SELECTMEN'S MEETING MINUTES
TUESDAY, MAY 23, 2006

PRESENT: Selectmen Bowles, Maxfield and Ives. Also present is Fire Chief Jeff Burr.

Chairman Bowles called the meeting to order at 6:30 P.M.

I. Selectman Ives moved to accept the Selectmen's Meeting Minutes of Tuesday, May 16, 2006 as written. Second by Chairman Bowles. Majority vote in favor. Motion carried. Selectman Maxfield abstained, as he was not in attendance at that meeting.

II. Selectman Ives moved to accept the Selectmen's Meeting Minutes of Thursday, May 18, 2006 as written. Second by Selectman Maxfield. All in favor. Motion carried.

III. Chairman Bowles discussed the release of the executive session meeting minutes of Tuesday, April 18, 2006. Selectman Maxfield moved to approve the Executive Session Minutes of Tuesday, April 18, 2006 as presented. Second by Selectman Ives. Raymond Cummings asked the Board to review those present at this meeting. David Rice and David Moody were not included in those present. Mr. Cummings also addressed paragraph three of the minutes regarding the entire operation being located on the Moody property, paragraph five and paragraph six regarding Selectman's Maxfield statement and the Town's liability. The Board assured Mr. Cummings it has been decided that the Town will not be going forward with this project. The permit filed with Department of Environmental Services is for the septage lagoons only. Selectman Ives moved to amend the Executive Session Minutes of Tuesday, April 18, 2006 to include David Rice and Dave Moody as present at that meeting. Second by Selectman Maxfield. All in favor. Motion carried. Chairman Bowles stated that the approved minutes of the regular meeting of April 18 would also have to be amended.

IV. The Board met with Fire Chief Jeff Burr.

   a. Chief Burr thanked the Board of Selectmen and the Highway Department for all the help his department received during the recent flooding. .He said he felt all of the departments worked really well together. Chairman Bowles said he felt the community pulled together during this situation, which enabled the town personnel to get the job done. He commended everyone for their efforts.

V. Chairman Bowles stated for the record two pistol permits were signed for approval.

VI. The Board began their review of correspondence.

   a. The Board acknowledged receipt of weekly expenditure reports.

   b. The Board received correspondence from town counsel regarding a road agreement for the subdivision road over Wayne Thistle's

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land. Selectman Ives said he would like to see a time- frame incorporated into the agreement. Chairman Bowles said he felt this has been dealt with in the current wording of the agreement. Chairman Bowles acknowledged Mr. Thistle's assistance during this crisis. Chairman Bowles requested Office Manager Jean Lee to contact Attorney Mayer to finalize the agreement for signature.

c. The Board reviewed the emergency authorizations for dredge and fill work at Cross Brook Road and Chichester Road. It is agreed that an extension will be sought as the current authorizations expire June 2. This will not allow enough time for this work to be completed.

d. The Board reviewed a copy of the letter sent to Clinton and John Shaw to request the use of their log landing for material and equipment storage during the re-construction of the Chichester Road Bridge.

e. The Board reviewed a map of an upcoming motorcycle race through Loudon. The Board wants the promoter to be aware of the conditions on Wiggins Road.

f. The Board acknowledged a reminder of the meeting with Merrimack Valley School Board at Loudon Elementary on Wednesday at 7:00 P.M.

g. The Board discussed correspondence received from Town Counsel regarding Kinkade Haven. Chairman Bowles said this situation was resolved at the Planning Board meeting on Thursday evening. He hopes the resolution is to everyone's satisfaction.

h. The Board was reminded of a Thursday meeting with Melcher Prescott regarding the Town's health insurance renewal.

VII. The Board began the public hearing to review the discretionary preservation easement applications received from Earl and Alice Tuson. Chairman Bowles asked the applicants to come forward at this time.

a. Chairman Bowles stated this hearing is to determine the eligibility under RSA 79:B Discretionary Preservation Easements for preserving historical and agricultural structures. He stated Mr. Tuson has applied for easements on three of his buildings. Chairman Bowles reviewed the guidelines for approving a discretionary preservation easement. Chairman Bowles recognized Roy Merrill from the audience. Mr. Merrill said he understood the scale used is 25% to 75% reduction of assessed value. Chairman Bowles said that is correct. Mr. Merrill said given the historic value of this property he feels the easement should be the maximum 75%. Colin Cabot said this property functioned as the Loudon Town Center and has significant historical value. Chairman Bowles said if no further questions, the hearing will be closed to the public and opened to the Board for further discussion. Selectman Maxfield said he could not agree more with the comments made and moved to approve the discretionary preservation easement for Earl and Alice Tuson on tax map 25, lot 006 at the rate of 75% reduction in assessed value. Second by Selectman Ives. Chairman Bowles noted that an easement will be drafted and recorded with the Merrimack County Registry of Deeds and Mr. Tuson will be responsible for these fees. Mr.

