

# TOWN OF BOLTON

## FINANCIAL POLICIES MANUAL



FIRST ISSUED IN 2018

REVISED IN 2024

## INTRODUCTION

The Town of Bolton is committed to safeguarding public funds, protecting local assets, complying with financial standards and regulations, and providing municipal services in an efficient, effective, and consistent manner that aligns with public policy goals. To that end, this manual of financial policies provides guidance for 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 is a living document that should be reviewed regularly and updated as necessary.

With these policies, the Town of Bolton – through its elected and non-elected officials, boards, committees, departments, and employees – commits to the following objectives:

- Sustain a consistent level of service and value for residents within the parameters of a level-funded approach to budgeting
- Safeguard financial integrity and minimize risk through a system of internal controls
- Ensure the quality and maintenance of capital assets
- Plan for the orderly improvement or replacement of town facilities and assets in accordance with the town’s Master Plan and long-term strategic goals
- Conform to general law, uniform professional standards, and municipal best practices
- Protect and enhance the town’s credit rating
- Promote transparency and public disclosure
- Simplify, clarify, and modernize the financial systems of the town as the need occurs

### Policy Adoption and Revision Process

A policy is adopted by a majority vote of each of the Owner entities listed in the “Applicability & Ownership” section of the policy. In the absence of any specified Owner, a policy is adopted by a majority vote of the Select Board.

Any elected or non-elected official, board member, committee member, department head, or employee can propose a revision to a policy. Anyone with a proposed revision shall coordinate with one of the Owner entities to seek its sponsorship. Then, an Owner entity may, by a majority vote of its members, sponsor the policy revision by presenting it the other Owner(s). In order for a policy revision to become effective, it must be approved by a majority vote of each of the Owner entities listed in the “Applicability & Ownership” section of the policy.

A policy (or a revision) will become effective within 7 calendar days of approval by all Owner entities. The Town Secretary shall maintain the master copy of the Policy Adoption/Revision Log (see Appendix I), along with dates and signatures corresponding to each Owner entity's vote.

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## CAPITAL PLANNING

Issued	03/22/2018
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### PURPOSE

To plan for the acquisition, maintenance, and improvement of capital assets and infrastructure, this policy provides guidance for reviewing, planning, and coordinating capital improvements. This policy also promotes a systematic acquisition and replacement schedule to ensure that, given limited resources, the Town's capital needs are met.

### APPLICABILITY & OWNERSHIP

This policy establishes a framework for long-term capital planning, sets guidelines and expectations for all Town departments and committees in anticipating and requesting capital projects, and outlines consensus budgetary goals for the Town Administrator, Advisory Committee, and Select Board. The policy Owners are: Select Board and Advisory Committee.

### POLICY

The Town will maintain its physical assets by providing funds in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. The Town will follow a Capital Improvement Program (CIP), developed by the Town Administrator and overseen by the Advisory Committee, to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations and aligned with its long-term strategic goals. The Town will sustain a five-year CIP for capital improvements that will be consistent with the Master Plan and updated annually. Included in the CIP will be those projects that will provide and preserve the infrastructure needed to achieve the highest levels of public services and quality of life possible within the available financial resources. The Town will plan for and utilize preventive maintenance as a cost-effective means of asset preservation and capital reinvestment, and will replace exhausted goods as necessary.

#### A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$10,000 and estimated to have, or to extend, five or more years of useful life. These include, but are not limited to:

1. Real property acquisitions, construction, and long-life capital equipment
2. Major improvements to physical infrastructure, including streets, sidewalks, storm water drains, water distribution systems, and sanitary sewer systems
3. Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
4. Planning, feasibility studies, and designs for potential capital projects
5. Items obtained under a long-term capital lease
6. 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. Definition of a Capital Improvement Program (CIP)

The Capital Improvement Program (CIP) is a multi-year plan used to coordinate the financing and timing of major public improvements for the Town of Bolton. It will contain a list of capital improvement projects proposed for the Town within the next five years and will reflect the recommendations of citizens, boards, committees, and staff from each of the Town departments. The CIP will identify each proposed project and present a summary description, estimate of cost, method of financing, and a schedule of implementation.

The Town Administrator will annually update the CIP and propose it for adoption by the Select Board and Advisory Committee. Each year, the CIP will include the upcoming fiscal year's capital improvement budget, plus a four-year projection of capital needs. The CIP will also include the Project Detail Sheets for each proposed project.

## C. Evaluating Capital Improvement Projects

The Town Administrator, in coordination with the Select Board and Advisory Committee, will evaluate all proposed capital improvement projects. Each proposed project must be summarized by its proponent in a "Project Detail Sheet" that describes and justifies the project. The Town Administrator will then evaluate each project for the upcoming fiscal year. The Town Administrator will endorse and prioritize capital improvement projects based on the criteria listed below. In general, alternatives should be explored for each capital improvement project, and an endorsed project should exceed the alternatives with respect to the criteria below.

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Supports town-approved plans, goals, objectives, and policies
4. Stabilizes or reduces operating costs
5. Replaces a clearly obsolete facility or makes better use of an existing facility
6. Maintains or improves productivity or existing standards of service
7. Directly benefits the Town's economic base by protecting or increasing property values
8. Protects natural resources and limits negative environmental impact
9. Provides new programs having social, cultural, historic, economic, or aesthetic value
10. Uses outside financing sources, such as grants

## D. CIP Calendar

Annually, a CIP calendar will be agreed upon among the Town Administrator, Select Board, and Advisory Committee. The purpose of the calendar will be to set internal deadlines for the evaluation of capital projects to facilitate a smooth lead-up to the Annual Town Meeting. In general, only projects that have gone through the evaluation process in the established timeline will be included in the CIP. However, if the proponent of a capital project determines that, because of exigent circumstances, a capital project should be considered outside the timeline established by the CIP project calendar, the Town Administrator, Select Board, and Advisory Committee may establish an alternate review schedule for that project that accounts for the exigent circumstances while providing sufficient time for evaluation.

