



## **Budget Committee Meeting**

### **Draft Minutes**

**July 17, 2025, 7:00 PM**

#### **Open the Meeting and Roll Call**

Chair Mike Cutting opened the Budget Committee meeting at 7:07 PM.

Budget Committee Members Present: Michael Cutting (Chair), Rick Bixby, Bill Hanson, Robert Blake, James Sherman and Kelly Lombardi via Zoom.

Select Board: Chairman Harry Seidel, Vice Chair Alfred Hanson, Mike Smith via Zoom, Town Administrator Kathy Frenette and Finance Director Clyde Carson.

#### **Town Audit**

The Budget Committee discussed the current audit situation facing the Town. Mike Cutting read a letter the Select Board received on July 9, 2025, from the auditor withdrawing from the auditing engagement with the Town of Warner. He also read a letter from a concerned Warner resident Eric Cincotta who expressed his concern and frustration relative to the recent withdrawal of the Town Auditor. Mike Cutting requested a status update from the Select Board regarding the audit situation.

Harry Seidel opened the Select Board meeting, acknowledging Mike Smith on Zoom.

Harry Seidel provided an update on the audit situation. He explained that the Department of Revenue has been notified of the situation. He stated that the Select Board has met and discussed the situation.

He stated that the Select Board would like to work with the Budget Committee to find a solution.

Harry Seidel stated that his recommendation is to form an Audit Committee and utilize some of the experts in Town such as James Sherman and Robert Blake. He stated they would work with a Select Board representative and Elizabeth Labbe who would aid in gathering documents and making phone calls. Harry Seidel explained that the Select Board feels strongly that they manage this to avoid the same outcome. He spoke about the importance of creating harmony in Town Hall and represent to a possible auditor that the Town is well managed.

Harry Seidel stated that the Audit Committee would take the recommendations of the new auditor and implement them into the Town's process to correct any errors that need to be adjusted. Mike Cutting asked for clarification on the membership of the new committee. Harry Seidel stated there would be a Selectmen, James Sherman and Robert Blake (both are CPAs) and Elizabeth Labbe. He cautioned about making it too large. He recommended contacting the town's previous auditor Vachon Clukay.

Point of order was made by Mike Smith that the Select Board needs to vote to allow him to participate via Zoom.

**Harry Seidel made a motion seconded by Alfred Hanson to allow Mike Smith to attend via Zoom. Motion passed unanimously.**

Mike Smith stated that he agrees that an Audit Committee should be established. He agrees with the membership of James Sherman and Robert Blake. He explained that the Town Administrator should be included not the Assessing Clerk.

Mike Cutting asked for clarification on the Department of Revenue's position. Kathy Frenette explained that she was asked to stand down on this matter, she stated that Harry Seidel had been in contact with the DRA. Harry Seidel confirmed that the DRA has been made aware. Bill Hanson asked who the Finance Director reports to. Clyde Carson stated that he reports to the Town Administrator.

1 Bill Hanson asked why the Town Administrator would not be involved in the audit process. Clyde  
2 Carson explained that he has not been involved in the audit preparation. He stated that the first  
3 interaction he had was approximately two days ago when he received a list. Bill Hanson stated that he  
4 has the emails from a 91-a request. Clyde Carson stated that he was not a part of the decision-making  
5 process. Robert Blake explained that normally the Finance Director would be responsible for  
6 coordinating the audit. He stated that the audit firm is independent and only reports to the Select  
7 Board. He explained that the Town Administrator cannot hire or fire the auditors. He stated that Kathy  
8 could provide administrative support to the committee. Robert Blake stressed the seriousness of the  
9 resignation of the auditor and the creation of a negative environment. He reiterated that the standard  
10 best practice is to have the Finance Director coordinate the audit. Clyde Carson stressed that it has  
11 been the practice in Warner forever and it is the practice in every other town in New Hampshire.  
12 Robert Blake explained that something changed recently.  
13

