

ST. GEORGE SELECT BOARD & ASSESSORS

St. George Town Office

MEETING MINUTES

April 13, 2020 – 7 p.m.

The Select Board meeting was called to order at 7 p.m. via a Zoom conference call. Members present were: Richard Bates, Chair; Randy Elwell, Jerry Hall, Wayne Sawyer, and Tammy Willey. Also, present via Zoom were: Terri-Lynn Baines, Tim Polky, William "Fred" Brewer, and John Falla.

PUBLIC COMMENTS: None.

REGULAR SESSION:

- Adjustments to Agenda:

- Added under Old Business, discussion items, Selectperson Hall to give an update on Connect St. George and the CDC regarding broadband service
- A review of the Governor's Pandemic Orders was added under New Business, discussion items

- Minutes: The minutes of April 6, 2020, were amended as follows:

Page 2, under CC reports, line 5, capitalize **Zoom**

Page 3, paragraph 4 under New Business, line 2, change to read: ...we **should call** upon all ...

Page 5, paragraph 4, line 3, change to read: ...problems, so **we should** implement an ...

Page 7, line 1, correct word to **loath**

Per Tim Polky, spell word: **mil** rate

A motion was made by Selectperson Elwell, seconded by Willey, to approve the April 6, 2020 minutes, as amended. The vote was 5-0. Motion carried.

- Communications: None.

- Warrant: The warrant for the week of April 9, 2020, was reviewed. The total expenses were \$20,475.00 and includes one week of payroll, and other regular expenses. Select Board members will get the signed copies of the warrant to Terri-Lynn Baines.

TOWN MANAGER'S REPORT - Tim Polky reported the following: Due to the Coronavirus pandemic, town employees' work schedules were changed. There will be two employees in the town office at one time and the Transfer Station will have two employees on duty at one time. Polky said it seems to be working out okay but if the public has complaints, let the office know.

Applications for the 10 Cold Storage Road project are moving forward.

The burn building bid notices are ready.

Mr. Polky said an agreement was reached with Central Maine Power (CMP) on streetlights. The town's cost will be \$915.29 a month. CMP will install and maintain the streetlights, and the

town will still be able to tax CMP. Polky noted that savings to the town will be approximately \$6,000 a year. Chair Bates asked when CMP could start the work. Polky said he wanted to review this with the Select Board before signing the agreement. Chair Bates asked if the Board had any concerns. Selectperson Hall felt the issue had been covered before and other members had no concern.

Having discussed the agreement with the Select Board, Mr. Polky said he would sign and send it to CMP on Tuesday, but he did not expect them to start the work for a month or so.

COMMITTEE REPORTS: None.

OLD BUSINESS:

- Connect St. George Committee and the Community Development Corporation (CDC):

Selectperson Hall said the last time he provided an update, the committee concluded that they needed to meet with Spectrum to ask them to make a proposal for the build-out to the people in the town that do not currently have service; ask them what they would contribute to that, and apply for a ConnectME grant to cover the remaining cost.

The committee held a meeting with Spectrum and shared the information they had on the coverage in town. The committee estimated the town had unserved residents on approximately 15 to 18 miles of road. Although, the group speculated it would require less line than that, they asked Spectrum if they would give the group a proposal to build out "the last mile" to those who were not connected. Spectrum said they would review it with their engineering staff and would come up with an estimate of the cost to complete the connection and a commitment to what they would contribute.

Spectrum estimated it might take them two months or so as they need to talk with their engineers and review what the committees have done to get a better understanding of the gaps.

Selectperson Hall said there is a regular schedule to apply for ConnectME grants and as soon as the committees can get everything assembled, they will submit a grant application.

Selectperson Hall said one of the things that might affect Spectrum's contribution is the take rate of the unserved people. He said there are between 200 and 250 unserved addresses in town. So, there is a question of "Could we come up with an estimate for the take rate of these addresses?"