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Tuson noted that the Board must decide on a time- frame. He then asked for a longer period than the recommended 10 years. Selectman Maxfield moved to amend his motion to include a time- frame of ten (10) years, and allow for further review at that time. Second by Selectman Ives. Chairman Maxfield said there are three applications before the board, for the barn, carriage house, and cider mill. All in favor. Motion carried. Chairman Bowles then closed the public hearing and reconvened the Selectmen's Meeting.

VIII. Chairman Bowles stated the Board would now meet with the Trustees of the Trust Funds regarding the 2005 audit.

a. Tom McCue, Howard Pearl and Diane Bullock are here to discuss the letter they received from the Selectmen. Tom McCue said he would like the following included in the record of this meeting: "March 28, 2006, Thomas F. McCue 7062 Oak Hill Road, Loudon NH 03307 RE: 2005 Town Auditor's Report. Dear Tom, The Selectmen are troubled with our auditor's discoveries that records of the Trustees of the Trust Funds accounting practices are inadequate. Posting of the year's transactions for the trust funds and capital reserve funds was not completed prior to submitting your report to the town's auditor for review. Mr. Mercier has advised us that he explained this deficiency to Mr. McCue and that he made recommendations on how future transactions should be handled. It has also come to our attention that the Selectmen's Office has not received meeting minutes of the Trustee's annual meeting for at least the past two years. We also have concerns that some expenses for cemetery maintenance exceeded the interest income available to pay the expense. A contributing factor may have been that the transaction postings were not up to date. You were elected, and sworn to accomplish all tasks associated with your positions. Anything less than full and proper administration of your duties is unacceptable. We request that you address in writing what corrective action has been taken to insure proper accounting practices in the future. Sincerely, Dustin J. Bowles, Chairman, Roger A. Maxfield, Selectman, Steven R. Ives, Selectman." Mr. McCue said their response is as follows: "Dear Board of Selectmen, We write in response to your letter concerning alleged inadequacies of our accounting practices. As elected officials, we must question your authority to make such allegations against other elected officials. Further, we question the facts upon which you may be relying. Also, we are concerned by the staleness of your allegations, as many of these issues were resolved when they arose in August 2005 and in July 2004. According to your letter, dated March 28, 2006, transactions to the cemetery trust funds and capital reserve funds were not posted as of the date of the auditor's review. Please advise us as to any deposits received from Cemetery Trustees that were not made, as well as any transfers from capital reserve funds that were not made. We know of no such incomplete deposits or transfers. As you are aware, the New

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Hampshire Legislature established the New Hampshire Public Deposit Investment Pool (NH PDIP), beginning on January 1, 1992, for the purpose of investing funds of the state and funds under the custody of governmental units and political subdivisions, as well as other entities. The public deposit investment pool is operated under contract with a private investment advisor, MBIA, Municipal Investors Services Corporation. The Town of Loudon Trust Funds are invested in the NH Public Deposit Investment Pool. Deposits received from Cemetery Trustees are mailed to the banking institution and completed contribution forms are sent via fax to MBIA. A Transaction Confirmation is sent by MBIA via email. Trustee Thomas McCue saves these items on his computer. He also prints the Transaction Confirmation and keeps these hard copies in binders. Transfers from Capital Reserve Funds to the General Fund are initiated when the Trustees receive a written request from the Board of Selectmen. A completed Transfer Form is sent via fax to MBIA, and a Transaction Confirmation is received via email. These emails are also saved, printed and stored as hard copies. Monthly Account Statements, Economic Commentary and notices are sent by MBIA via email. Trustee Thomas McCue saves these items on his computer and forwards the Capital Reserve Funds Account Statements to the Selectmen's office via email. He also prints the Statements and keeps these hard copies in binders. The issue raised in the Auditor's report on August 23, 2005 had to do with the Trustees' Report published in the Town Report. In past year, the spreadsheet used for the Trustee Report was kept on a red floppy disk. According to Trustee Howard Pearl, this spreadsheet is also contained on the Town Office staff computer. For the audit for Fiscal Year 2004-2005, Trustee Thomas McCue delivered to the auditor the two three ring binders containing all the records for FY 2004-2005 in the Trustees' possession. Trustee Thomas McCue mistakenly thought the Town Office staff had the red floppy disk. He also mistakenly thought the Auditor was responsible for generating the report, since Trustee McCue had never generated the report and was unaware of any Trustee doing so. Trustee Howard Pearl recalls a representative of NH PDIP originally creating the spreadsheet used for the report. He also recalls the Town office staff preparing the report in the past. Upon learning that the staff did not have the disk and that the auditor was not responsible for the report, Trustee McCue went home, found the disk and created the report. The next day, Trustee McCue returned to the Town offices to deliver the disk and the report to the auditor. The auditor informed Trustee McCue that he (the auditor) had done the report himself. At the conclusion of the audit, Trustee McCue met with the auditor. The auditor explained why it was not appropriate for the auditor to generate the Trustee's Report. He also pointed out an issue with the fact that there was a difference in rounding digits between the bank

