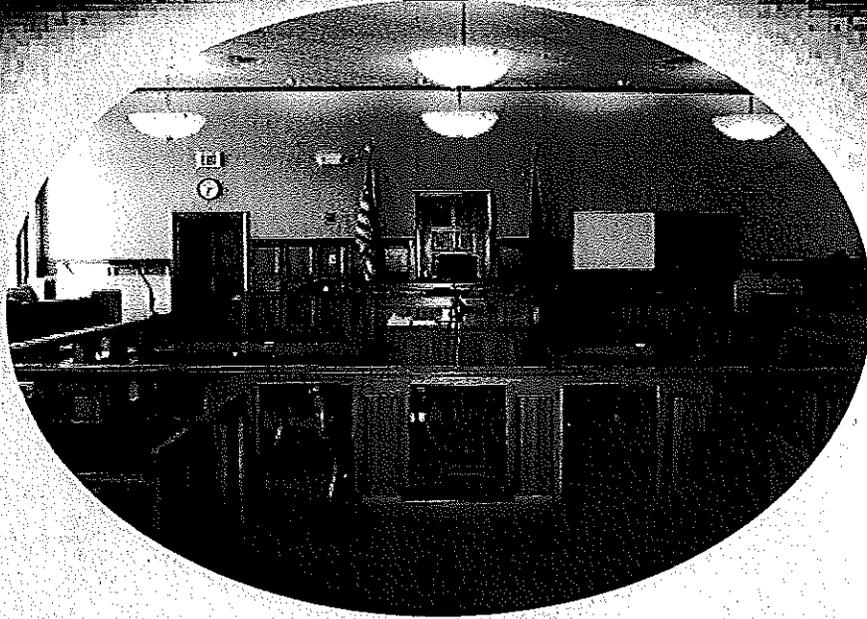


County of Aroostook



Houilton Superior Courtroom



Houilton District Courtroom

Annual Report 2008

TABLE ON CONTENTS

30-A MRSA, Sections 183 & 952.....	2
Official Register:	
Courts.....	3
County Officials.....	4
Legislative Delegation.....	5
Finance Committee.....	5
Report of County Commissioners and County Administrator.....	6-7
Report of County Treasurer.....	8
Expenditures and Estimated Revenues by Department.....	9
County Tax Assessments.....	10-11
Report of District Attorney.....	12-14
Report of County Sheriff.....	15-17
Report of Register of Probate.....	18
Report of Register of Deeds (Fort Kent).....	19
Report of Register of Deeds (Houlton).....	20
Report of Emergency Management Agency.....	21
Report of Maintenance Department.....	22-24
Report of Aroostook/Washington Service Delivery Area Workforce Investment Act.....	25-26
General Fund Audit.....	27-71
Report of County Public Works Director.....	72
Unorganized Territory Audit.....	73-99
Letter from Representative L. A. Ayotte.....	100
Phone/Fax/E-Mail Director.....	101

ANNUAL REPORT OF AROOSTOOK COUNTY

For Fiscal Year 2008
30-A MRSA, Sections 183 & 952

The County Commissioners of each county shall publish annually a complete report subject to the following provisions:

It shall contain a record of all financial transactions of the county during the last fiscal year, showing all revenue receipts by sources and showing all disbursements for each department by major items of expense comparable with the approved budgetary expenditure classifications under the captions of personal services, contractual services, commodities, debt service and capital expenditures.

This reporting to be made in such manner or format recommended by the State Department of Audit.

It shall contain a detail statement of the assets, liabilities, general, special and capital reserves and surplus of the county.

It shall contain the statement that the complete post-audit report for the last fiscal year is on file at the County Commissioners' Office and the following excerpts from that report:

- A. Auditor's comments and suggestions for improving the financial administration;
- B. Comparative balance sheet;
- C. Statement of departmental operations;
- D. Analysis of surplus;
- E. Statement of public debt.

Copies of the report shall be deposited in the County Commissioners' Office or a convenient place of business for distribution to the public, and shall be distributed to each municipality in the county.

Copies of the report and all county records shall be kept in the County Commissioners' Office and shall be open to the inspection of the public during usual business hours.

At the end of each year, in cooperation with the commissioners, each treasurer shall make a statement of the financial condition of the county and shall publish in pamphlet form a reasonable number of copies for distribution among its citizens. This statement must show in detail all money received into and paid out of the county treasury, including a statement in detail of:

- 1. Unclaimed inheritances. All sums received under Title 18-A, section 3-914;
- 2. Division among accounts. The division of money among general, special and capital reserve accounts and the amounts remaining in each account;
- 3. Federal funds. All federal funds received; and
- 4. Facts and statistics. Other facts and statistics necessary to exhibit the true state of the county's finances, including the number of weeks board and expense of clothing furnished prisoners.