He said the committees discussed various ideas. The committee wondered if they could use the mailing addresses the town had on file for tax records. They thought if they could, then the CDC Connect St. George Committee could prepare a brief survey that said, "If Spectrum provides service on your road, would you be interested in getting internet service for x cost a month?" Selectperson Hall said a lot of times response rates on surveys are not particularly good but if people are interested in the internet, the committee may be able to get a higher than normal response. The committee also discussed how they might get feedback from the people at these addresses.

Selectperson Hall said the CDC committee would do the survey and mailing, but it would need an okay to use the town's mailing list.

Chair Bates asked Town Manager Polky about the precedent for other organizations in town using the town's mailing list and did not think this would not be a first. Mr. Polky said the town had a list that the CDC committee could use. Selectperson Hall thought that was great and said the committee could identify the parcels. He noted that they have the physical addresses so it should be easy enough to match them up. Chair Bates said that the survey would come from the Community Development Corporation and the question from the Broadband Committee, making it clear that it was not a town question.

Selectperson Hall said the CDC had quite a large email list and with the names of the property owners, the CDC could go through the list to see if they could email them to get a response.

Chair Bates thought it was good the committee was moving ahead on this issue and getting the information to Spectrum so the town could apply for a ConnectME grant as soon as possible. Selectperson Hall said he could not judge the probability of the committee being successful with the grant application. But he said this was the step to take if the town was interested in finding a way to solve this problem without the town contributing the money.

NEW BUSINESS:

- Authorize Town Manager to Sign Representation Letter for 2019 Audit: Frederick W. Brewer, CPA, Bath, Maine prepared the 2019 Audit Report on the town of St. George. Chair Bates said the audit was a representation of the whole town - the municipal government and the school. He explained that if the Select Board authorized the Town Manager to sign the letter of representation, they were attesting to the auditor that all of the information submitted was accurate and all the material and information had been disclosed to the auditor.

Chair Bates, "How do we know the school has done that since the audit report we have includes the school? We do not know what they are doing, and they operate autonomously. For the record, I talked with Superintendent Michael Felton and Cassie Kilbride and I have a copy of the representation letter that Mike Felton signed on February 26, 2020. He signed it on behalf of the School Board, signing that all the information from the school is accurate and complete for the school part of the audit." Chair Bates explained this meant the Select Board would be asking Mr. Polky to go ahead and sign what was effectively the town's part. Chair Bates asked CPA Brewer if he wanted to clarify the issue.

Brewer said there were lots of questions within the representation letter but the ones he focused on were the ones that had been there for a while. For example, "Not aware of any pending litigation; there is no fraud within the entity; post-employment benefits, Maine PERS, and future accounting pronouncements." He said it included representations about the Schedules, the Budgetary Comparison Schedule, and the Management Discussion and Analysis. Brewer said because the school is a department under the town, the Select Board has ultimate responsibility for the school's finances, and reviewing their audit is good.

Selectperson Hall said he does not understand that the Select Board ultimately has responsibility for the school's finances.

Brewer, "They essentially send you a bill, but it is entirely up to you to get approval from the taxpayer to assess the taxes to pay for the school."

Chair Bates, "From a practical matter, I thought when we asked to settle on the school budget, we have no discretion from the Maine state law point of view?"

Brewer, "Correct. The only discretion you have is as a taxpayer to go and vote for or against the budget."

Chair Bates, "As a regular of the community. That is our only role. We cannot agree to their budget as a Select Board."

Selectperson Hall, "The Select Board has no responsibility for the school, in my eyes."

Chair Bates, "It seems to me it is ambiguous."

Selectperson Hall said, "It could be, but we assist in collecting money for them. But I don't feel I have any responsibility for the operation of that school. I think the people who do are doing a fantastic job. But I don't feel like we are responsible for the school."

Chair Bates, "I did talk to Mike Felton and Cassie and forwarded you a copy of their representation letter. I noticed it had a lot of overlapping clauses with the letter that Fred sent us. It gives me comfort to know that they have put their name to all those clauses."

