a limited, exceptional basis and after receiving approval from the department head. Card usage shall not be a routine alternative to payment under the normal warrant approval procedures; it is intended for transactions that are only possible by, or are most cost-effective by, debit card, including those connected to public safety emergencies. The Town is a tax-exempt entity; therefore, sales tax shall not be included with the cost of any debit card purchases.

The following are prohibited uses of the debit cards:

1. Personal expenses
2. Cash advances
3. Gift cards
4. Services (e.g., consultant fees, repair work, temporary help, etc.)
5. Use for paying other invoices
6. Alcoholic beverages and tobacco

B. Purchases

Prior to making a debit card purchase, an employee must complete a debit card requisition form (included in the Appendix). The department head must sign the form to attest that the purchase is being made within the proper appropriation. Because payment in this circumstance is effectively made in advance of a warrant, the Town Accountant must also sign the form, verifying that the purchase is consistent with the appropriation's intent, sufficient funds are available to cover the cost, and no fraud is evident. The Town Administrator must then approve the request.

Possession of the debit cards will remain with the Treasurer. For purchases required at a brick-and-mortar merchant or an online user account with secure logon has already been established, the

Treasurer may release the debit card to the employee making the purchase. The employee must complete the transaction and return the debit card to the Treasurer within no more than 24 hours. Any employee given custody of the card must immediately report to the Treasurer if it is lost or stolen.

If a return or exchange is necessary, the employee will coordinate the return with the Treasurer to ensure that proper credit is received for returned merchandise, following the same warrant process for the purchase.

C. Administration

The Treasurer is responsible for administration of the debit card, including but not limited to selecting the card issuer, setting the total account balance, ensuring proper use, and replenishing the balance(s) in the debit card bank account(s).

D. Warrant Process

The department head will complete and sign a Schedule of Bills Payable, attach to it the documentation of the debit card purchase and the debit card requisition form, and provide this package to the Accounting Department as part of the normal accounts payable (AP) warrant submissions. The department head will also provide a copy of this package the Treasurer. Upon approval of the AP warrant, the Treasurer will reconcile the information received from the department with the bank account or credit card statement and ensure full payment is made.

E. Audit

The Town Accountant will conduct random audits of the debit card activity, receipt retention, and statements. All debit card activity is subject to audit by Chester's independent auditor.

PROCEDURES

In accordance with this policy, the Treasurer and Town Administrator will create a detailed set of procedures for the debit card use, stipulating each step in the process and all required documentation. Important details to include are:

- Step-by-step description of the purchase, approval, and reconciliation processes
- Guidelines for appropriate use
- Description of required documents and their necessary details
- Procedures for resolving disputed charges
- Audits

FORM

Debit Card Purchase Requisition Form

REFERENCES

[M.G.L. c. 44, § 58](#)

[M.G.L. c. 44, § 64](#)

Town of Chester Disbursements Policy

EFFECTIVE DATE

This policy was adopted on [date.]

DISBURSEMENTS

PURPOSE

To mitigate the risk of fraud and ensure the Town disburses cash only for legally valid liabilities, this policy establishes guidelines for the expenditure of Town funds.

APPLICABILITY

This policy applies to the Town Accountant's and Treasurer's job duties and to the Board of Selectmen's warrant approval responsibilities. It further applies to all department heads and elected or appointed officials who submit requests for expense and payroll disbursements (all referred to here as "department heads"). Note that any elected or appointed board serving as a department head may vote to delegate the authority for approving payroll and expense submissions to one of its members, but no board can assign this responsibility to a non-board member.

POLICY

No disbursement for any payroll or accounts payable (AP) expense shall occur without the prior review and approval of the Town Accountant and Board of Selectmen. Accordingly, the Town Accountant is responsible for finalizing every AP and payroll warrant and the Board of Selectmen for approving each by majority signatures.

All payroll expenditures must be based on approved time and attendance records and consistent with personal service contracts, classification schedule, or Chester personnel bylaw. All vendor payments must be based on original invoices and issued only to entities with valid form W-9s on file. All invoices must be charged to the proper fiscal year. Payment for any bills payable for a prior fiscal year must be approved by vote of town meeting in accordance with [M.G.L. c. 44, § 64](#).

Printed on the face of every disbursed check will be: "Void if not cashed within one year of issuance." The Treasurer will secure all checks in a safe until distributed. As a tax-exempt organization, the Town will not pay sales tax on any expense, including those associated with any employee personal reimbursements.

A. Ongoing Maintenance of Payroll and Leave Time Data

The Treasurer is responsible for maintaining a database of all active town employees that includes their salaries, pay rates, stipends, weekly work hours, earned leave time, benefit options, and withholdings within the payroll module. Any change to an employee's employment status, work hours, or pay rate can only be made by the Treasurer based on a personnel action form signed by the appropriate department head, Town Accountant, and Town Administrator.

The Treasurer also has oversight responsibility for maintaining the database of employee leave time accumulations and usage. Any change to any employee's rate of accumulation within the database must be supported by one of the following documents: town meeting authorization, classification schedule, or personal services contract. Deductions to leave time will be based on data reported on weekly time sheets.

B. Responsibilities Related to Disbursement Processing

Each **department head** is responsible for:

- Assuring that all purchases of goods and services conform to the state's procurement laws
- Verifying that adequate funds exist in the department's budget for every AP and payroll submission, attesting to the accuracy of each submission via signature, and timely submitting the disbursement requests to the Town Accountant
- Distributing paychecks to employees upon receipt from the Treasurer

The **Town Accountant** is responsible for:

- Including each requested expense on the AP/payroll warrant only after validating:
 - Procurement laws were adhered to
 - The submission is legal
 - No fraud is evident
 - Adequate funds exist
- Preparing the AP and payroll warrants and submitting them to the Board of Selectmen for approval
- Ensuring the payroll warrant balances with the Treasurer's payroll preliminary report before providing it to the Board of Selectmen and subsequently notifying the Treasurer to finalize the payroll
- Updating the general ledger with all AP and payroll warrant expenditures

The **Treasurer** is responsible for:

- Entering payroll data in the payroll database based on departmental time sheets
- Maintaining and updating employee leave time balances database on both pay period and annual accrual bases
- Reviewing the AP warrant and withholding from disbursement any amounts owed to the town by listed payees
- Upon receipt of payroll and AP warrants signed by the Board of Selectmen, funding the gross payroll warrant, the Town's portion of Medicare tax, and the gross AP warrant in the associated bank accounts
- Imprinting the AP and payroll checks with the disbursement data using the office printer
- Mailing out all AP checks to the vendors
 - The Treasurer will not give any vendor checks to department heads or other employees to mail
- Notifying department heads to pick up paychecks on pay day
- Updating the cashbook to document the disbursement activity

The **Board of Selectmen** members are responsible for:

- Reviewing each warrant for appropriateness by examining the invoices, back-up documents, and payroll detail, and directing any inquiries to the Town Accountant
- Approving the warrants by signing them

C. Emergency Disbursements

Only if there is an emergency or extreme extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Treasurer may issue a manual check with written authorizations by the Town Administrator and Town Accountant. In any such case, the department head will submit the expense to be processed as a no-check on the next accounts payable warrant.

D. Petty Cash

To mitigate any risks of illegal expenditures, violations of procurement laws, or instances of expenses exceeding appropriations, petty cash accounts are not authorized.

E. Audit

All disbursement activity is subject to audit by Chester's independent auditor.

REFERENCES

[M.G.L. c. 41, §§ 41, 41A, 41B, 41C, 42, 43, 52, 56](#)

[M.G.L. c. 44, §§ 56, 58, 64](#)

[M.G.L. c. 30B](#)

EFFECTIVE DATE

This policy was adopted on [date].

EMPLOYEE REIMBURSEMENT

PURPOSE

To mitigate opportunities for fraud, waste and abuse, the Town must properly monitor and control reimbursements to employees and officials. This policy establishes rules governing reimbursements for legitimate business-related expenses, including necessary travel expenses incurred in performing official duties. It also provides guidelines for determining reasonable travel-related and other expenses and details the procedures, forms and documentation necessary to receive reimbursement.

APPLICABILITY

This policy applies to all elected and appointed officials and employees (all referred to here as "employees").

POLICY

The Town will reimburse employees for reasonable expenses incurred on the Town's behalf as authorized by their department heads, boards, or committees.

Travel shall be restricted to necessary activities that provide a public benefit, such as training, professional conferences, and other municipal-related activities. All travel on Town business shall be planned for using the most economical mode and class of transportation reasonably available and the most direct and time-efficient route. Employees will travel using government and group rates when available. The Town will not reimburse or pay sales tax but will, however, pay meals and room excise taxes. All travel involving an overnight stay must be requested in writing and approved in advance by the Town Administrator.

Business-related expenses, such as office supplies, should be procured through the Town's vendors and billed directly to the Town as much as feasible. Whenever this is not possible, the purchase must be made with the department head's approval.

When this policy is not followed, there is no guarantee that all expenditures will be reimbursed. Employees should determine estimates for their travel costs, discuss any extraordinary circumstances and expenses with their department heads, and obtain their authorizations in advance.

A. Unauthorized Expenses

The following expenditures will not be reimbursed:

- Alcoholic beverages and tobacco
- Massachusetts sales tax
- Costs associated with any political or charitable event
- Flowers or other gifts for employees or others
- Expenses incurred by or on behalf of any person who is not a Town employee who accompanies the employee on official business
- Expenses incurred for the sole benefit of the traveler, such as valet service, entertainment, laundry services, etc.
- Theft, loss, or damage to personal property while on Town business

- Non-mileage-related personal automobile expenses, including repairs, insurance, gasoline, and traffic citations

The Town Accountant may refuse to approve for payment any claim deemed to be fraudulent, unlawful, or excessive. In that instance, the Town Accountant will file a written statement of the reason for refusal with the Town Administrator and Treasurer and forward copies to the originating department head. Resolution of all disputes shall reside with the Town Administrator.

B. Reimbursable Expense Categories

Transportation

- Employees authorized to travel using their personal vehicle will be reimbursed at the mileage reimbursement rate established yearly by the Internal Revenue Service (IRS).
- Mileage will be calculated starting from the employee's office location or residence to the destination point, whichever distance is shorter.
- Employees must present receipts to be reimbursed for parking, tolls, airfares, and taxi fares.

Lodging

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for lodging expenses.
- Lodging expenses must not exceed the group rate published by the conference or activity sponsor. If the sponsor's group rate is not available when booking, the Town will reimburse for lodging costs comparable in location and quality and reserved at the lodging's government or group rate, whenever that is available.
- The Town will reimburse for only one night preceding any conference.

