

TOWN OF ROYALSTON

FINANCIAL MANAGEMENT STRUCTURE | A COMMUNITY COMPACT CABINET INITIATIVE

AUGUST 2016



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Michael J. Heffernan
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

August 24, 2016

Board of Selectmen
Town Hall
13 On the Common
Royalston, MA 01368

Dear Board Members,

I am pleased to present the enclosed financial management structure review for the Town of Royalston as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. 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.

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 request of the board of selectmen, a team from the Division of Local Services Technical Assistance Bureau reviewed the Town of Royalston's financial management structure. This project was sponsored through the Community Compact Cabinet, whose goal is to encourage the implementation of municipal best practices that promote good governance by fostering efficiency, accountability, and transparency in local government. As a best practice, a well-organized financial management operation reinforces policymaking efforts, strengthens internal controls, enhances service delivery, and streamlines reporting relationships through a cohesive team with defined roles and responsibilities.

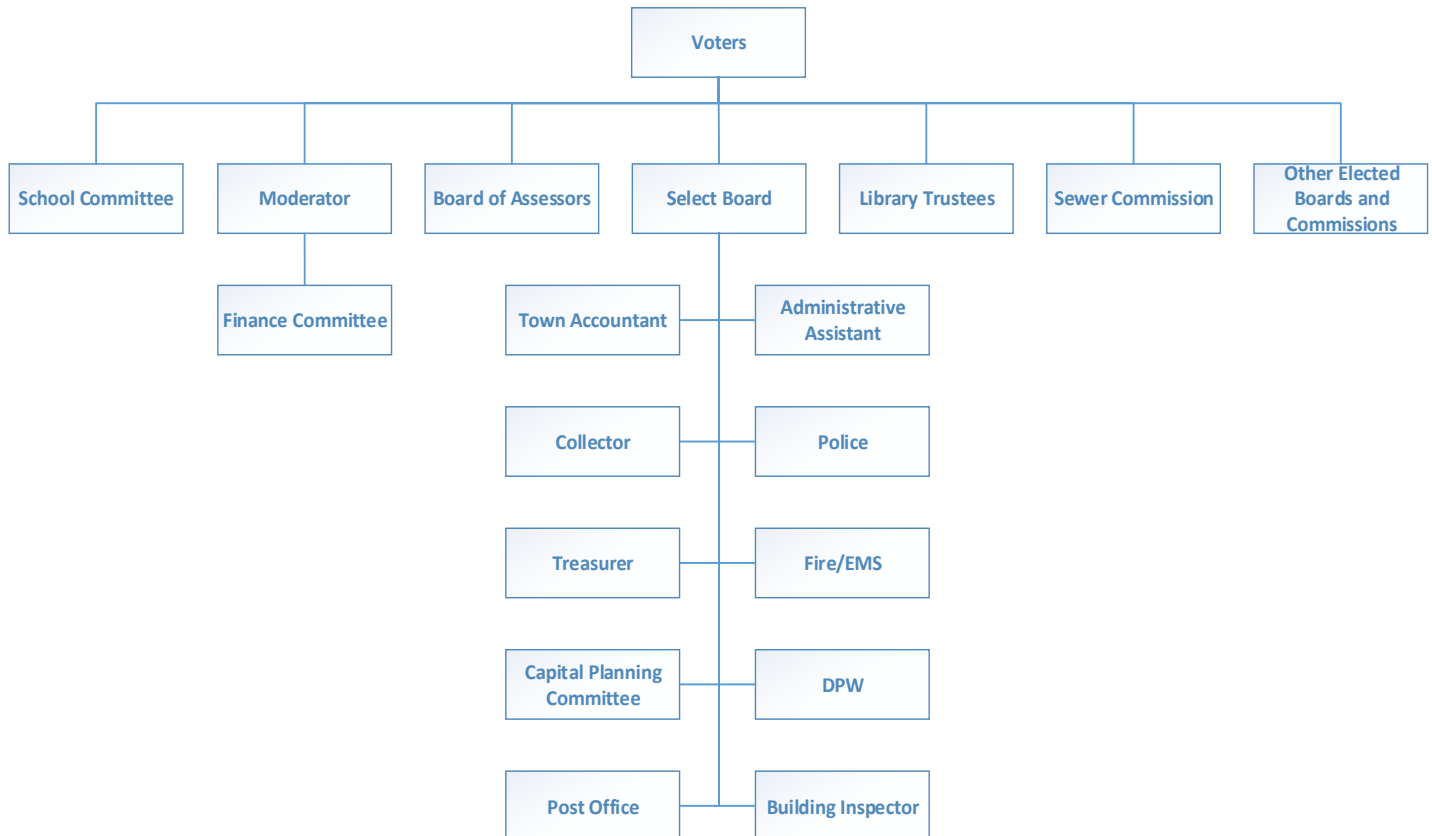
Our report begins with a brief profile of Royalston and its current financial management operations. We then offer a framework to strengthen the management structure, proposing options to reorganize and strengthen the overall organization with a focus on financial operations. The intent is to create daily reporting relationships that improve the process by which finances are managed, including budgeting, financial reporting, and the tax rate setting processes. Also offered are additional recommendations to promote improved fiscal management based on our broad best practice experience coupled with our observations of the town's operations.