### E. Capital Financing

Long-term debt is an appropriate funding source for certain types of projects, while current revenues should be used for assets with short useful lifespans. Once a capital improvement project has been included in the CIP, the Advisory Committee and Select Board, in consultation with the town's finance team, shall finalize the funding sources for the capital expense prior to its inclusion in an annual budget. Capital financing shall be based on the following guidelines:

- Grant funding shall be pursued and used to finance the capital budget whenever possible.
- The annual operating costs of each proposed capital project, as well as its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- 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.

### F. Capital Project Monitoring and Closeout

For capital items that are approved at a town meeting, the Town Administrator will develop a system for monitoring and reporting on project activity, including schedule, cost, and scope-of-work.

Unless there are extenuating circumstances, the Town will (1) initiate all capital projects within 1 fiscal year of approval at town meeting, and (2) complete all capital projects within 3 fiscal years of approval at town meeting. As these projects are closed out:

- The Town Accountant and Town Treasurer will identify to the Advisory Committee any residual balances in project accounts.
- The Advisory Committee, after consultation with the Accountant and Treasurer, will propose reallocating any balances of borrowed funds to other applicable capital projects.
- The Advisory Committee, after consultation with the Accountant and Treasurer, will propose returning unspent general or stabilization fund monies for the project to the appropriate fund.

All other spending articles (*i.e.*, those not considered capital projects) must also be initiated within 1 fiscal year and completed within 3 fiscal years of approval at annual town meeting.

### REFERENCES

[M.G.L. c. 44, §20](#)

[M.G.L. c. 44, §33B](#)

Division of Local Services Guidance: [Capital Improvement Planning Guide](#)  
[Capital Improvement Planning Manual](#)

**EFFECTIVE DATE:** This policy was first adopted on 03/22/2018.  
This policy was reviewed and revised on 5/9/2024.

## DEBT MANAGEMENT

Issued	11/15/2018
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### 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 maintain capital investment capacity. This policy is also intended to maintain and enhance the town's bond rating so as to achieve long-term interest savings.

### APPLICABILITY & OWNERSHIP

This policy applies to the Select Board and Advisory Committee in their budget decision making and to the Treasurer's debt reporting. It also applies to the Advisory Committee's budget analysis duties and the Treasurer/Collector's statutory responsibilities associated with debt management. The policy Owners are: Select Board and Advisory Committee.

### POLICY

Under federal and state law requirements, 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, shall only be issued to construct, reconstruct, or purchase capital assets that cannot reasonably be acquired with current revenues.

#### A. Debt Financing

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes that are financially supported and authorized by state law
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects
3. Confine borrowing to capital improvements and projects that cost at least \$25,000 and that have useful lifespans of at least five years or whose lifespans will be prolonged by at least five years
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures
5. Use bond anticipatory notes instead of general obligation bonds whenever possible

#### B. Debt Limits

The Town will adhere to these debt parameters:

1. The Town will endeavor to manage debt so as not to exceed the following ratios:



- (a) gross general fund debt service<sup>1</sup> in a given fiscal year will be no more than 10% of general fund operating expenditures &
- (b) net general fund debt service<sup>2</sup> in a given fiscal year will be no more than 7% of general fund operating expenditures.

2. By statute, a community's debt limit equals 5 percent of its most recent equalized valuation.

#### C. Structure and Term of Debt

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

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 30 years.
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 guidelines](#) promulgated by the Division of Local Services.
4. The Town will work closely 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 the debt issuance's tax-exempt status and the town's bond rating.

#### D. Reporting

1. The Treasurer/Collector will submit a written report to the Select Board and Advisory Committee on the Town's debt status at least annually.
2. The Town Accountant will include a statement of debt in an annual report of appropriations, receipts, and expenditures.

#### REFERENCES

[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](#)

Division of Local Services Guidance: [Understanding Municipal Debt](#)

Internal Revenue Code of 1986, as amended, [Section 148](#)

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

**EFFECTIVE DATE:** This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

<sup>1</sup> Gross general fund debt service is the total annual debt payments (principal and interest) for which the Town is held accountable.

<sup>2</sup> Net general fund debt service is the annual debt payments (principal and interest) for which the Town is held accountable after factoring in State reimbursement and State aid.

## FINANCIAL RESERVES

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### 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, Bolton 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 the Town's credit rating and consequently its long-term cost to fund major projects.

### APPLICABILITY & OWNERSHIP

This policy pertains to short- and long-range budget decision making and applies to the Select Board and Advisory Committee in those duties. It also applies to the related job duties of the Town Administrator, the Town Treasurer, the Town Accountant, and the Board of Assessors. The policy Owners are: Select Board and Advisory Committee.

### POLICY

The Town of Bolton commits to building and maintaining its reserves so as 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. The Town will strive to maintain overall reserves in the level of six to ten percent of the annual operating budget (net of debt service). 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.

The Town will endeavor to maintain its free cash in the range of three to five percent of the annual budget at the start of the fiscal year. To achieve this, the Town Administrator shall propose budgets with conservative revenue projections, and department heads shall carefully manage their appropriations. Further, budget decision makers will avoid fully depleting the Town's free cash in any year, so that the succeeding year's calculation can begin with a positive balance.<sup>3</sup> Moreover, as much practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects or emergencies and other unanticipated expenditures) and will appropriate any excess above five percent of the annual budget to a stabilization fund or to offset unfunded liabilities.

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<sup>3</sup> In recent years, budget decision makers have aimed to begin each year with a \$350,000 free cash balance.

**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.

The Town will endeavor to maintain a balance in the range of three to five percent of the current operating budget in its general stabilization fund. Withdrawals from general stabilization should typically be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the three 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 Treasurer and Advisory Committee shall develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

**C. Overlay Surplus**

The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Bolton officials will prudently manage the overlay in accordance with the Town's Overlay policy to avoid the need to raise overlay deficits in the tax levy.

