



Town of Hermon
Public Safety Meeting Room
August 17, 2023
Town Council Meeting
7:00 PM
MINUTES

To watch Council Meetings go to hermonmaine.gov click Council click Town Council Meetings click Zoom
Council Meetings will be archived online after the meeting has taken place.

ALL ITEMS ARE SUBJECT TO APPROPRIATE COUNCIL ACTION

I. CALL TO ORDER BY CHAIRPERSON

II. PLEDGE OF ALLEGIANCE

Chair Murphy led those in attendance in the Pledge of Allegiance

III. ROLL CALL

Members Present: Richard Cyr, Christopher Gray, Danielle Haggerty, Ronald Murphy, John Snyder III,
Steven Thomas and Derek Wood

Members Absent: None

Others Present: Town Manager Joshua Berry, Town Clerk Kristen Cushman, 5 residents/guests

**IV. REVIEW CONSENT CALENDAR: REGULAR BUSINESS, APPOINTMENTS, SIGNATURES,
And APPROVAL OF MINUTES:**

SIGNATURES. –APPROVE

MINUTES. –APPROVE 7/20/2023

WARRANTS. –SIGN 8/4/2023, 8/18/2023

RESOLVES. –SIGN

**Councilor Snyder moved to approve the Consent Calendar as presented. Councilor Cyr
seconded the motion. Motion passes 7-0.**



V. NEWS, PRESENTATIONS AND RECOGNITIONS:

Audit Presentation by Peter J Hall CPA LLC

Town of Hermon
Hermon, Maine

Financial and Compliance Audit
Overview

June 30, 2022

Presented by Peter J Hall CPA LLC
South Portland, Maine



Town of Hermon Overview of Audit Process and Results

-Process

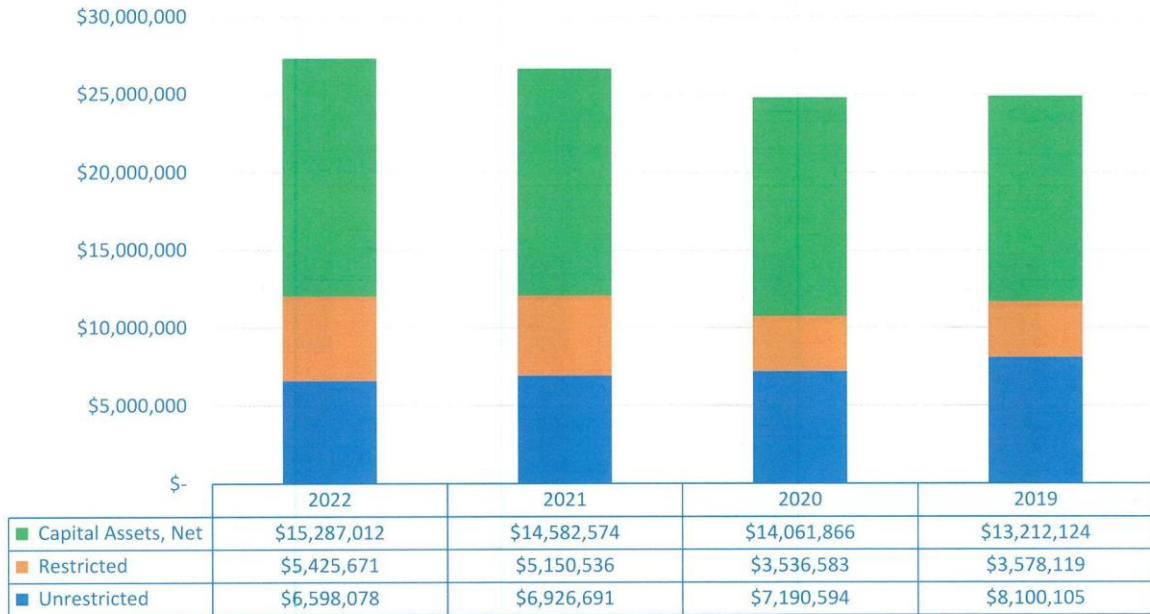
- Audit Procedures Commenced in February
- Management Well Prepared and Very Helpful Throughout Audit Process
- Reports Issued Mid-April

- Results

- Clean Audit Opinions – Both Financial and Compliance
- No Material Weaknesses or Significant Deficiencies Reported
- No Compliance Findings Reported