COMMUNITY PROFILE

The Town of Royalston (pop. 1,263) is a rural community located in the northwestern corner of Worcester County on the New Hampshire border. At the heart of the community is a small historic town center and common with town hall, post office, congregational church, and library. However, the majority of the population lies in the village of South Royalston, housing a general store with deli and lunch counter. Most of the town's 42 square miles of land is forested with scattered farms and several unique recreation opportunities, including Royalston Falls, a cascading waterfall plunging 45 feet into an icy pool that attracts hikers and day trippers to the area. Royalston's proposed Eagle Reserve Conservation Area, a 147-acre mix of woods, wetlands and open water, is considered to be one of the North Quabbin's most breathtaking unprotected areas. Home to nesting eagles, the reserve will be open to the public and serve as a unique natural classroom to support science education for the nearby Royalston Community School.

Royalston operates under an open town meeting form of government with an elected three-member board of selectmen. Board members serve alternating three-year terms, have overall responsibility for the town's general operations, and function as its chief policymaking body.

Royalston has part-time financial officers, a part-time police force, on-call fire department and a highway department, all appointed by the select board. The public library, health department, assessing, and sewer services have elected boards, commissions or trustees that oversee those departments. Public education is provided through the Athol-Royalston Regional School District which has three board members elected from Royalston, and through the Montachusett Regional Vocational Technical School. Emergency dispatch, animal control and veteran’s services are all shared with neighboring communities.



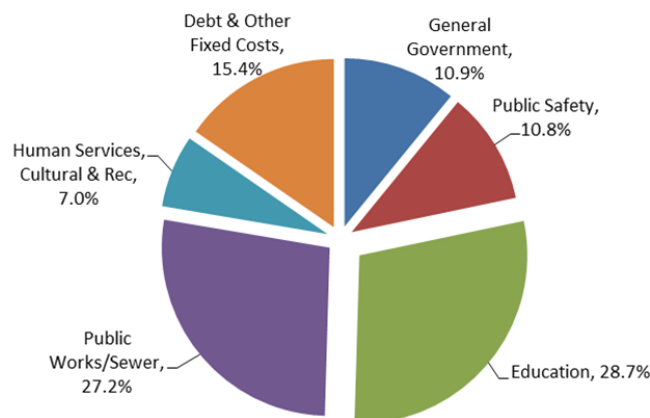
CURRENT ORGANIZATIONAL STRUCTURE
 Source: *Division of Local Services*

Property values were on a steady incline, hitting an average high in 2010 of \$215,346 for a single family home, but, in accord with the trend in Worcester County, have fallen since and now are some of the lowest in the state. The average single family home value in FY2016 was \$168,720. Each year, Royalston increases the tax levy the full 2½ percent allowed under Proposition 2½. But as property values fall, to meet the increasing tax levy, the tax rate must increase. Even with the continual escalation in the rate, Royalston’s average single-family tax bill last year was \$2,273, the lowest among communities in Worcester County, 9th lowest statewide, and less than half of the state average.

A small population, low property values, and low tax rate correspond to a modest budget. For Royalston, that combination equated to the 22nd smallest FY2016 budget in the state at \$2.4 million. In common with other municipal budgets, the \$2.4 million was funded from four primary revenue sources:

- 66.4 percent from the tax levy, which is raised through property taxes.
- 11.2 percent from state aid, which is state assistance paid monthly (generally the largest portion of the state aid is Chapter 70 education funds, which are provided directly to the regional school district).
- 13 percent from local receipts, which are locally generated revenue other than real and personal property taxes.
- 9.4 percent from other available sources, which includes appropriated free cash, stabilization fund and other monies.

Royalston's \$2.1 million general fund operating budget is divided into six major components: the largest at just under 29 percent for education-related costs, followed closely at 27 percent for the department of public works, including snow and ice, and 15 percent for debt, including the debt for the Royalston Community School, and other fixed costs such as insurances and retirement system obligation. The remaining 29 percent is split between general government, public safety and human services, cultural and recreation, which includes the library, completes the budget.



FY2016 GENERAL FUND OPERATING BUDGET

Source: Royalston May 2015 Annual Town Meeting

CURRENT FINANCIAL MANAGEMENT STRUCTURE & CHALLENGES

Royalston's flat organizational structure is characteristic of smaller communities with limited resources and a small workforce, whose staff take on responsibilities beyond their primary appointed offices. As a working board, the chair of the select board functions as the chief administrative officer.