At the conclusion of each fiscal year, the Board of Assessors shall submit to the Town Accountant an update of the overlay reserve with information that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Select Board may request that the Board of Assessors vote to declare those balances surplus 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](#)

DLS Best Practices:

[Free Cash](#)

[Reserve Policies](#)

Bolton Overlay Policy

DLS Informational Guideline Release 16-104: [Overlay and Overlay Surplus](#)

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

**EFFECTIVE DATE**

This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

## FORECASTING

Issued	11/15/2018
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Rev. Date	05/09/2024

### PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer-range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

### APPLICABILITY & OWNERSHIP

This policy applies to the Select Board and Advisory Committee as Bolton's budget decision makers. It also applies to the job responsibilities of the Town Administrator, Town Treasurer, Town Accountant, and all the managers of revenue-generating departments. The policy Owners are: Select Board and Advisory Committee.

### POLICY

#### A. Revenue Guidelines

The Town will continually seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (*e.g.*, local aid, grants) will be reviewed annually in the Fall to determine their short- and long-term stability in order to minimize detrimental impacts. The results of this review will be presented to Town officials to start the budget goals process.

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. Additionally, the Town will consider the following categories when appropriating one-time revenues:

- Capital purchases and projects
- OPEB trust fund
- Stabilization fund(s)

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Advisory Committee, in consultation with the Town Administrator, Town Accountant, and Town Treasurer, can recommend to Town Meeting its use for operational appropriations. Such use will trigger the finance team to develop an action plan to avoid continued reliance on one-time revenues.

This policy further entails the following expectations regarding revenues:

1. The Board of Assessors will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
2. Town departments that charge fees shall review their fee schedules at least every two years and propose adjustments when needed to ensure coverage of service costs.
3. Department heads will notify the Town Administrator of any moderate-to-large developments that could impact building permit volume.
4. Department heads will strive to be informed of all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
5. Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.

#### B. Expenditure Guidelines

Annually, the Town 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.

#### C. Financial Forecast Guidelines

To determine the Town’s operating capacity for each forthcoming fiscal year, the Town Treasurer and Town Accountant will annually work with the Advisory Committee to create a detailed one-year budget forecast. The Town Treasurer, Town Accountant, and Advisory Committee will also aim to prepare a five-year financial projection of revenues and expenditures for all operating funds. These forecasts (*i.e.*, 1-year and 5-year forecasts) shall be used as planning tools in developing the operating budget as well as the five-year capital plan.

To ensure the Town’s revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (*e.g.*, inspection fees, investment income, license fees) should generally not exceed 90 percent of the prior year’s actual collections without firm evidence that higher revenues are achievable.

Additionally, the Town’s forecast models should assume that:

1. Current service levels will be maintained<sup>4</sup>

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<sup>4</sup> In general, the Town will take a “level-funded” approach to budgeting for the immediately upcoming fiscal year. However, when developing a five-year forecast, the Town will use “level service” assumptions based on actual operating expenses in prior years.

2. Property taxes (absent overrides) will grow at the limits of Proposition 2½
3. New growth will be projected conservatively, taking into account the Town's three-year average by property class
4. State net school spending requirements will be annually met or exceeded
5. Local receipts and state aid will reflect economic cycles
6. Historical trends in the growth of operating expenses and employee benefits will continue
7. Estimated cost-of-living adjustments based on factors such as the consumer price index (CPI) will continue
8. Debt service on existing debt will be paid and Capital Planning and Debt policies will be followed
9. Annual pension contributions and appropriations to amortize its other postemployment benefit liabilities will continue
10. Reserves will be built and maintained in compliance with its Financial Reserves policy

**REFERENCES**

[Chapter 218 of the Acts of 2016](#)

[M.G.L. c. 44, §63](#)

[M.G.L. c. 44, §63A](#)

[M.G.L. c. 44, §53A](#)

[M.G.L. c. 53A½](#)

[M.G.L. c. 44, §20](#)

Bolton Debt Management Policy

Bolton Financial Reserves Policy

Division of Local Services Best Practice: [Revenue and Expenditure Forecasting](#)

Division of Local Services Bulletin 2013-01B: [Premiums and Surplus Proceeds for Proposition 2 ½ Excluded Debt](#)

Government Finance Officers Association: [Financial Forecasting in the Budget Preparation Process](#)

**EFFECTIVE DATE**

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## OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Issued	11/15/2018
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### PURPOSE

To provide the basis for a responsible plan for meeting the Town's obligation to provide other postemployment benefits (OPEBs) to eligible current and future retirees, this policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEBs, thereby avoiding transferring costs into the future.

### APPLICABILITY & OWNERSHIP

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Select Board and Advisory Committee in their budget decision-making responsibilities. The policy also applies to the OPEB-related duties of the Town Treasurer, Town Accountant and Trustees of the Town's OPEB Trust Fund. The policy Owners are: Select Board and Advisory Committee.

### BACKGROUND

In addition to salaries, the Town of Bolton 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 latter benefits 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. As part of a long-range plan to fund this obligation, the Town established an OPEB Trust Fund, which allows for long-term asset investment at higher rates of return than those realized by general operating funds.

### POLICY

The Town of Bolton is committed to funding the long-term cost of the benefits promised to 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, Reporting, and Investment

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 Board.

As custodian, the Town Treasurer will be responsible for investing the fund's assets and for managing its associated bank account and any subaccounts. The Town Treasurer will manage the OPEB Trust Fund in conformance with the Town's investment policy and the state's prudent investor laws. The Trustees will maintain oversight of the fund by reviewing the banking and investment activity. On an

annual basis, the Town Treasurer will analyze its option to invest its OPEB trust with the State Retiree Benefits Trust Fund or other alternatives.

The Town Treasurer shall ensure that the Town's independent audit firm reviews compliance with the accounting, reporting, and investment provisions of this policy as part of its annual audits and will report on these to the Select Board.

#### B. Mitigation

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

#### C. Funding

To address the OPEB liability, budget decision makers have committed to funding the town's actuarially determined contribution (ADC) each year by including it as an expense in the annual operating budget.

#### **REFERENCES**

[M.G.L. c. 32B, §20](#)

[M.G.L. c. 44, §54](#)

[M.G.L. c. 44, §55](#)

[M.G.L. c. 203C, §3](#)

[Chapter 218 of the Acts of 2016](#)

Bolton Investments Policy

GASB Statement 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#), July 2016.

GASB Statement 75: [Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions](#), June 2015.