Town of Hermon Net Position

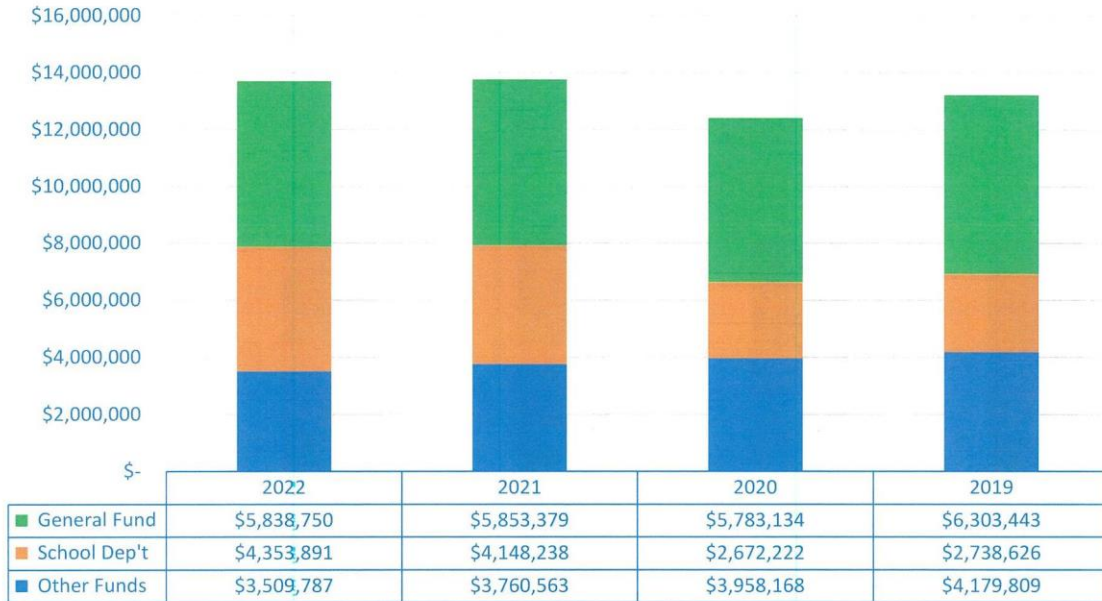


Comments

- Capital Assets, Net Represents Total Capital Assets Less Related Debt Outstanding
- Restricted Net Position Represents Net Position Subject to External Limitations
- Unrestricted Net Position is Simply the Residual After Backing Out the Above



Town of Hermon Governmental Fund Balances

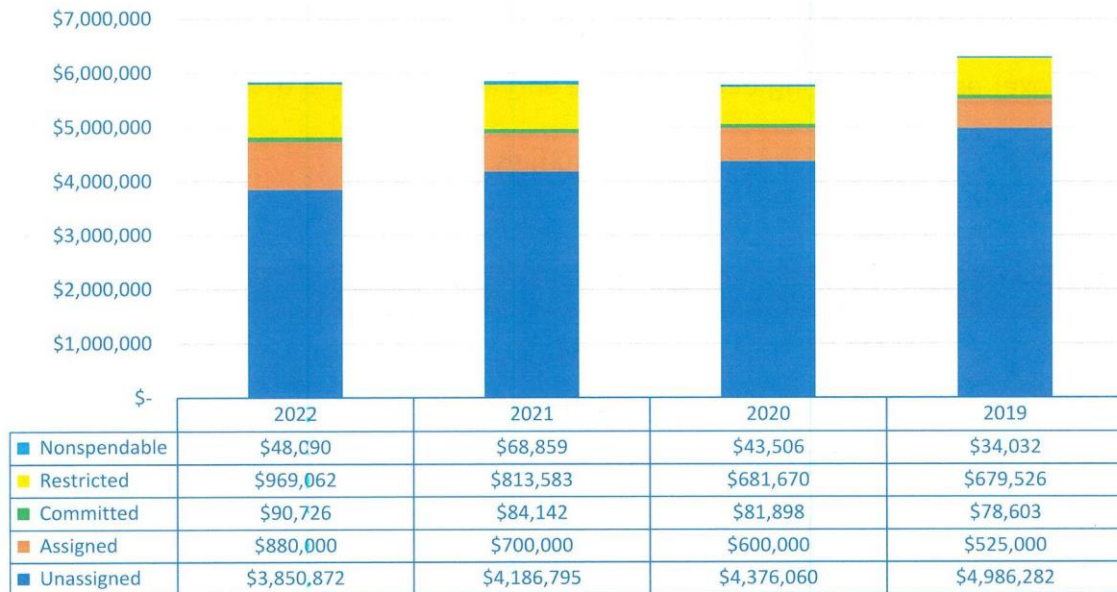


Comments

- Slight Reduction in General Fund in 2022, While School Fund Balance Grew by \$200K
- Other Funds Comprise Various Reserves, Special Revenue and Other Similar Funds
- Overall, Total Governmental Funds Fell by Roughly \$60K



