

**SELECT BOARD MEETING**  
**September 22, 2022 5:30PM**  
**Town Hall/Hybrid**

**Quorum noted**

**5:30 PM:** Meeting called to order by Chairperson Donhauser.

**A. Roll Call:** Mr. Donhauser, Mr. Widi, Mr. McPherson, Ms. Dow, and Mr. Shapleigh.

**B. Pledge of Allegiance recited**

**C. Public Comment:**

**5:31 PM** Mr. (Gene) Wypyski, Chair Eliot Festival Day Committee and this year also the Race Director for Eliot Festival 5k Road Race, and I'd just like to remind everybody Saturday is the last Saturday in September. Parking will open at 5:30AM. We have 123 runners, so far. 60 booths, 15 of which will be food. The Army Reserves will be bringing the hummers and the Portsmouth Naval Shipyard doing an exhibit. We've got a bigger parade. Crafters. Races galore. So, we would be honored and enjoy seeing all of you there at some point. If you have any questions – EliotFestival.com. We will have an exhibition outhouse entry this year. So, if you want to be a part of that next year, we encourage you to start building now.

**D. Approval of Minutes of Previous Meeting(s)**

There were no minutes approved tonight.

**E. Public Hearing:**

**Annual Acceptance of Maine Department of Health and Human Services  
General Assistance appendices**

**5:33 PM Public Hearing opened.**

Mr. Donhauser hereby opens this Public Hearing on the annual adoption of the General Assistance Ordinance, which is Appendices A through G. This is an annual requirement from the State of Maine, Department of Health and Human Services for the family independence, which sets the guidelines for General Assistance for Appendix A (overall maximums). Appendix B is food. Appendix C is housing. Appendix D is electricity and power. Appendix G is mileage. Is there anyone who would like to comment on this matter.

There was no comment.

**5:34 PM Public Hearing closed.**

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**Ms. Dow moved, second by Mr. Widi, that the Eliot Select Board accept the changes to Appendices A through G, as presented by the State of Maine for the period of October 1, 2022 through September 30, 2023.**

**Roll Call Vote:**

**Mr. Donhauser – Yes**  
**Mr. McPherson - Yes**  
**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

**F. Department Head/Committee Reports**

**5:35 PM 1. Town manager Report**

Mr. Sullivan said that we really appreciate the cooperation that we had at the beginning of the week. As many people know, we were faced with a little bit of an outbreak, here, of COVID at Town Hall. We put out a message to the public to do what they could to come in later, or the next day, the next week, whenever they could delay their visit to Town Hall. There was incredible cooperation but I would like to point out David Ross-Lyons was wonderful. He worked incredibly hard alone in the Clerk's Office and accommodated everyone on Tuesday. There is just wonderful staff in there and I wanted to out David, Wendy, and Brenda are great to work with. David held the fort on Tuesday alone and it was a real herculean effort. Appreciate it.

**Mr. Donhauser moved, second by Mr. Shapleigh, that the Eliot Select Board receive the Town Manager's Report, as written and accepted.**

**Roll Call Vote:**

**Mr. Donhauser – Yes**  
**Mr. McPherson - Yes**  
**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

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**G. Board and Committee Appointments/Resignations**

**5:36 PM 1. Comprehensive Plan Committee Appointments**

Mr. Brubaker said that Amia Moore would be the additional Youth Advisory Group appointment. We do have another appointee for the Youth Advisory Group on Zoom, Eva Therrien, and I wanted to recognize her. We have three for this group and we might expect a fourth application.

**Mr. Donhauser moved, second by Mr. Widi, that the Eliot Select Board appoint Amia Moore and Eva Therrien as members of the Youth Advisory Group of the Comprehensive Plan Committee.**

**Roll Call Vote:**

**Mr. Donhauser – Yes**

**Mr. McPherson - Yes**

**Mr. Widi – Yes**

**Ms. Dow – Yes**

**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

Mr. Sullivan asked if the SB would approve the SMPDC proposal.

**5:39 PM** Mr. Donhauser said that we are going to execute an agreement with the Southern Maine Planning and Development Commission (SMPDC) for I believe \$30,000 and it will be to assist the Town Planner, Jeff Brubaker, with technical assistance and otherwise as described as “SMPDC – a proposal dated September 20, 2022. He asked if Mr. Brubaker had anything to add.

Mr. Brubaker said I’m here to answer any questions. SMPDC is familiar to a lot of you. They do good work. They’re familiar with Eliot Planning. They were the only proposal, hence the waiver of the three-bid rule. But we’re really excited to work with them.

**Mr. Donhauser moved, second by Mr. Shapleigh, that the Eliot Select Board waive the three-bid rule.**

**Roll Call Vote:**

**Mr. Donhauser – Yes**

**Mr. McPherson - Yes**

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**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

**Mr. Donhauser moved, second by Mr. Widi, that the Eliot Select Board execute the agreement with Southern Maine Planning and Development, not to exceed \$30,000.**

**DISCUSSION**

Ms. Dow asked if this was comparable to other times that we've done this Comprehensive Plan. Is it a reasonable number when compared to other municipalities on the budget amount.

Mr. Brubaker said, speaking informally, that our budget is a little bit tighter than a lot of other communities' Comprehensive Plan updates.

Mr. Sullivan said that they were involved in the 2009 Comprehensive Plan.

**DISCUSSION ENDED**

**Roll Call Vote:**

**Mr. Donhauser – Yes**  
**Mr. McPherson - Yes**  
**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

**5:41 PM      2. Lissa Crichton Resignation – Planning Board**

Mr. Brubaker said that I want to acknowledge her tenure on the Board. She was great and I think I'm speaking for the whole PB in wishing her well and expressing appreciation to her for her service.

