

Budget Advisory & Select Board Joint Meeting

Town of Temple, NH

Auditor Meeting Minutes

4:30 PM, 23 September 2020, Via Zoom

BAC Attendees: Gary Scholl (Chair BAC), John Kieley (BAC), Gail Cromwell (BAC), Christine Robidoux (BAC), Tim Fiske (BAC), Mike Darnell (BAC), George Willard (Select Board), Bill Ezell (Select Board), Ken Caisse (Select Board)

Also in attendance: Peter Allen, Town Treasurer, Jen Reddington, CPA, Melanson Heath

Meeting called to order at 4:30 PM.

State of Emergency Checklist read by Scholl followed by roll call attendance.

Scholl welcomed Jen Reddington from Melanson Heath.

Review of Annual Financial Statements for 2019 – Melanson Heath (MH) (*Full report available upon request at the town office*)

Review of letter from MH regarding areas for improvement from Melanson.

See Temple, NH SL 2019 – Final Attached

Reddington first noted improvements from the prior year, and that this year there were just a couple of missing items. A small sample is tested, so it is likely more problems were missed. They took a smaller sample due to COVID-19.

Disbursement Testing

There were some missing signatures on manifests and invoices. Scholl asked Ezell if these issues would be addressed in the new financial procedures. Ezell will go back and review the document to be sure. Scholl notes that this issue is not new and should be addressed. Ezell notes that is probably a procedural issue; lots of pages are handed to the Select Board (SB) to sign and they miss some pages. A suggestion was made that the person who collates manifests should look at the manifests and invoices to make sure they are signed and give the SB a complete package with post-it notes to draw attention to pages needing attention. Caisse reports that the current bookkeeper is checking to be sure all documents are signed accordingly. Scholl would like this procedure added to the new financial procedure document being created by SB to tighten the procedure. Again, there were definitely improvements over last year.

Payroll testing

One employee was paid above their agreed upon rate and 4 employees did not have documented approval for rate they are being paid. There should be a pay rate notification form in every personnel file signed by the employee. Ezell reports that SB has addressed this issue with a new form and includes this as procedure. The bookkeeper is putting SB minutes in employee file documenting the rates. This is a recent procedure.

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Departmental turnovers

MH recommends turnovers contain the Treasurer's signature to document receipt of funds and a reconciliation. The Treasurer reports that he believes documentation is happening as part of his procedural process. Allen started April 2019, and was surprised to learn of missing signatures. Scholl asks if it is possible this issue was prior to Allen taking over. Reddington has date, August 1st 2019 for funds received from the Tax Collector. There was just the one issue.

Checks

Procedurally, the outstanding check list is reconciled with the Bookkeeper, and this will be included in the new financial procedures. Allen will do what needs to be done, but he doesn't verify checks currently and is not aware of this as a policy. Reddington responds that Allen would not be signing invoices, however the Treasurer is responsible for reconciling bank statements, and should be aware of outstanding checks. They should be reconciled with the bookkeeper. Allen states that all statements are reconciled, gross amounts only, not individual checks, other than stale checks. Treasurer currently does this quarterly. Allen works with bookkeeper to correct any issues if gross amount doesn't match. Note: Stale checks are more than a year old.

A former Treasurer kept her own record of outstanding checks. Bookkeeper does it now because town uses Quickbooks. For internal controls this should be separate from the Bookkeeper. The Treasurer should be reconciling separately. Currently, only one person has access to the general ledger, writes checks, and reconcile statements. This is a high risk and is not recommended. Safeguards should be in place. Allen would like to know how this would work procedurally. Reddington recommends Treasurer tracks all of the checks, including the check numbers. Reddington can review the issue and current procedures again. Allen and SB can come up with a procedure that addresses this issue.

Cromwell asked if moving to Quickbooks created this problem. BMSI had a similar feature but had separate sections for Treasurer and Bookkeeper. A new procedure should have been put in place with move to Quickbooks. QB may have this as a feature for reconciling with two separate logins. The town can move to that feature procedurally. Another option is for Allen to have custody of the checks. There should be two separate functions: writing checks and reconciliation. There should still be two separate reconciliations at the end of every month.

Final adjusted budget was not updated in the general ledger system. Is this a problem with QB? October/November is when the final adjustments are made by the state. We should not be waiting until then to update the budget. After town meeting, all items are to be entered. The state DRA makes adjustments after that and those are not getting into the QB Budget. This year, review MS1 and MS2 & MS4 carefully to make sure they all tie together. Someone should be designated in town to fill out the forms, this will be included in the new town financial procedures. Tracking is key. SB reports that MS1 is being done now.

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Audit report review:

Full report available at town office upon request.

Trends are on a positive note. Temple received a clean opinion from MH, with no weaknesses or deficiencies. Further review and discussion of report.

Didn't spend whole budget last year, so the income revenues were \$84K more than budgeted, and we gained \$113K in 2019.

Other business related to audit:

Kieley reports that the state has weekly calls for EMD's. One of the topics was on the appropriateness on EM reserve funds being set up in event of revenue fluctuating depending on economy/jobs as a result of COVID or other risks. Reddington recommends general capital reserve budget be added to the unassigned fund balance at the end of the year. DRA recommends 15-20%, Temple is at 18% this year. If you go in this direction, we should set up a policy around this for financial management and stay within the percentage guidelines. Scholl clarification: If we transfer money from the fund balance to a capital reserve fund designated for emergency use it still has to be approved at town meeting. There would be a vote to establish a fund and a vote to transfer the funds. Scholl asked why we would not just keep it in fund balance. Reddington notes that you can, but it may result in pressure to use it for reducing taxes versus keeping it on hand for emergencies. If it's in unassigned fund balance, you can't use it in the middle of year, only at the end of the year. A capital reserve account can be accessed at any time by the SB. It was noted that emergency meetings require a higher percentage of voters in attendance, which is unlikely due to space issues. In our case, a capital reserve might make more sense. Cromwell: Disagrees that we need this, noting that we discuss this every year in November. BAC and SB to review and discuss further.

