

**SELECTMEN'S WORKSHOP**  
**Minutes of 12/03/07**  
**4:00 p.m.**

*Selectmen:*

*Frank S. Michel, Chairman*  
*Peter F. Brothers, Vice Chairman*  
*Robert C. Flanders*  
*Miller C. Lovett*  
*Colette Worsman*

*Town Manager:*  
*Recording Clerk:*

*Carol M. Granfield*  
*Karin Landry*

The Workshop was opened by Chair Frank Michel at 4:00 p.m. The Chair introduced the Selectmen and Town Manager Carol Granfield and announced that public input will be taken at the discretion of the Chair.

**W 07-24      2008 Budget Process**

The Town Manager opened the matter. The Board requested a brief overview pertaining to the Town budget, fund and compliance review. Sheryl Pratt, a partner of the audit firm Plodzick and Sanderson, reviews the Town's finances and budget annually to ensure compliance with appropriate state and federal requirements. The goal of her presentation was to outline what the Board needs to focus on during the upcoming budget sessions in order to be compliant with those regulations.

Ms. Pratt stressed that the Board should be cognizant of revenue budgeting as well as budgeting for appropriations. If estimated revenues are not budgeted for properly, more tax money will be raised than what is needed. She set forth the timelines for the filing of state forms. The MS-2 includes appropriations, and is due after the appropriations are voted in at Town Meeting in March. The MS-4 is due in September, and is based on historical data for revenues through year-end. The auditing firm reviews the reports by function (department), rather than line item by line item. Anything that appears unusual is investigated. She complimented the finance department on their work in preparing the budget.

Ms. Pratt distributed a handout that covers the high points of budgeting. It includes information on budgeting for special funds that are often forgotten in the budget process. Based on the Municipal Budget Act, all funds need to be budgeted for, regardless of size. The handout includes illustrations of the impact on the general fund and tax rate when budgeting is not done properly.

Dialogue ensued regarding requirements for accepting gifts, grants and donations. If the funds are under \$5,000, they should be formally accepted at a Selectmen's Meeting. The intended use of the money also needs to be announced. It can then be added into the budget on both sides. If the funds are over \$5,000, a properly posted public hearing must

be held to accept the funds and state how the Town intends to use them. The Board has a standing resolution that allows them to accept funds. Large funds received from FEMA are budgeted for in a different way. Funds are expended to make necessary repairs and FEMA makes their assessment and forwards the paperwork. If the funds are over \$5,000 a properly posted public hearing must be held to accept the use of the funds. Once the funds are accepted, they increase the budget as an appropriation and revenue.

Ms. Pratt cautioned the Board that transferring expenditures from one line item to another makes it difficult to budget appropriately in the future. Showing that a line item exceeded what was budgeted, can be used as a tool in budgeting the following year. It is important to include enough line items so that something is not forgotten in upcoming years.

In the event of a casualty loss, reimbursement from the insurance company is an appropriation credit. When the money is received, it goes back into the expenditure account. The expense belongs to the insurance company, not the Town.

Funds for Capital projects are pulled out of the general fund and run for the life of the project.

Ms. Pratt told the Board about new standards set forth under GASB for 2008. Health benefits for retired workers must be accrued going into the future. If the Town intends to comply, an actuarial study must be done to determine the future value of those benefits. New auditing standards are being put in place that focuses on internal controls of an entity. The standards are very involved and will increase the auditing firm's work load on a single job as much as 50%. The Town will be assessed for risk, focusing on places that take in a lot of cash. The Board will be required to complete questionnaires regarding approval of budget reports. The auditors will assess the Town's disaster recovery plan.

Dialogue ensued regarding the Board signing documents pertaining to payroll and accounts payable. The auditing firm reviews at least 6 months, and up to a full year, of the documents to be sure they are properly signed. Selectman Lovett expressed concerns with fraud. Although he knows what the documents are that he is signing, he knows very little about where the figures come from. The auditors review a sampling of vendor checks and make sure there is a purchase order or contract, if one is required. They also check whether the department signed off on the invoices, and if the purchase orders have the necessary signatures. Any bill over \$5,000 is reviewed to determine if it is a reasonable expenditure. The auditors will point out where there are weaknesses and where changes can be made to safeguard the Town's interest. The auditor cannot be part of the internal control structures, so there must be procedures in place. Selectman Lovett suggested the Board have more dialogue on the possibility of fraud and the protections in place to prevent it.

Dialogue ensued regarding changes in the accounting and monitoring procedure so that it doesn't invite fraud. Finance Director Brenda Vintner highlighted the checks and

balances that are in place to monitor the payment of vendor invoices and the segregation of duties such as filling out deposit slips and taking the deposit to the bank. The Town has the challenge of making sure one person does not have complete control over cash drawers, and that only a certain amount of cash is kept in them at any given time.

Selectman Brothers commented that it is the Town's responsibility to put good oversight in place so the employees are not in a position where they can be dishonest.

Mike Campbell, of Plodzick and Sanderson, was in charge of this year's audit. He told the Board that the audit went smoothly. Meredith is one of the larger Towns that the firm audits, and the process took three or four visits. The tax rate and Town Clerk were very solid, and the Finance Department did a good job. There were no findings that prevented the Town from coming out clean. He complimented the staff on being pleasant and cooperative. It is a pleasure to work in Meredith.

Brenda Vittner told the Board that the auditing firm sends a different group of auditors each year. They look at things in different ways, and suggest changes that improve the Town's procedures. Doing so allows the Town to stay with a particular auditing firm without risking a level of comfort that would enable unauthorized expenditures to be made. Selectman Worsman complimented Plodzick & Sanderson on being an exceedingly reputable, highly recommended firm.

*Selectman Flanders moved that the Board take a short recess at 5:00 p.m. before moving into a non-public session on personnel matters. Seconded by Selectman Worsman. Selectmen polled. 5-0. All in favor. Motion passed unanimously.*

Respectfully submitted,

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Carol M. Granfield, Town Manager

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Frank S. Michel, Chairman

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Karin Landry, Recording Clerk

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Peter F. Brothers, Vice Chairman

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Robert C. Flanders

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Miller C. Lovett

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