**Mr. Donhauser moved, second by Ms. Dow, that the Eliot Select Board accept the resignation of Lissa Crichton from the Eliot Planning Board and direct the Town Manager to advertise the vacancy.**

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**Roll Call Vote:**

**Mr. Donhauser – Yes**  
**Mr. McPherson - Yes**  
**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

Mr. Donhauser said that I want to thank Ms. Crichton for her service, as well.

**5:42 PM      3. Jennifer Himmer Application to Board of Appeals (alternate)**

**Mr. Donhauser moved, second by Mr. Widi, that the Eliot Select Board appoint Jennifer Himmer to the Eliot Board of Appeals as an alternate member, for a term ending June 2023.**

**Roll Call Vote:**

**Mr. Donhauser – Yes**  
**Mr. McPherson - Yes**  
**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

**H.      New Business:**

**5:44 PM      1. FY 21 Audit Presentation (Auditors RHR Smith, Finance Director Kristin McNulty)**

Mr. Donhauser said that this is a presentation from our Auditor, Mr. Bill Hall, from RHR Smith, Certified Public Accountants.

Mr. Hall said that I've been working with HRH for about 20 years. First, I would like to apologize that this process has gone on this long. Hopefully, within this next week or two the FY21 audit will be finalized and we can move on to FY22. It is a requirement from the State that the town publish an annual town report. We call it the short report. This is a report we give the towns to put in their annual town report. We started working on this over the weekend, as we were trying to get you a full draft. Unfortunately, with the time constraint, that didn't happen.

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So, we wanted to present you with some figures. If you look through this, there is some highlighted information. There were adjustments and changes to this all the way up until sometime today. It's still a work in progress. I would say that we're probably 80% to 90% complete. I'm assuming that when we send up the draft to Mr. Sullivan and Ms. McNulty that there will be some more changes. Do remember that, when we talk about an audit, any time you talk about a balance sheet it's a snapshot of that day. The day after, things usually change. So, any time you're talking about a balance sheet, it's focusing on that one day.

**Statement C** shows you your balance sheet and your general fund. It also shows you you're only other major fund, which is the Route 236 TIF District. In the other governmental funds, those are all your non-major funds for your special revenue, capital projects, or trust funds. It shows that, at June 20, 2021, your total assets in your general fund equaled \$8.2 million. \$7.1 million of that is cash. You have some outstanding taxes and liens. You've got some liabilities, the biggest being 'due to-due from'. I'd like to explain a lot of things and, if you have questions as we go through this document, please ask. If you have questions on things other than what's on this document, we'll go over that after. Explaining 'due to-due from', years and years ago what used to happen is, if you had different funds or different pots of money, they'd put them in a bank. What would happen is that then the towns would end up having so many bank accounts that the treasurer would just do bank recs all the time. It was very time-consuming. So what GASB did (Governmental Accounting Standards Board), who governs us, governs you, on how you're supposed to operate financially. They came up with these accounts called 'due to-due from's. What it is is that you have one large pot of cash in the general fund, but you still have all these multiple funds. The 'due to-due from' accounts are used to track the activity that's going between your cash account and all these other funds. So, if you take in a revenue, you debit cash, you credit the revenue over 'here', your 'due to-due from's' are the accounts that kind of tie the accounts together. So, you will see, like on Statement C, you have Due from other funds of \$779, 532, due-to funds of \$3,111,107. That is telling me that in the \$7 million of cash, you have \$3 million that belongs to other funds. Then, you have other funds that go to your general fund - \$770,000. There are a couple of ways to explain it. It's a quasi-cash account without actually physically having cash at the bank or it's accounts on your ledger that are used as dummy accounts to tack the activity between your cash and all these other funds. It alleviates your treasurer from doing all these bank account reconciliations, which is a good thing because your treasurer is already busy enough. You also see on here that you have some 'deferred inflows of resources' – prepaid taxes, deferred tax revenue. All that is is all of your real estate and personal property liens, tax-acquired property that is outstanding as of June 30, 2021. Subtract 60-day collections after that. So, like up top here, it says your taxes and liens are about \$351,000. You have deferred tax revenue of about \$218,000 that tells me that from July 1, 2021 to August 31, 2021, you received about \$100,000+ of tax

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money. That's un-deferred and that's recognized. Then you have \$200,000+ that's not recognized. It's deferred. So, then you'll notice what a lot of towns need to know. Your general fund balance is at about \$4.7 million. Two purposes of a fund balance in your general. One, for budgeting purposes, you can use that as a buffer. So, as an example, if your taxes have to increase to 7%, you can use a little bit of that to drop down the tax rate to a 3% increase. It's a good budget tool. What I don't like to see as an auditor, and I don't think a lot of townspeople like to see, is increases and decreases in taxes. I call it the 'EKG effect'. Another good purpose of general fund balance is cashflow purposes. I've noticed that with towns that have a low fund balance, they need to go out and do short-term borrowing to pay their bills. But, if you have enough fund balance, you don't usually have to do any short-term borrowing. What we usually recommend towns to have is that you take your total assessments, county, school, municipal, your TIF and overlay; your total budget and divide it by 12 and multiply it by 3. Somewhere between 60 to 90 days is what you should have, at a minimum, of your fund balance. So, FYI, that's what we warn over the years; that you have between 60 and 90 days of fund balance or usually you would have to borrow money to pay bills.