Town of Hermon General Fund – Components of Fund Balance



Comments

- Fund Balances Subject to Various Constraints on Use are Carved Out Separately
- Unassigned Fund Balance is Residual After Excluding Such Constrained Balances
- Unassigned Fund Balance Has Been Reduced Each Year Since 2019



Town of Hermon
General Fund - Revenues

	Budget	Actual	Variance
Taxes	\$ 9,816,946	\$ 10,292,866	475,920
Intergovernmental	963,388	1,386,999	423,611
Licenses and Permits	66,800	85,768	18,968
Charges for Services	39,100	81,498	42,398
Interest	70,000	66,146	(3,854)
Miscellaneous	15,000	24,809	9,809
Total Revenues	\$ 10,971,234	\$ 11,938,086	966,852

Comments

- Favorable Variance in Tax Revenue Due to Better Than Budgeted Excise Taxes
- Favorable Intergovernmental Revenue Due to Higher Than Budgeted State Revenue Sharing Plus Unbudgeted MDOT Grant Revenue



Town of Hermon
General Fund – Expenditures

	Budget	Actual	Variance
General Government	\$ 1,151,814	\$ 1,145,600	6,214
Economic Development	504,738	266,993	237,745
Public Safety	1,038,089	1,073,769	(35,680)
Public Works	1,172,970	1,319,893	(146,923)
Solid Waste	443,005	510,453	(67,448)
Recreation and Social Services	350,470	333,412	17,058
Education (Transfer to School Department)	5,653,657	5,657,034	(3,377)
County Tax	900,000	899,609	391
Tax Increment Financing	110,000	103,990	6,010
General Assistance	5,000	4,187	813
Capital Outlay	644,359	644,359	0
Total Expenditures and Other Financing Uses	\$ 11,974,102	\$ 11,959,299	14,803

- Four Overspent Line Items Above Were More Than Offset by Underspent Lines Elsewhere, Leaving a Net Underspent General Fund Budget of Roughly \$14K



Assessor's Update

8/11/2023



1

Tax Program Updates	
Repealed Program	Expanded Programs
<ul style="list-style-type: none">• Property Tax Stabilization<ul style="list-style-type: none">• Upcoming Tax Bill• Looking Forward	<ul style="list-style-type: none">• Property Tax Fairness Credit<ul style="list-style-type: none">• (Income Tax Credit)• Property Tax Deferral Program<ul style="list-style-type: none">• (Property Tax)• Apply with Local Assessor• Administered by the State

2

1



8/11/2023

Properties Sold Twice within 1 ½ Years

Property #	Sale Date 1	Sale Date 2	Days Between Sales	Percent Change in Sale Price
Property #1	7/23/2021	4/14/2022	265	+12.76%
Property #2	9/1/2021	9/1/2022	365	+43.03%
Property #3	6/11/2021	9/28/2022	474	+16.75%
Property #4	6/28/2021	11/1/2022	491	+27.99%
Property #5	4/15/2021	10/5/2022	528	+20.76%

*All sales for listed properties are considered arms length transactions of single-family residential properties

3

Market Variation Example

SALE #1	SALE #2
<ul style="list-style-type: none">• 1904 Square feet of living area• 440 Square Foot garage• 192 Square Foot Wood Deck• 108 Square Foot Open Frame Porch• 1.13 Acres of Land within Subdivision• Constructed 2021• Sale Date: May of 2022• 1st Owner• Sale Price: \$353,000	<ul style="list-style-type: none">• 1940 Square feet of living area• 440 Square Foot garage• 176 Square Foot Wood Deck• 90 Square Foot Open Frame Porch• 3.45 Acres of Land within Subdivision• Constructed 2020• Sale Date: June of 2022• 1 Prior Owner• Sale Price: \$535,000

*Both properties located on the same street, built by the same developer and have comparable build quality

4

2

How Does This Affect Us?