GFOA Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

GFOA Best Practice: [Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits \(OPEB\)](#)

#### **EFFECTIVE DATE**

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**OVERLAY**

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**PURPOSE**

To ensure the proper treatment of the overlay account, 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.

Effective November 7, 2016, the Municipal Modernization Act ([Chapter 218 of the Acts of 2016](#)) (Municipal Modernization Act) provides for a single overlay account. Previously, a community had to maintain separate overlay reserves for each fiscal year and could not use the surplus from one year to cover another year's deficit without a multistep process involving the assessors, accounting officer, and local legislative body. However, the Act allows all existing overlay balances to be transferred to a single account. 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 & OWNERSHIP**

This policy applies to the job duties of the Board of Assessors, Principal Assessor, Town Treasurer, and Town Accountant, as well as to the Select Board's and Advisory Committee's responsibilities as budget decision makers. The policy Owners are: Select Board, Board of Assessors, and Advisory Committee.

**POLICY****A. Annual Overlay**

Each year, the Board of Assessors shall 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 Recap Sheet. The Principal Assessor will propose this annual overlay amount to the Board of Assessors 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 under the Municipal Modernization Act)

The Board of Assessors shall notify the Town Treasurer of the amount of overlay voted.

**B. Excess Overlay**

Annually, the Town Treasurer, Town Accountant, and Principal Assessor will conduct an analysis to see if there is any excess in the overlay account 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 Principal Assessor shall present the analysis to the Board of Assessors for its review.

**C. Overlay Surplus**

If there is an excess balance in the overlay account, the Board of Assessors shall formally vote in an open meeting to certify the amount to transfer to overlay surplus and shall notify the Select Board, Advisory Committee, Town Treasurer, and Town Accountant in writing of its vote. If the Select Board makes a written request for a determination of overlay surplus, the Board of Assessors shall vote on the matter within the next 10 calendar days and notify the Select Board, Advisory Committee, Town Treasurer, and Town Accountant 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 Forecasting policy (re: treatment of one-time revenues) and its Financial Reserves policy (re: overlay surplus). Overlay surplus not appropriated by year-end closes to the general fund's undesignated fund balance.

**REFERENCES**

[M.G.L. c. 59, §25](#)

[Chapter 218 of the Acts of 2016](#)

Bolton Forecasting Policy

Bolton Financial Reserves Policy

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

**EFFECTIVE DATE**

This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

**REVENUE TURNOVER**

Issued	11/15/2018
Rev. No.	1.10
Rev. Date	05/09/2024

**PURPOSE**

To safeguard Town assets and maximize cash flow, the Town establishes this policy that provides guidelines for departments to turn over receipts to the Treasurer/Collector. 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 pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excise, fees, federal and state government receipts, and charges. It applies to the individuals within each department assigned responsibility for handling payments. The policy Owners are: Select Board and Advisory Committee.

**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 promptly turned over to the Treasurer/Collector. Each department must turn over payments at least bi-weekly. All current month turnovers will be completed on the last business day of the month.

**PROCEDURES****A. Receiving Payments**

Every collecting department shall secure all payments in a locked cashbox or safe until completing a turnover to the Treasurer/Collector. For cash payments, all department staff must issue a receipt using prenumbered receipt books. One receipt shall be given to the payer, one shall be given to the Treasurer/Collector, and one shall remain in the receipt book.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of collected receipts to the Treasurer/Collector. To the extent practicable, separate individuals should be tasked with 1) receiving payments, 2) depositing money in the bank (as applicable for the School Department) and 3) turning receipts over to the Treasurer/Collector.

**B. Turning Over Revenues**

Departmental staff will create a turnover package by filling out a standard Schedule of Departmental Payments (*i.e.*, the turnover form) with department head signature. All cash receipts should correlate to the numbered receipt book and to the turnover form. The appropriate general ledger account number should be listed on the turnover form.

When the Treasurer/Collector's office has accepted the turnover, the department employee will receive one copy of the turnover form signed by a Treasurer/Collector staff member. The department employee will retain that original turnover copy on file, and also provide a duplicate copy to the Town Accountant.

All departments that receive payments should review their monthly revenue reports against their turnover copies to verify that all receipts turned over to the Treasurer/Collector are accurately recorded in the appropriate general ledger accounts and report any discrepancies to the Town Accountant.

C. Receiving Turnovers

When presented with a turnover, Treasurer/Collector staff will count the receipts in the presence of the department turning over. Any inaccuracies on the turnover form will be corrected and initialed by both parties. The Treasurer/Collector staff member will then sign one turnover copy and give it back to the departmental employee. Upon receipt, the Treasurer/Collector will secure the receipts, which will be recorded in the cashbook and deposited at the bank within the next two business days.

To the extent practicable, separate individuals should be tasked with 1) receiving the turnovers, 2) recording the revenues in the cashbook, and 3) depositing the money in the bank within two business days.

The Treasurer/Collector will enter the receipt data in the accounting system and provide the Town Accountant with a monthly report of all turnovers processed (*i.e.*, the Schedule of Receipts report) for review and formal indication of agreement, or changes if any.

D. Reconciliation

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

E. Audit

All cash management activity is subject to review by the independent auditor.

**REFERENCES**

[M.G.L. c. 41, §35](#) [M.G.L. c. 41, §57](#) [M.G.L. c. 60, §57A](#)

Bolton Reconciliations Policy

**EFFECTIVE DATE**

This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

## RECONCILIATIONS

Issued	11/15/2018
Rev. No.	1.10
Rev. Date	05/09/2024

### PURPOSE

To ensure transactions are in balance, mitigate fraud, and safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. 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 the Town's financial records. Failure to reconcile cash, receivables, and withholdings hampers the Town's ability to produce reliable reports, close its books, make timely submissions to the Division of Local Services, and complete audits. In addition, unresolved variances reduce the amount of certified free cash and may result in significant deficiency findings by the independent auditor.

### APPLICABILITY

This policy applies to the Treasurer/Collector and Town Accountant, or their designees, and to the heads of other department with accounts receivable responsibilities (*e.g.*, Police, Fire). The policy Owners are: Select Board and Advisory Committee.

