

**CHARLOTTE SELECTBOARD  
MINUTES OF MEETING  
TOWN HALL  
JUNE 4, 2014**

**APPROVED**

**SELECTBOARD MEMBERS:** Lane Morrison, Chair; Charles Russell, Ellie Russell, Fritz Tegatz

**ADMINISTRATION:** Dean Bloch, Town Administrator.

**OTHERS:** Mary Mead, Jenny Cole, Peter Trono, Nancy Wood, Stephen Brooks, Sharron Balaban, and Rick Brigham from Sullivan, Powers and Co.

**ITEM TAKEN UP:**

- **Internal Controls**

**CALL TO ORDER**

Mr. Morrison, Chair, called the meeting to order at 2:00 p.m.

Rick Brigham of Sullivan, Powers & Co., the town's contract auditor for FY14, outlined items that he feels are important with respect to internal controls. There was discussion regarding some items.

Rick recommended:

- An **Ordinance Manual**—i.e. a notebook that includes all ordinances. An on-line version is ok.
- A **Contract/Agreement Manual**—i.e. a notebook that includes all town contracts and agreements; grants could also be included; bonds and other debt could also be included.
- A **Procedures Manual** (a “Cookbook”)—this describes employees jobs/tasks. It's helpful for cross-training, if an employee is going to be out for an extended period, or leaves unexpectedly. This could start with a list of tasks, then could be filled in with “how to” information.
- **Fraud Risk Assessment**—this includes testing for fictitious vendors, inappropriate credit card use, cash collection, and supplies
- **Internal Control Manual**
  - What are controls to make sure that financial statements are correct? Rick emphasized that the financial statements are the responsibility of the Selectboard, and should be understood by the Selectboard.
  - Are bank accounts being reconciled?

Rick said financial reporting seems to be a problem. The number of revenue funds and special funds don't match the trial balance.

Rick asked what funds do we want to have? What cash accounts do we want to have?

Nancy asked how funds managed by **Trustees of Public Funds** fits into this? Rick said their financial activities should be overseen by the Selectboard, and in the NEMRC system. Trustees of Public Funds should be bonded.

In response to a question, Rick said the **Cemetery Commission's** funds should also be in NEMRC and managed by the Treasurer (we currently do this).

Rick said that the **Library's** expenses should be reviewed by the Selectboard. There was some disagreement with this recommendation—the Selectboard had previously consulted with the League of Cities and Towns about this, and received a different legal opinion.

There was discussion of **overspending the budget**—Rick said that Vermont is different than most other states regarding this. In Vermont, towns are allowed to overspend, but are then required to build in a buffer by a percentage of the budget (5%?) when setting the tax rate.

Rick said **building maintenance** is under the jurisdiction of the Selectboard.

There was discussion of the **Library's credit card**. Rick said that if there is a credit card, make sure there are controls in place. Ellie said the Library has adopted a credit card policy.

- **Purchasing Policy**—Rick recommending allowing for exceptions for professional services, for example, if we have a relationship with a certain engineer, attorney, etc.
- **Creating a new fund**—Rick said the Selectboard should be involved with the creation of new funds.

Lane asked, with regard to CVFRS, what will Sullivan, Powers and Co. be doing regarding the Town's financial relationship with CVFRS. Rick said that he will be determining whether CVFRS is a component unit of the Town. Charles said that different auditors have determined this differently.

Rick said that if they are not a component unit, then he will look at what we send to them, and other formal aspects of the relationship, e.g. the Memorandum of Agreement. He may be in touch with their auditor by phone. They will probably have a general interaction, but will not be reviewing actual accounts. He thinks highly of their auditor.

- **Capital Assets**—Rick recommended creating a list of capital assets, along with the depreciation of each asset. He said that NEMRC has a module that can assist with this. Nancy has provided a draft capital asset list based on drafts from previous years.
- **Cash Basis vs. Modified Accrual Basis**—Rick said the Selectboard may want to consider operating on a cash basis. There are pros and cons.

The next meeting will be on June 16<sup>th</sup> at 4 p.m. if Rick is available.

**No action was taken.**

**ADJOURNMENT**

**MOTION by Mr. Russell, seconded by Ms. Russell, to adjourn the meeting.**

**VOTE: 4 ayes; motion carried.**

The meeting was adjourned at 3:34 p.m.

Minutes respectfully submitted, Dean Bloch