**5:52 PM** Ms. Dow asked if we meet that with our fund balance.

Mr. Hall said that I have to look at your total budget. In looking, you are right around the 60- to 90-day appropriately with about \$4.5 million. You'll notice that, with your Route 236 TIF District, you have about \$5.9 million in the Restricted Fund Balance. Most of that is cash and investments. You do have a 'due from' of \$1.5 million. I think we'll go over some of this in the end when we have some generalized questions. **Statement E**, which is your revenues and expenditures. While the balance sheet is a snapshot of one day, this is a snapshot of a whole fiscal year. So, when looking at the revenues, which shows \$18.1 million, that's from July 1, 2020 to June 30, 2021. You have expenses totaling about \$15.7 million, giving you an excess of revenue of about \$2.4 million, then you transferred out about \$1.6 million. So, it's showing me that your fund balance went from \$5.2 to \$5.7 million. So, you had a nice increase of about a half a million. With the Route 236 TIF, you had revenue of \$13,000+, which was pretty much interest and gains/losses in your investment. You have about \$19,000 in expenses. You had a transfer of \$17,000 and then a transfer of \$163,000. There, again, it looks like you have about a half million increase.

**5:54 PM** Mr. Donhauser had a question regarding the TIF.

Mr. Hall said that Mr. Sullivan gave me a sheet that you would have a question on the presentation of this Route 236 TIF. I will answer in the best way I can explain it. The State of Maine requires towns in the State that you have to budget for your general fund operations. So, when you go to Town Meeting every year and you

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vote for that \$19 million, you are voting on your general fund budget. What makes up your general fund budget. What's the biggest revenue that you get from your general fund.

Mr. Donhauser said real estate taxes.

**5:55 PM** Mr. Hall said yes, property taxes. So, that means all of your budget and all of your revenue for property taxes comes into your general fund operating. I notice here in your '20 audit, and again I've seen this before, that the \$695,000 is shown on the property tax. However, on our sheet, if you look down at the line below, it says \$717,000 being transferred in because property taxes are coming into the general fund and then being transferred to the Route 236 TIF. The property tax money is not coming directly in to your Route 236 TIF. It doesn't come directly in there because that is a separate fund from your general fund.

Mr. Donhauser said that, in the 2016 audit prepared by your firm, you reported it as a revenue, not as a transfer in. In the 2018, done by Smith & Associates, they showed it as a revenue, not a transfer in. And I believe in 2020, it was shown as a revenue, not a transfer. I understand what your position is but it would appear to me that it's not consistent. Generally, you would like to see financial statements be consistent. The real estate tax collected by the TIF is on TIF properties and does belong to the TIF. It doesn't belong to the general fund so I would sort of be argumentative in the sense that it should be recorded as a revenue. And I think that should be ironed out between you and the Town Manager. It's a matter of presentation. It doesn't change the bottom line at all. It's basically moving the \$717,000 back up to property taxes. What it does do, though, is that, at the same time, it would overstate the property taxes in the general fund, correct.

Mr. Hall said you decrease the revenue of the property taxes in the general fund and move it over to the Route 236 TIF.

**5:57 PM** Mr. Donhauser asked if we aren't overstating the general fund real state taxes collected as shown as revenue of \$14 million. It wasn't \$14 million of the general fund revenue. \$717,000 of that was TIF revenue. I'm not trying to persuade you how you report your report but I would like you to have a discussion with our Town Manager and, perhaps, our Treasurer. I'm just looking at historical financial statements and trying to be consistent from year to year to year.

Mr. Hall said that I will check. What I will say is that schools in the State of Maine have what is called 'school nutrition'. They changed something a couple years ago where nutrition revenue coming in from property taxes, or assessments, which is generated by property taxes, had to be changed. It used to be shown as a transfer, also, but then they had to change it into a whole separate article they had



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to vote on. Then, the revenue would be shown as revenue instead of a transfer in. What I can do is verify there has been a change in the showing or the display of how a transfer is either showing as something like that on the TIF or can be shown as revenue. But, you're right. It doesn't change the bottom line. It's just the presentation.

**5:59 PM** Mr. Donhauser added that consistency from financial statement to financial statement would appear to me to be of some importance as opposed to having a number drop down on the income statement, back up on the income statement.

Mr. Hall said that, FYI, I've been doing governmental auditing or working in accounting, and 20 years ago GASB was on Proclamation #30. Now they are at 90 something.

Mr. Donhauser said that municipal auditing and accounting is very complex. I clearly understand that.

Mr. Hall reiterated that he would look into whether that can be classified as a revenue or has to be classified as a transfer. As I previously said, property taxes are based on certificate of assessment, which is based on annual Town Meeting, which is based on the State requirement that you budget for your general fund. Usually, I've never seen that presented that way because the budget is the general fund and, if you're telling me that this fund 236, which is in Fund 2 or 3, is part of your general fund appropriation, that would tell me that your budget, that's in your internal financial statement, is probably correct. But I will have to look at that to verify it.

**6:01 PM** Mr. Hall discussed **Statement G**, which is your lonely enterprise fund, or proprietary fund, your sewer. You will notice that this is presented a little bit different than the others we just talked about. A proprietary/enterprise fund is like a for-business fund, meaning that it's supposed to be self-sufficient. These funds have to be shown with all information. With the two statements we talked about before, you wouldn't see fixed assets on there. You wouldn't see any kind of longtime information on there. However, when you talk about proprietary/enterprise funds, they have to show every single detail of that type, this being the sewer. You've got your current assets, which are AR and 'due to-due from', but you're also showing non-current assets, which is all of your fixed assets associated with your sewer. You have total assets of a little over \$4 million. Then you see your current liabilities but also your non-current liabilities, which is your bonds payable. When you talked about your general fund and all your other governmental funds, it's fund equity. When we talk about your sewer fund, it is net asset or net position. Your total net position in your sewer is \$2.5 million, most of that being the investment in capital assets, which would be all of your

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fixed assets up top at \$3.5 million minus your bonds payable. Then you have unrestricted of \$855,000.

