

(Draft) Notes from the Zoom call to Rick Brigham at Sullivan & Powers

November 8, 2024

Attending: Richard Mintzer, Patrice Machavern. Alexa Lewis, Rick Brigham

We began with brief introductions.

Then dove into the questions.

1. First, we would like to understand the rules as they apply to different types of funds; we understand there are 5 basic types including:

1. Non-Spendable: Prepaid items, Deposits
2. Restricted: Donations, Grants, Restricted by Law, or by Creditors
3. Committed: Reserve Funds (Committed by voters)
4. Assigned: Funds based on approved budget **No, voter approved operating budget and reserves/ capital budget are all “committed funds” the Assigned funds are fund assigned at the discretion of the select board. The Select board has broad authority. They can choose to overspend or underspend budget line items. However, the accounting for the spending must follow the proper categorization. If there are unspent highway funds and the town needs to spend for a new roof on the town hall, the accounting would not show a transfer between funds. Instead, it would show underspending in the highway fund and overspending in the building maintenance fund. There is no requirement to balance a budget. It can be overspent. If the operating budget is underspent it must be either applied to the next year’s budget or returned to the taxpayers.**

5. Unassigned: Revenues in excess of approved budget or “Rainy Day funds”

The question is whether it is appropriate to bookkeep donations and grant (restricted) into reserve funds (committed) when they are intended for a current use or are not intended to be used at the discretion of the selectboard or voters? **It would be good to have a “gift policy for how donations are to be processed.** Are we right in understanding that it is now permissible to commingle these funds in a single bank account if the amounts are a very small percentage of the overall assets of the town? **Yes.**

2. What are “special funds”? (How are they defined?) How does the procedures for special funds differ from those in the general fund? **Special funds are things that should be kept separate from the general fund. For instance, Grants and other restricted fund are special funds. It would be useful to have a formal procedure for tracking grants – both inflows and outflows as well as any other requirements that come with the award.**

3. How broad is the selectboard's discretion in reallocating funds to cover current expenses that exceed the amounts approved in the town budget? For instance, can funds from the tree budget be used to cover building maintenance costs? **No, the costs are to be shown from the appropriate account. Its ok to run deficits in the accounts and its ok to have an unbalanced, or deficit budget. (From an accounting stand point.)** Or from the highway department reserve fund be used for repairs at the senior center? What is the process for accessing funds in the reserve accounts? **Reserve accounts should be used for their intended purpose. It would be helpful to have a book of accounts that describe the intended purpose of each account.** Is it simply the discretion of the board? **No, it is tied to the voter approved purpose.** When is it necessary for a budget adjustment to be put to a town vote and what is the process for it? **A "budget adjustment" is not necessary to be done from an accounting perspective. Some towns may formalize that with voters so that the deviation from the approved budget is known. However, most towns do not. It's discretionary. (Do we want to consider including criteria for it in the internal controls memo update?)**

4. What financial decisions can be made in selectboard executive sessions that involve the use of reserve funds - for instance those involving affordable housing subsidies? Why wouldn't these be made in open sessions? How should these decisions in executive session be documented? **Rick concurs this is a legal question, not an accounting question.**

5. What is your observation with regards to our current accounting process and communications - particularly in light of our Internal Control Policy Memo dated July 24, 2017? **Rick is not fully conversant with the details of our policy but felt that overall, our town did a good job.**

6. When will the audit draft be ready for review? **Still pending completion of capital assets worksheet. These are done in Excel; the rest of the books are kept on a NEMRC module. Once everything is ready to go, they will present the draft & findings to the selectboard, auditors and treasurer.**