Appointed by the board of selectmen is a 19-hour-per-week administrative assistant who provides the general day-to-day support. The job description defines the position as providing administrative and clerical work related to the administration of the policies and procedures of the town and coordination of the town's departments, commissions, boards, officials and employees on behalf of the select board. It specifically details responsibility for the operation of the selectmen's office, advising department heads in administering town functions and policies, advising on the budgets, procurement, licensing and permitting, and representing the town and the board of selectmen before meetings, agencies and residents. The position lacks supervisory authority and is not involved in the budget process or otherwise orchestrating departmental activities.

After holding the position for 17 years, the current administrative assistant announced her desire to retire as of June 30th of this year; though the select board has asked her to stay on for an undetermined amount of time. Between assisting with assessing questions and processing of the mail, she is the most consistent person to interact with the public and department personnel. Nonetheless many of the other duties outlined in the job description are not being performed. Although budgeted at 19 hours per week, the assistant works on average six to eight additional hours per week, depending on the time of year and town activity.

Royalston's financial operations rely on four core departments involving the collector, treasurer, town accountant and assessing:

Tax Collector: The tax collector possesses the authority to receive all property taxes, betterments, special assessments and certain other charges, added to and committed as taxes. The collector has the responsibility to make certain that collections are properly counted, posted to taxpayer accounts, and either turned over to the treasurer or deposited daily, and to pursue delinquent taxes using methods and services. Critical to the position is maintenance of an up-to-date receivable control that is reconciled internally and then externally with the accountant monthly.

Royalston's tax collector was appointed by the select board and has been serving the community for the last 10 years. She is a Certified Massachusetts Municipal Collector and currently taking the classes required to become a certified treasurer. She has expressed interest in also attending the municipal auditor and accountant's education program; however this is available only to appointed auditors and accountants. With official hours on Monday from 1:00pm to 6:00pm, there is very little time for interaction with the public.

Tax bills are mailed semiannually (scheduled for July 1 and December 31) using the Community Software Consortium (CSC) collections module. A deputy collector is used to collect past due motor vehicle excise tax, and in the years 2012 through 2015, this revenue exceeded projections (information on 2016 is has not been made available). There is no deputy collector for real estate, which has an extremely high delinquent balance. The collector is working with the Royalston Broadband Network committee on the installation of a hybrid wireless internet service to establish a billing and collection system. She also serves as a volunteer EMT, member at-large of the finance committee, and website administrator, demonstrating the wide range of responsibilities of personnel in a small community.

Treasurer: The treasurer, as the community's cash manager, has custody of all municipal money. Included is the responsibility to post and deposit town receipts into appropriate bank accounts and to monitor balances to ensure that sufficient funds are available to cover town obligations. Maintaining a cashbook, debt schedule, check registers and various logs to track balances for grants, trusts, revolving funds and special revenue funds are essential functions of the treasurer, along with investing town funds to maximize investment income and to meet cash flow needs. As a financial control, the treasurer is obligated to reconcile cash balances and debt, both internally, and with the accountant on a regular basis.

First appointed in 1995, the Royalston treasurer has held this position three separate times. With no number of hours explicitly stated, she typically works Wednesdays from noon to 9:00pm, the day most other departments are present in the building. She also works as needed on Monday afternoons with the tax collector, averaging a total of 10 to 12 hours per week. After a conversion to VADAR Systems at the beginning of FY2013, she has had difficulty reconciling the cashbook, providing treasurer receipts to the accountant and reconciling cash with the accountant.

Using QuickBooks for the cashbook has brought some success in reconciling the bank accounts, but this has not resolved receipt processing or reconciling with the accountant. With tax title accounts totaling over \$500,000, the town has engaged a tax title attorney to facilitate a sale of tax liens. The biweekly payroll using Harpers Payroll Services is also processed in the treasurer's office. For

questions, assistance and guidance, she relies on the collector. As with other Royalston personnel, the treasurer assumes duties outside her primary role, working as the custodian for the town hall and Whitney Hall.

Town Accountant: The town accountant has a legal obligation to oversee all financial activity of the municipality. Through the maintenance of independent records and by following well-defined procedures, the office documents the flow of money into and out of municipal accounts, and plays a role in the system of checks and balances established by statute to monitor and protect local assets. Key responsibilities include maintaining a general ledger where receipts, expenditures and all other town financial activity are recorded and monthly reconciling cash and debt with the treasurer and receivables with the collector. Annual duties include producing the town's annual Schedule A and year-end balance sheet for free cash certification and working with the board of assessors and town clerk in the preparation of the town's Tax Recapitulation Sheet.

Because he works full-time for another town, Royalston's town accountant is only available on Fridays to perform his required duties, which allows for little to no interaction with the other departments. He has no posted hours. Numerous attempts to contact him for this project were unsuccessful.