**6:03 PM** Mr. Hall said that **Statement H** shows you your revenue and expenses for the Sewer Department. \$619,000 of operating revenues, \$350,000 of operating expenses. You then had some interest and some transfers, making you about a \$500,000 increase in net position, going from \$2.075 million to \$2.565 million. You'll also notice that there was a re-statement (net position – July 1). It looks like we had to re-state your sewer net assets and, off the top of my head, I have no idea what that adjustment was. If you look at your prior year audit, you would be able to see what the re-statement was from what the number was to this number. Schedule 1 – With the actual numbers we just went over, this is just a budget to actual comparison for your revenues in your general fund. So, total revenues came in at about \$125,000 above what you budgeted and your expenses came in at about \$404,000 lower than what you budgeted. The starting fund balance was \$4.2 million and ending fund balance was \$4.7 million. The next two pages are **Schedule A**, which is just a detailed breakdown of each department. Sometimes, when you have an overspent department, it's good to try to figure out why it's overspent. This will just give you a better understanding of what is overspent in each department.

**6:04 PM** Mr. Donhauser asked why is 'Fixed Assessments-salaries' highlighted.

Mr. Hall said that I had a question from the person that did this. You have an article that talks about fixed assessments and, in part of it, there was like a sewer salary in there and she wasn't sure how to handle it. A lot of times, when you see something like that, that means it has to be transferred to whatever department or fund it belongs to and we weren't really sure. This is something that the Treasurer and the guys will have to go over obviously before this all gets finalized to understand what this fixed assessment was for.

**Schedule B and C** is just a summary of all of the non-governmental funds you have for special revenue, capital projects, and permanent funds, for your balance sheet and your revenue. I don't go over this very much because it's something that we do that I don't see in any other audit reports. You'll notice this when you see your draft that we actually take all of these non-major funds off of Schedules C, E, G, and I, taking them all and presenting them separately. Showing you with each fund if there's cash involved, to due-to from, ADP, and you'll see that in the full report. I wanted to bring this to you today to show you that when you see your full draft, back in the back where these will be, there will be 20 pages and each fund will be listed out. We'll have a balance sheet associated, revenue expenses, to show you exactly what fund has how much money in it and where it is. I just

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wanted to bring these and make you aware of some of the reserve accounts, and whatnot, that you have as a Town.

**6:06 PM** Mr. Donhauser asked, on Schedule G under the Eliot Commons TIF again, you don't have any transfers in or transfers out. Wouldn't the transfers be reflected on this statement.

Mr. Hall said that it should be. I actually had a conversation with your Planner a couple days ago. On your certificate of assessment in 2021 you had \$717,000 budgeted in your TIF and he told me that all of that money went into the Route 236 TIF and there was no Commons money that was transferred in at all. That's my understanding, that there was no money transferred into the Commons TIF, no appropriations for the Commons TIF in FY21.

Mr. Donhauser added, but also, no real estate tax.

Mr. Hall said correct. There was nothing. No revenues and no expenses associated with the Commons TIF at all.

**6:07 PM** Mr. Donhauser said that the real estate tax collected on that shopping center comes into the Town. Where is that reflected.

Mr. Hall said probably in the property taxes in the general fund.

Mr. Donhauser asked even though it's a TIF fund revenue.

Mr. Hall said that, when you budget money, the tax will flow through the general fund. It has to flow through the general fund because that's where you budget. Now, whether or not it comes into the general fund or goes somewhere else, that's a different story, but everything that comes in associated with property taxes, needs to go through the general fund. That's where you budget your money. That's where your budget is presented. That's how it's presented to the Townspeople. That's how I present it to you.

Mr. Donhauser said that I presume that's consistent with what they've done in the past.

Mr. Hall said that I can't answer that question. This is my first time ever doing the Town of Eliot. Those reports were not presented by me at all.

**6:08 PM** Mr. Hall said let's get into why I'm sitting here in September 2022 instead of March 2022. I'm going to apologize before I say anything that offends anyone because I always try to be honest and upfront with people. If you ask me a

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question, I'm going to tell you the truth. The finances for the Town of Eliot are in shambles. We had to reconcile your two main checking accounts, which are your general fund operating account and also your payroll. After we finished that, I helped with one payroll. I couldn't quite do all of it myself because, technically, if I'm auditing the numbers, I can't reconcile your checking account. Can I help. Sure, because I have more understanding of Eliot than probably anybody else in our firm. So, we had somebody reconcile your accounts. There were hundreds of thousands of dollars (under \$500,000) presented on your bank statements that was not even posted to TRIO (internal financial software). It is used to track revenue, expenses, taxes, everything. \$100,000 of revenue not posted, to me, is a huge number, huge problem. Any revenue not posted, any bank reconciliation not done in a timely manner, is an issue. I've had a conversation with Mr. Sullivan and with Ms. McNulty. There is a document we do for all our towns called a Management Letter and, in that Management Letter, I make recommendations to Mr. Sullivan and the SB on things that need to be improved financially. That document is not ready, yet, but it will be ready when we send Mr. Sullivan and Ms. McNulty a draft. I'm just going to let you know that it's not going to be pretty. Part of the issue in that is going to be bank reconciliation because, when you have the auditor come in here and I can't audit figures because your bank reconciliation is not done, that's an issue. Then, we reconcile it and we come to find out there are hundreds of thousands of dollars that aren't even posted, that's another issue. And that's just the two main accounts. We're not even talking about the reserve accounts with both these special revenues and capital projects, which weren't reconciled. They were an actual disaster.

