

Middletown Springs Auditors Meeting

May 23, 2013 at 1:00 pm

Middletown Springs Town Office

Approved Minutes

Auditors present: Juanita Burch-Clay (Nita), James Georg (Jim), Jacqueline Parker (Jackie)

Others present: Laura Castle, Town Clerk

Call to order: 1:05 PM

1. Minutes:

- Minutes from the March 22, 2013 meeting were reviewed
- The date of the February minutes was corrected and then the March minutes were approved unanimously.

2. Review of the Copeland Milk Fund: Jim and Jackie met with Terry Redfield, chair of the Copeland Milk Fund to review documents, statements, and investments. After careful review and discussion, the auditors approved the following recommendations for the fund:

1. Copeland Milk Fund Investments

The original grant that established The Copeland Milk Fund specified four specific types of investment. To our knowledge and to the knowledge of the Trustees of the fund, there has been no modification of this requirement by the court. However, over time, some investments that are beyond the scope outlined in the original grant have entered the portfolio. These investments should be replaced with investments that meet the four criteria:

1. Stocks that have paid dividends regularly for at least two years
2. Bonds that have paid interest regularly for at least two years
3. Real estate, but no more than 10% of the value, and then with unanimous approval of the committee
4. Mortgages, but for no more than 50% of the appraised value of the property

Though the original grant specifies individual securities, as auditors, we do not object to inclusion of Exchange Traded Funds (ETF's) in the portfolio as long as those funds have the same objective as the original grantor specified.

We recommend that, prior to the end of December 2013 at the latest, the Trustees modify the portfolio according to the original criteria.

2. Copeland Milk Fund Income Distribution

The original grant is from 1927, and was modified by court order in 1976 to accommodate changes in the market for milk in Middletown Springs. After reviewing these documents, it is the opinion of the auditors that

1. 50% of the investment income is to be re-invested and become part of the principal
2. The remaining 50% (which we understand to be the "net income") is to be paid
 - a. To "the farmers living in the Town of Middletown Springs, producing milk which is delivered to milk markets", up to a total of \$6,000, and
 - b. The remainder of this "net income" to the Town of Middletown Springs

We recommend that the Trustees or the Select Board obtain a legal opinion as to the proper interpretation of the grant intentions, as modified, before the next distribution from the Fund.

Disclaimer: The auditors are neither attorneys nor investment advisors.

3. Work in Progress:

- **Test Cases:** Jackie did test cases, randomly picking 6 transactions and going through the whole system, from invoice received to canceled check on bank statement and reconciliation. Everything was proper and in order. Some improvements for the system were discussed and will be incorporated. The Treasurer will be asked about recommendations from the VLCT that the Town should use as guidelines.
- **Payroll:** Jackie has reviewed all timesheets for this fiscal year, up to April. Various payroll issues were discussed. Questions were asked about the system for accruing “comp time”, which does not seem to be written in policy or contracts. No job description or contract for highway employees was available, if there is one. The auditors agreed that clarity of expectations is desirable, with a contract and/or policy outlining holiday pay, overtime pay, comp time, call time, etc.
- **Select Board Meetings:** Auditors continue to attend each select board meeting. Jim on 5/27/13, Nita on 6/13/13, and Jackie on 6/27/13.
- **Other:** Auditor hours, both volunteer and paid, were discussed. A suggestion was made to include the volunteer hours in the annual auditors report was made.

4. Monthly meetings: Next meetings were confirmed:

- Formal meetings: 7/25/13
- Work sessions: 6/20/13 (subject to change) and 8/22/13

Adjourned: 3:25 PM

Minutes submitted by J. Burch-Clay