Sales Ratios			Why its Important
Year	Average Ratio	Quality Rating	<ul style="list-style-type: none"> Legal Requirements <ul style="list-style-type: none"> Assessment Accuracy Equitability Maximize State Funding <ul style="list-style-type: none"> Homestead Reimbursement BETE Reimbursement
2021	96%	9	
2022	94%	10	
2023	87%	11	
2024*	77%	12	
2024**	91%	11	

* Before 2023 Market Based Adjustments

**Projected After 2023 Commitment With Market Based Adjustments



Steve Thomas: Read a definition of what Mr. Hall looks at while performing an audit of the financial and compliance side of the school. This was presented at a prior meeting of the School Committee by Mr. Hall.

For the compliance side, look at the detailed transactions and activities that took place during the year and see if the systems the client is using to, for example: prepare financial statements or in case of a compliance audit, to be sure it's adhering to appropriate requirements that come attached to the use of the federal dollars. You also stated the town, and the school received a clean, unmodified opinion in both the financial and compliance audit process.

Do you look at how e-rate funds are used by the school?

Peter Hall: If the e-rate monies were significant enough to qualify as a major program for compliance purposes. The school did not receive enough e-rate money in FY 2022 to rise to the level of a major program.

Steve Thomas: When you were conducting your audit, were you notified the universal service administrative company that administers the universal service fund under the direction of the Federal Communication Commission is investigating the possible misuse of e-rate funds by the school going back 20 years?

Peter Hall: No, I was not aware of that.

Steve Thomas: Shouldn't this investigation be noted as part of the compliance audit?

Peter Hall: This is the first I am hearing of this, whether this was something that should be noted as part of the compliance audit would again be driven by whether that particular program was required to be tested or called upon to be tested as a major program for compliance purposes. But leaving that aside, if I had known about that, regardless of whether I had to test it or not specifically, if I'd known about that I definitely would have looked into that.

Steve Thomas: This is an ongoing investigation and would this change how you state the school has received a clean and unmodified opinion?

Peter Hall: Before I could answer, I would need to learn more about the investigation. Again, this is the first time I am hearing of this.

Steve Thomas: It's not clear what the school has for unassigned funds.

Peter Hall: Financial audit page 14, school ended its year with about 4.3 million dollars in its fund balance. On page 45 of the audited statements of the 4.3 million, \$782,000 is comprised of various individual reserve funds, \$63,000 for encumbrances which



are essentially purchase orders that had been issued by year-end, but the goods hadn't been received yet and the bills received yet and so forth. Then 1.2 million that was assigned to be used to help fund the FY23 budget for the school department. Then the remainder 2.2 million is the unassigned portion of the school department fund.

Steve Thomas: The state has a limit in place for unassigned surplus for any school district and to be reduced within 3 years. The school has exceeded that limit by a substantial amount for the past few years. Do you recall what that limit? It's a total percentage of total revenues is today? Does the school risk any loss of funds because the fund balance exceeds the state limit?

Peter Hall: The general rule is 9% is the current floor, which is temporary through 2022. Anything above the 9% needs to be drawn down over the ensuing 3 fiscal years.

Steve Thomas: My calculations have the school finishing around 12.5%. Are we at risk of losing funding?

Peter Hall: No, the delta we'd be concerned with would be the excess over 9%. So that dollar amount then would have to be drawn down and expended to help offset the budget and offset state subsidy for the ensuing 3 years. So if we have 3% above, we just need to be aware of that and make sure we're drawing that down at some point during the next 3 years.

Danielle Haggerty: Do we potentially get ourselves into trouble if every year we're budgeting to use the undesignated funds and we only use \$200,000 of what we budgeted to use, and that's a pattern. So if you look back to previous years, that is a substantial amount and every year we come substantially below that. Is that a concern?

Peter Hall: In any one year I would say no. You said the operative word, which is if there's a pattern and that pattern is exacerbating. Then you are going to necessarily get to a point where it's just not reasonable to anticipate that you would be able to draw down that excess in only 3 years based on the pattern. But at the same time the upshot of that would be the school's monitoring this stuff and if they go to a point where they said you know 2 ½ years ago we had this concern that it was not feasible and we're not going to be able to draw down this excess. I would eventually come to a point at which, in working with the state, they would basically step in and say you need to draw down more than what you might otherwise have been anticipating during the next available budget year.