### POLICY

The Treasurer/Collector and all department heads with accounts receivable duties will internally reconcile their respective accounting records and subsequently reconcile them with the Town Accountant according to the guidelines and periodic time frames outlined in this policy.

All data entry access to the general ledger (and all its subledgers) shall be restricted solely to Accounting office staff. This segregation is necessary to maintain the general ledger's integrity as the official record of the Town's accounting activity.

#### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer/Collector will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer/Collector generally will record all cash receipts, disbursements, transfers, and interest in the cashbook within two business days of each transaction, and will reconcile cashbook accounts to their corresponding bank accounts by the 15<sup>th</sup> of the following month. These shall include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

Reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the Treasurer/Collector's cashbook and financial institutions, will be identified and corrected when appropriate. The Treasurer/Collector will then forward a summary of the reconciled cashbook balances and, when needed, an additional Schedule of Receipts for any adjustments made to the Town Accountant.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, insurances, association dues, and other employer-sponsored options, which are all maintained in separate accounts. The Treasurer/Collector will ensure that all employee and employer contribution portions of withholdings are recorded and reconciled to the general ledger monthly. To reduce the risk to the Town for liabilities in excess of payroll withholdings, the Treasurer/Collector shall identify and report any discrepancies between the general ledger withholding accounts and applicable vendor/recipient accounts payable. The Treasurer/Collector will then forward the results of these activities to the Town Accountant.

#### C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed records (*i.e.*, taxes and excise) or from uncommitted department records (*e.g.*, work details, ambulance charges). To ensure these assets are accounted for and balance, the Treasurer/Collector and the department heads with accounts receivable duties (the “record-keepers”) will make certain that all cash receipts are promptly recorded, maintain a control record for each receivable type and levy year, 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 collections, abatements, and exemptions processed and increases it by refunds issued. 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, charges, abatements, refunds, chargebacks, reclassifications) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer/Collector
- Determining whether any inappropriate revenues were 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.

#### D. 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 – C 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/Collector, so that in theory, they should be in balance with the

cashbook. However, errors may happen 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/Collector to determine the cause(s):

- 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/Collector must verify that the monthly Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any mistakes.
- 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/Collector and Town Accountant must go through each entry to the ledger until they determine the reason for variance.

The Town Accountant will review the payroll withholdings reconciliation report provided by the Treasurer/Collector against the general ledger and make changes to the ledger as needed.

Committed and uncommitted accounts receivable records must also be reconciled to the Town Accountant's general ledger. If a given receivable control sheet 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 particular 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 particular 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 go through each ledger entry until they determine the reason for variance.

#### E. Time Frames and Documentation

The financial officers shall complete reconciliations of their internal accounting records early each month so that the subsequent reconciliations to the general ledger take place no later than the 20<sup>th</sup> of the month following the one being reconciled.

The financial officers who jointly complete each general ledger reconciliation will sign reconciliation worksheets. In a given month, if any variance has not yet been fully resolved, this must be noted along with a work plan and timetable for resolution. The Town Accountant shall collectively submit the reconciliation worksheets to the Town Administrator by each month's end.

#### F. Audit

All reconciliation documents are subject to audit by the independent auditor.

**REFERENCES**

DLS Best Practices, [\*Reconciling Cash and Receivables\*](#)

**EFFECTIVE DATE**

This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.



## DISBURSEMENTS

Issued	11/15/2018
Rev. No.	1.10
Rev. Date	05/09/2024

### PURPOSE

To ensure that cash is disbursed only upon proper authorization for valid expenditures and payroll and that disbursements are supported by the appropriate documentation.

### APPLICABILITY

This policy applies to the job responsibilities of the Town Accountant and Treasurer/Collector and the role of the Select Board in approving warrants. It further applies to all department heads, officials, and employees who work for the Town and have spending authority. The policy Owners are: Select Board and Advisory Committee.

### POLICY

The Town of Bolton will release disbursements for accounts payable and payroll only after warrants are duly signed and approved by the Select Board. The Town Accountant shall be responsible for reviewing payroll submissions and accounts payable vouchers for accuracy, supporting documentation, compliance with procurement laws and policies, and proper department approvals before including them on a warrant. There are no authorized petty cash accounts. The Treasurer/Collector shall be responsible for disbursing all authorized payments by check, bank transfer, or direct deposit.

#### A. Responsibilities

Departments must:

- Verify sufficient funds are available in the appropriate account(s)
- Submit accounts payable vouchers with original receipt(s) and invoice(s)
- Indicate account(s) to be charged
- Include only current fiscal year charges
- Supply supporting documentation that procurement requirements have been met
- Prepare a payroll summary based on employees' signed time sheets, including rate of pay, hours worked, pay type earned (*e.g.*, regular, overtime, detail, etc.), and accrued time used (*e.g.*, vacation, personal or sick)
- Obtain the department head's original signature, stamp signatures are not allowed, on each accounts payable and payroll submission

Please note: elected and appointed boards that serve as the department head authorized to expend town funds must approve vendor and payroll submissions. The committee may delegate this approval authority, by vote, to one of its members, who shall make available to the board, at the first meeting following such action, a record of such actions. Under no circumstances can elected or appointed boards assign this responsibility to the professional or other staff.

Town Accountant:

- Review each submission for completeness and accuracy
- Verify it is a legal purpose, the appropriate account(s) charged, and funds are available
- Confirm proper documentation supplied and authorized signature affixed to each submission

- Return submission lacking proper funding, documentation and authorization to appropriate department, indicating the reason
- Prepare and sign the warrant for the Select Board's approval

Select Board:

- Review each warrant submitted for approval
- May examine payroll, invoices, and backup documentation
- May direct inquiries to the Town Accountant on particular submissions
- Approve warrant by majority of its members or designate one signatory
- Cannot assign the warrant approval responsibility to the Town Administrator

Treasurer/Collector:

- Review detailed warrant and verifies that no outstanding amounts are due from any listed individuals and/or vendors
- Disburse all authorized payments by check, bank transfer, or direct deposit

B. Petty Cash

No department may have a petty cash account. This is to ensure that procurement laws are followed and issues of incurring expenses in excess of appropriation are avoided.