Assessing: The assessors' office is responsible for valuing all real and personal property in town and generating the commitment that authorizes the tax collector to collect real estate tax, personal property, and motor vehicle excise payments. Work is generally performed through a combination of office staff and professional appraisal firms. DLS annually reviews town assessments to ensure that they reflect full and fair cash value, and conducts a certification of values every fifth year ([Chapter 218 of the Acts of 2016](#) changed from every third year to every fifth year as of November 7, 2016). In addition, the assessors calculate annual new growth increases in the community's levy limit, participate in setting the annual tax rate by submitting the Tax Recapitulation Sheet for approval by DLS, and prepare the annual property tax commitment for the collector.

The town's elected, three-member board of assessors is primarily responsible for valuing all real and personal property for the purpose of levying property taxes. The department is staffed on Mondays from 1:00pm to 6:00pm by a board-appointed clerk, and the board has regularly scheduled meetings on the 1st and 3rd Wednesday of each month. The three board members have close to 60 years' of experience on the board. However, an election this past spring failed to produce a candidate for a soon to be vacated seat. The board contracts with Bishop and Associates to complete interim and triennial revaluations, along with all sale, building permit, and abatement inspections for valuation and cyclical reinspection purposes.

Ongoing Financial Management Challenges

The four financial offices operate independently of each other and of the select board, do not hold regular meetings to discuss financial matters, and due to the various work schedules, do not even interact on an ad hoc basis. Without regular, formal oversight, Royalston has long battled many financial management problems. As far back as 1996, DLS expressed written concern regarding the reconciling of cash for free cash to be certified and the need to prioritize tax rate setting. The DLS rejected the balance sheet to certify free cash, warned of a potential of negative free cash, and presented a detailed team structure outlining roles and responsibilities for setting a timely tax rate. Today, many of these same concerns remain, while others continue to hamper town operations.

Setting the tax rate and timely mailing of tax bills: Not setting the tax rate timely prevents the tax bills from being mailed, which in turn creates a revenue lag and quite possibly cash flow deficiencies. Tax bills mailed by December 31 are due to be paid by April 1. After December 31, the bills are not due until May 1, or 30 days after they are mailed. Any delay in mailing bills results in delayed revenue due to the town, which for Royalston accounts for over 66 percent of the annual budget. The balanced fiscal year budget is based on receiving 100 percent of the tax revenues, estimated local receipts, and state aid. Any shortages in these collections can cause revenue deficits, and insufficient available cash on hand to meet current obligations.

Fiscal Year	Tax Rate Set	Earliest Tax Bill Due Date	Rank (out of 353)
2016	2/5/2016	May 1	346
2015	1/13/2015	May 1	338
2014	3/26/2014	May 1	348
2013	3/4/2013	May 1	343
2012	3/26/2012	May 1	339
2011	4/11/2011	May 12	349
2010	4/13/2010	May 14	341
2009	2/27/2009	May 1	337
2008	4/17/2008	May 18	341
2007	3/29/2007	May 1	333

TAX RATE SET DATES

Source: *Division of Local Services Tax Rate Recapitulation Sheet*

Fiscal year-end closing: As of this writing in August 2016, financial records for FY2015 year were not complete. Still outstanding are the FY2015 Schedule A, a verified cash reconciliation, and a year-end balance sheet to certify the free cash. The Schedule A, although submitted in December, was not

complete nor approved by DLS. If a town fails to submit a Schedule A by November 30, DLS can withhold a community's local aid distribution, and these local aid payments, if not made before the close of the State's accounts payable period, may revert to the Commonwealth's general fund. A Schedule A that is repeatedly submitted incompletely may fall under the non-submission rules. This is part of a pattern of fiscal year-end difficulties, with free cash not being certified seven of the last ten years.

Outstanding property taxes: While moderately successful collecting current year property taxes, pursuing outstanding taxes from delinquent property owners is severely lacking. The combined total of outstanding real estate and personal property taxes for each of the five years ending with FY2014 is over 32 percent of the current levy and, when including amounts reported as being held in tax title, is over 42 percent of the current levy. In 2015, the current value of outstanding taxes dropped to 19 percent by shifting several years of uncollected taxes into tax takings. However, the accounts receivable for the outstanding tax title and the remaining outstanding taxes increased to almost 55 percent, ranking as the highest receivable of this type in the state. Royalston has 36 properties in tax title, with the top five owing almost half of the outstanding total. There have been no tax foreclosure proceedings to move the collections process to the next step.

