



## TOWN OF WORTHINGTON MEMORANDUM

**To:** All Town Departments, Boards and Committees

**From:** Worthington Finance Committee

**Re:** Reserve Fund Transfers

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The purpose of this memo is to remind everyone of some of the policies and procedures that govern the use of the Town's Reserve Fund. The Reserve Fund is created by an appropriation at Annual Town Meeting pursuant to c.40, s.6 M.G.L. Its purpose is to provide funding for either *extraordinary or unforeseen* expenditures. No direct drafts are made against the fund, but rather transfers by formal requests are approved or disapproved by the Finance Committee. The Finance Committee must decide all requests at a duly called public meeting of the committee, therefore the 48 hour posting requirement under the "open meeting law" does apply. This is important to note, as the year end deadline for any reserve fund transfer is July 15<sup>th</sup>, fifteen days after the close of the fiscal year. All end of year requests must be timely submitted in order to make this deadline and the meeting posting requirement. To approve a transfer from the fund, the Finance Committee must find that the request is for either an extraordinary or unforeseen expense and not just because the appropriation is overspent. The "Reserve Fund Transfer Request" form must be completed for consideration by the Finance Committee.

All town officials should be aware that by state law no department shall incur a liability in excess of the appropriation made at town meeting, except for very few exceptions such as those found in c.44, s.31 M.G.L. The penalties for any violations of this chapter are set out in c.44, s.62. To this end, the department or board responsible for an appropriation should maintain some sort of record keeping that provides the official with the current balance in the appropriation. A periodic reconciliation of the balances should be made with the Town Accountant's records. If it appears that the funding of an appropriation might be inadequate and additional funding will be needed, the department head should seek additional funding *before* the appropriation is depleted. The department head should not attempt to overspend the appropriation and then seek additional funding to cure a deficit.

Pursuant to c.44, s.64, unpaid bills of a previous fiscal year may be unenforceable due to the insufficiency of an appropriation in the year they were incurred. They may be paid by appropriation of a four-fifths vote at an annual town meeting and by a nine-tenths vote at a special town meeting.

We trust that the information above will provide you with a better understanding of your responsibilities in regard to Town policies and State law. Should you have any questions, or concerns please do not hesitate to contact the Finance Committee. And as always, we need to work close together to insure the integrity of the annual budget and the well-being of the townspeople that we serve.

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