Temple still has \$44K outstanding to collect from previous year so there is a variance with the final budget (page 15). This follows DRA reporting rules.

Page 15, Total expenditures balance variance – money not used. Excess used to reduce your taxes. Bonding use one time, not a funding source. Bond Bank likes to see it used. Unofficial policy to maintain the target tax level.

Reddington expressed thanks to Allen for working with Melanson Heath to gather all the information as well as the entire office staff.

Allen suggested that all of the documentation be shared with auditors electronically, as this took five minutes vs. the hours that used to be spent photocopying by the auditors to take with them. Can this be office policy, to save time and paper in the long run? Documents can be scanned on the printer and he finds that works really well. It did make things easier this year for

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MH. If documents are scanned, can the paper be thrown away? The IRS mandates keeping paper files for a period of time. Otherwise there are no hard rules. MH reports that things seem to be going that way, towards all e-files. All e-files are backed up electronically and stored offsite.

Allen: Perhaps it was a COVID issue, but it seemed audit took longer this year. Can it start earlier? Yes, it can start as early as February, once the share file is open, so as soon as reconciliation is done it can begin. Does MH has a list of documents that they would want so Allen can get things ready? MH: Yes! MH had some new staff this year so required multiple reviews were required. Allen can put all 12 months on file, so all information is easily accessible.

Page 23 – \$64K certificate of deposit. What is that? Investments under PDIP in the past. Peoples United CD, two CD's in trust funds. Which trust funds? Trustees of the Trust Funds (Village Green, two other CD's not linked to anything in particular). Are these for fiduciary bicentennial? Not in prior audits? It was there last year per MH.

Page 24 – Stewardship text needs to be updated. BAC will send draft for review and update.

Page 26 – Interest rate on overdue taxes has changed. Not sure if this percentage is accurate. It was at 18% for 2019 until June 30th, then went to 12% July 1st.

Summary

MH awaiting sign-off from SB, and they will make edits as discussed.

Scholl had SB vote on approving Audit report. Unanimous roll call vote from SB. MH will send updated docs to SB (board assistant) tomorrow and they will vote on it at their next meeting.

**Note: All documents were updated after the meeting and are available at the town office or upon request.*

Thanks to Reddington and Melanson Heath for their work and for attending the meeting.

Motion to adjourn Kieley/Cromwell at 5:54 PM. Unanimous approval via roll call vote.

Attachments:

Temple, NH GL19-Final

Temple, NH SL19-Final



Select Board
Town of Temple
P.O. Box 191
Temple, New Hampshire 03084

Dear Select Board:

We have audited the financial statements of the Town of Temple, New Hampshire as of and for the year ended December 31, 2019, and have issued our report thereon dated September 15, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Nashua, New Hampshire
Manchester, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

800.282.2440 | melansoncpas.com



Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence. Safeguards that have been applied to eliminate threats to independence or reduce them to an acceptable level include annual certification by all firm staff of independence, or when circumstances changes during the year.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in the notes to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Estimated lives and depreciation methods for depreciable assets.
- Collectability of receivables.
- Fair value of investments

Management's estimate of the above are based on various criteria. We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.



Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive disclosures affecting the Town's financial statements.

Identified or Suspected Fraud

We have not identified or have obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

As an added service to the Town, we assisted in compiling the government-wide financial statements, including consolidating various funds into governmental activities, converting to the accrual basis of accounting, and recording all long-term assets, long-term liabilities, and net position classifications. This consolidation and conversion process was based on information from the Town's accounting records.

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are material, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements that we identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting,



or auditing matter, which could be significant to the Town's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in their letter dated September 15, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town's auditors.

This report is intended solely for the information and use of the governing body and management of the Town and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Nashua, New Hampshire
September 15, 2020



September 15, 2020

Town of Temple
P.O. Box 191
Temple, New Hampshire 03084

During the course of our 2019 audit we identified certain areas where improvements and/or efficiencies could be made that were not included in a formal management letter. The following summarizes these issues very briefly:

- Disbursement testing results showed the following:
 - 1 out of 25 selected invoices did not contain signed documentation of approval.
 - 1 manifest out of our sample did not contain signatures.
 - 1 manifest out of our sample contained only 1 Board member's signature.
- Payroll testing results showed the following:
 - 1 employee was paid at a rate higher than what was authorized.
 - 4 out of 25 employees did not have documented approval for their rates being paid.
- Departmental turnovers should contain the Treasurer's signature to document receipt of funds and agreement with amount remitted.
- The Treasurer should have custody of all checks and monitor the check sequence.
- The final adjusted budget was not updated in the general ledger system. We recommend that the final budget be updated in the general ledger to allow for budget versus actual reports to be generated.

We encourage the Town implement these recommendations in order to improve controls and efficiencies. We will be available to discuss these with you in more detail at your convenience.

Sincerely,

Scott McIntire, CPA
Principal

Nashua, New Hampshire
Manchester, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

800.282.2440 | melansoncpas.com