Meals

- If travel requires an employee to be away from home for more than 24 hours, he or she will be reimbursed for reasonable charges for meal expenses.
- Meal costs, including tips and taxes, incurred during approved travel will be reimbursed only upon presentation of itemized receipts. If the receipt is for multiple employees, they should be listed on the back of the receipt.
- Meals included in registration costs cannot be claimed for reimbursement or advance.

Registrations

- Whenever possible, registration fees for any conference, training, or workshop should be paid in advance through the Town's accounts payable warrant process. To pay advance registrations timely, the registration bill must be received in the Town Accountant's Office no later than two full weeks prior to the registration deadline.
- If registration is not paid in advance, the employee must pay out-of-pocket and then submit for reimbursement.

Business and Office Supplies

- Employees must obtain department head approval prior to incurring expenses for any business or office supplies, and all purchases made on behalf of the Town must be necessary, reasonable, and appropriate.

- Business-related special postal services or delivery services that are not available through the Town will be reimbursed.

C. Reimbursement Submission

Every claim for reimbursement must be documented using the Employee Reimbursement Form signed by the employee and the authorizing department head. Required information on the form includes: the travel or purchase date(s), purpose or destination, amount(s), and total business-related mileage (as applicable). Except for mileage, the employee must attach to the form a receipt or other valid proof of payment for each reimbursement claim.

Employees should submit for reimbursement as soon as the travel has concluded or the expense has been paid, but at maximum, no later than 30 days after the expenses being incurred. If an employee does not submit the Employee Reimbursement Form and accompanying receipts or other necessary documentation within that time, he or she may be personally responsible for the expenses.

D. Violations

Employees who violate this policy will be held directly responsible for their actions. Consequences may include revocation of travel privileges, reparatory payments, suspension, or termination. Improper documentation of otherwise valid travel expenditures creates the appearance of fraud, waste, or abuse and may result in similar consequences. Moreover, misrepresenting expenses and intentionally submitting false claims are fraudulent and could result in criminal penalties.

E. Audit

All expenses are subject to verification that they comply with this policy and to audit by the Chester's independent auditor.

FORM

Employee Reimbursement Form

REFERENCES

[M.G.L. c. 41, §52](#)

[M.G.L. c. 44, §58](#)

[M.G.L. c. 268A, § 3](#)

IRS webpage, [Standard Mileage Rates](#)

EFFECTIVE DATE

This policy was adopted on [date].

FINANCE COMMITTEE RESERVE FUND

PURPOSE

To ensure the Finance Committee's reserve fund is restricted to its appropriate purpose, this policy sets guidelines for requesting and making transfers from the fund.

APPLICABILITY

Applicable to the Finance Committee, Town Administrator, Board of Selectmen, and Town Accountant, as well as to all town officials and employees with spending authority (referred to here as "department heads"), this policy pertains to all aspects of managing the Finance Committee's reserve fund.

POLICY

In accordance with state law, funds from the Finance Committee's reserve may be transferred to a departmental account for extraordinary or unforeseen expenditures. Generally, if a cost could have been anticipated through a diligent budget process, it does not qualify as unforeseen. Notwithstanding this, budgets established by town meeting action sometimes contain mistakes, omissions, or uncertainties. Use of the reserve to address these occurrences may be approved if the amounts involved are small or if the problem at issue would cause significant disruption in the provision of Town services. The Finance Committee will consider transfer requests before any scheduled special town meeting only if urgent action is required to maintain a town service or function.

Whenever reasonable, it is preferable to authorize changes to existing budgets through actions at regularly scheduled town meetings or via the Board of Selectmen's and Finance Committee's authority to approve line-item transfers at fiscal year-end under [M.G.L. c. 44, § 33B](#). In no case will reserve transfers be used to void or bypass legitimate town meeting decisions. No transfer request will receive approval after July 15 for a prior fiscal year. Further, no direct expenditures may be made from the reserve fund at any time. Monies may only be transferred from the reserve fund to other operating accounts.

Although the finance committee has ultimate authority for determining the qualifying circumstances for a transfer, all department heads will submit requests first to the Town Administrator so that officeholder can monitor the Town's overall budget status and potentially offer alternative solutions.

A. Appropriation to the Reserve

The Town will annually appropriate a sum to the reserve to cover extraordinary or unforeseen expenditures arising during the year that cannot be absorbed within departmental budget appropriations. The target appropriation range shall be between [0.5 and 1] percent of the general fund operating budget, but in all cases shall be at least equal to the town's annual liability insurance deductible.

B. Transfer Requests

Department heads must manage operations without the expectation of receiving reserve transfers to fill shortfalls and will therefore request realistic appropriations for each upcoming year. During the fiscal year, department heads will take any and all available action to stay within their budgets and employ their line-item transfer authority to avoid the need for any town meeting or Finance Committee action.

If, after consulting with the Town Accountant, a department head determines that a reserve transfer is needed, he or she will make the request by completing the Request for Transfer from the Reserve Fund Form (included in the Appendix) and submitting it to the Town Administrator, along with any relevant supporting documents. Acting as point-person for the reserve requests, the Town Administrator will review and monitor their frequency and legitimacy. If a practical alternative solution for the request is not available, the Town Administrator will forward the request document(s) to the Finance Committee along with an action recommendation.

C. Finance Committee Decision

Upon receiving a transfer request from the Town Administrator, the Finance Committee Chair will include it as an agenda item for a posted legal meeting of the committee. The relevant department head should attend the meeting to explain and defend the request. This will ensure the Committee's questions can be answered and prevent any delay of action.

Approval or denial will be decided by a majority vote of Finance Committee members. To qualify for a reserve fund transfer, the following requirements must be met:

- The expense is legal
- No other departmental funds are available
- The purpose is not to augment salaries
- A regularly scheduled town meeting is not forthcoming
- Is not a repetitive, year-to-year reserve fund transfer request for the same line item
- The Committee's consensus is that town meeting would approve the request

The Finance Committee Chair will note the result of the decision on the request form, sign it, and provide copies to the Town Administrator, Town Accountant, and requesting department head.

D. Disposition of Residual Balances

Any unexpended balance of a reserve fund transfer remains earmarked and shall not be used for another purpose. The remaining reserve fund balance closes to free cash at fiscal year-end.

REFERENCES

[M.G.L. c. 40, § 6](#)

[M.G.L. c. 30A, § 20](#)

[M.G.L. c. 44, § 33B](#)

Division of Local Services (DLS) Guidance: [Guide to Financial Management for Town Officials \(p.30\)](#) and [City, Town and District Reserves](#)

FORM

Request for Transfer from the Reserve Fund

EFFECTIVE DATE

This policy was adopted on [date].

FINANCIAL MANAGEMENT TEAM

PURPOSE

To maximize the effectiveness of financial practices by optimizing the coordination of interdepartmental activities and long-range plans, this policy establishes a financial management team that will meet regularly to discuss common goals and objectives.

Team meetings help the Town's finance officers to maintain open lines of communication and reinforce awareness of their interdependence. In this forum, team members can identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and everyone's role in meeting common objectives. A formal financial management team approach also fosters institutional continuity during times of turnover in financial offices.

APPLICABILITY

This policy applies to the Town Administrator, Town Accountant, Treasurer, Collector, and Assessing Clerk.

POLICY

The Town establishes a financial management team consisting of the Town Administrator, Town Accountant, Treasurer, Collector, and Assessing Clerk. Meetings of the team will be scheduled at a consistent time each month and more frequently when necessary. Agenda topics will include:

- Updating the status of assigned responsibilities and due dates related to cyclical procedures
- Reviewing budget preparation, including financial forecasting and capital funding analysis
- Monitoring monthly revenue and expenditure reports and analyzing cash flow
- Developing corrective action plans for citations in the external auditor's management letters
- Reviewing the effectiveness of internal controls, including the status of monthly reconciliations
- Proposing internal audits
- Coordinating submissions to the Division of Local Services
- Review the status of special projects assigned by the Board of Selectmen or others
- Pursuing professional development and training opportunities

REFERENCES

Chester polices on Capital Planning, Forecasting, Independent Audit, Reconciliations, and Year-end Closing

Division of Local Services Best Practice: [Financial Management Team](#)

EFFECTIVE DATE

This policy was adopted on [date].

GRANTS MANAGEMENT

PURPOSE

To ensure Chester efficiently and appropriately manages its grant-funded programs, this policy sets a framework for evaluating grant opportunities, tracking grant activity, and processing grant revenues and expenditures. Effective grants management supports the pursuit of grants that are in the Town's best interest, optimizes cash flow through timely reimbursement submissions, and deters year-end account deficits. As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as all applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding.

APPLICABILITY

This town-wide policy applies to the grant project managers in each department applying for or receiving grant funding. It further applies to the grant-related responsibilities of the Board of Selectmen, Town Administrator, Town Accountant, and Treasurer.

POLICY

All departments are encouraged to solicit grant funding for projects and programs consistent with the Town's goals. The Town Administrator will review and forward all municipal applications for grants to the Board of Selectmen for preapproval. To be eligible for preapproval, there must be sufficient staff available to effectively administer the grant program and perform its required work scope, along with adequate matching requirements (both cash and in-kind).

No department shall expend grant funds until a fully executed grant agreement has been accepted and approved for expenditure by the Board of Selectmen. Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

Operating departments through their designated grant project manager(s) have primary responsibility for seeking grant opportunities, preparing applications, and managing awarded programs. The Town Accountant is responsible for consulting with project managers on grant budgetary matters, accounting for grants in the general ledger, monitoring grant expenditures for consistency with award requirements, tracking the timeliness of reimbursement requests, and distributing monthly reports of grant expenditures to departments. The Town Accountant will also maintain a database of all grants and grant activity from inception to closure.

A. Grant Opportunity Assessment

Well in advance of a grant application's due date, the departmental project manager will assess the opportunity in consultation with the Town Administrator and Town Accountant. Below are the factors to be considered, at minimum.

Programmatic:

- Alignment of the grant's purpose with the Town's and department's strategic priorities
- Department's capacity to administer the grant through to closeout
- Office space, facilities, supplies, or equipment required

- Ongoing impact of the grant program after it is completed
- Compliance and audit requirements, particularly as they may differ from the Town's

Financial:

- Total anticipated project cost
- Expenditure requirements and anticipated cash flow schedule
- Required cost matching shares and sources, including cash and in-kind
- Staffing requirements, including salary and benefit increases for multiyear grants
- Administration and indirect recapture amounts
- Program income potential

In this stage, the project manager will also develop a continuation plan to address the potential future loss of grant funding, which may include alternative funding proposals or plans for reducing or terminating program positions or components after grant closeout.