C. Unpaid Bills of the Prior Year

Departments will submit expenses for the current fiscal year. In the event a department submits a charge for a prior fiscal year, the Town Accountant may not pay it from the current appropriation. A 9/10<sup>th</sup> special town meeting vote, or a 4/5<sup>th</sup> annual town meeting vote, is required before payment is authorized.

D. Emergency Disbursement

As a rule, all disbursements are made through the warrant process. However, in an emergency or extenuating circumstance where payment must be made to a vendor outside of the normal warrant process, the Treasurer/Collector may issue a manual check with written authorization of the Town Accountant and the Town Administrator.

E. Audit

All approved warrants are subject to audit by the Town'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. 30B](#)

Collective Bargaining Agreements

**EFFECTIVE DATE:** This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

## FRAUD RISK

Issued	11/15/2018
Rev. No.	1.10
Rev. Date	05/09/2024

The Town of Bolton is committed to protecting its revenue, property, information, and other assets from any attempt – either by members of the public, contractors, vendors, agents or its own employees – to gain, by deceit, financial or other benefits at the expense of the taxpayers.

Town officials and employees must, at all times, comply with all applicable laws and regulations. The Town will not condone the activities of officials or employees who achieve results through violation of the law or unethical business dealings. The Town does not permit any activity that fails to stand the closest possible public scrutiny.

This policy sets out specific guidelines and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities. The policy Owners are: Select Board and Advisory Committee.

### Definitions

**Occupational fraud** is defined by the Association of Certified Fraud Examiners as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. There are three major categories of occupational fraud:

- **Asset Misappropriations** – Theft or misuse of an organization's assets.
  - Cash
    - Fraudulent Disbursements – Perpetrator causes organization to disburse funds through some trick or device (e.g. submitting false invoices/time card/sheets, expense reimbursement schemes, check tampering, etc.)
    - Skimming – Cash is stolen from an organization before it is recorded on the organization's books and records.
    - Cash Larceny – Cash is stolen from an organization after it has been recorded on the organization's books and records.
  - Inventory and all other assets
    - Misuse – Misuse of an organization's inventory or assets for personal use (e.g. vehicles, computers, supplies, etc.)
    - Larceny – Inventory or other assets are stolen from an organization
- **Corruption** – Wrongfully use influence in a business transaction in order to procure some benefit for themselves or another person, contrary to duty to employer or the rights of another.
  - Conflicts of Interest – An undisclosed economic or personal interest in a transaction that adversely affects the employer.
  - Bribery – The offering, giving, receiving, or soliciting of anything of value to influence an official act or business decision.

- Illegal Gratuities – A party who benefits from an official act or a business decision gives a gift to a person who made the decision. An illegal gratuity does not require proof of an intent to influence.
  - Economic Extortion – An employee demands that a vendor/contractor/etc. pay to influence an official act or a business decision.
- **Fraudulent Statements** – Falsification of an organization's financial statements.

**Other similar irregularities** are defined as any activity involving questionable behavior or business dealings by members of the public, contractors, vendors, agents or government employees that put government revenue, property, information and other assets at risk of waste or abuse.

### **Applicability**

This policy applies to all Elected Officials and employees of the Town of Bolton, as well as any business or individual doing business with the government.

### **General Policy and Responsibility**

1. It is the government's intent to fully investigate any suspected acts of fraud or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title, length of service or relationship with the government of any party who might be or becomes involved in or becomes/is the subject of such investigation.
2. Each Elected Official, Department Director, Commissioner and Manager is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.
3. The Office of the Town Administrator has the primary responsibility for the investigation of all activity defined in this policy.
4. The Town Administrator will notify the Select Board of a reported allegation of fraudulent or irregular conduct upon the commencement of the investigation to the extent practical. Throughout the investigation the Select Board will be informed of pertinent investigative findings.
5. In all circumstances where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator, subject to the advice of the Select Board, will contact the office of the District Attorney and/or the Town of Bolton Police.
6. Upon conclusion of the investigation, the results will be reported to the members of the Select Board, and others as determined necessary.

7. The Town Administrator will pursue every reasonable effort, including court ordered restitution, to obtain recovery of the Town's losses from the offender, or other appropriate source.

## **Procedures**

1. All Employees

Any employee who has knowledge of an occurrence of irregular conduct, or has reason to suspect that a fraud has occurred, shall immediately notify his/her supervisor. If the employee has reason to believe that their supervisor may be involved or does not feel comfortable reporting the occurrence to their supervisor, the employee shall immediately notify the Town Administrator.

Employees have a duty to cooperate during an investigation.

Employees who knowingly make false allegations will be subject to discipline and possible termination of employment.

2. Town Management Elected Officials

Upon notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, they shall immediately notify the Town Administrator.

3. Office of the Town Administrator

Upon notification or discovery of a suspected fraud, the Town Administrator will promptly investigate the suspected fraud. In all circumstances where there are reasonable grounds to indicate that a fraud may have occurred, the Town Administrator will inform the Select Board. Subject to the advice of the Select Board, the Town Administrator will contact the Office of the District Attorney and/or the Town of Bolton Police Department.

4. Contacts/Protocols

After an initial review and a determination that the suspected fraud warrants additional investigation, the Town Administrator will notify the Select Board. The Town Administrator will coordinate the investigation with the Select Board and appropriate law enforcement officials.

5. Security of Evidence

Once a suspected fraud is reported, the Town Administrator, in consultation with the Select Board, shall take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records. The records must be adequately

secured until the Town Administrator obtains the records to begin the audit investigation.

#### 6. Personnel Actions

If a suspicion of fraud is substantiated by the investigation, disciplinary action shall be taken by the appointing authority, in consultation with the Town Administrator and the Select Board.

#### 7. Whistle-Blower Protection

Under Massachusetts General Law Chapter 149, paragraphs 148A, 185 and 187, no employer or person acting on behalf of an employer shall:

Dismiss or threaten to dismiss an employee;

Discipline or suspend, or threaten to discipline or suspend, an employee;

Impose any penalty upon an employee; or

Intimidate or coerce an employee because the employee has acted in accordance with the requirements of this policy.