**6:12 PM** Mr. Donhauser asked how many bank accounts are there.

Mr. Hall said that there is your main checking account, your payroll account to the general fund, and you have your special revenue and your capital reserve. You have trust funds that I think are also tied into those two reserve accounts.

Ms. McNulty said that there is a trust investment fund, a capital investment fund, and a reserve investment fund.

Mr. Hall said that there, then, are three and they are through Key Bank.

Mr. Donhauser asked that all this money that was discovered, or funds, was in Key Bank.

Mr. Hall said yes, Key Investment Trusts. But they are not reconciled, not at all. I actually had to create these excel spreadsheets that I could share with Ms. McNulty so that she could start doing her job properly because there was nothing prior to help her understand. For me even to come up with numbers to start with

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was an absolute nightmare. Finally, Ms. McNulty found something that we could use to somewhat tie out the balances to start with. Then either Ms. McNulty or Mr. Sullivan sent me a document that I think was already presented to you from a prior Treasurer saying this is what are balances are in our reserve accounts. That was junk. The numbers on there didn't even come close to tying up with the numbers I came up with. I've explained this to Ms. McNulty and I think she's got it. She's a bright young lady. You guys did a great job hiring this young lady. I think that, within the next 6 months to a year, she will actually have your Town cleaned up and get reports on a regular basis.

**6:14 PM** Mr. Donhauser asked if you discovered the source of where the money came from.

Mr. Sullivan said that that was part of it, too. Key Bank, for us to have them do the research, it was incredibly expensive. Key was going to charge us. So, we didn't want to erode the funds any further; that we've been a little judicious about that. Just so people know, we are leaving Key and moving to Kennebunk, who has a lot of our accounts, already, and we will continue to move our accounts to Kennebunk Bank.

Mr. Hall said that that was great because I'm not a huge proponent of Key Bank. Kennebunk is amazing. I do the Town of Kennebunk, the Town of Wells, the Town of North Berwick. A very good bank. Very personal.

**6:15 PM** Mr. Donhauser said that hearing what you're saying leads me to believe that we have a major staffing shortage. In other words, we have one individual trying to control a myriad of accounts. And not only doing that but doing weekly payroll, with all these other functions, writing checks, making sure that disbursements are made timely. So, what you're telling me is that it's good to know but, more importantly is that it applies to the SB or should, is that we need to increase our accounting staffing. We have one person doing all the accounting, essentially.

Mr. Hall said that I don't believe Ms. McNulty does payroll. I do believe she does do AP and then reconciling, all that stuff. But, if you're asking my opinion, I couldn't give you an honest opinion because the problem is, and I don't think Ms. McNulty could, because when she came in, everything was a mess. I don't believe she understands, yet, what her role is or how much time she needs to be able complete stuff. You have to remember, we took garbage and had to turn it into something, which is this, and still a work in progress. I'm going to be very honest with you. With these numbers presented on here, I don't like giving out information that I know is not 100% correct. And there is no way, now ay, that these numbers that are presented in here are 100% correct. They are the best that I could get to on a timeframe where the Town Manager is calling me or emailing

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me or Ron Smith is calling or emailing me asking where this is. As I mentioned to you earlier, up to today we are still doing adjustments, trying to get stuff correct. That's why I said that, when Mr. Sullivan or Ms. McNulty get a draft next week, there's probably still going to be some changes. I hope it's not going to be anything drastic. We tried to find everything missed. When we were talking about the money that was shown as a revenue, or shown as a transfer in, that wasn't shown anywhere in TRIO. We had to figure that out for ourselves in where it goes. That's why I was having a conversation with the Planner two days ago, finding out what this \$717,000 represents. In your internal software it was just sitting there, with no revenue or expenses, just sitting in your general fund. Regarding reserve funds, every year you appropriate money for your reserve funds, to put money in or to spend it. You had an expense line that had \$1.+ million of appropriation money for your reserves, which tells me that you appropriated a million dollars for your reserve accounts that then you should have seen in expense for that \$1.+ million going over to your reserve accounts. Then, in your reserve accounts, you should see expenses. No, that wasn't seen in your accounting. What you did see is a list of expenses being charged to that one expense line. Nobody could tell me, because Ms. McNulty tried. We could figure out what the \$1 million was supposed to be for, police cruiser, fire truck, but we couldn't track the expenses and where they belonged; that they're all co-mingled in this one account. There should have been one transfer from that one account to all your reserve accounts. And that probably should have been cash transferred to your Key Investment account for all these reserve accounts.

**6:19 PM** Mr. Sullivan said that some of the corrections we're trying to make internally with systems and having some of the responsibility shift back to the managers in each department that had kind of just whoever gets the bills or credit card submittals or travel expenses, things like that. I have to say that Ms. McNulty has done an incredible job. It's getting that structure and that's why it's hard to answer the question as to what exactly we need once we get everything straightened out. The system could run a lot better. We're looking at an automated payroll system and that will help. That will free up some time in one place that we can shift over to help in another place. Having commitments for the bills coming in to Ms. McNulty have been coded properly by the departments. Just the simple thing of buying a stamp for every one of the managers, that they stamp their bills and that tells us exactly what you have to fill in, is a way that seems very simple but it's already saving incredible time in the finance department. Those kinds of small steps and structures, as we put them in, it's hard for people but that's why it's hard to tell exactly what we're going to need and where we're going to need it until we get straightened out and we have this audit in place. I said to Ms. McNulty today that it's very much like trying to fix an engine on a plane while it's flying.