B. Grant Application and Award Acceptance

Prior to filing any grant application, the project manager will submit a meeting agenda item requesting preapproval from the Board of Selectmen with a report summarizing the grant and how it complies with this policy. The Town Administrator will then decide as to whether any preapproved application should be submitted to the Town Counsel for a legal review. Following this, the project manager will submit the grant application to the grantor and forward a copy to the Town Accountant.

When a project manager receives notice of any grant award, he or she will notify the Town Administrator. The Town Administrator will forward the grant documents to the Board of Selectmen to formally accept by signature and thereby approve the expending of grant funds. The project manager will then send copies of the signed agreement to the grantor and the Town Accountant.

Upon receiving the new grant's documents, the Town Accountant will create new general ledger account to record the grant activity separately from regular expenses. Federal grants will be identified by including the CFDA (catalogue of federal domestic assistance) number. When notified of any amendment or adjustment by the grantor, the project manager will immediately forward the information to the Town Accountant, who will make adjustment(s) to the grant's budget in the general ledger.

C. Grant Financial Management

At the start of a new grant, the Town Accountant and project manager will discuss its expenditure requirements, penalties, and the timing of reimbursement requests (e.g., at the time of expenditure, monthly or quarterly), when applicable.

The project manager will ensure all expenditures made are allowable and consistent with each grant award's requirements. The project manager will submit project invoices to the Accounting Department consistent with the Town's disbursement policy. The project manager will also ensure the proper payroll account codes for grant-funded employees are reported on the department's submission to the Treasurer as part the regular payroll process.

Because required retirement system remittances and/or general fund benefit reimbursements vary by grant, the Town Accountant will calculate these for each grant and notify project managers of the resulting amounts to include on the accounts payable submissions.

To minimize the use of advance town funds, every project manager will request reimbursements as often as the grant's guidelines allow and always no later than June 30th. In doing so, the project manager will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Immediately following each submittal, the project manager will send an email notification of the reimbursement request to the Town Accountant and Treasurer.

The Town Accountant will monitor each grant's deficit balance to assure it is temporary and receives reimbursement within the grant's allowable timeline and always prior to year-end. The Treasurer will match reimbursements received electronically or by check with their requests and credit the proper revenue lines.

D. Grant Closeout

Upon completion of the project work or grant period, whichever comes first, the project manager will verify that all grant requirements have been met and will send to the Town Accountant a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor.

Upon receipt of the closeout package, the Town Accountant will put the general ledger's grant account into inactive status and will reconcile the project manager's report with the general ledger's record of grant activity. The project manager will subsequently submit the final reimbursement request to the grantor or, if a refund is due, the Town Accountant will add the refund amount to the accounts payable warrant.

Within 30 days of any grant closeout or the year-end closure, whichever is earlier, the Town Accountant will determine if the grant account has been overexpended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

E. Audit

All grant activities are subject to audit by the particular grantors, the Town Accountant, and Chester's independent auditor. The Town Accountant will maintain all grant documents and financial records for seven years after their closeouts or for the lengths of time specified by the grantors, whichever period is longer.

REFERENCES

[M.G.L. c. 40, § 5D](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 53A](#)

Chester Disbursements policy

Public Employee Retirement Administration Commission: [Memo #12/2003](#)
Mass.gov webpage: [Community Grant Finder](#)

COA Administrator: [Annual Reporting Requirements](#)

US grant search website: [grants.gov](#)

EFFECTIVE DATE

This policy was adopted on [date].

INDEPENDENT AUDIT

PURPOSE

To ensure the reliability, accuracy, and completeness of year-end financial statements and obtain independent verification that proper internal controls are in place to protect public assets, this policy sets guidelines for the Town's engagement with an external audit firm.

APPLICABILITY

This policy applies to the Board of Selectmen in its overall responsibility for safeguarding the Town's fiscal health. It further applies to members of the Financial Management Team and any other Town employees whose activities may be audited.

POLICY

The Town commits to having its financial statements audited no less frequently than biennially by a certified public accounting firm ("the auditor"), and for the fiscal year ending after a change in a financial office (accountant, treasurer, or collector). These audited statements shall encompass all Town financial activities, including all major funds, enterprise fund³ (Chester Municipal Electric Light⁴), and aggregated remaining funds. Further, every audit contract will include a requirement to review financial management practices and report on any identified deficiencies in a management letter.

A. Auditor Selection

To ensure the opportunity for periodic new perspectives on financial practices, the Town will solicit competitive bids from audit firms at intervals no greater than every six years. In compliance with statute and the Town's Purchasing policy, the contract will be awarded to the lowest qualified bidder with a good municipal auditing reputation (i.e., "responsive and responsible" vendor). If the Town selects its incumbent auditor, the firm must agree to rotate audit managers.

B. Audit Engagement

The Town Administrator will coordinate the auditor's access to any requested accounting records, written procedures, or other documents. Every department head, official, or employee must respond to any such request timely and make themselves available to answer any auditor questions.

Under the vendor contract, the auditor will be required to provide the Town Administrator with preliminary findings and present final audit and management letter results at a joint meeting of the Board of Selectmen and Finance Committee.

³ The Chester Municipal Light Department is classified as an enterprise fund for the Town's financial statements.

⁴ The electric light plant operates under [M.G.L. c. 164](#) and is regulated by the [Mass Department of Public Utilities](#). There is no audit requirement for the operation's financial reports under the enabling statute. However, without such an audit, the Town's full financial position cannot be fairly presented according to generally accepted accounting principles. This results in the Town's independent auditor being unable to express an opinion on the Town's financial statements as a whole.

C. Corrective Action Plan

Whenever the auditor identifies a procedural weakness or deficiency, the auditor will describe it in a management letter citation. Upon receiving a preliminary management letter, the Town Administrator will work with financial officers to compose a written response to each citation, explaining the Town's corrective action plan (CAP) for the identified issue(s). This will typically require the Town Administrator and other applicable Financial Team members to identify the citation's root cause(s) and then determine what controls must be implemented to correct them, consulting further with the auditor when necessary.

The Town Administrator will separately provide the Board of Selectmen with a CAP report that explains the plans in more detail, including the responsible parties and anticipated time frames for implementing the controls. Additionally, the status of CAPs will be an agenda item at each monthly Financial Management Team meeting until the Town Administrator is satisfied the new controls are working properly. The Board of Selectmen will hold the Town Administrator and applicable financial officers accountable for any citations that repeat in a subsequent year.

D. Time frames and Reporting

Through adherence with the Reconciliations and Year-end Closing policies, it is the Town's goal to ensure the auditor can complete the audit and management letter by March of the year following the fiscal year-end closing. The Town Administrator will provide copies of the final versions of both reports to the Division of Local Services within two weeks of receipt.

REFERENCES

Chester policies on Financial Management Team, Procurement Conflict of Interest, Purchasing, Reconciliations, and Year-end Closing.

MA Office of the Inspector General guidance: [*A Local Official's Guide to Procuring and Administering Audit Services*](#)

DLS Best Practice: [*Annual External Audits*](#)

GFOA Guidance: [*Audit Procurement*](#)

EFFECTIVE DATE

This policy was adopted on [date].

PROCUREMENT - CONFLICT OF INTEREST

PURPOSE

To ensure integrity in the procurement process, this policy sets guidelines for vetting potential conflicts of interest.

APPLICABILITY

The policy pertains to all the Town's procurement and contract processes governed under the provisions of the state's Uniform Procurement Act associated with, but not limited to: specification development, preparation and issuance of solicitations, evaluation of solicitations and submissions, and other evaluations that lead to Town contract awards. The policy applies to the job responsibilities of the Town Administrator (as Chester's chief procurement officer) and to the related duties of the Town Accountant. It further applies to all Town employees, officials, and others working on the Town's behalf who are involved with any procurement and contract process and to the prospective contractors.

POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Chester will provide fair opportunities to participants in competitive processes for the award of Town contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The Town will investigate all allegations of conflict of interest or misconduct brought to the attention of Town staff.

A. Confidentiality during the Bid Evaluation Process

Town staff, consultants, and outside evaluators who are participants in a bid evaluation process are required to sign confidentiality agreements, which bind them not to share any information about responses received and the evaluation process until the Town issues a Notice of Intended Award.

The departmental purchasing employee will:

1. Identify all participants of an evaluation process who receive proposals or other documents used in the evaluation process, including any nonevaluating observers.
2. Ensure that these participants sign confidentiality agreements.
3. Submit the confidentiality agreements to the Town Administrator.

The Town Administrator will:

1. Verify that signed confidentiality agreements for all participants in the evaluation process, including nonevaluating observers, are submitted.
2. Maintain signed confidentiality agreements on file

B. Conflict of Interest in Procurement

To ensure decisions are made independently and impartially, Town employees and officials are expected to avoid any conflicts of interest and avoid the appearance of conflicts of interest. A conflict of interest, or the appearance of one, must be disclosed whenever a vendor, employee, or officer has, or can reasonably anticipate having, an ownership interest, a significant executive position, or other remunerative relationship with a prospective supplier of goods or services to the Town or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

According to the federal Office of Management and Budget's Omni Circular, a conflict of interest arises when: *"the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract."*

And it states that: *"The officers, employees, and agents of the non-federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts."*

The Omni Circular further requires that for any federal grant involving a parent, affiliate, or subsidiary organization that is not a state or local government, the Town must also maintain written standards of conduct covering organizational conflicts of interest. An organizational conflict of interest means that due to a relationship with a parent company, affiliate, or subsidiary organization, the Town is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

Any person with a conflict as described above shall not participate in the preparing of specifications, qualifying vendors, selecting successful bidders on products or services in which they have an interest, or approving payment to those interests. The only exception to this arises if the person makes full disclosure of a potential conflict and receives an advance, written determination from the [State Ethics Commission](#) that the interest is not so substantial as to be deemed likely to affect the integrity of the services the Town may expect from that individual.

C. Disclosure and Review

Department heads and other officials are required to ascertain and disclose to the Town Administrator any potential conflict of interest affecting procurement transactions before a contract is signed, commitment made, or order placed. The Town Administrator will then notify the Town Accountant, who will verify the availability of funds before any order is placed with a vendor.

The following measures will be taken to ensure the Town avoids any conflicts of interest in procuring Town contracts:

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant financial interests as required by state and federal laws and

to annually review those statements in conjunction with this policy and other ethical standards.

2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons shall include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.
3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

The departmental purchasing employee will:

1. Identify employees, consultants, outside uncompensated parties, and any other persons who will be involved in a procurement or contract activity, such as specification development, preparation and issuance of solicitations, evaluation of solicitations or submissions, or other evaluations, that will lead to an award of contract.
2. Provide conflict of interest forms to the identified participants.
3. Submit the completed forms to the Town Administrator prior to commencing any procurement or contract activity.