Fiscal Year	Levy Net of Overlay	Current Year Outstanding Property Taxes in Levy Year	Percentage Property Tax Uncollected in Levy Year	Total Outstanding Property Taxes Receivables	Total Percentage Property Tax Uncollected	Total Outstanding in Tax Title	Foreclosure/ Possessions	Total Percentage Outstanding
2015	1,544,984	118,541	7.67%	288,380	18.67%	555,382	0	54.61%
2014	1,418,571	135,707	9.57%	506,694	35.72%	148,560	0	46.19%
2013	1,329,697	N/A	N/A	N/A	N/A	N/A	0	N/A
2012	1,343,700	100,808	7.50%	446,460	33.23%	148,776	0	44.30%
2011	1,312,831	113,567	8.65%	430,793	32.81%	134,948	0	43.09%
2010	1,279,146	126,410	9.88%	409,592	32.02%	134,948	0	42.57%

OUTSTANDING PROPERTY TAXES, TAX TITLE AND TAX FORECLOSURES

Source: Division of Local Services

Uncollected taxes greater than five percent of the net tax levy (tax levy less allowance for abatements and exemptions, or overlay), or consistent increases over time are indicators of inadequate collections procedures and a weak financial position.

General stabilization fund balance: The true balance of the general stabilization fund is unknown. The stabilization fund is funded annually at fiscal year-end by a transfer of unused departmental appropriations. This fund is then used for cash purchases of capital. The absence of the year-end accounting of general fund revenue and expenditures needed to certify free cash in the past several

years, along with late tax bill mailings and high outstanding tax receivable balances, signifies there is a high probability that Royalston could have a revenue deficit. Transferring the perceived unused balance to the stabilization fund and then appropriating from the stabilization fund may be creating a deficit. Further appropriation of any unused appropriation without first accounting for current revenues is not recommended.

External audit: Royalston is required to complete an audit within 90 days after the close of the fiscal year as required by a federal grant the town obtained through the United States Department of Agriculture (USDA) for its wastewater treatment plant. To meet this requirement, the town contracted with Melanson Heath to audit its FY2015 financial records. Based on our understanding, information provided to the audit team, including financial statements, activity history, and transaction documentation, increased the project scope to such a degree that the required time and effort to complete the assignment could not be accomplished as contracted. As of this time, the audit is on hold. Although extensions are available, without a completed audit, future funding from federal agencies will be impacted and additional borrowings will be prevented. There is a very significant concern that the town's ability to borrow for the rural broadband initiative will be jeopardized.

Community Preservation Fund: The accounting of the community preservation fund is not proper. In FY2010 Royalston implemented a three-percent surcharge on real estate bills as provided by the adoption of the Community Preservation Act ([M.G.L. c. 44B](#)). As detailed in the statute, the town accountant must establish and maintain a separate special revenue fund to be credited with all revenue collected from the surcharge, all money received from the Commonwealth for community preservation purposes, and the respective earned interest. Recorded in the same manner as real estate tax, there should be a receivable for uncollected revenue. There is also a requirement for a separate reserve account within the fund for each of the three categories of community preservation purposes from which subsequent appropriations are restricted. Other than the annual town meeting vote for the current year revenue reservations, none of the other requirements are being met. Although the treasurer identifies a subsidiary bank account for the deposits, it is unclear where she credits the interest.

Budgeting: The chair of the select board and the tax collector orchestrate the town's operating budget. Without formal submission documents, various levels of detail and explanation are provided by the departments. The town accountant has no role in budget development, and the advisory committee's (referred to as the finance committee) involvement begins at the end of the process when making recommendations for town meeting. The result is a splintered process with the potential for an unbalanced budget when setting the tax rate. There are also significant turn

backs of budgeted funds at year-end that have been feeding the stabilization fund at the June special town meeting (instead of being part of the certified free cash process). It may give the appearance of excess budgeting in some departments while other vital services may be lacking.

Capital Planning: Town bylaws state that the capital planning committee shall prepare an annual report recommending a capital improvement budget for the next fiscal year, along with recommended capital improvements for the following five years. Both are to be submitted to the select board for consideration and approval before final adoption at annual meeting. Currently, there are no formal capital submission documents or budget to approve. Capital items are individual articles put forth by the departments as they are deemed needed. Purchases are all made in cash and are controlled by the balance in the stabilization fund at the time.

Centralized offices: Without a centralized town hall office building and consistent office hours across the organization, Royalston also has difficulty serving the residents on a daily basis. Town hall, which has posted hours on Monday, Tuesday, and Thursday 8:00 a.m. until 1:00 p.m. and Wednesday 8:00 a.m. until noon, houses only the selectmen and their administrative assistant and is the mail drop for all offices. The building is used primarily for social functions, such as hosting senior citizen luncheons every Wednesday, as well as being available for rent to the general public. Whitney Hall in South Royalston houses the assessors, treasurer, collector, and assessors in which offices are open on various schedules.

PROPOSED FINANCIAL MANAGEMENT STRUCTURE

It is abundantly clear that the organizational structure in Royalston is no longer conducive to meeting modern service demands. To resolve the serious deficiencies detailed in this report, Royalston must address its void in leadership, lack of financial planning, and delayed reporting. In the current era of local government, most Massachusetts towns have recognized the cost-benefit value of appointing a professional to direct town-wide operations, manage community finances, and advise policymakers. With the approaching retirement of the longtime administrative assistant, there is an opportunity to reshape Royalston thorough an appointed town coordinator.