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**6:21 PM** Mr. Hall said that that was your FY21 audit. 100%. You're still trying to operate, obviously. Paying your bills, running your payroll, doing bank reconciliations. But the problem is she can't because we're doing so much clean-up from the FY21 year, which we're probably going to have to do with your FY22 year, because bank reconciliation is not done; that they couldn't be because we had to do FY21 bank reconciliations. So, Mr. Sullivan's analogy is 100% correct. And it's very hard to improve processes when you're in such arrears. And probably one of your biggest issues is that your processes are a problem. There isn't any reason why you shouldn't be able to go from one treasurer to another, have a little bit of training experience, then have things start flowing. Regarding Mr. Donhauser's question, I think that when we get through the FY22 audit, probably one of my recommendations might be that you might want to hire an AP clerk, so Ms. McNulty isn't doing AP. She could focus on doing the accounting of Eliot and you are a good-sized Town. You have a lot of money coming in, a lot of stuff going on. TIFs are a pain. They are very time-consuming. I'm sure you're Planner has told you this before. Accounting-wise, it takes a certain understanding on how to handle a TIF, and not just how a TIF functions, but how that TIF functions. Your Commons TIF is different than your Route 236 TIF. The documentation for these TIFs is hard to understand. I'm glad you have a good Planner because he's been a lot of help. There are just so many deficiencies right now, financially, in this Town, that it's just going to take some time to clean up. Once we get past the FY21 audit, I think the FY22 audit will go a little better. I'm going to have to sit down with Ms. McNulty and show her how I came to fruition on some of this information, how I created these spreadsheets, how she needs to think on how to operate or how the processes in just her office need to function, let alone the processes, financially, coming from the Fire Department or Police Department or the Public Works Department or even the Town Clerk's Department. As Mr. Sullivan said, there are a lot of processes that need to be upgraded. It sounds like he has already started the process and that's great. But we still need to get Ms. McNulty caught up to a point where she feels comfortable on what she's doing every day.

**6:24 PM** Mr. Donhauser said, so, in this draft, are there any prior-year adjustments. I don't see any.

Mr. Hall said that the sewer had a re-statement but I think that's the only one. But I'd like to bring this up because one of the first things I do, when I came in, which was back in March or April, we do our test controls of your AP, your payroll, cash receipts, etc.. I also try to tie out your budget and your beginning balances. Your beginning balances were an absolute nightmare because your FY20 audit adjustments were never posted. I had a hard time tying out your beginning balances that were in TRIO. It didn't make it better when I received your FY20 audit adjustments because I couldn't even understand some of them. So, one of

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the adjustments that I'll be giving Ms. McNulty is an adjustment to fix her beginning balances according to what I think it is. Those are my starting numbers, your FY20 audit. I have a large adjustment to give to her to get her beginning numbers right for FY21. Then I have an absolutely humongous adjustment for your cash and, obviously, a lot of other adjustments. I think we're up to 25 or 26 adjustments, currently, just for FY21 just to get us ready to do your FY22 audit. Cash isn't reconciled for FY22, none of them.

**6:26 PM** Mr. Donhauser asked if you look at the post-closing trial balance. In other words, do you present Eliot with a post-closing trial balance. After you make the adjustments, they post the adjustments to the accounting system and, then, that becomes your beginning balances and you test that by the auditor giving the client a post-closing trial balance. So, after you make your adjustments, close out your books, that trial balance should equal your beginning balances. What I hear is that that has never been done before.

Mr. Hall said that what I normally do, myself, with everybody I work with is that I will give my adjustments to Ms. McNulty and she'll have questions, I'm sure. She'll post it and then I'll have her send me an FY23 trial balance, again, so I can confirm all her numbers are where my numbers are. Then she'll move those numbers over to FY22 so that her beginning balance will match what the ending numbers are. The problem with TRIO is that, when you roll from one year to the next, if you have multiple revenues and expenses in funds, they won't close to each fund balance. You actually have to post to a system to create the fund balance and then we have to re-distribute it. So, there will be clean-up in FY21. Hopefully, I'm going to give her everything she's going to have. I'll check them out. We'll roll forward. Then I'll look at her beginning balances again. Probably give her beginning balance adjustments for FY22 and, then, we'll start tackling FY22.

**6:28 PM** Mr. Donhauser said that the due to-due from accounts have to be a nightmare if you have the issues with all these funds.

Mr. Hall said that that depends on whether or not your system is set up properly. Usually, due to-due from entries are system-generated. So, if they are set up fine, there's usually not an issue. I have dealt with due to-due from's that are an absolute nightmare. I don't think that's a problem here. And your software is set up pretty good. I don't think your \_\_\_\_\_ accounts is amazing but it's workable.

Mr. Donhauser said that we're going to get another draft.

Mr. Hall said that this is just a short report. Your full draft is going to be 100+ pages. I will look at the revenues/transfers



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**6:29 PM** Mr. Shapleigh said that we have \$3.4 million in the TIF.

Mr. Hall said that you have \$5 million, almost \$6.

Mr. Shapleigh said that the interest on that is \$13,270.