Danielle Haggerty: Is it appropriate to draw down the fund balance by funding reserve accounts for school related items such as capital improvements?

Peter Hall: Yes, it is permissible.



Steve Thomas: Is there a limit on the municipal side on unassigned funds of 25%?

Peter Hall: No, not statutorily.

Danielle Haggerty: How long should it take a municipality and a school district to be done entering for the fiscal year?

Peter Hall: Let me answer by what I typically see in the real world. Most school units I work with are getting to that point from one to four months. There are lots of extenuating factors and situations unfolding.

Danielle Haggerty: Would any of the COVID funds that have been received over the year rise to the threshold of a compliance audit?

Peter Hall: Those monies not PPP (Paycheck Protection Program) and ERC (Employee Retention Credit) are not considered federal financial systems from an auditing perspective, but in terms of actual COVID grant money. That is all subject to single audit. Most of the COVID money was received on the school side and none of it rose to the level in FY22 as needing to be tested by rising to the level of a major program. COVID money on the school side had been audited FY21.

Danielle Haggerty: Do you hear that towns or schools are getting themselves into trouble with how they spent the COVID money? Should that be a concern of ours?

Peter Hall: The whole major program's is determination process is stipulated by the federal government and it really drives which federal dollars in which federal programs we test. Two situations I can think of required ESSER testing to be done and upon review needed to look at it more closely....does this really fit the use? And in every case these expenditures had been properly blessed by the state DOE and ultimately by the federal. There is a requirement, and it applies to COVID money, that if you use COVID money to fund a school related construction project. There are certain other requirements you still have to adhere to including ensuring that any contractors are satisfying the prevailing wage requirement under the Davis-Bacon Act. Yes, there is additional risk to any recipient of all the federal money, particularly if they have not been in the habit of getting a lot of federal money in the past because the risk with an entity that doesn't get a single audit every year, doesn't get a lot of Federal grant money, is that they may not have the controls in place or the sort of internal infrastructure in place to properly administer those grants. So, with some of those entities, yes, I'd say there's a risk. But honestly the greater risk that we're all seeing, and the reason to be concerned about, really is on the for-profit side of things with businesses that received either PPP or ERC money.



Danielle Haggerty: What do you feel a municipality or school should or should not do given the elevated risk?

Peter Hall: Education via continuing professional education from a grants management standpoint and information on the internet is continuing to roll out. It is really driven by the particular specific requirements that are attached to a given federal program.

Danielle Haggerty: I was one of the participants on the school budget process this year. I received the first draft of the audit and I stumbled upon a question. The numbers from the school as to the actual spent in fiscal year ending in FY 2022 and the number for expenditure that is reported on page 56 for the total expenditure in the annual audit has a difference of about \$300,000. On the budget that we were working with, because they gave actual numbers, it happens to be on the school side, they gave us an All-Other Expenditures line, which doesn't seem to be on the audit. Would you expect that? Why the difference?

Peter Hall: I would need to see the internal reporting that you are referring to to be able to marry up the two sets of data.

Danielle Haggerty: I will email the information to Josh for you to review.

Peter Hall: Happy to look into it.

Steve Thomas: I want to follow back on my original comment, I guess I was surprised to learn that the school didn't notify you of that investigation. It's an investigation, no decisions have been made. But from what I understand the school would have to repay a significant amount of funds from the e-rate program if it's determined that they were using it inappropriately over the past 20 years. In addition to that, if it's determined that the funds were used inappropriately, the school could be banned from receiving future e-rate funds and could be also be ineligible to participate in the Maine school library network. I know the school has been working at moving our internet program over to that. Which would provide a substantial savings for the school. So these are my concerns I personally have regarding this investigation, and I guess I would think you might want to consider granting an unmodified opinion on the compliance side.

Peter Hall: I appreciate what you're saying and there are professional standards that we follow that speak to a situation like this. What I need to do is get more information at this point in terms of the specifics of the investigation and see where that goes. I will keep everyone here apprised where that leads but do appreciate your asking about it.



VI. PUBLIC ITEMS OR COMMENTS: *(Items Not Already on Agenda)*

- Whitney Devlin, Park Drive: Concerns with the condition of the mobile home park.
- Kyle Morin, Finch Lane: Concerns with the condition of the mobile home park

VII. PUBLIC HEARINGS:

VIII. COMMITTEE REPORTS:

IX. SCHEDULED AGENDA ITEMS:

A. OLD BUSINESS:

B. NEW BUSINESS:

R23-24-01 Consider authorizing the Town Manager and Fire Chief to sign the Mutual Aid Agreement

Councilor Snyder moved to approve R23-24-01. Councilor Thomas seconded the motion. The motion was accepted. Motion passes 7-0.