The violation of this section will result in discipline up to and including dismissal in accordance with the applicable federal, state, and local administrative laws.

#### 8. Media Issues

Any Town employee or elected official contacted by the media with respect to an investigation shall refer the media to the Town Administrator. The alleged fraud or investigation shall not be discussed with the media by any person other than the Town Administrator.

If the Town Administrator is contacted by the media regarding an alleged fraud or investigation, they will consult the Chair of the Select Board, before responding to a media request.

Neither the Town Administrator, nor the Select Board, will discuss the details of any ongoing fraud investigation with the media that may compromise the integrity of the investigation.

#### 9. Documentation

At the conclusion of the investigation, the results will be reported to the members of the Select Board, and others as determined necessary. If the report concludes that the allegations are founded, the report will be forwarded to the Office of the District Attorney and/or the Town of Bolton Police.

#### 10. Completion of the Investigation

Upon completion of the investigation, including all legal and personnel action, any records, documents, and other evidentiary material will be returned by the Town Administrator to the appropriate department.

#### 11. Training

New employees are trained at the time of hiring about the Town's Code of Conduct and Fraud Policy. This training explicitly covers expectations of all employees regarding:

    Their duty to communicate certain matters;

    A list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and

    Information on how to communicate those matters.

#### **EFFECTIVE DATE**

This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

## WHISTLEBLOWER

Issued	11/15/2018
Rev. No.	1.10
Rev. Date	05/09/2024

### General

The Town of Bolton requires employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Town of Bolton, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations. The policy Owners are: Select Board and Advisory Committee.

### Reporting Responsibility

It is the responsibility of all employees to report violations or suspected fraud, including questionable accounting or auditing practices, in accordance with this Whistleblower Policy.

### No Retaliation

No employee who in good faith reports a violation shall suffer harassment, retaliation, or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Town prior to seeking resolution outside the Town.

### Reporting Violations

The Town of Bolton has an open-door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if an employee is not comfortable speaking with his or her supervisor or is not satisfied with the supervisor's response, the employee is encouraged to speak with someone in the Finance Department (see below), or anyone in management whom the employee is comfortable approaching. Supervisors and managers are required to report suspected violations or fraud to the Town Accountant. For suspected fraud, or when an employee is not satisfied, or is uncomfortable with following the Town's open door policy, the employee should contact the Town's independent audit firm directly.

### Finance Department

The Town Accountant is responsible for investigating and resolving all reported complaints and allegations concerning potential instances of fraud or abuse and questionable accounting or auditing practices. At their discretion, they shall advise the Town Administrator, who has direct access to the Town's independent audit firm and is required to report to the auditor any fraud, abuse or questionable practices.



**Accounting and Auditing Matters**

The Town Accountant shall address all reported concerns or complaints regarding auditing practices, internal controls, or auditing. The Town Accountant shall immediately notify the independent auditor for the town regarding any such complaint, and work with them until the matter is resolved.

**Acting in Good Faith**

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

**Confidentiality**

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

**Handling of Reported Violations**

The Town Accountant will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

**Contacts**

Town Accountant:	Ninotchka Rogers	978-779-3310
Audit Firm:	Melanson Heath	603-882-1111
Town Administrator:	Don Lowe	978-779-3300

**EFFECTIVE DATE**

This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

## INVESTMENTS

Issued	11/15/2018
Rev. No.	1.10
Rev. Date	05/09/2024

The policy Owners are: Town Treasurer, Select Board, and Advisory Committee.

### I. THE INVESTMENT OF GENERAL FUNDS, SPECIAL REVENUE FUNDS, AND CAPITAL PROJECTS FUNDS

#### A. Scope

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds, and capital project funds. Section two will deal with trust funds, and any other funds with special circumstances such as stabilization funds. A separate Contributory Retirement Board, the Worcester Regional Retirement System, is responsible for the investment of the pension funds.

#### B. Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal/district treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system.

The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the Treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.
- **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

### C. Investment Instruments

Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may invest in the following instruments:

- Massachusetts State pooled fund: **Unlimited amounts** (pool is liquid)
  - The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer and currently managed by Fidelity Investments. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the C.D.'s and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.
- U.S. Treasuries that will be held to maturity: **Unlimited amounts** (up to one year maturity from date of purchase)
- U.S. Agency obligations that will be held to maturity: **Unlimited amounts** (up to one year maturity from date of purchase)
- Bank accounts or Certificates of Deposit, hitherto termed C.D.'s. (Up to one year) which are fully collateralized through a third party agreement: **Unlimited amounts**.
- Bank accounts and C.D.'s (Up to one year) insured by F.D.I.C. up to **\$250,000 limit**. All bank accounts and C.D.'s in one institution are considered in the aggregate to receive the \$100,000 insurance coverage. In some cases, Banking Institutions carry additional insurance, Depository Insurance Fund of Massachusetts (D.I.F.M): Contact banking representative for amounts of coverage.
- **Unsecured bank deposits** of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments **will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash**. Their credit worthiness will be tracked by Veribanc. They will be diversified as much as possible. C.D.'s will be purchased for no more than three months and will be reviewed frequently.

- **Money Market Mutual Funds** that are registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization.

#### D. Diversification

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 50% of the Town's investments shall be invested in a single financial institution.

#### E. Authorization

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

#### F. Ethics

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

#### G. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to safety. The Town of Bolton should subscribe to and use a recognized bank rating service, such as Veribanc. Brokers should be recognized, reputable dealers.

When using the Veribanc rating service, the Treasurer may invest in such banks that show a green rating in a particular quarter. If a rating is yellow the Treasurer should contact the appropriate banking institution and request in writing an explanation of the change in rating and the expected time table for it to be changed to green.

If for a second quarter such rating has not been corrected, the Treasurer should consider removing all funds that are not collateralized, or carry some form of depositors insurance.

If a rating moves to red all money should be immediately collateralized or covered by some form of depositor's insurance or be removed from the banking institution.