A town coordinator would function in many ways and have similar responsibilities as detailed in the current administrative assistant's job description. However, unlike the current administrative assistant, the select board would empower the town coordinator to play a critical, point-person role in not only administering town-wide activities and advising policymakers, but also coordinating,

supervising, and directing the town's financial activities. Although we envision this person working slightly less than full-time, they would be expected to be present throughout the week. Among other responsibilities, the town coordinator's duties would include:

- Financial management, including preparation and monitoring of the operating and capital budgets
- Oversee day-to-day operations and coordinate interdepartmental activities
- Facilitate the flow of information between elected officials, employees, and citizens
- Administer the town's personnel policies and negotiate contracts
- Oversee information technology operations
- Prepare the agenda for and attend select board meetings
- Prepare all town meeting warrants
- Enact the goals and policies set forth by the select board
- Act as chief procurement officer

The annual operating and capital budget process demands an overriding managerial presence with a person who regularly interacts with town departments and is charged with the task of pursuing collective annual goals and policies in the most cost-effective manner. The town coordinator has the best perspective to understand the needs of departments in context with long-range, town-wide goals, and therefore makes the most sense to coordinate and formulate the initial annual operating and capital budget, which is viewed as a municipality's most important annual policy-making document, for the finance committee's review and select board and town meeting adoption.

Beyond the budget and capital planning, the town coordinator would lead regular meetings of the town's financial management team, including the town accountant, treasurer/collector, and assessors. Initially, these meetings would occur as often as weekly until financial reports are current and all outstanding documents are provided to and approved by DLS. After this period, meetings may be less frequent, but should be monthly at a minimum. These sessions should help resolve issues by keeping everyone on task, spur creative thinking about delivering town services, and assure participants that important information is imparted to all at the same time. Gathering the team for regular discussions also enables the select board to better understand the ongoing financial operations, review the status of critical milestones, maintain internal controls and oversee adherence to key procedures. Critical to the success and effectiveness of the team is active participation from all financial officers.

To effectively carry out these functions, we suggest that the town codify the town coordinator's authority and primary duties in bylaw to truly empower the officeholder and to ensure the most efficient administration of the town's operational and financial management objectives. In considering this bylaw, the town has the opportunity to create an effective and accountable structure by granting the town coordinator the supervision necessary to hold departments accountable under the select board. Defining the position in such a way, eliminates confusion for both employees and residents as to the extent of the town coordinator's responsibilities, authority, and legal authorizations.

We further recommend that the town should combine its treasurer and collector positions into a single job when a vacancy arises. The parallel and overlapping responsibilities of the tax collector and the treasurer offices support combining them into a single position by a vote at an annual or special town meeting, and acceptance by the voters at the annual town election. Having receipts collected, counted, posted, deposited and managed in the same office makes organizational sense. The new position also creates a more substantive presence, which benefits those in town hall as well as residents who expect business to be conducted on more regular hours. This does not reduce staff from two to one, because there remains the need for a support staff member to meet the fluctuating demands of the office, especially during tax time, though the requirements of the position would not be that of either the appointed treasurer or collector. However, with proper training, the support staffer could provide short-term backup to the treasurer/collector. An organization chart depicting our proposed structure can be found in the Appendix.

In addition to the town coordinator role and combining the treasurer/collector, Royalston should centralize town hall related operations and establish scheduled hours for each department. It is a necessity to position the town coordinator with town personnel, and for the coordinator and the public to know when those personnel are available. To ensure successful and proper financial operations, the town coordinator must work regularly with the financial team as a cohesive, effective unit. Town hall, originally constructed in 1867, presently is being used for the select board and administrative assistant's office, meetings, and social events. Whitney Hall in South Royalston serves most other departmental offices. Current renovations to town hall include an elevator and other accessibility renovations that will provide more access for public functions, but it will not increase the feasibility of housing all town offices.

Beyond these structural changes, we encourage local officials to expand their existing cooperative services and explore sharing functions with neighboring towns as provided by [M.G.L. c 40, §4A](#), which authorizes cities and towns to enter into intermunicipal agreements. Today, communities across the state are actively pursuing merging services to combat operating cost increases.

Royalston currently shares emergency dispatch services with Winchendon, veterans' services with Athol and Phillipston, and animal control with Athol and Orange, in addition to its memberships in the Montachusett Public Health Network and Athol-Royalston Regional School District. Financial operations, police services, inspectional services, facility management and public works are other operations that have all been subjects in consolidation discussions.

As vacancies provide a practical opportunity for change, Templeton, Royalston's neighbor to the southeast, recently created the Town Administrator position. This position, currently filled on an interim basis, presents an immediate opening for Royalston officials to approach a community on the possibility of sharing a permanent chief administrator.