Selectperson Hall, "The other part is the change that we made last year. That thing came out on January 23rd and I left for a 2-week trip two days after. So, I was unaware. I missed the fact that we made the change that we did last year. I will say that I don't like at all the combined audit. I like an audit of the things that we are responsible for. We had an audit before on the financial system that we are responsible for and that makes sense to me. Everything is merged. I really liked it when we had an audit of what we are responsible for."

Brewer, "You liked it back when it was an RSU and all you did was send them a check for whatever your portion of the assessment was. Now, it is essentially a standalone under your responsibility." Selectperson Hall said it was not under our responsibility.

Chair Bates, "Fred, in principle could we have an audit of the municipal part of the town and then have what you presented with the Select Board tonight, and have an audit which combines the two of them? In other words, could we have effectively three audits? Could we do that?"

Brewer, "Yes, I'd have to think of how I would present it because there is the assessment when you do your commitment and all of that, and it includes the school. But that way you could get an individual look at the town."

- FY'2019 Audit Report by Frederick W. Brewer, CPA: Mr. Brewer reviewed the 2019 Audit Report with the Town Manager, Finance Director, and Select Board.

This is a summary of Mr. Brewer's detailed review:

Mr. Brewer reviewed the section as to how the town was doing relative to what the town had appropriated for each of its departments. He said several balances were carried forward. One department was Education and one was Harbors. Harbors had \$640,000 that carried over from the prior year. The overall gross budget was \$9,000,000 and of that almost \$5,000,000 (of it) was for the school. The school had \$642,000.00 that they took in and spent \$5,500,000. So, they had roughly the same amount they started with left in their fund balance.

General Government. The town budgeted \$758,000.00. The town spent almost \$700,000.00 so at the end of the day, the general government had \$67,000 that was unexpended which went into the town's undesignated fund.

Brewer noted that Public Safety and Animal Control had unexpended funds. There were only a couple of negative balances: the moorings and excise taxes. He said as a whole, the town put \$342,000 into its undesignated fund.

Brewer explained how he calculated the two-plus months' worth of cash in the town's undesignated fund. He divided the cash dispersed of \$9,300,000 by 12, which equaled approximately \$774,000.00. He took \$1,600,000 in the undesignated fund and divided it by \$774,000.00 to get the two-plus months.

Chair Bates asked, "That says that we are in pretty good shape?" Brewer said yes, the town was doing pretty good. He said it was roughly where the town wanted to be as far as having money in the bank because it would help the town get through the period where they had not committed taxes. Brewer said the staff did a good job collecting the property taxes. He said at the end of the year, the town pretty much collected what the town assessed for taxes, so the town did not have to ask for additional funds in the overlay to pay the bills.

Maine PERS. Brewer said this part covers the teacher's retirement program that includes their wages and what has been paid in for their retirement. Brewer said as of 2014, the Accounting Standards require auditing to be done over a 10-year period. He said because the St. George MSU began in 2017, there were no prior years of information to refer to.

Department of Education (DOE). Brewer said the DOE wants to see what towns have expended for Federal funds. He said for St. George, it was pretty much whatever the school spent. Under the school lunch program, there were expenses for food, some of it was a subsidy for the free and reduced meals. The school took in funds for the Title 1 program and the school had a small school grant, similar to Title V. The school's Federal expenditures of money was \$238,000.

Trust Funds. The total income was \$86,000.00. The town paid \$5,000 in investment fees and the town spent \$17,000 making the Trust Funds balance increased by \$64,000.

Town Reserves. Brewer reviewed this area and noted that the town had \$698,000 that the town had saved for capital projects. He said he usually tells towns to keep evaluating capital projects to see whether or not they are still capital improvement programs that the town wants to keep

funding. He said sometimes what happens is the intended use changes or someone is not as active at doing different things, such as the town's fire training building fund that has \$174.00 in it. He said the town needs to develop a capital improvement program and come up with a plan.