The Town Administrator will:

1. Review the submitted forms for potential conflicts of interest.
2. Discuss any potential conflicts of interest with the Town Counsel and document the resulting determinations.
3. Provide the Board of Selectmen with the documented result.
4. If a conflict or the appearance of one exists, take appropriate actions, including but not limited to, removal of the employee, consultant, or outside uncompensated party from the procurement activity or cancelation of the solicitation.

D. Compliance Reviews

The Town Accountant will conduct random reviews of compliance with this policy. All procurement activities are also subject to audit by the Chester's independent Auditor.

REFERENCES

[M.G.L. c. 30B](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 268A](#)

Chester Purchasing policy

State Ethics Commission's webpage [Disclosure Forms for Municipal Employees](#)

Inspector General's webpage [Procurement Assistance](#)

U.S. Office of Management and Budget, December 2013 [Omni Circular](#)

EFFECTIVE DATE

This policy was adopted on [date].

PURCHASING

PURPOSE

To optimize the value received for Town expenditures, assure employees comply with the state's procurement laws, and avoid exposure to any bid disputes, this policy establishes standards and practices for the purchasing of materials, supplies, and services.

APPLICABILITY

This Town-wide policy applies to all employees and officials involved in procurement or purchasing.

POLICY

The Town Administrator as Chester's chief procurement officer (CPO) is responsible for ensuring that all purchasing adheres to the competitive quotation and bidding procedures required by state law. To effectively fulfill this role, the Town Administrator will achieve and maintain a designation of Massachusetts Certified Public Purchasing Official through the Office of the Inspector General (IG). In compliance with statute, the Town Administrator will award contracts to the lowest bids received from responsive and responsible vendors.

All department heads are accountable for the purchases made within their departments. Accordingly, all department heads and any designated purchasing employees must read and adhere to the provisions of [M.G.L. c. 30B](#) and follow the procurement procedures detailed in the IG's guide, [The Chapter 30B Manual: Procuring Supplies, Services, and Real Property](#). In addition, every department head will make all efforts to combine purchasing needs with other departments to avoid waste and seek bulk purchase discounts. The Town Administrator will coordinate with department heads to identify group purchasing opportunities.

All practices associated with procurement and purchasing are subject to audit by the Chester's independent Auditor.

A. Quotation and Bidding Requirements

Apart from the 34 specific types of exceptions listed under [M.G.L. c. 30B § 1](#), all purchases for goods or services must comply with the following:

- Under \$10,000 requires the use of sound business practices.
- Between \$10,000 and \$49,999 requires solicitation of at least three written quotes.
- \$50,000 or more requires competitive sealed bids or proposals for contracts.

Every department head must assess his or her department's full fiscal year operational needs when considering purchases. No Town department may split up several small purchases of the same product to, in effect, conceal the cost threshold for soliciting bids.

B. Sole Source Procurements

Competitive bids may be waived in instances where there is only one vendor that can provide the relevant equipment, materials, or services. Any department head intending to make a sole source procurement must first submit supporting documents to the Town Administrator for preapproval.

C. Purchasing Employee/Department Head Responsibilities

Department heads will ensure their purchasing complies with the following provisions.

Purchase costing less than \$10,000:

- Ensure compliance with sound business practices by periodically soliciting price lists or quotes in pursuit of favorable prices.

Purchase costing between \$10,000 and \$49,999:

- Create a purchase description that includes the following (as applicable):
 - Detailed description of the product or services required
 - Schedule of performance
 - Quantities required
 - Delivery terms
 - Payment terms
 - Insurance or other special requirements
- Solicit at least three written quotes from vendors according to procedures outlined in the IG's Chapter 30B Manual.
- Submit the purchase description, quotes, and recommended vendor to the Town Administrator for review.
- After the vendor has been selected and purchase made, include a copy of the Town Administrator's notice of the approved bidder when submitting the invoice for payment to the Town Accountant.

Purchase costing \$50,000 and over:

- Work with the Town Administrator on the creation of an invitation for bid (IFB) or request for proposal (RFP).

D. Town Administrator Responsibilities

As CPO, the Town Administrator's responsibilities include the following.

Purchase costing between \$10,000 and \$49,999:

- Review the bids, select the vendor, and notify the department head of the selection.

Purchase costing \$50,000 and over:

- Write an IFB or RFP in accordance with guidelines in the IG's manual.
- Follow the IG's guidelines for advertising the IFB/RFP and for receiving, reviewing and awarding bids.
- Maintain a log of all bids, including the number of them received and their dollar values.

- Work with department heads to write the contract for the awarded vendor and refer proposed contracts for the Town Counsel's review.
- Ensure every finalized contract is signed by the vendor and Board of Selectmen and/or other Town board with statutory responsibility for the department. Construction contracts must also be signed by the Town Accountant, per M.G.L. c. 44, § 31C.
- Retain originals of all bid documents, including specifications, vendor responses, evaluations, and award determinations, for six years after the bid due dates.
- Provide the Town Accountant with copies of all executed contracts.

E. Board of Selectmen Responsibilities

The Board of Selectmen will review all proposed contracts and direct any inquires to the Town Administrator and relevant department head. The Board of Selectmen members will sign the contract to approve it when satisfied with the terms and with the procurement process that was done.

F. Town Accountant Responsibilities

The Town Accountant will:

- Refer to contract terms when reviewing invoices submitted for payment.
- Conduct random audits of compliance with this policy.

REFERENCES

[M.G.L. c. 30B](#)

[M.G.L. c. 44, § 31C](#)

Chester's policies on Procurement Conflict of Interest and Disbursements

MA Inspector General manuals: [The Chapter 30B Manual: Procuring Supplies, Services and Real Property - Legal Requirements, Recommended Practices and Sources of Assistance, 8th Edition](#) and [Designing and Constructing Public Facilities](#)

EFFECTIVE DATE

This policy was adopted on [date].

RECONCILIATIONS

PURPOSE

To ensure transactions are in balance, mitigate fraud, safeguard general ledger accuracy, and maximize certifications of free cash, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger.

APPLICABILITY

This policy applies to the Town Accountant, Treasurer, Collector, and all departments that use special revenue funds or have accounts receivable responsibilities (e.g., Trash, Police, Recreation, etc.). Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of Chester's financial records.

POLICY

The Treasurer, Collector, and department heads who manage general or special revenue funds will internally reconcile their accounting records and then reconcile them with the Town Accountant according to the guidelines and periodic intervals outlined in this policy.

A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer will maintain a cashbook in SoftRight that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer will make certain that every cash receipt, disbursement, transfer, and interest accrual is recorded in the cashbook within [two business days] of each transaction. The Treasurer will reconcile cashbook accounts to their corresponding bank accounts [weekly] and finalize the monthly reconciliation within [five days] of month-end. Bank accounts will include zero-balance vendor and payroll, whose balances must equal the outstanding checks at the end of any month.

The Treasurer will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will correct them when appropriate. The Treasurer will then forward a reconciled cashbook balances report to the Town Accountant and, when necessary, forward an additional receipt report or Schedule of Receipts for any adjustments made.

B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options.

At the conclusion of each pay cycle, the Treasurer will forward a summary report of withholdings subject to vendor invoices (i.e., insurances) to the Town Accountant to be recorded in separate general ledger agency accounts and disbursed through the accounts payable process. To reduce the risk to the Town for liabilities in excess of withholdings, the Town Accountant will conduct monthly reconciliations of these payroll withholdings to their corresponding accounts payable, identify any

discrepancies, and provide the results of these activities to the Treasurer to make any necessary payroll changes or adjustments. The Treasurer will verify and reconcile payments for all other withholdings and deductions that are automatically issued and paid directly through the payroll system via electronic funds transfer or check.

C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excises, trash charges) or from uncommitted department invoices (e.g., police details). To ensure these assets are accounted for and balanced, the Collector and any department head with accounts receivable duties (each referred to here as “record-keeper”) will make certain that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year if applicable, and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which the record-keeper reduces a commitment according to processed collections, abatements, and exemptions and increases it by issued refunds. To maintain accuracy, the record-keeper must review the detailed list of receivables, identify credit balances as prepaid amounts or investigate them for possible correction, and reconcile the control balance to the detail.

Whenever these records do not agree, the record-keeper must determine the discrepancy by:

- Verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Town Accountant. For the Collector, this is the Schedule of Outstanding Receivables.

D. Special Revenue Reconciliation

Governed by various state statutes, special revenue funds are specific revenues segregated from the general fund and earmarked for specific purposes. They include gifts and grants from governmental entities, individuals, and organizations; revolving funds; and receipts reserved for appropriation. To ensure these funds are balanced, department heads with responsibility for special revenue funds will verify that all revenues turned over to the Treasurer, expenditures authorized for payment by the Town Accountant, and properly authorized transfers are recorded for the period. These department heads will subsequently provide the Town Accountant with quarterly reconciliation reports on the funds.

E. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger’s integrity, the Town Accountant must regularly reconcile it with the separately maintained accounting records outlined in Sections A – D

above. In addition, it is the Town Accountant's responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger's cash accounts should reflect only those transactions reported to the Town Accountant by the Treasurer, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the Town Accountant identifies a discrepancy between the general ledger and the cashbook, the following steps must be taken in conjunction with the Treasurer to determine the cause:

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer must verify that the monthly Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer and Town Accountant must trace each entry to the ledger until the variance is determined.

All receivable records must also be reconciled to the Town Accountant's general ledger. If a given receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the Town Accountant must:

- Review the commitments, charges, payments, abatements, refunds, reclassifications, and adjustments in the general ledger, as appropriate for the control.
- Verify whether receipts are recorded to the correct type and levy year.
- Verify the dates that activities were recorded.

The Town Accountant's receivable accounts in the general ledger should reflect the transactions provided by each record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the record-keeper and Town Accountant must trace each ledger entry until they determine the reason for variance.

The Town Accountant will verify that all special revenue fund reconciliations match the general ledger. The responsible department head and Town Accountant must research any discrepancy and correct the record(s) as appropriate.

F. Time frames and Documentation

Employees subject to this policy will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than the [15th] of the month following the one being reconciled. At each quarter-ending month, the Town Accountant will extend the cash reconciliation process to individually reconcile every general ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds, guarantee bond deposits).

Each general ledger reconciliation will be documented by a worksheet cosigned by the two parties. If, at that time, any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The Town Accountant will submit the collective set of reconciliation worksheets to the Town Administrator at each month's end.

REFERENCES

Chester policies on Financial Management Team and Revenue Turnover

DLS Best Practice: [Reconciling Cash and Receivables](#)

Massachusetts Collectors & Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

EFFECTIVE DATE

This policy was adopted on [date].