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

- Audited financial statements
- Proof of National Association of Security Dealers certification

- A statement that the dealer has read the municipality's investment policy and will comply with it
- Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

#### H. Reporting Requirements

Annually, a report containing the following information will be prepared by the Treasurer and distributed to the Town Administrator and Select Board, as appropriate. The report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this Investment Policy.
- A summary of the income earned yearly shall be reported.
- The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

#### I. Restrictions

Chapter 44, Section 55 sets forth the several restrictions that the Treasurer must be aware of when making investment selections.

- A Treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of such bank or trust company, or banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess.
- The Treasurer shall not make a deposit in any bank, trust company or banking company that s/he is associated as an officer or employee or has been the same for any time during the three years immediately preceding the date of any such deposit.
- All securities shall have a maturity from date of purchase of one year or less.
- Purchases under an agreement with a trust company, national bank or banking company to repurchase at not less than original purchase price of said securities on a fixed date shall not exceed ninety days.

#### J. Legal References

Massachusetts General Law Chapter 44, Section 55; Section 55A; Section 55B

## II. THE INVESTMENT OF TRUST FUNDS OR STABILIZATION FUNDS

This section of the policy applies only to funds that could be invested long term, *i.e.*, trust funds or stabilization funds.

### A. Scope

This policy applies to all accounts that are designated as Trust Funds or Stabilization Funds. These funds include all accounts that are received as scholarships and perpetual care receipts. In addition, the Town has placed both the Capital Stabilization and regular Stabilization money in this account.

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

### B. Authority

Massachusetts General Law Chapter 44, section 54 pertains to the investment of Trust Funds. All trust funds shall fall under the control of the Town Treasurer unless otherwise provided or directed by the donor.

### C. Objective

Massachusetts General Laws, Chapter 44, section 55B requires the Town Treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution.

This section also requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the Treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

- **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

#### D. Investment Instruments

M.G.L. Chapter 44 section 54 states that money should be deposited into savings bank or trust companies incorporated under the laws of the commonwealth, banking companies incorporated under the laws of the commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invested in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or in a paid-up shares and accounts of and in co-operative banks, or in shares of savings and loan associations or in share or savings deposits of federal savings and loan associations doing business in the commonwealth.

Additionally the Town of Bolton may invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen percent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company. See the Commonwealth of Massachusetts [List of Legal Investments](#).

The Treasurer may invest in the following instruments:

- U. S. Treasuries that maybe sold prior to maturity: **Unlimited amounts** (With no limit to the length of maturity from date of purchase)
- U.S. Agency obligations that maybe sold prior to maturity: **Unlimited amounts** (With no limit to the length of maturity from date of purchase)
- Bank accounts or Certificates of Deposit, hitherto termed C.D.'s. **Unlimited amounts** (With no limit to the length of maturity from date of purchase), which is fully collateralized through a third party agreement
- Bank accounts and C.D.'s (With no limit to the length of maturity from date of purchase), fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.M): **\$250,000 limit**. All bank accounts and C.D.'s in one institution are considered in the aggregate to receive the \$100,000 insurance coverage.
- **Unsecured bank deposits** of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments **will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash**. Their credit worthiness will be tracked by Veribanc. They will be diversified as much as

possible. C.D.'s will be purchased for no more than three months and will be reviewed frequently.

- Common and preferred stock that are listed in the [List of Legal Investments](#).
- Investment Funds that are listed in the [List of Legal Investments](#).
- All other items not separately identified here that are listed in the [List of Legal Investments](#).

#### E. Standards of Care

The standard of prudence to be used by the Treasurer shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures, and this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition, this section would also apply to M.G.L. Chapter 44 Section 55A, which refers to the liability of the Treasurer for losses due to bankruptcy.

#### F. Diversification

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution, with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

#### G. Ethics

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

#### H. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to safety. The Town of Bolton will subscribe to Veribanc, a recognized bank rating service. Brokers should be recognized, reputable dealers.



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

- Audited financial statements
- Proof of National Association of Security Dealers certification
- A statement that the dealer has read the municipality's investment policy and will comply with it

I. Reporting Requirements

Annually, a report containing the following information will be prepared by the Treasurer and distributed to the Town Administrator and the Select Board, as appropriate. The report will include the following information, as a minimum requirement:

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

J. Legal References

Massachusetts General Law Chapter 44, Section 54; Section 55A; Section 55B

Trust Funds may be co-mingled and invested in any instruments allowed by the Commonwealth of Massachusetts [List of Legal Investments](#) issued by the Banking Commissioner each July. Each trust fund must be accounted for separately. Chapter 44 Section 54 sets forth that Treasurers may invest in instruments that are legal for savings banks. This list of investments is included in the Commonwealth of Massachusetts [List of Legal Investments](#), Chapter 167 Section 15A.

**EFFECTIVE DATE**

This policy was first adopted on 11/15/2018.

This policy was reviewed and revised on 5/9/2024.

## APPENDIX I: POLICY ADOPTION/REVISION LOG

As a part of the annual budget process, financial officers and other department personnel cited in the Applicability & Ownership section for each policy will review and verify that it is current. If it is determined that a policy needs to be revised, the revision sponsor will draft proposed edits and the Town Administrator will consult with Town Counsel and other responsible parties as necessary. The proposed revision will be submitted to all policy Owners for adoption. An official record of annual reviews and revision date(s) will be logged below and maintained by the Town Secretary.

Policy	Date of Adoption	Last reviewed	Date of Revision
Capital Planning	03/22/2018	4/9/2024	5/9/2024
Debt Management	11/15/2018	4/9/2024	5/9/2024
Financial Reserves	11/15/2018	4/9/2024	5/9/2024
Forecasting	11/15/2018	4/9/2024	5/9/2024
OPEB Liability	11/15/2018	4/9/2024	5/9/2024
Overlay	11/15/2018	4/9/2024	5/9/2024
Revenue Turnover	11/15/2018	4/9/2024	5/9/2024
Reconciliations	11/15/2018	4/9/2024	5/9/2024
Disbursements	11/15/2018	4/9/2024	5/9/2024
Fraud Risk	11/15/2018	4/9/2024	5/9/2024
Whistleblower	11/15/2018	4/9/2024	5/9/2024
Investments	11/15/2018	4/9/2024	5/9/2024