Mr. Hall said that it's not just the interest. It's the gains and losses. So remember, at Key Investments you get interest but, also, depending on which way the market goes, you have gain and loss. Your investments did not do that great in FY21. They are terrible.

Mr. Shapleigh agreed.

Mr. Hall said that I think it's great that you are moving. Is there still going to be an investment when it goes to Kennebunk Savings.

Mr. Sullivan said that we are going to go with a municipal investment firm. This is a federally-insured bank that only does investments for municipalities. And their performance is far greater than what you were seeing at Key. I'm not going to disparage Key but we're not going to stay with them, either.

**6:30 PM** Mr. Hall said that the Town of Eliot, under Mr. Sullivan's and Ms. McNulty's regime, is already making changes for the better. It is good to see Ms. McNulty here because she is top quality. It isn't easy to find finance people right now.

Mr. Widi asked, without going too far down the path, did you get the impression that someone was winging it or going to figure it out later. It almost seems like, with the way you explained it, that someone said yea, that's kind of 'ish', and then that's kind of 'ish', and then almost like they would put it in the exact account at a later time or characterize it at a later time.

**6:31 PM** Mr. Hall said that, in my honest opinion, you have a couple issues. Smith and Associates is not quality. Looking at the adjustments they gave you, I can see how someone could get confused and, if you start getting behind and don't have the right numbers to work with, you're dead from the start unless you're proficient in accounting. So that's one of your problems. I knew the audit manager who used to do the attest audit and, if I remember correctly, when that audit was done, you had a lady that was in the Treasurer's Office that has been here for a long time. She was set in her ways and he used to do a lot to help clean her stuff up to get that presented.

Mr. Donhauser commented that that is not too uncommon.

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**6:32 PM** Mr. Hall said that I don't disagree with that statement. I don't think your finances at the Town of Eliot have been that great for years. And I think band-aids were put on it for many years and, then, the gaps got too big and no bandaid would hold the blood in anymore. That's where we are now. All I know is that this audit sitting to Mr. Sullivan's right was junk.

Mr. Donhauser asked if he was talking about Smith and Associates.

Mr. Hall agree.

Mr. Widi said that that took forever.

**6:33 PM** Mr. Hall said that this one is taking forever, too. But I can tell you why and, when we're done with the FY21 audit, I will be much cleaner on your internal financial stuff than it's ever been. I spent a very, very long time on this audit. You got a great price for your FY21 audit. For the number of hours we have put in on this thing, we're taking a bath for your FY21 audit.

Ms. Dow said thank you.

Mr. Hall said that I don't like to give out junk. That's not how I operate.

**6:34 PM** Mr. Widi said, moving forward, the most important way to make these audits cheaper is the process; that that is my understanding. We really need to put a lot of extra effort and energy into the process so that, moving forward, we're not dealing with a spider web.

Mr. Hall said that I think Mr. Donhauser was partly right. I think you're probably down at least a half a person. I think you need to take Ms. McNulty's role and not have her worrying about the day-to-day operation of paying bills, etc.; that she can oversee the people that are paying it. You're in a good-sized Town where you need someone who is just an accounting manager who is reconciling bank accounts, reconciling other accounts. If you think about the time she could be sitting down with the Fire Department, whoever does the invoicing over there, or the Police Department, trying to improve their process so when the information is coming in to wherever it's coming in, that is stamped, signed, and proper. The account number on it is good. So, yes, processes need to be improved.

**6:35 PM** Mr. Widi said that obviously you're an auditor. You're not managing the day-to-day in the Town. You're looking back. So, would you say, in your best opinion, that freeing Ms. McNulty up to do things, like you suggested, would be a savings financially. Because explaining this to people, or explaining it to other

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committees, I want it coming right from you that it's your opinion that you think this would save us money in the long-term.

Mr. Hall asked Mr. Sullivan how much he paid us to do non-test services, to do your bank reconciliations, and all of those. \$10,000 to \$15,000.

Mr. Sullivan said \$15,000.

Mr. Hall said that that is \$15,000 that she could save you because she can do that stuff herself. That's a position, probably. Half-time position to come in and do your AP so she can do that kind of job. Remember, if I don't have to have someone in my firm, or myself, do the bank reconciliation, your audit would be done 6 to 7 months ago. Isn't that what you want, to know where you are financially so that you can make better decisions on budgets or TIFs, bonding, leases, whatever it is. To answer your question, I would say yes.

**6:36 PM** Mr. Widi said that, in your experience from other communities that are a similar size to us, do you see that they have that extra half position that they are currently staffing or are there other towns like us.

Mr. Hall said that most towns in this area have an accounting-type manager and then people underneath them that are doing some of the stuff Ms. McNulty is doing currently. Kittery, Wells, Kennebunk, most southern municipalities because they're much larger. A \$19 million to \$20 million budget is a good-sized budget. And Ms. McNulty shouldn't be spending her time worrying or stressing or dealing with AP or payroll, other than overseeing it to make sure it's done properly and with no errors. She shouldn't be doing the day-to-day process. It should not be happening, or deposits, other than making sure it's correct and got posted properly. That that is her job, to make sure that when she looks at a revenue account or cash account or tax account or AP account, that the account is properly stated. It's easy for someone like Ms. McNulty, who is watching that account and doing a reconciliation monthly or quarterly, than it is for me to come in here once a year and look through thousands of transactions. That's why you pay us \$14,000 or \$15,000 above what you pay for us to do the audit.

**6:38 PM** Mr. Widi said that hopefully I simplified it. Sometimes you guys are kind of talking in super jargon and I think I needed to bring it down for the rest of us.