State of Maine – County of Aroostook
Official Register for 2008

Superior Court

Hon. E. Allen Hunter, Justice – Vickie A. Harris, *Clerk of Courts*

District Courts

DISTRICT I (AROOSTOOK COUNTY)

Hon. Ronald Daigle, Presiding Judge

Vickie A. Harris, Clerk
Caribou Courthouse
Eastern Aroostook
Caribou, Maine 04736
493-3144

Linda Cyr, Clerk
Municipal Building
Western Aroostook
Madawaska, Maine 04756
728-4700

Linda Cyr, Clerk
Courthouse
Western Aroostook
Fort Kent, Maine 04743
834-5003

Regular court days are during the second and fourth weeks of each month on Tuesday and Thursday in Caribou, on Monday in Madawaska, and on Wednesday in Fort Kent. On the fourth Friday of each month, court is held in Caribou for juveniles only. During the first and third weeks of each month court is held for contested cases only, and may be held at any one of the three courts.

DISTRICT II (AROOSTOOK COUNTY)

Hon. Bernard O'Mara, Presiding Judge

Sandra Thomas, Clerk
Courthouse
Central Aroostook
Presque Isle, Maine 04769
764-2055

Kelly Tidd, Clerk Pro-tem
Houlton District Court Building
Southern Aroostook
Houlton, Maine 04730
532-2147

Regular court days are Tuesday, Wednesday and Thursday in Presque Isle and Monday and Tuesday in Houlton.

COUNTY COMMISSIONERS

Paul J. Adams
Norman L. Fournier
Paul J. Underwood

Houlton
Wallagrass
Presque Isle

COUNTY ADMINISTRATOR

Douglas F. Beaulieu

Madawaska

JUDGE OF PROBATE

James P. Dunleavy

Presque Isle

REGISTER OF PROBATE

Joanne Carpenter

Houlton

REGISTER OF DEEDS, SOUTHERN DISTRICT

Patricia Brown

Houlton

REGISTER OF DEEDS, NORTHERN DISTRICT

Louise M. Caron

Fort Kent

COUNTY TREASURER

Wilfred J. Bell

Caribou

SHERIFF

James P. Madore

Madawaska

COUNTY CLERK

Douglas F. Beaulieu

Madawaska

DIRECTOR, EMERGENCY MANAGEMENT AGENCY

Vernon R. Ouellette

Van Buren

PUBLIC WORKS DIRECTOR FOR THE UNORGANIZED TERRITORY

Paul G. Bernier

Frenchville

OFFICE OF THE DISTRICT ATTORNEY

Neale T. Adams -- District Attorney
Todd R. Collins, Assistant District Attorney
Carrie L. Linthicum -- Assistant District Attorney
Patrick H. Gordon -- Assistant District Attorney

Presque Isle
Presque Isle
Castle Hill
Houlton

2008
AROOSTOOK COUNTY LEGISLATIVE DELEGATION

Sen. Roger L. Sherman – Dist. 34	Houlton
Sen. John L. Martin – Dist. 35	Eagle Lake
Rep. Troy D. Jackson – Dist. 1	Fort Kent
Rep. Charles Ken Theriault – Dist. 2	Madawaska
Rep. Bernard L.A. Ayotte – Dist. 3	Caswell
Rep. Peter Edgecomb – Dist. 4	Caribou
Rep. Jeremy R. Fischer – Dist. 5	Presque Isle
Rep. Jacqueline A. Lundeen – Dist. 6	Mars Hill
Rep. Patricia B. Sutherland – Dist. 7	Chapmen
Rep. Richard C. Cleary – Dist. 8	Houlton
Rep. Henry L. Joy – Dist. 9	Island Falls

2008
AROOSTOOK COUNTY FINANCE COMMITTEE

DISTRICT I

Area 1 – Durward Humphrey	Benedicta
Area 2 – Ralph A. Ivey	Houlton
Area 3 – Duncan E. Beaton Jr.	Easton

DISTRICT II

Area 4 – Tammy M. Getchell	Mapleton
Area 5 – Dana Lougee	Presque Isle
Area 6 – Richard A. Fortier	Caribou

DISTRICT III

Area 7 – Malachi F. Anderson	Woodland
Area 8 – Reynold Raymond	Eagle Lake
Area 9 – Scott A. Daigle	St. David

COUNTY COMMISSIONERS

TO THE CITIZENS OF AROOSTOOK COUNTY

The County's annual report for 2008 includes a summary of the accomplishments of each county department. The audits and financial statements for the General Fund and Unorganized Territory Fund indicate a favorable financial condition for Aroostook County Government.