Cash Balance. Brewer reviewed the amounts in the accounts and said the town had \$2,800,000 in cash which he thought was good. He said it was the equivalent of one-third of what the town was spending a year; some of that was for the school and some of that was for the town.

Chair Bates asked if one-third was typical of other towns who had an MSU. Brewer said it depended. Some towns were more aggressive at taking money out of their undesignated funds. A lot of the towns combine the school and the general fund checking account and only pay everything out of the general fund checking. He said it gave them a little bit more wiggle room. St. George is set up to pay every month and put money into the school's account. Brewer said some schools have a fiscal year ending in December which can be a bit confusing but for June year ends such as St. George, everything lines up. He said St. George is sitting very well between the school and the town.

Taxes assessed by St. George were \$7,700,000. In the fiscal year 2019, the town collected in cash \$7,500,000.00, abated about \$3,000 and the town had about \$166,000 that people paid the town before the end of June 2018. Brewer said because the town commits taxes so early in July, the town is able to put everything to lien before the end of the fiscal year. The town only had \$109,000 that was sent to lien at the end of June which is less than 2%, and Brewer said that was great.

Other Post-employment Benefits and the Maine PERS. Brewer said he usually looked at the debt the town had outstanding. For St. George, the town started the year at \$752,000, borrowed another \$2,700,000, paid \$175,00 down on the principle, so there was \$3,300,000 that was outstanding at the end of June. He said these are the loans or leases that the town will have to access taxes to pay for.

Selectperson Hall said this is the conceptual thing that is troubling him. "You go through this and you can find the detail that I'd like to see regarding the town but your comment just then that, you guys, this is what you owe. This is not the case. We only deal with a part of this."

Brewer said, "Yes, the town would be the top two on that page and all the rest is the school's (debt). The State looks for the town's maximum debt. They take 15% of your last state valuation, so for St. George it was \$926,000,000. (Take) 15% of that is \$138,000,000 which makes the town well below that. Even with the obligation bond that the town just floated out, St. George is still in good shape as far as debt goes."

Chair Bates thought problems would arise if the town did not have a good relationship between the municipal side and the school side of the town. Selectperson Hall said part of it was getting used to a different format but to the degree that it said that one entity was responsible for all this, was just not the case and that was what he struggled with. Selectperson Hall, "One entity is not responsible for all of this. I don't think."

Chair Bates believed that the town was responsible. Mr. Polky said the town was ultimately responsible for the MSU and added, no matter what happened at the school, the town was responsible for paying. Brewer said it was the one who got the cash and helped the school pay their bills. He said when the property tax bill is sent out, the bill shows the town is collecting a percentage of the tax bill to pay for the school.

Brewer said St. George is a Municipal School Unit. They are not an RSU which is a collective group of towns coming together to form a school unit. Selectperson Hall said he still has an issue with the way the audit was done but he would live with it if it continued to be done this way.

Knox County Budget. Brewer reviewed the town's share of the Knox County budget. The long-term debt that St. George would be responsible for if the County defaulted was \$3,400,000. He said the town's percentage was 11.338 percent of their assessment, so if the County went under, the town would have to pay \$389,000 worth of debt to clear their name. Brewer said in the accounting standards, they want that added because the town would be the one that would end up paying the County's bill and they wanted the reader to know that they might have that debt if the County folds.

Chair Bates said he talked with Mike Felton and Cassie Kilbride who offered to send the Select Board all their financial reports, but Select Board members declined as they felt they had enough information already.

Selectperson Hall said the audit was not done this way two years ago and he did not understand that the law required it to be done the way it was this year. He said he was one of the people who said, "No, you don't need to send me the financial reports because I do not feel I am responsible for those."

Brewer said he would look up some information and send it to Polky for him and the Select Board members.