REVENUE TURNOVER

PURPOSE

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer. Included are details of internal controls designed to provide reasonable assurance that the Town's revenues are properly and timely secured, recorded, and deposited in Town bank accounts.

APPLICABILITY

This policy applies to the Treasurer, as the Town's cash manager, as well as to all individuals within each department assigned responsibility for handling payments. It further applies to the Town Accountant's duty to keep the general ledger up to date. It pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excises, fees, charges, and intergovernmental receipts.

POLICY

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure that all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer. All employees who handle the receipt of money must be trained in this policy by a representative of the Accounting and Treasury offices. To indemnify the Town from potential loss or theft, the Town Administrator will ensure that surety bonds are maintained for all individuals responsible for handling payments. Each department will turn over at least weekly and must do so by the end of the day when receipts total [\$200] or more. At month-end, departmental staff will turn over all revenues no later than [11:00 am] on the last business day of the month.

A. Receiving Payments

Using prenumbered receipt books, assigned departmental staff must issue the first (original) copy as a receipt for every payment received, even when the payer attempts to refuse it. These departmental staff must identify the forms of payment (check, cash, or credit card) in their receipt books, and if payment is for a permit, the permit number. Checks received by mail will be recorded in the receipt book noted "received by mail". As the exception, the Collector when receiving taxes and other collections from the public need only issue receipts for cash payments. Every staff person who receives any check will immediately endorse it "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cash box or safe until completing a turnover to the Treasurer.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of receipts to the Treasurer. To the extent practicable, separate individuals should be tasked with: 1) receiving and endorsing payments, 2) recording payments in the departmental log, and 3) turning receipts over to the Treasurer.

B. Turning Over Revenues

Departmental staff will fill out triplicate Schedules of Departmental Payments (the turnover form) and obtain the department head's signature on each. Every listed receipt should tie back to a receipt book entry and to the receipt summary reports maintained by the department head. Departmental staff will deliver the turnover package in person and at no time may leave any unattended turnovers in the Treasurer's office or elsewhere in Town Hall.

No less than weekly and at month-end, the Collector will complete an internal turnover of all collections processed during that period for taxes and other committed receivables. This shall consist of a turnover report listing of all processed collections summarized by receipt type, which must reconcile to the bank deposits made for the same period.

When the Treasurer has accepted the turnover, the department employee will receive back two copies of the turnover form signed and dated by the Treasurer. The department employee will retain one turnover copy on file and is responsible for delivering the other to the Town Accountant. The Town Accountant will refuse to accept any turnover that is not signed by the Treasurer.

The head of every department that receives payments will review the Town Accountant's monthly revenue reports to verify all turned over receipts have been accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Town Accountant.

C. Receiving Turnovers

When presented with the turnover, the Treasurer will count the receipts in the presence of the employee doing the turnover. Any inaccuracies on the turnover forms will be corrected on them at that time and initialed by both parties. The Treasurer will then sign the turnover copies and return two of them to the departmental employee.

Within 24 hours of receiving the turnover, the Treasurer will post the receipt data in the SoftRight Treasury Receipts module. At the close of business each day, the Treasurer will review the SoftRight postings, turnover documents, and receipts, update the cashbook, and create a deposit package. No less than [weekly], the revenues will be deposited at the bank. Until the deposit is completed, the Treasurer will ensure that all receipts are always secured, either in a cash drawer or, if being held overnight, in a safe.

[Weekly], the Treasurer will forward a SoftRight Schedule of Receipts report to the Town Accountant. The Town Accountant will compare the turnovers received directly from departments with the Schedule of Receipts reports received from the Treasurer and contact the Treasurer or appropriate departmental employee about any discrepancies. The Town Accountant will then post the receipt data to the general ledger.

D. Insufficient Funds

Upon notification from the bank of an insufficient check or an invalid or otherwise unpaid electronic funds transfer (EFT), the Treasurer will enter a negative deposit to the original revenue and bank

accounts in SoftRight and notify the department responsible for the turnover and the Town Accountant.

The Treasurer will notify the issuer in writing of the bounced check or rejected EFT. Payment of the original amount plus a [\$25.00] penalty is due in [10] days and must be in the form of cash, money order, or certified check.

It is the department head's (or designee's) responsibility to follow up on collecting the amounts owed. If the payment was for a license or permit, the department will suspend the license or permit until the original amount and penalty have been paid. If it was for a committed receipt (e.g., tax bill), the committed amount will be reinstated by the appropriate official and the usual collection procedures followed.

F. Cash Drawers

On a limited basis, the Town Accountant may authorize funds for a department cash drawer for the exclusive purpose of making change. The department head must complete a Cash Drawer Authorization Form (included in the Appendix) to request this funding. The Town Accountant will maintain records of cash drawer balances in the general ledger as cash accounts.

Use of these cash drawers shall be restricted only to departmental staff whose job duty assignments specify cashier functions. The department head is responsible for ensuring that each cash drawer is counted daily and will immediately investigate and correct any discrepancies. Cash drawers shall be stored in locked cabinets or safes.

E. Reconciliation

In accordance with the Town's Reconciliations policy, the Treasurer will reconcile the cashbook with bank statements and provide a summary of cashbook balances to the Town Accountant monthly.

F. Audit

All cash management activity is subject to review by the Town Accountant and Chester's independent auditor. Further, the Accounting office will conduct random, periodic audits of departments revenue turnover procedures and cash drawers to ensure adherence to the policy.

REFERENCES

[M.G.L. c. 41, § 35](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 44, § 69](#)

[M.G.L. c. 60, § 57A](#)

Chester Reconciliations policy

Massachusetts Collectors & Treasurers Association's [Treasurer's Manual](#) and [Collector's Manual](#)

FORM

Cash Drawer Authorization

EFFECTIVE DATE

This policy was adopted on [date].

TAILINGS

PURPOSE

To minimize the liability posed by uncashed checks and its negative impact on cash position certainty, this policy sets guidelines for the timely resolution of tailings.

A tailing refers to a disbursed but uncashed check, which represents a debit liability on the Town's books. It can arise from any treasury check issued to pay an employee or vendor, refund a municipal tax or charge, or pay any other municipal obligation. Tailings constitute unclaimed property under M.G.L. c. 200A. By accepting [M.G.L. c. 200A § 9A](#), the Town can expedite the tailing resolution process and prevent the eventual escheatment of the funds to the State Treasurer, as otherwise required. This policy sets forth the steps that must be taken to properly manage tailings under § 9A.

APPLICABILITY

This policy applies to the Treasurer, Town Accountant, and all department heads.

POLICY

Every check issued by the Treasurer will have imprinted on its face: "Void if not cashed within one year of issuance." On a monthly basis, the Treasurer will identify all uncashed checks older than 30 days and attempt to resolve them using the procedures outlined below. Furthermore, at the start of each calendar year, the Treasurer and Town Accountant will work together to resolve accumulated tailings, either by prompting the actual pay out or through escheatment to the Town.

PROCEDURES

A. Monthly Review

Once a month, as part of the bank reconciliation, the Treasurer will identify all the uncashed checks in the bank statements and enter them into an Excel spreadsheet log of outstanding checks. The Treasurer will then determine which checks in the cumulative log are outstanding 30 days or more after issuance. The Treasurer will email the department head associated with each such check to follow up with the employee or vendor payee. The department head will attempt to contact the payee by phone to determine why the check has not been cashed. For all checks still outstanding two weeks after notifying the departments, the Treasurer will send an uncashed check notice to each payee at his or her last known address.

The Treasurer will identify once a month all checks that are uncashed more than one year after issuance and notify the bank to stop payment on them. After this point, the checks may still be claimed by the payees but will require reissuance. The Treasurer will provide a report of the stop-paid checks to the Town Accountant, who will then record the funds as abandoned property liability in the general ledger.

B. Yearly Review

In the month of [January] each year, the Treasurer will review the accumulated inventory of stop-paid tailings and do the following:

1. List the unclaimed checks on the Town's website for a minimum of 60 days under the heading: "Notice of names of persons appearing to be owners of funds held by the Town and deemed abandoned." Along with payee names, this notice will detail the process to claim funds and set a deadline for making a claim not less than 60 days after the initial posting date of the notice on the website.
2. For all checks still unclaimed after the website deadline, publish a notice of the checks in the *Country Journal*. This notice will be in the same form as the website posting and state a new claim deadline not less than 60 days after the publication date.
3. After 60 days lapse from the newspaper publication, send a notice of all unclaimed funds under \$100 to the Town Accountant. For those \$100 or greater, publish a second notice in the *Country Journal* with the same language as the previous except that it provides a deadline for claiming the funds at least one year after the new publication date.
4. Schedule a calendar prompt one year after the second publication date to review the checks and notify the Town Accountant of all those that are still unclaimed at that time.

C. Escheatment

Upon receipt of either notice from the Treasurer described in Section B above, the Town Accountant will escheat the listed funds. This involves reversing the abandoned property liability and recognizing the funds as revenue.

D. Check Claiming

At any point prior to escheatment, if a payee contacts the Treasurer to claim a check, the Treasurer will review the claim for validity and timeliness. If deemed appropriate, the Treasurer shall submit the claimed amount to the Town Accountant for inclusion on the next disbursement warrant.

E. Audit

All activity related to tailings is subject to audit by the Town Accountant and Chester's independent auditor.

REFERENCES

[M.G.L. c. 200A, § 9A](#)

EFFECTIVE DATE

This policy was adopted on [date].

TAX ENFORCEMENT

PURPOSE

To provide guidance for equitably enforcing tax obligations and set expectations for both the Town and taxpayers, this policy clearly defines when and how the Town will transition unpaid property taxes from tax title through to foreclosure. It is in the best interest of the Town and its residents that property taxes be paid when due. The Town budget is set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

APPLICABILITY

This policy applies to the Collector's and Treasurer's relevant job duties, including the Treasurer's responsibility for managing services contracted through the Town's tax title attorney. Tax enforcement applies to all Chester real estate property owners whose taxes are not exempt.

POLICY

The Town intends to timely pursue all legal methods to collect taxes from delinquent property owners with the aim of achieving a minimum collection rate target of [98] percent by fiscal year-end. A tax delinquency is defined as a bill outstanding at least one year and one day after its final due date, and it represents a lien on property that remains in effect until all taxes, interest, and fees have been paid in full. The costs of all collection methods are added to the real estate tax bill and property lien. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due. Taxpayers are responsible for notifying the Town in writing of any mailing address changes.

A. Demands

Final taxes are due to be paid as of May 1 each year (the due date for the fourth quarter tax bill). No later than June 1, the Collector will issue demand notices to all assessed property owners who have failed to pay in full, have not been granted full exemptions, and do not have automatic stays on record due to bankruptcy filings.