FR23-24-01 Consider awarding bid for Hermon High School Athletic Field Hydroseeding Project

Councilor Snyder moved to approve FR23-24-01. Councilor Gray seconded the motion. The motion was accepted. Motion passes 7-0.

FR23-24-02 Consider accepting a grant from The Commissioner's Fund for the Fire Department to purchase a Zoll Heart Monitor.

Councilor Haggerty moved to approve FR23-24-02. Councilor Thomas seconded the motion. The motion was accepted. Motion passes 7-0.

O23-24-02 Consider amending the Council Rules to go into effect on 9/16/2023

Councilor Haggerty moved to table O23-24-02 as a workshop item for the next meeting in September 2023. Councilor Cyr seconded the motion. The motion was accepted. Motion passes 7-0.

C. WORKSHOPS:



D. OTHER ITEMS: (from Table Package)

Councilor Snyder to waive council rules and accept the table packet. Councilor Haggerty seconded the motion. The motion was accepted. Motion passes 7-0.

IX. SCHEDULED AGENDA ITEMS:

A. OLD BUSINESS:

B. NEW BUSINESS:

Councilor Haggerty to waive council rules and accept the table packet to consider FR23-24-03. Councilor Snyder seconded the motion. The motion was accepted unless doubted.

FR23-24-03 Consider accepting a donation from Northeast Paving for the summer sizzler event.

Councilor Snyder moved to approve FR23-24-03. Councilor Cyr seconded the motion. The motion was accepted. Motion passes 7-0.

X. APPOINTMENTS:

XI. MANAGER STATUS REPORT:

- **The Recreation Department will be hosting the Summer Sizzler on 8/19/2023. Please come and enjoy the events.**
- **High School turf has been completed and soccer practice started this past Monday.**
- **High School track is on schedule to be completed by October 4, 2023. Scott Perkins has stepped up and done a fantastic job with the High School Athletic Complex.**
- **Hermon Fire has hired 2 full time first responders and applications are being accepted for the remaining 2 full time first responder positions.**
- **The Hermon Fire first responder new vehicle should arrive within 60 days.**

XII. FINAL PUBLIC ITEMS OR COMMENT: *(Items Not Already on Agenda)*

- **Brian Venenziano, Bishop Dr: Great job for Hermon to host the Little League District #3 Championship.**

Please see the complete video at [Town Council Meetings | Hermon \(hermonmaine.gov\)](https://www.hermonmaine.gov) for all public comments.



XIII. COUNCIL ITEMS:

Danielle Haggerty: Stats on response times for :

	<u>Hermon Fire</u>	<u>Northern Light Ambulance</u>
<u>Out the door</u>	<u>2 minutes</u>	<u>4 minutes</u>
<u>Arrive on scene</u>	<u>4 minutes</u>	<u>7 minutes</u>

Steve Thomas: Glad to see the Summer Sizzler is back.

Chris Gray: Glad to see the Summer Sizzler is back and the Hermon Baptist Church will have a free BBQ dinner for the community at 4:00pm at the Church.

XIV. EXECUTIVE SESSION: Not Needed

Consider entering Executive Session to discuss a legal matter per 1 M.S.R.A. § 405(6)(E)

XV. ADJOURNMENT:

Councilor Thomas moved to adjourn the meeting at 8:54 PM. Councilor Wood seconded.
With no objection the meeting was adjourned at 8:54 PM.

Respectfully Submitted,

Kristen Cushman
Town Clerk

Explanatory note #1: All items in the CONSENT CALENDAR are considered routine and are proposed for adoption by the Town Council with one motion without DISCUSSION or deliberation. If DISCUSSION on any item is desired, any member of the Council or public may request the removal of an item for it to be placed in the regular agenda prior to the motion to approve the Consent Agenda.

Explanatory Note #2: In the interest of effect decision-making: At 10:00 p.m., the Chairman shall poll the Council and Town Manager to identify remaining items which shall be carried forward to the next Regular Meeting.

Explanatory Note #3: A Councilor who feels the need for the Council excusing his/her absence will make the request to the Town Manager or the Town Clerk prior to the meeting.