To continue the shared services discussion, we recommend Royalston selectmen reach out to nearby communities about establishing a strategic planning committee comprised of a limited number of members, representing a cross-section of municipal officials. The committee would begin a process to frame common goals among towns and develop objectives. This process would not only take into consideration the extent of opportunities available but also outline the best organizational structure to carry it out. Offices that require very specific skills but are part-time often do not attract highly proficient staff. For Royalston, any of the financial offices should be a major focus of the shared discussion. Assistance is available from DLS if this were to be pursued.

OTHER OBSERVATIONS

Beyond the town's general financial management operations, there are several other matters that appear to be impacting local officials' ability to effectively carry out their daily responsibilities. While we can only offer limited guidance, it is otherwise important to raise awareness about these issues.

Financial Policies: Royalston does not maintain a complete set of documented policies and procedures. Sound financial policies provide important structure and consistency around local fiscal policy decisions and are an essential internal control. This best practice is achieved by evidence of documented fiscal policies including reserve levels, capital financing, and use of Free Cash. We recommend that the town develop policies and internal controls surrounding:

- cash receipts, department turnovers, cash disbursements and the warrant process
- reconciliation processes for cash and accounts receivable
- reserve funds and use of one time revenue, including free cash

- tax enforcement
- fraud mitigation
- annual budget process
- capital planning

Budget Process and Document: Royalston does not follow a formal budget calendar or process, and does not produce a comprehensive budget document. An effective budget process follows a formal calendar beginning with revenue projections, consensus on expenditure levels, written guidelines, and departmental submissions, ending with budget recommendations for approval by the select board, finance committee, and ultimately town meeting. As a product of this process, a well-developed budget document detailing all revenues and expenditures, providing a narrative describing priorities and financial challenges, and offering clear and transparent communication of community policies to residents and businesses is recommended.

Capital Improvement Plan: Royalston does not have a plan for the maintenance and improvement of capital assets and infrastructure. Capital planning requires a detailed, well-structured process for determining capital needs and organizing projects, and it must be supported by careful budgeting practices and debt management, reserve, and revenue policies.

Town Meeting Warrant: The annual town meeting warrant has separate articles to appropriate funding to pay the existing debt service. When the debt was authorized, a multiyear obligation was created. The debt service should be appropriated as a line item (or items) within the annual budget.

Revolving Fund Articles: Revolving fund accounts established under M.G.L. c. 44, §53E½ are presented as separate articles on the annual town meeting warrant. To streamline the warrant and still meet regulatory requirements, we suggest that all revolving fund articles be consolidated into one article under a single motion.

Bylaw Review: Pursuant to Royalston's bylaw review, as a practice, we advise the selectmen to appoint a bylaw review committee of three to five people combining residents and town officials. Committee members should be charged to review the existing bylaws and recommend ones that should be retained, amended, or deleted, and to propose new bylaw for adoption. They should identify any missing positions, boards, and committees, and consider codifying financial procedures (e.g., budget process, capital planning). For guidance, the committee can examine bylaws of other towns and seek input from residents, employees, and officials through public forums. At minimum, a one-year timetable should be anticipated to complete this work, and the revised code will need to be approved by town meeting and the state attorney general.