New Accounting Pronouncements. Brewer said they must put all that information in the financials now. Not a lot of them apply to St. George but one that will go into effect for next year is on fiduciary activities, i.e., what fiduciary funds the town has and how they are shown and break downs of general assistance type of trust funds. Brewer noted that the accounting standards will no longer allow student activity funds to get co-mingled in an account to pay bills and will no longer allow the school principal to request reimbursement from the general funds to pay that bill.

Chair Bates if Finance Director Baines needed to do anything differently in the future because of the new accounting pronouncements. Brewer said not really. She will pay the bills according to the warrant system and she will post everything the way she has been directed. He said a lot of the changes come when you roll things into the financial statements and how they are presented.

General Fund, Capital Projects, and the Capital Reserves. Capital Project is the loan proceeds for Cold Storage. Capital Reserve is a summary of all those individual capital reserves the town

has. Brewer said the town has \$8,300 in investment income, \$3,000 in expenses for General Government, \$40,000 for the Health and Welfare which is for the trash equipment that was purchased, and then there were some unclassified. The town spent \$46,000 out of those capital reserves. The General Fund revenue totaled \$9,500,000 and the town spent \$9,200,000.

Assets and Liabilities. The town has \$2,800,000 in cash, \$122,000 in accounts receivable which most of that is the Homestead reimbursement, the second half of the payment and prepaid expenses of \$14,000. The town has \$148,000 in property taxes that are outstanding; \$26,000 in tax acquired property some of which have been sold since these numbers were done. Brewer said he had talked with Terri-Lynn Baines about the transfers that needed to be made and she did them all. There was \$108,000 in accounts payable so those were bills that were paid after June 30th that was for June 30th.

Brewer said there were accrued liabilities of \$410,000 and pre-paid property taxes of \$40,000. Deferred property taxes of \$99,000 and deferred revenue of \$2,900.00. The fund balance of \$616,000 was education, \$15,000 was committed as assigned for other purposes and the unassigned was \$1,600,000.00.

Brewer explained that a lot of the information was boilerplate that the Governmental Accounting Standards Board says must be in the audit, especially the Other Post-employment Benefits because the town has different plans, i.e. Maine Municipal Employee's Health Trust and Maine PERS for the teacher's life insurance benefit.

Selectperson Elwell asked, "Do you think that as a town that we are in a good spot?"

Brewer said yes, he thought the town was doing pretty good. He said the town manages their budget very well and did not have any accounts that were overspent. Brewer said as far as what the town was budgeting for contingency, it was probably a good amount.

Chair Bates asked if the Select Board might need to think about the point that Selectperson Hall raised to see if they could feel more comfortable about what the town's legal requirements were in signing the representation letter. He said Brewer would send information to Mr. Polky that may help the Board better understand this matter.

- Representational Letter: After discussion with the accountant, Chair Bates thought the Select Board was still required to have Town Manager Polky sign the letter.

A motion was made by Selectperson Hall, seconded by Elwell, to authorize Town Manager Timothy Polky to sign the Representational Letter for the 2019 audit done by Frederick W. Brewer, CPA. The vote was 5-0. Motion carried.

- Select Board Meeting Schedule and Agenda Items: Chair Bates prepared a proposed schedule for future Board meetings starting April 6, 2020 and going through to September 28, 2020. The Select Board reviewed the dates and found them acceptable.

- Governor's Pandemic Orders: Chair Bates reminded everyone of the need for social distancing and the need for using common sense. He suggested that everyone talk about this with whomever they see or talk with. He said there had been discussions about too many people meeting at Drift Inn Beach, Marshall Point or elsewhere in town. Chair Bates said people should exercise common sense. If people are concerned about crowd size, they should call the Sheriff's Department at 594-0429. Otherwise, the town administration says - take care of yourselves, your neighbors, and friends, and we will get through this.

There being no further business, the meeting adjourned at 8:08 p.m.

Respectfully Submitted,

Marguerite R. Wilson
Select Board Recording Secretary