B. Tax Taking

State law allows the tax taking process to begin as soon as 15 days after the demand, but, in every case, the Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens. The Collector will work with delinquent taxpayers to delay the tax taking process as long as the taxpayer is making scheduled payments of at least 10% of the outstanding tax.

The Collector will establish an annual tax taking schedule for all delinquent taxpayers who have failed to respond to the demand notices or meet their partial payment requirements. The Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by [September 1], the Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient,

public places. The Collector customarily publishes notices in the *County Journal* and posts them on bulletin boards at Town Hall and the post office and on the Town's website. From this point forward only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the tax taking announcements, the Collector will prepare an Instrument of Taking form for each delinquent property and record them at the Registry of Deeds to perfect the tax liens. After receiving the recorded Instruments back from the Registry, the Collector will notify the affected property owners of the liens by sending each of them a letter and a copy of the Instrument. The Collector will provide copies of the List of Recorded Takings to the Treasurer, Town Accountant, and Town Administrator.

The Collector shall carefully document the taking process to preserve the Town's rights for future actions.

C. Subsequent Taxes

After the demand bill and before June 15 each year, the Collector will certify all unpaid taxes for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and put them in a Subsequent Tax Takings report. The Collector will provide copies of the report to the Treasurer, Town Accountant, and Town Administrator and retain one on file.

D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which the Collector will add to their accounts and tax bills. These include interest accrued to the date of tax taking, advertising fees, certified mailing costs, legal fees, and all recording fees.

The Collector will create a list of all the individuals who are delinquent in paying taxes or other charges and provide it to the Town departments, boards, and committees that issue licenses and permits. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

E. Tax Title Payment Agreements

This section is subject to the adoption of a tax title payment agreement bylaw, [M.G.L. c. 60, § 62A](#).

The Treasurer will pursue and establish payment agreements for parcels in tax title to allow delinquent taxpayers to pay off their tax liens over time. The Treasurer will actively monitor compliance with all such agreements, which will have the following features in common:

- *Signed agreement between the Treasurer and taxpayer*
- *Upfront payment of at least 25 percent of the full balance owed*
- *Specific amount to be paid each month*
- *Incorporation of payments for the current tax bill*
- *Agreement term not exceeding five years*

- *Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town*

For taxpayers who fully comply with their payment agreements, the Treasurer will waive 50 percent of the interest accrued on their tax title accounts.

F. Redemption or Foreclosure

The primary policy goal of the foreclosure process is to receive the outstanding amounts owed. At least once every year, the Treasurer will review all tax title properties that are older than 180 days and do not have payment agreements or bankruptcy recordings. From these, the Treasurer will identify all properties of significant value to process for potential foreclosure in Land Court. To do this, the Treasurer will thoroughly verify the properties' enforcement histories before referring them to the tax title attorney, beginning with those having the largest dollar value of taxes owed.

As manager of the service contract, the Treasurer will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking and notification and payment history. The tax title attorney will research the tax title properties and mail new collection enforcement letters to the taxpayers informing them of the importance of redeeming the property and warning of potential foreclosure action.

Prior to the property being foreclosed, if a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the Registry of Deeds to remove the lien. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.

In addition to Land Court foreclosure referrals, the Treasurer is responsible for completing foreclosures on any properties below the "Land of Low Value" threshold, which is annually updated each spring by the Division of Local Services (DLS).

REFERENCES

M.G.L. c. 60, § 6	M.G.L. c. 60, § 16	MGL c. 60, § 22	M.G.L. c. 60, § 37
M.G.L. c. 60, § 40	M.G.L. c. 60, § 50	M.G.L. c. 60, § 53	M.G.L. c. 60, § 54
M.G.L. c. 40, § 57	M.G.L. c. 60, § 61	M.G.L. c. 60, § 62	M.G.L. c. 60, § 62A
M.G.L. c. 60, § 63	M.G.L. c. 60, § 76	M.G.L. c. 60, § 77	M.G.L. c. 60, § 79
M.G.L. c. 60, § 80			

DLS Best Practice: [Enforcing Collections](#)

DLS Guidance: [Local Tax Collection FAQs](#)

DLS Informational Guideline Releases 03-210: [Collection Costs and Procedures](#), 05-208: [Payment Agreements and Tax Receivable Assignments](#) and [Land of Low Value Foreclosure Valuation Limit](#) (updated annually)

Massachusetts Collectors & Treasurers Association: [*Treasurer's Manual*](#) and [*Collector's Manual*](#)

EFFECTIVE DATE

This policy was adopted on [date].

TAX RECAPITULATION

PURPOSE

To ensure the Town timely and appropriately charges taxes to property owners in support of the annual budget, this policy sets forth the roles, responsibilities, and deadlines associated with the tax recapitulation (“tax recap”) process. A timely and accurate annual tax recap helps ensure the Town complies with state statutes, prevents workflow disruptions in its financial offices, and avoids any temporary borrowing costs associated with cash shortfalls.

APPLICABILITY

This policy applies to the Board of Selectmen and Town Administrator in their policymaking and management responsibilities and to the Board of Assessors in its role as principal overseer of the tax recap process. It also applies to the related job duties of the Town Accountant, Assessing Clerk, Treasurer, and Town Clerk.

BACKGROUND

The property tax levy is Chester’s largest source of revenue, which therefore makes the tax recap a vital component of the Town’s fiscal operations. The Assessing Department oversees two core phases: property valuation and tax rate setting. However, the full process begins with town meeting, involves many other local officials, and requires careful management, teamwork, and cooperation.

The tax recap forms and schedules present the Town’s annual budget plan for the fiscal year. They summarize all appropriations made by town meeting since the previous year’s tax rate was set and identify all non-property-tax revenue sources, such as state aid, local receipts, and reserves. The difference between these sources and the total budgeted appropriations must be raised through the property tax levy.

By completing the tax recap and submitting it to the Division of Local Services (DLS) for approval, the Town establishes its property tax levy and sets the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the recap and approves the tax rate.

POLICY

At the Town Administrator’s direction, Chester’s financial team will annually complete the tax recap process no later than [November 15]. The Town Administrator will develop a realistic plan and timetable to meet this deadline and keep the Board of Selectmen apprised of progress.

A. Preparation and Town Meeting

A successful tax recap process starts with a balanced annual budget, valid funding sources, and proper town meeting actions, which will be accomplished as follows:

- The Board of Selectmen, through the Town Administrator and Town Counsel, will assure the production of a properly written town meeting warrant that will allow town meeting voters, under the Town Moderator’s oversight, to properly authorize annual budget appropriations funded by specific revenue sources (e.g., raise and appropriate, free cash, stabilization).

- The Board of Selectmen will ensure that any annual increase in the tax levy does not exceed the maximum allowed under Proposition 2½.
- The Town Accountant, Town Administrator, and Board of Selectmen will verify that the proposed budget is balanced.
- The Town Accountant will prepare a schedule of sources and uses to monitor the impacts of appropriation of available funds at town meeting.
- The Treasurer and Town Counsel will ensure any debt issuance authorizations are proper.
- The Board of Selectmen will ensure that any proposal for a general override, debt exclusion, or capital exclusion is properly presented in the town meeting warrant and, if passed, put to a town-wide referendum.

Whereas the budget is typically adopted at the spring town meeting, all appropriations and borrowings approved at this and any other town meetings not recorded in the previous tax rate must be included in the current tax recap process.

B. Recording Legislative Actions

To allow time for any required corrective measures, the following tasks will be completed within [two weeks] after town meeting:

- The Town Clerk will record and certify the voting minutes of all town meetings held since the last tax rate was set.
- The Town Accountant will review the Town Clerk's certified town meeting minutes to ascertain all the voter-authorized appropriation amounts for the tax recap period.
- When the Town Clerk and Town Accountant agree on the individual appropriations by revenue category, the Town Clerk will enter the amounts into the DLS Gateway system (by article on page 4 of the tax recap).
- From the certified town meeting authorizations, the Town Accountant will complete the following Gateway forms:
 - free cash used (Form B-1)
 - available funds used (Form B-2)
- When applicable, the Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1), and report any reserved bond premium amounts used as funding sources (Form B-2).

C. Tax Recap Entries done after the Fiscal Year-end Closing

Within [two weeks] of closing the books for the fiscal year, the Town Accountant will do the following to complete the tax recap:

- Document and report all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax recap)
- Record the actual amounts received for each type of local receipt (page 3, column (a) of the tax recap)
- Enter estimated local receipts using the revenue projections from the final budget approved at town meeting (page 3, column (b) of the recap)

D. Property Value Certification

Assessors must value all taxable real and personal properties and classify them into one of four classes (residential, open space, commercial/industrial, or personal) based on their use as of January 1. To do this, the Assessing Clerk will:

- Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval.
- Analyze market conditions and set final property values in compliance with DLS certification standards.
- Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the tax recap).
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet).
- Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet).

The Assessing Clerk will submit the above forms to DLS for review and certification.

E. Tax Rate Setting

After DLS has certified property values, the Board of Selectmen will hold a public hearing to decide tax policy. At this classification hearing, the Board of Selectmen may vote for a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or for a shift of the tax burden between the four classes. Leading to this hearing, the following must be done:

- The Assessing Clerk and Town Accountant prepare an overlay analysis (Form OL-1).
- The Board of Assessors estimates and votes the amount of overlay to raise.
- The Board of Assessors prepares a financial analysis of the various tax alternatives.
- The Town Clerk publishes an advance notice of the hearing and reports this on Form LA-8.
- The Board of Selectmen votes on residential, small commercial, and open space exemptions.
- The Board of Selectmen acknowledges excess levy capacity (Form LA-5).

F. Review and Submittal to DLS

The Board of Assessors, working through the Assessing Clerk, is responsible for submitting all forms and supporting documents to DLS for tax rate approval. To do this:

- The Assessing Clerk and Town Accountant will review all schedules, verify signatures, and verify that all proper documents are attached.
- The Town Accountant will ensure that all budget authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.

REFERENCES

[M.G.L. c. 40, § 56](#)

[M.G.L. c 40A, § 11](#)

[M.G.L. c 41, § 115A](#)

[M.G.L. c. 59 § 5C](#)

[M.G.L. c. 59, § 21C](#)

[M.G.L. c. 59, § 25](#)

DLS Informational Guideline Release 2019-04: [Fiscal Year 2020 Tax Bills Quarterly Payment System](#)
(updated annually)

DLS Training Publications: [New Officials Financial Handbook](#) and [Assessors Course 101 Handbook Chapter 5: Setting the Tax Rate](#)

EFFECTIVE DATE

This policy was adopted on [date].