14 Alfred Hanson stated that the discussion should not focus on what happened but rather focus on what  
15 needs to be done going forward. James Sherman stated that the discussion of what happened does not  
16 need to be done during this meeting, but the members of the Audit Committee need to know what  
17 happened. He stressed the need for the Audit Committee to be independent, and he believes Kathy  
18 Frenette is too involved. He does not believe that Kathy should be a voting member. James Sherman  
19 stated that in May the Town Clerk and the Tax Collector had received a list from the auditors and he  
20 questioned why the Finance Director received a list in July. He noted that there has been a breakdown.  
21 James Sherman stated that he and Mr. Blake have offered many times over the past few years to help.  
22

23 Mike Cutting asked for clarification on the objective of the Audit Committee. Harry Seidel explained  
24 that the Audit Committee would be tasked with finding an auditor for the Town. He stated that the  
25 Audit Committee would recommend a firm to the Select Board. Robert Blake explained that an audit  
26 firm will not finalize an audit until everything is done and that is why he and Mr. Sherman offered  
27 several times to meet with the Select Board and the auditors to determine what is needed to complete  
28 the audit. He spoke about the need for everyone to manage their expectations because of the late  
29 notice. He spoke about the level of dysfunction communicated by the audit firm about the town  
30 government is the responsibility of the Select Board. He stressed that the Select Board needs to direct  
31 employees to work harmoniously with the auditing professionals. Bill Hanson asked if the delayed  
32 audit from the previous auditor was the fault of the Town or the auditor. Robert Blake explained that  
33 typically the auditor would meet with he client to discuss expectations, timelines and recent changes.  
34 He is not aware that that took place.  
35

36 Mike Smith stressed that it did occur, the Finance Director was involved and the Select Board voted  
37 that Mike Smith and Kathy Frenette would take charge of the audit. He questioned if this is a Select  
38 Board issue or a Budget Committee issue. He questioned why this is being discussed. Robert Blake  
39 explained that it is critical for the Town to have a clean audit, and it is critical to the Town's ability to  
40 develop budgets and understand the finances of the Town. He spoke about the attempts to steer the  
41 town to hit a certain level with the general fund balance.  
42

43 Mike Smith urged the discussion to focus on what to do next. Mike Cutting stated that he likes the idea  
44 of establishing an Audit Committee that will be independent from the Select Board, Town  
45 Administrator and Finance Department. Robert Blake stated that the engagement letter should contain  
46 reasonable expectations regarding timelines given the lateness. Mike Cutting recommended the  
47 membership consisting of James Sherman, Robert Blake and Elizabeth Labbe. He stated that Elizabeth  
48 would be the conduit within the Town to gather information and support the other members. Mike  
49 Smith stated that it makes no sense at all to utilize an assessing employee in a finance role. Mike

1 Cutting reiterated there needs to be someone who is unrelated to the Finance Department. Mike Smith  
2 suggested Sue Matott, who knows where everything is filed in the Finance Department. He stated that  
3 it is not appropriate to take an employee from the Assessing Department who is already spread too  
4 thin. He stated that there needs to be a Select Board representative on the committee. Mike Smith  
5 stated that it is clear that someone will lose their job over this and there needs to be someone from the  
6 outside looking in. Robert Blake suggested that the Select Board decide which staff member will  
7 support the Audit Committee.  
8

9 Mike Smith asserted that transparency and trust is very important, and the Select Board is working  
10 very hard together as a Board to come up with a clear precise process. Alfred Hanson explained that he  
11 supports appointing James Sherman, Robert Blake and Elizabeth Labbe. He does not agree that a  
12 Select Board member needs to be on the committee. He feels the audit committee will operate more  
13 efficiently without the pressure of a Select Board member. Alfred Hanson stated that transparency will  
14 be provided by this committee. He stressed the need to move forward with the Audit Committee.  
15

16 **Mike Cutting made a motion to establish an Audit Committee with the membership of the**  
17 **committee to be James Sherman and Robert Blake of the Budget Committee and a third member**  
18 **to be appointed by the Select Board and that person should be independent of any financial**  
19 **duties in the Town.**  
20