Mr. Hall said that, as Mr. Donhauser said, governmental accounting can get very difficult to understand and can get very convoluted. When the full draft is final, I will come in and present the full draft, along with a Management Letter I will go over.

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**6:39 PM** Mr. Donhauser said, just for the SB, Mr. Widi mentioned the test services as opposed to regular accounting. The test is the auditing part, correct.

Mr. Hall said attestation, yes. When we do an audit report, we have to put an attestation in it.

Mr. Donhauser said that you are rendering an opinion on the financial statements as to whether or not they fairly present the financial position of the Town. That's the attest. You are actually performing non-attest services just to get us to a point where you can make an attest.

Mr. Hall said correct. And that's where I'm going to kind of step away because I can't do the non-attest and the attest. I have more knowledge of Eliot than anyone else in my firm did.

The SB thanked Mr. Hall for his very informative presentation.

**6:40 PM** Mr. Sullivan said that, first, I want to thank you, Mr. Hall, It's refreshing and you were very honest. I know it was a lot of tough items. I also want to thank Ms. McNulty. She's done a great job. I really enjoyed working with her. So, thankfully we're on a one-story building so, when she jumps off a ledge, it won't be that bad. I also wanted to say to the public that you have people who are working on your behalf that are trying to straighten these things out. It's going to take time. We're not sure, to your point, whether we need more staffing because there are other adjustments that we have to make to responsibilities within this building that are much more complicated. Are the workloads proper on each different person in this building, including the Town Manager. Am I taking enough of the responsibilities day-to-day. So, that's a complicated part of this very complicated jigsaw. I don't want people to think that they are just going to go out and hire a bunch of people and they're going to put them in there, to what was said by Mr. Hall and Vice Chair Widi. It's systems. Putting the right systems in place is key to this because having an automated payroll system, having some of the systems that Ms. McNulty has already put in for billing and for submitting bills, is key to this. But there's a lot of other steps that we're going to be able to get to. Your adjustments have been terrible but, until we can get to a point where we can have a good audit and move that money over, there's reasons why we're going slow, not to speak out of school. So, there's a lot of good things heading down the road that we're going to get to, we promise you. We don't want the public to think that there's fraud going on, here; there's money missing, or anything like that. There's been some maybe what people would think are professional laziness or just not addressing some issues, but we're going to get to it and we're going to get it straightened out and we appreciate your patience, both the SB and the public.

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**6:42 PM** Mr. Hall said that, on top of what Mr. Sullivan just said, unfortunately TRIO is not going to be servicing your current software anymore. They're going to want you to go to the new software. Ms. McNulty will probably spearhead that software conversion and that, in turn, will probably take more time away from her to do some other things, and which will probably happen within the next two years.

Mr. Donhauser asked if there were other municipalities doing audits using TRIO.

Mr. Hall said that TRIO is probably the most used software in the State of Maine when it comes to municipal government. The only other major one that I deal with is called Munis; that I know Wells uses it. Kennebunk uses it and I'm pretty sure that Kittery uses it. It's a very powerful software. It is definitely better than TRIO but it also costs way more than TRIO.

**6:43 PM** Mr. Sullivan said that I've always worked with Munis systems before and, as Mr. Hall says, back the truck up because it's very, very expensive.

Mr. Donhauser said that I, as a Board member, would like to thank Ms. McNulty for your efforts and I know you are working very, very hard. And we look forward to hearing from you again, Mr. Hall. Thank you.

**I. Old Business:**

**6:44 PM 1. Special Town Referendum Warrant**

**Mr. Donhauser moved, second by Ms. Dow, that the Eliot Select Board accept the Special Town Referendum Warrant for Tuesday, November 2, 2022, as presented.**

**Roll Call Vote:**

**Mr. Donhauser – Yes**

**Mr. McPherson - Yes**

**Mr. Widi – Yes**

**Ms. Dow – Yes**

**Mr. Shapleigh**

**Unanimous vote to approve motion.**

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**J. Approval of Warrant(s):**

**6:45 PM** Mr. Donhauser moved, second by Mr. Widi, that the Select Board approve A/P Warrant #23 in the amount of \$10,392.32, dated September 1, 2022; A/P Warrant #25 in the amount of \$85,548.42, dated September 7, 2022; A/P Warrant #27 in the amount of \$999,202.98, dated September 17, 2022.

**Roll Call Vote:**

**Mr. Donhauser – Yes**  
**Mr. McPherson - Yes**  
**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

**K. Selectmen's Report: Seeking Committee Members Listing**

**6:46 PM** Mr. Sullivan said that we are seeking members for Town committees. There are openings on the Agriculture & Food Security. We just filled the BOA opening. The Capital Improvement Committee has three openings. Conservation has one full member and two alternates, as does the Planning Board. People who are interested should certainly give me a call or send me an email. Or Ms. Rawski, the Town Clerk, will give you as much information that we have. We encourage people to sign up.

**L. Adjourn**

**Mr. Donhauser moved, second by Mr. McPherson, that the Select Board adjourn.**

**Roll Call Vote:**

**Mr. Donhauser – Yes**  
**Mr. McPherson - Yes**  
**Mr. Widi – Yes**  
**Ms. Dow – Yes**  
**Mr. Shapleigh - Yes**

**Unanimous vote to approve motion.**

The meeting adjourned at 6:47 PM.

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**Respectfully submitted,**

**Ellen Lemire, Recording Secretary**

**S/ Robert McPherson, Secretary**

**Date approved: April 13, 2023**