YEAR-END CLOSING

PURPOSE

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. As an important reserve, the Town's annual free cash cannot be certified expeditiously and accurately unless applicable employees adhere to best practice year-end schedules and procedures. To meet these objectives, this policy specifies the year-end tasks that must be completed, their associated deadlines, and the parties responsible.

APPLICABILITY

This town-wide policy applies to the responsibilities of all department heads in managing and reporting on their budgets and assets. It further applies to the related year-end compilation, reconciliation, and/or oversight duties of the Town Administrator, Town Accountant, Treasurer, and Collector. Additionally, it pertains to the budget transfer authority of the Board of Selectmen and Finance Committee.

POLICY

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy. This additionally requires the Town Administrator to ensure that the Town Accountant, Treasurer, and Collector comply with the Reconciliations policy throughout the year to enable year-end cash and receivable balances to be reconciled with the general ledger no later than July 30.

Annually no later than May 15, the Town Administrator will email this policy to all department heads as a reminder of year-end expectations. The Town Administrator will subsequently oversee the coordination of the various year-end task components under the time frames and procedures outlined in this policy.

By June 1, the Town Accountant will transmit year-end instructions and schedule to department heads (samples included in the Appendix) and provide them with the following submission deadlines:

- A. Purchases unless approved by the Town Administrator is June 15
- B. Requests for encumbrances by [June 20]
- C. Status reports on the balances of grants, other special appropriations and special revenue accounts by [June 25]
- D. Status reports or updates on capital projects, capital assets, and borrowings by [June 25]
- E. All available invoices by [June 30]

All facets of the year-end closing will be accomplished no later than [October 31].

A. Year-end Encumbrances

With proper documentation, the Town Accountant will encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts) as of June 30.

B. Review of Grant Balances, Other Special Appropriations, and Special Revenue Accounts

By May 15, the Town Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each such department head will notify the Town Accountant in writing of any completed project with an unexpended balance so that she may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Town Accountant in writing, provide funding source(s), and state when it will be resolved so that she can plan for closing the account.

The Town Accountant will carefully review any special appropriation account remaining open but inactive in the general ledger for more than two fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

C. Capital Project Reviews, Capital Asset Updates, and Borrowings

As of March 1, the Town Accountant will review all capital project accounts to ensure that any internal borrowings done in anticipation of short- or long-term debt issuances have been covered. For any identified deficits:

- If debt had been authorized, the Town Accountant will notify the Treasurer to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30.
- If debt had not been authorized, the Town Accountant will refer the shortfall to the Town Administrator to either submit it for a debt authorization or appropriation from available funds by town meeting or for a line-item transfer by the Board of Selectmen and Finance Committee (see section D below).

By June 15, the Town Accountant will distribute via email a capital asset list to department heads along with next-step instructions. By no later than September 1, each department head with capital assets will respond by forwarding to the Town Accountant an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Town Accountant will update the Town's capital asset inventory based on the returned information.

D. Year-end Transfers

The Town Accountant will pay close attention to any appropriation deficits that may be rectified through line-item transfers and notify the Town Administrator. No earlier than May 1 and no later than July 15, the Town Administrator will put any necessary transfer request on the Finance

Committee's meeting agenda, followed by the Board of Selectmen's meeting agenda, for their authorizations by majority votes.

E. Closing the Books

No later than [October 1], the Town Accountant will do the following to close the books:

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

F. Submissions to the Division of Local Services (DLS)

Submissions to DLS will comply with the time frames listed below.

Town Accountant:

- | | |
|---|--------------|
| ▪ Snow and ice data sheet | September 15 |
| ▪ Combined balance sheet and supporting documents | October 15 |
| ▪ Schedule A | October 31 |

Town Accountant and Treasurer:

- | | |
|----------------------------------|--------------|
| ▪ Statement of indebtedness | September 1 |
| ▪ Treasurer year-end cash report | September 30 |
| ▪ Cash reconciliation | September 30 |

Town Accountant and Collector:

- | | |
|---------------------------------------|--------------|
| ▪ Schedule of outstanding receivables | September 30 |
|---------------------------------------|--------------|

REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 64, § 64](#)

[M.G.L. c. 59, § 5](#)

Chester policies on Tax Enforcement, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: [Appropriation Transfers](#)

DLS [Annual Year-End Letters](#)

DLS [Municipal Calendar](#)

Governmental Accounting Standards Board Statement 1: [Objectives of Financial Reporting](#)

Government Finance Officers Association Guidance: [Timely Financial Reporting](#)

EFFECTIVE DATE

The policy was adopted on [date].

APPENDIX

POLICY LOG

FINANCIAL PLANNING

Policy	Adopted	Last Reviewed	Amended
Annual Budget Cycle			
Capital Planning			
Debt Affordability Analysis			
Debt Management			
Financial Reserves			
Forecasting			
Indirect Cost Allocation			
Investments			
One-Time Revenues			
OPEB Liability			
Overlay			
Prospective Shared Services			

FINANCIAL OPERATIONS

Policy	Adopted	Last Reviewed	Amended
Antifraud			
Debt Card Usage			
Disbursements			
Employee Reimbursement			
Finance Committee Reserve Fund			
Financial Management Team			
Grants Management			
Independent Audit			
Procurement Conflict of Interest			
Purchasing			
Reconciliations			
Revenue Turnover			
Tailings			
Tax Enforcement			
Tax Recapitulation			
Year-End Closing			

BUDGET CYCLE CALENDAR

Abbreviations Defined

BOS = Board of Selectmen
 FC = Finance Committee
 SC = School Committee

TA = Town Administrator
 ACCT = Accountant

Month	Due By	Responsibility	Description
July	1-Jul		Begin Fiscal Year
	15-Jul	BOS/FC	Authorize end-of-year transfers
August		ACCT	Begin closing prior year books and completing year-end documents
September	30-Sep	ACCT	Update capital inventory schedules (facilities, fleet, and equipment)
October	15-Oct	TA	Update calendar for budget/capital plan deliverables for coming year
	15-Oct	ACCT	Submit balance sheet and other reports for free cash certification
	31-Oct	ACCT	Complete year-end closing and submit Schedule A to DLS
	31-Oct	ACCT	Begin compiling revenue projections
November	1-Nov	Assessors	Submit new growth, amended tax base levy growth, and final valuations reports to DLS
	15-Nov	SC	Gateway RSD meet with member communities to begin preparing annual operating budget
	15-Nov	BOS	Set reserve and capital expenditure goals for the new year
	15-Nov	TA	Notify stakeholders of certified Free Cash
	15-Nov	TA	Issue initial revenue projections to stakeholders
		BOS	Post warrant and meeting notification (14 days before meeting), if needed
		BOS	Hold Special Town Meeting, if needed
30-Nov	Multiple	Budget kickoff meeting (BOS to establish guidelines for the coming year)	
December	1-Dec	TA	Prepare budget worksheets and standard forms for new fiscal year
	15-Dec	TA	Distribute worksheets and memo outlining instructions and guidelines for coming year
	15-Dec	TA	Distribute memo, worksheets, inventory schedules, and current multiyear plan
	2-Jan	TA	Distribute calendar of scheduled department head budget appointments
	2-Jan	TA	Distribute calendar of scheduled department head capital planning appointments
	20-Jan	Depts	Submit budget requests to Town Administrator
February	1-Feb	TA	Issue updated revenue projections to stakeholders
	1-Feb	TA	Compile budget submissions
	1-Feb	Depts	Submit capital requests to Town Administrator
	all month	TA	Meet with department heads, boards, and committees to review budget requests
	all month	TA	Meet with department heads, boards, and committees to review capital requests
	43889	TA	Issue consolidated capital package to Finance Committee for review
	28-Feb	BOS	Request Board of Assessors to declare overlay surplus

Month	Due By	Responsibility	Description
March	1-Mar	TA	Issue final revenue projections to stakeholders
	1-Mar	SC	Gateway RSD operating budget is prepared and presented to the town
	all month	FC	Meet with department heads, boards, and committees to review budget requests
	all month	FC	Meet with department heads, boards, and committees to review capital requests
April	1-Apr	FC	Present draft budget recommendations to BOS
	1-Apr	SC	Adopt operating budget and issue town assessments
	15-Apr	TA	Finalize capital outlay, narratives for current year, and 5-year plan
	15-Apr	TA	Prepare and distribute draft ATM warrant to BOS and Finance Committee
	30-Apr	TA	Present final budget recommendations to BOS
May			Annual Town Election
	5-May	TA	Prepare and distribute draft warrant to BOS and Finance Committee for article recommendations and votes
	10-May	TA	Present multiyear capital plan and current year capital outlay to BOS and Finance Committee
	15-May	FC	Vote on warrant article recommendations
	15-May	FC	Finalize budget recommendations and send final draft to department heads
	15-May	ACCT	Prepare for fiscal year end - Distribute year-end schedule and memos
	20-May	TA	Finalized ATM articles for printing
	22-May	BOS	Approve and post warrant and meeting notification (7 days before meeting)
June			Annual Town Meeting
		Town Clerk	Notify DLS of local option acceptances and loan authorizations
		Town Clerk	Record legislative body action and transmit to town accountant
	20-Jun	ACCT/Depts	Report on all funds, grants, capital projects, and special appropriation accounts balances
	25-Jun	ACCT	Provide for all deficit account balances
	30-Jun	ACCT	Enter new budget appropriations into financial software
	30-Jun		End Fiscal Year

BUDGET DOCUMENT FRAMEWORK

GFOA Essential Criteria:

1. Table of contents
2. Budget message stating priorities and issues for the upcoming year
3. Budget overview expanding on the budget message
4. Town-wide organization chart
5. Adopted financial planning policies
6. Description of the process for developing the town's initial budget proposal
7. Summary of major revenues, expenditures, and other financing sources and uses to provide an overview of the town's total budgeted resources
8. Summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year
9. Projected changes in fund balances for appropriated governmental funds included in the budget presentation
10. Description of major revenue sources explaining the underlying assumptions for the revenue estimates and discussing significant revenue trends
11. Budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget
12. Financial data on current debt obligations, describing the relationship between current debt levels and legal debt limits and explaining the effects of existing debt levels on current operations
13. Summary table of personnel or position counts for prior, current and budgeted years
14. Description of activities, services or functions carried out by individual departments

Supplemental Information:

- Statement of town-wide strategic goals and strategies that address long-term concerns and issues
- Description of short-term factors influencing the decisions made in the developing the forthcoming year's budget.
- Description of all funds that are subject to appropriation
- Narrative and graphics showing the relationship between departments and funds
- Explanation of the basis of budgeting for all funds
- Long-range financial forecast

- Description of the extent to which significant nonrecurring capital expenditures will impact the town's current and future operating budget
- Department goals and objectives
- Performance measures evaluating departmental goals and objectives
- Community profiles providing statistical and supplemental information describing the town and community
- Glossary of all terminology, abbreviations, and acronyms not readily understandable
- Charts and graphs highlighting financial and statistical information



YEAR-END ACCOUNTS PAYABLE AND ENCUMBRANCE MEMO

Date: <Date>

To: Department Heads, Boards and Commissions

From: Town Accountant

RE: FY2020 Bills and Encumbrances

As we prepare for the 2020 fiscal year end close and audit, please be make note of the following:

- A summary list of all goods and services procured but not received or invoiced for FY2020 must be submitted to the accounting office by the close of business [Date-1]:
 - To provide this list, a spreadsheet is attached to this email. The account number reported on the list is to be the same as if you were submitting the invoice on the Schedule of Bills Payable - the account must be proper and have sufficient funds.
 - If necessary, please use the Request for Transfer from Appropriation Form (also attached).
- The final warrant for FY2020 will be processed on [Date-2] to make payment on any goods or services received or invoiced after [Date-1] through this date.
- The Schedule of Bills Payable for your department for this final FY2020 warrant is due no later than [Time], [Date-3] for check issue on [Date-2].
- The remaining procurements reported on the summary list provided as of [Date-1] become encumbered and will be paid in FY2021. Therefore, also due in my office no later than [Date-3] is the additional documentation required for the encumbrances.