21 *Discussion on the motion:* Mike Cutting stressed that he does not want a Select Board member or the  
22 Town Administrator, it needs to be someone who is independent. Alfred Hanson suggested an  
23 amendment to include Elizabeth Labbe as she is independent from financial duties. Mike Smith  
24 strongly disagreed. Harry Seidel stated that this motion should come from the Select Board. **Mike**  
25 **Cutting withdrew his motion.**  
26

27 **Harry Seidel made a motion seconded by Alfred Hanson to establish an Audit Committee to**  
28 **investigate and arrive at an engagement letter, the committee membership shall consist of Robert**  
29 **Blake, James Sherman and Elizabeth Labbe.**  
30

31 *Discussion on the motion:* Mike Smith stated that he does not support the membership. Robert Blake  
32 noted that it would be helpful for the Audit Committee if a Select Board attended some of the meetings  
33 with the auditor. James Gaffney stated that the Audit Committee will be subject to RSA 91-a, notice of  
34 meetings, meeting minutes and all other meeting protocols. Robert Blake stressed the Audit Committee  
35 will not be making any decisions. He stated that there could be some meetings that occur in the offices  
36 of potential auditing firms. James Gaffney explained that all meetings need to be noticed and in  
37 accordance with the law. Mike Smith agreed. Mike Cutting and Harry Seidel questioned the need to  
38 follow those practices. Mike Cutting stated that some meetings with auditing firms could take place  
39 outside of Warner. John Leavitt stated the meeting should be noticed that way to be in accordance with  
40 the law.

41 Alfred Hanson asked Robert Blake and James Sherman if they felt a Select Board member should be  
42 on the committee. Robert Blake explained that he is starting to get concerned about creating the  
43 committee and spoke about creating a task force. He reiterated that the Audit Committee/group would  
44 not be making any decision, they would be making a recommendation to the Select Board. Harry  
45 Seidel urged everyone to remember urgency of the task and to contemplate how committee rules can  
46 cause delays. He stated that adding a Select Board member could also cause scheduling conflicts. Bill  
47 Hanson inquired about the possibility of creating a committee where the Town utilize the two volunteer  
48 consultants to work independently from the Select Board. Elizabeth Labbe stated that she does not see  
49 a problem with the noticing and minute taking. James Gaffney offered his assistance.  
50

1 Mike Cutting explained that he would prefer to keep the committee very concise as it is critical that  
2 this gets done quickly and efficiently. He noted that this will be a long-term commitment because the  
3 group will be tasked to provide a recommendation of an auditing firm and to analyze any issues that  
4 are discovered in the audit. James Sherman spoke about the need for private conversations with the  
5 auditing firm.

7 Mike Smith stated that he would like to amend the motion and create an Audit Committee to consist of  
8 James Sherman, Robert Blake and James Gaffney.

10 **Harry Seidel made a motion seconded by Alfred Hanson to withdraw his previously stated**  
11 **motion. Roll call vote Hanson YES Seidel YES Smith Abstained**

13 **Harry Seidel made a motion to establish an Audit Committee to investigate and arrive at an**  
14 **engagement letter, the committee membership shall consist of Robert Blake, James Sherman and**  
15 **Elizabeth Labbe. Motion Amendment: Alfred Hanson amended the motion seconded by Mike**  
16 **Smith to include James Gaffney.**

18 *Discussion on the amended motion:* Mike Smith stated that he would agree to that motion if James  
19 Gaffney was included. James Gaffney asked for clarification on the estimated expectations for the  
20 Audit Committee. James Sherman stated that he would expect the group to meet 2-3 times next week  
21 because they need to move very quickly on this. He explained that he anticipates meeting with  
22 employees to discuss the situation and to be able to assure the next auditor that the process will be  
23 professional. James Gaffney asked about when the committee meetings will be scheduled. Robert  
24 Blake stated that he does not envision many evening meetings other than with the Select Board to  
25 provide updates. He explained that the group will meet with auditing firms to convince them to take  
26 Warner as a client, that could be done by phone or office visits. Harry Seidel closed the discussion on  
27 the motion and called the question.