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statements and the spreadsheet. He pointed out that he had mentioned this rounding issue the previous year. The auditor commented that if the Trustees did not have the time or the expertise to correct any issues, they should consider hiring an accountant. The Trustees do not think such an expense to the taxpayers is warranted. The auditor went on to make suggestions about the conduct of meetings, minutes of meetings, as well as training courses for Trustees. The Trustees have adopted those suggestions deemed appropriate. As to your inquiry regarding minutes of Trustees' meetings, as elected officials we are concerned with such a request. Nevertheless, attached are copies of minutes of the Annual Meeting held on December 18, 2003 and the Annual Meeting held on March 22, 2005 as approved on February 20, 2006. Also attached are Draft Minutes of the Annual Meeting held on February 20, 2006. If the Selectmen, the auditor, or any other parties are concerned about the Trustees activities or the conduct of our meetings, they should plan on attending our Annual Meeting. The next Annual Meeting is scheduled for October 23, 2006 at 5:30 P.M. in the Community Center. Your letter also raised a concern regarding the Cemetery Maintenance Fund. As your are aware, the Board of Selectmen requested in a letter dated June 15, 2004, that the sum of $1,314.00 be transferred from the Cemetery Maintenance Fund to the General Fund to pay for an invoice from Jeffrey Burr received in the Selectmen's Office on November 17, 2003. This request and subsequent transfer were made in keeping with long-standing procedure. After making this transfer, Trustee McCue realized that the Cemetery Maintenance Fund, despite a total balance of $20,681.77, had actually had income (interest) in the amount of only $141.62. Therefore, invoices for the care of cemeteries in this fund would have to be paid from other sources. Trustee McCue discussed this situation with the Board of Selectmen at their regular weekly meeting on July 13, 2004. Also, Trustee McCue notified the auditor about this situation during the audit for that year. The auditor was not concerned since the total fund balance was positive. We question your timing in raising this issue again. We believe that had a member of the Board of Selectmen taken the time to attend our duly noticed Annual Meeting back on February 20, 2006, you would have realized that any possible issues were discussed and, where appropriate resolved. Your suggestion that we are performing our elected duties at "anything less than full and proper" is unwarranted and we do not believe a written scolding from the Board of Selectman is neither necessary nor appropriate. We are available to meet in public at one of your regular weekly meetings to answer any questions or concerns. We hope this response resolves your expressed concerns. Sincerely, Trustees of the Trust Funds, Thomas F. McCue, Howard C. Pearl, Diane J. Bullock." Trustee McCue said the Trustees would be happy to answer any additional questions the Board may have. Chairman Bowles said that

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as far as the minutes go, the Selectmen's Office receives copies of minutes from all the various boards and committees. These minutes are kept for the public's use if requested. He said he feels it is important that the Trustees minutes be forwarded to the Selectmen's Office. Selectman Maxfield advised those present that this issue is the result of comments included the auditor's report. He said he feels the Trustees have answered the concerns. Chairman Bowles thanked the Trustees for coming in to discuss these concerns.

IX. The Board met with Tony Merullo, representing Denyse Merullo, to discuss the road construction bond for the subdivision off Clough Pond Road. Mr. Merullo's engineer has established a construction cost of $248,000 for the subdivision road and the Town's engineer is in agreement with this amount. Mr. Merullo stated that a condition of the subdivision approval is that the bond be in place with the Selectmen's Office prior to the sale of any lot. Mr. Merullo said he would like to post a cash bond for $153,000 and include a purchase and sale for a piece of the property for $95,000. At the closing, the $95,000 would be turned over to the town by the attorney's representing the lender for the buyer. Mr. Merullo asked for direction on how this could be accomplished. He said both the attorney and the lender have no problem with this. He asked is a letter outlining this process would be acceptable. Chairman Bowles said this could be lined up to be effective at the closing but should be in writing to protect both parties. He also said this should be accomplished with in one or two days of the closing. Mr. Merullo asked if this cash bond would be placed in an interest bearing account. Chairman Bowles said yes.

X. Selectman Maxfield addressed those present regarding the bridgework on Village Road. He said he has spoken with the engineer at the H. L. Turner Group and the design work is approximately 80% done. This project should be going out to bid by mid-June and work should begin shortly after July 1. Chairman Bowles said they had met with FEMA on Sunday to review damage within the town. He said they had reviewed the bridge and road damage today and are in hopes that this will qualify for federal aid. He said the town is working diligently to resolve these issues.

Selectman Ives moved to adjourn at 7:46 P.M. Second by Selectman Maxfield. All in favor. Motion carried.

LOUDON BOARD OF SELECTMEN

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Dustin J. Bowles, *Chairman*

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Roger A. Maxfield, Selectman

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Steven R. Ives, Selectman

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