

**ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICY AND PROCEDURES**  
**TOWN of POMFRET**  
**Approved 1/20/22**

**PURPOSE:** The purpose of this policy is to establish and maintain high standards for accounting practices in the Town of Pomfret and to ensure that adequate financial reports are provided to enable the voters, the Selectboard, Treasurer, and other town officials to make sound decisions in preparing and adopting the annual budget and managing town finances. This policy assigns responsibility for the various parts of Pomfret's financial status.

**REPORTING:** The Treasurer prepares monthly financial reports, consisting of Reports of Budget, Revenue, Expenditure, and changes in Fund Balance for the General and Highway Funds, and any active reserves. Additionally, notations of line-item variance from budget are provided, and other comments as appropriate regarding the town's accounts. These reports go to the Selectboard monthly, and are posted to the town website quarterly. The Treasurer attends Selectboard meetings as needed and appropriate to issues on the agenda.

The Selectboard reviews these reports to manage the Town's finances, acting to ensure the town stays within budget as the fiscal year progresses (as outlined in the Balanced Budget and Town and Highway Rainy Day Funds Balance Reserve policies) and fulfills anticipated goals and projects (as outlined in the Capital Program and Balanced Budget Policy), and as foreseen in the annual budget planning process.

**EXTERNAL ACCOUNTING:** At this time the town retains the services of a CPA firm specializing in municipal finance to perform a thorough annual review of town financial reports. While extensive, this review is not a legally defined audit; it provides for adjustments to ensure compliance with Generally Accepted Accounting Principles and Standards. This firm can be a resource for the Selectboard on these findings or any other financial and budgeting matters, Rainy Day Fund allocations, other municipal monetary issues, and when or how to expand the external audit scope.

Every year divisible by 3 (example 2022 divided by 3 = 674), the Selectboard shall conduct or consider if the Town will cause the Town financial statements to be audited by a qualified, properly licensed independent accounting firm. This audit will be conducted in addition to any audit performed by the Town's elected auditors under 24 V.S.A. §§ 1681 et seq.

There are circumstances in which it would be appropriate to consider an external audit, or a more comprehensive annual review. Examples of such circumstances could be due to grant requirements, a change in personnel, or unusual financial issues. Discussion with the current CPA firm would be useful in determining the extent of work required, or how best to proceed.

AUDITING: The town currently has an elected local Board of Auditors, who examines and verifies town expenses and income, linking them to Selectboard approved warrants, on a monthly basis, throughout the year. Also, by state statute, the Auditors are required meet at least 25 days before Town Meeting, to examine and adjust accounts of Town Officers and report to the town voters their findings including the financial condition of the town, a spreadsheet of past and proposed budget and the previous year's receipts and disbursements, the condition and assets of all trust funds, and a list of outstanding orders and payables over 30 days past due, any deficit, all delinquent taxes, outstanding bonds and interest-bearing notes, if any.

THE ANNUAL REPORT: The Pomfret Annual Report is organized and produced by the Town's Auditors, and is a compilation of the state required reports, statements and factual reports from all facets of Town government, and those organizations receiving financial support. It includes financial statements for each of the funds of the Town, as well as reports for understanding the financial condition of the town. It includes reports from the Treasurer, the Audit Board, and the Selectboard, invaluable for understanding and voting for the proposed budget. It also includes the Town Warning, next year's budget, the capital Improvement plan, and any other pertinent information. It is anticipated that the report will continue in its current form and extent until the auditors and the Selectboard agree to changes.

The foregoing Policy is hereby adopted by the Selectboard and the Treasurer of the Town of Pomfret, Vermont, this 20<sup>th</sup> day of April, 2022 and is effective as of this date until amended or repealed.

\_\_\_\_\_ Chairperson

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\_\_\_\_\_ Treasurer