28 **Roll Call Vote: Seidel YES Hanson YES Smith YES**

### 30 **Review of YTD Expenses**

31 The Budget Committee reviewed the year-to-date expenses (through June).

32 -General Government: expenditures are at 41.26%

33 -Elections: expenditures are at 58.2%

34 -Finance Administration (Finance, Tax Collector, Town Clerk and Trustee of Trust Funds) expenditures  
35 are at 45.75%. Robert Blake noted that the new audit firm's expenditure could be significantly more in  
36 the future. Mike Cutting feels that it is critical to engage with a reputable auditing firm acknowledging  
37 that the cost could go up. He urged the Select Board to control expenditures knowing the auditing  
38 situation. He stressed the need to come in under budget by 2-300,000 and apply that to offset the tax  
39 rate. Alfred Hanson agreed.

40 -Reval/Assessing expenditures are at 37%.

41 -Legal expenditures: Mike Cutting stated that this line item is out of control. He stated that \$15,000  
42 was budgeted and to date \$70,959 has been spent.

43 -Benefits expenditures are at 39%. Clyde Carson stated that there are currently open positions. Kelly  
44 Lombardi asked if there is an update from the benefits study group. Kathy Frenette explained that on  
45 July 30<sup>th</sup> there is a meeting scheduled with Sue Sullivan. She has spoken to Healthtrust and SAU 65.  
46 She stated that they will be looking at School Care. Information to be available by the end of August.

47 -Police Department expenditures are at 30.5%. There is one open position in the department. James  
48 Sherman asked if the Town pays for state police coverage. Mike Cutting stated that the Town does not  
49 pay for the coverage of the state police or sheriff.

1 -Fire Department expenditures are at 31.62%  
2 -Building Inspection expenditures are at 34%  
3 -Emergency Management expenditures are at 13%  
4 -Highway Department expenditures are at 45.93%  
5 -Transfer Station expenditures are at 37.9%  
6 -Health Agency expenditures are at 19.2%  
7 -Health and Human Services expenditures are at 37.08%  
8 -Parks and Recreation expenditures are at 29%  
9 -Library expenditures are at 100%  
10 Total expenditures are at 45.97% for the first half of the year.  
11

### 12 **Half Year Review of YTD Revenue**

13 Alfred Hanson asked for the year to date of revenue collected for land use. Mike Cutting stated that  
14 money goes to the Conservation fund. Clyde Carson will provide the committee with the year to date  
15 for land use change tax. Rick Bixby inquired about the Highway Block Grant money. Mike Cutting  
16 explained that the Highway Block Grant funds is account for in the general revenue and are spent on  
17 Highway expenditures. Alfred Hanson noted that revenue from the State will change significantly in  
18 2026. James Gaffney urged the town to focus on expenditures to offset the revenue reduction in 2026.  
19 Mike Smith explained that Mr. Seidel will have an opportunity next week on July 24<sup>th</sup> to vote in favor  
20 of a bill that would bring the Town \$20,137. He encouraged Mr. Seidel to familiarize himself with this  
21 bill. Mike Cutting asked for clarification on what Mr. Smith is referring to. Harry Seidel explained that  
22 this comes from the sale of property in Concord that every town in NH (depending on their size)  
23 receives a portion of the proceeds.  
24

25 Miscellaneous General Transaction account balance is \$351,800. Clyde Carson explained this consists  
26 of the state reimbursement for Red Chimney Road. Ending Balance is \$226,800.  
27 Timber harvesting at the Transfer Station brought in \$7,500  
28 Rents received: \$11,063  
29

### 30 **Meeting Schedule**

31 Next Budget Committee meeting 7:00 PM July 24<sup>th</sup> at Parks and Recreation at Riverside Park.  
32 Mike Smith asked when the first Audit Committee would be scheduled. The group agreed to meet on  
33 Saturday July 19, 2025 at 5:00 PM at Town Hall.  
34

### 35 **Adjournment**

36 **Harry Seidel made a motion seconded by Alfred Hanson to adjourn the Select Board meeting.**  
37 **Roll Call Vote Seidel YES Hanson YES Smith YES**  
38

39 The Budget Committee meeting adjourned at 8:54 PM.  
40

41 Respectfully submitted 7/21/25 by Tracy Doherty  
42 Edited by Darcie Buskey, Assistant Clerk