A reminder: An encumbrance is a reservation of the appropriation balance to cover any purchase or service commitment initiated but not completed by a fiscal year's end. Any request for an encumbrance should be supported by a current purchase order or contractual agreement executed prior to the end of the fiscal year.

No encumbrances will be permitted without the proper documentation. If goods and services have already been received – contact the vendor now for an invoice. Other than a few utility bills, no estimated amounts will be encumbered. Proper documentation supporting an encumbrance is a vendor accepted purchase order, email purchase confirmation or signed contract. *No encumbrance will be made without this documentation.*

Please note – a quote or pending or proposed purchase is not a legal obligation, therefore will not be accepted as an encumbrance. Also, services that have not begun may not be encumbered.

YEAR-END SCHEDULE

Abbreviations Defined

TA = Town Administrator
 ACCT = Accountant
 TR = Treasurer

Month	Due By	Responsibility	Description
June	5-Jun	TA	Department head meeting to review year-end schedule and department due dates
		Depts/TR	Departmental input for final full fiscal year payroll Final full current fiscal year payroll
		Depts/TR	Payroll changes effective July 1 to treasurer
		ACCT	Last current fiscal year accounts payable warrant on the regular schedule
	30-Jun		Last day of fiscal year - Turnover all cash to treasurer by 11:00 am - Summary of all outstanding procurements (for encumbering) to town accountant by end of business day - End of current year payroll cycle - All non-overtime (base) pay information due to the treasurer
July	1-Jul	ACCT	First AP warrant for July 1 obligations (debt, insurances, retirement)
		Depts/TR	Final department input for last prior fiscal year payroll and first new fiscal year payroll to the treasurer by 10:00 (should be limited to overtime and corrections or changes) Last prior fiscal year pay date first new fiscal year pay date
	15-Jul		Prior fiscal year accounts closed Final prior fiscal year warrant - Schedule of Bills Payable due to town accountant by 9:00 am
		ACCT	
	31-Jul	Depts	Compensated balance information for all employees to town accountant and treasurer
	31-Jul	Depts	Fixed assest information to town accountant
	31-Jul	ACCT	Begin prior fiscal year audit

COMPARABLE COMMUNITIES

Municipality	County	Single Family					DOR Income Per Capita	EQV Per Capita	Total Assessed Value	Total Budget	Debt Service	Free Cash as of FY 7/1/2019	General Stabilization Fund	Special Purpose Stabilization Fund	Total Reserves as % of Budget
		Population	Parcels	Value	Average Value	FY 2020 Average Tax Bill									
Chester	HAMPDEN	1,384	488	79,467,600	162,843	3,371	23,222	90,349	121,667,125	3,744,171	122,441	120,575	402,364	0	13.97%
Blandford	HAMPDEN	1,260	510	112,121,700	219,846	3,904	30,529	138,702	172,345,068	5,500,637	150,447	763,146	421,853	819,767	36.45%
Chesterfield	HAMPSHIRE	1,258	522	122,505,500	234,685	4,720	21,308	125,493	156,562,400	4,311,161	152,759	639,647	255,262	454,215	31.29%
Colrain	FRANKLIN	1,677	589	109,377,300	185,700	3,701	27,896	106,947	179,381,478	4,473,395	90,653	407,539	584,070	0	22.17%
Goshen	HAMPSHIRE	1,064	494	121,443,395	245,837	3,715	13,320	145,220	163,278,902	3,864,395	84,856	225,675	305,931	562,468	28.31%
Granville	HAMPDEN	1,624	558	138,849,100	248,834	3,832	32,015	125,149	201,027,847	4,105,347	137,632	446,727	478,311	0	22.53%
New Braintree	WORCESTER	1,029	292	79,052,500	270,728	4,689	37,885	111,217	118,714,795	2,549,337	54,700	91,419	248,952	0	13.35%
New Salem	FRANKLIN	1,020	415	89,685,900	216,111	3,899	24,611	111,571	115,776,463	3,497,102	88,989	887,270	758,679	0	47.07%
Petersham	WORCESTER	1,253	440	110,524,000	251,191	4,363	33,691	126,172	159,310,618	4,791,185	105,155	116,001	395,627	0	10.68%
Phillipston	WORCESTER	1,751	750	169,913,622	226,551	3,838	28,205	114,372	212,685,756	4,926,488	194,557	262,892	435,758	53,106	15.26%
Royalston	WORCESTER	1,276	513	102,972,800	200,727	2,714	24,918	94,734	141,078,812	3,245,689	118,066	100,973	165,473	209,970	14.68%

FORMS



CAPITAL PROJECT REQUEST FORM

Department/Committee:	Department or Committee Name																				
Requested By:	Requester																				
Request Date:	Request date																				
Project Request:	Item/Project Name																				
Asset Category:	Choose an asset category																				
Priority:	State the priority																				
Project description: Enter a description of your request. Attach quotes, pictures, or additional details																					
Purpose:	Choose one																				
Date needed by:	Need by date																				
Benefit Describe the benefit of this request to your department or the community																					
Estimated Project Cost:	\$Enter total project cost.																				
Funding Request by Year:	FY2021 \$Cost in year 1 FY2024 \$Cost in year 4 FY2022 \$Cost in year 2 FY2025 \$Cost in year 5 FY2023 \$Cost in year 3																				
Describe any discounts or cost reductions (trade-ins, etc.) Provide any reductions to the total requested cost																					
Are there available revenue sources or grants other than Municipal funds? Identify available revenue sources (excluding tax levy, free cash, and stabilization funds)																					
Consequence on your department of delaying purchase/project Describe any operational impact if your request is delayed or denied																					
Input the estimated dollar impact of this purchase or project on your operating budget by fiscal year for the next 3 fiscal years: Increase = Additional Cost, (Decrease) = Savings																					
<table style="width: 100%; border: none;"> <tr> <td colspan="2" style="text-align: center;"><u>Personnel Budget</u></td> <td colspan="2" style="text-align: center;"><u>Expense Budget</u></td> </tr> <tr> <td style="text-align: center;">Increase/(Decrease)</td> <td style="text-align: center;">Fiscal Year</td> <td style="text-align: center;">Increase/(Decrease)</td> <td style="text-align: center;">Fiscal Year</td> </tr> <tr> <td style="text-align: center;">\$Enter amount</td> <td style="text-align: center;">Enter fiscal year</td> <td style="text-align: center;">\$Enter amount</td> <td style="text-align: center;">Enter fiscal year</td> </tr> <tr> <td style="text-align: center;">\$Enter amount</td> <td style="text-align: center;">Enter fiscal year</td> <td style="text-align: center;">\$Enter amount</td> <td style="text-align: center;">Enter fiscal year</td> </tr> <tr> <td style="text-align: center;">\$Enter amount</td> <td style="text-align: center;">Enter fiscal year</td> <td style="text-align: center;">\$Enter amount</td> <td style="text-align: center;">Enter fiscal year</td> </tr> </table>		<u>Personnel Budget</u>		<u>Expense Budget</u>		Increase/(Decrease)	Fiscal Year	Increase/(Decrease)	Fiscal Year	\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year
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Increase/(Decrease)	Fiscal Year	Increase/(Decrease)	Fiscal Year																		
\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year																		
\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year																		
\$Enter amount	Enter fiscal year	\$Enter amount	Enter fiscal year																		



CASH DRAWER AUTHORIZATION FORM

Date: _____ Date _____

Department: _____ Department _____

Requested By: _____ Requester _____

Amount Requested: _____ \$Requested Amount _____

Requirement for Cash Drawer:
Describe why your department needs a cash drawer and in the requested amount.

Department Head Signature _____

Town Accountant:

Approved

Not Approved

Date: _____ Date Approved _____

Amount: _____ \$Approved Amount _____

Town Accountant Signature _____



DEBIT CARD PURCHASE REQUISITION FORM

Date: Request date

Department: Department

Amount: \$Amount

Account Name: Account name

Account Number: Account number

Purpose of Expenditure:
Describe the expenditure being made with the debit card

Attached Documentation:
Attach purchase documentation

Requester: Requester signature Date: Date

Department Head: Department Head signature Date: Date

Town Accountant: Town Accountant signature Date: Date

Town Administrator: Town Administrator signature Date: Date



REQUEST FOR TRANSFER FROM THE RESERVE FUND

Date Request date

Finance Committees
Chester, MA

Dear Town of Chester Finance Committee Members:

Request is hereby made for the following transfer from the Reserve Fund in accordance with Chapter 40, Section 6, of the Massachusetts General Laws:

1. Amount requested: \$Amount
2. To be transferred to account: Account Number
3. Present balance in appropriation: \$Current account balance
4. The amount requested will be used for: (specify purpose)
Purpose
5. This expenditure is extraordinary and unforeseen for the following reasons:
Explain the reason for the transfer

Department Head Signature _____

Request must be made and transfer approved before any expenditure in excess of appropriation is incurred.

Town Administrator Recommended Action

Recommended Not Recommended

Provide reason if not recommended Reason

Town Administrator Signature _____

Finance Committee Action

Date of meeting

Number present and voting

Approved in the sum of \$Amount Disapproved

Finance Committee Chair Signature _____

Town Accountant Action

Date of Transfer

Transfer Date

Transfer Amount

\$Amount

Remaining Reserve Fund Balance

\$Balance