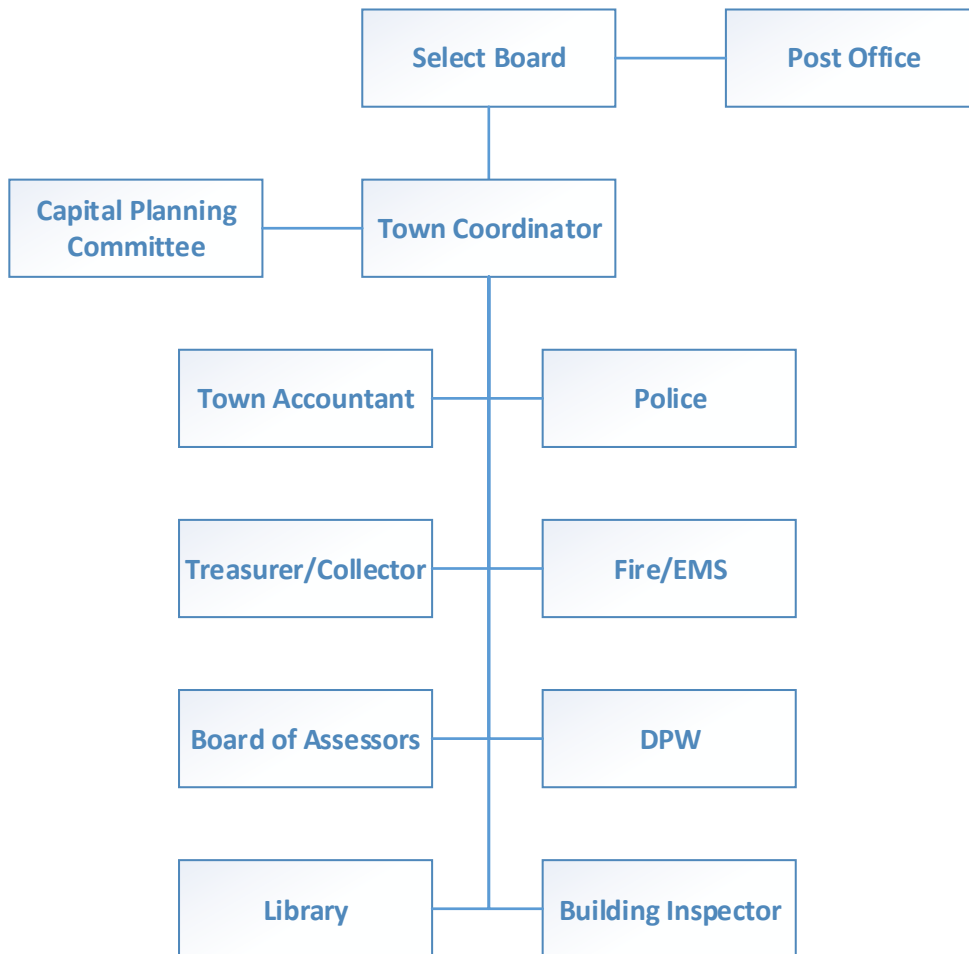
Chart of Accounts: Royalston's chart of accounts is not organized according to the Uniform Massachusetts Accounting System (UMAS) manual. Currently there are two funds labeled grants that report state grants, federal grants, community preservation funds, revolving funds, septic loan activity, reserved for appropriation accounts, and more with no distinction between them. The manual's [Appendix I](#) provides a number system for funds by group detailed that should be used as a guide to organize the funds. Organizing the funds would simplify the year end close process and preparation of the Schedule A.

Deputy Collector: The deputy collector does not collect for real estate. Expanding the deputy collector's responsibilities to include real estate and personal property may result in reducing the high outstanding tax receivable by obtaining money owed to Royalston or provide evidence that the accounts are uncollectible (due to death, absence, poverty, insolvency, or other inability of the person assessed to pay). Once the tax collector is reasonably sure that the accounts are uncollectible, she should work with the assessing office to have them abated and cleared off the town's books.

APPENDIX

Community Demographic and Financial Comparison												
Municipality	Management Structure	Population	Average Single Family Tax Bill	2016 Tax Rate	Income Per Capita	EQV Per Capita	Total Budget	Outstanding Property Taxes Receivables	Percentage Property Taxes Uncollected	Tax Liens/Tax Title	Free Cash	Stabilization Fund
Royalston	n/a	1,263	\$2,273	\$13.47	\$21,829	\$96,053	\$2,423,530	\$288,380	18.67%	\$555,382	\$0	\$125,345
Ashfield	Town Administrator	1,733	3,929	16.44	24,386	133,255	4,790,087	203,516	5.73%	42,600	222,446	418,092
Chesterfield	Town Administrator	1,239	4,179	18.76	17,962	121,887	3,437,213	140,193	5.29%	157,786	488,496	394,664
Colrain	Town Coordinator	1,661	3,267	18.68	22,955	101,999	4,215,117	116,043	3.91%	142,604	301,404	384,968
Cumington	Executive Secretary	867	3,148	13.53	25,448	148,936	2,262,834	90,764	5.43%	18,563	187,917	521,549
New Braintree	n/a	1,024	4,248	17.40	33,283	109,738	2,286,182	81,883	4.58%	60,199	0	288,508
New Salem	Town Coordinator	1,002	3,450	17.23	23,653	109,452	3,078,323	59,071	3.30%	13,709	681,791	397,817
Oakham	n/a	1,912	3,357	13.90	30,894	104,776	3,658,100	34,259	1.33%	35,422	163,405	475,496
Pelham	Town Administrator	1,319	6,502	21.21	32,242	136,751	5,656,123	54,226	1.53%	105,387	234,686	393,371
Petersham	Admin. Coordinator	1,244	3,922	16.42	26,861	121,717	4,255,564	190,575	7.70%	122,722	242,340	643,143
Phillipston	n/a	1,707	3,304	16.89	24,254	111,867	4,199,188	328,930	11.39%	251,902	344,270	264,957
Templeton	Town Administrator	8,134	2,867	16.47	22,149	70,259	16,209,132	n/a	n/a	n/a	0	125,818
Wendell	Town Coordinator	868	3,159	19.38	19,491	109,027	2,891,149	229,018	13.34%	179,347	284,422	687,598

Proposed Organizational Structure



PROPOSED ORGANIZATIONAL STRUCTURE
Source: Division of Local Services