A listing of members and staff of the Judiciary, Elected and Appointed County Officials, our Legislative Delegation, and members of the Finance Committee can be found at the beginning of our report.

Copies of this report are available at the County Commissioners' Office, located in the Caribou Courthouse at 144 Sweden Street or at any municipal office in Aroostook County.

General Fund

Appropriations for the general fund totaled \$6,842,998.00. Revenues and credits used to lower the tax burden were projected at \$2,244,613.00, thus leaving an amount of \$4,598,385.00 plus \$90,437.00 in overlay to be raised by taxes.

County Budget Analysis

YEAR	GROSS APPROPRIATION	% OF INC./DEC.	AVAILABLE CREDIT (revenues)	NET BUDGET	% OF INC./DEC.	NET BUDGET W/ OVERLAY	AMOUNT TO BE RAISED BY TAXES	% OF INC/DEC
1994	\$ 4,074,851.00	3.25%	\$ 941,916.00	\$3,132,935.00	-0.16%	\$ 62,556.28	\$ 3,195,491.28	-0.14%
1995	\$ 4,218,804.00	3.53%	\$ 965,175.00	\$3,253,629.00	3.85%	\$ 57,888.00	\$ 3,311,517.00	3.63%
1996	\$ 4,363,372.00	3.43%	\$1,111,768.00	\$3,251,604.00	-0.06%	\$ 56,000.00	\$ 3,307,604.00	-0.12%
1997	\$ 4,442,426.00	1.81%	\$1,190,883.00	\$3,251,543.00	0.00%	\$ 53,588.00	\$ 3,305,131.00	-0.07%
1998	\$ 4,621,950.00	4.04%	\$1,384,022.00	\$3,237,928.00	-0.42%	\$ 51,848.00	\$ 3,289,776.00	-0.46%
1999	\$ 4,768,905.00	3.18%	\$1,675,596.00	\$3,093,309.00	-4.47%	\$ 44,423.00	\$ 3,137,732.00	-4.62%
2000	\$ 4,979,362.00	4.41%	\$1,888,957.00	\$3,090,405.00	-0.09%	\$ 42,103.75	\$ 3,132,508.75	-0.17%
2001	\$ 5,303,689.00	6.51%	\$1,979,434.00	\$3,324,255.00	7.57%	\$ 44,370.70	\$ 3,368,625.70	7.54%
2002	\$ 5,905,651.00	11.35%	\$2,094,730.00	\$3,810,921.00	14.64%	\$ 39,778.50	\$ 3,850,699.50	14.31%
2003	\$ 6,123,546.00	3.69%	\$2,162,018.00	\$3,961,528.00	3.95%	\$ 38,843.75	\$ 4,000,371.75	3.89%
2004	\$ 6,358,065.00	3.83%	\$2,298,700.00	\$4,059,365.00	2.47%	\$ 40,032.25	\$ 4,099,397.25	2.48%
2005	\$ 6,564,985.00	3.25%	\$2,402,768.00	\$4,162,217.00	2.53%	\$ 40,198.98	\$ 4,202,415.98	2.51%
2006	\$ 6,711,869.00	2.24%	\$2,425,253.00	\$4,286,616.00	2.99%	\$ 84,384.00	\$4,371,000.00	4.01%
2007	\$ 6,797,975.00	1.28%	\$2,358,649.00	\$4,439,326.00	3.56%	\$ 88,782.81	\$4,528,108.81	3.59%
2008	\$ 6,842,998.00	0.66%	\$2,244,613.00	\$4,598,385.00	3.58%	\$ 90,437.00	\$4,688,822.00	3.55%

Highlights - Capital Improvement Account

Building improvements and equipment purchases scheduled for 2008 included the following:

Emergency Management Agency – Vehicle & Equipment	\$ 6,500.00
District Attorney – Office & Computer Equipment	\$ 6,500.00
Administration - Vehicle, & Office Equipment	\$ 7,800.00
Superior Court Bldg. - Improvements & Equipment	\$ 5,100.00
Houlton Building Complex - Equipment	\$ 11,800.00
Houlton District Court Building	\$ 13,900.00
Caribou Courthouse – Improvements & Equipment	\$ 49,610.00
Fort Kent Registry Bldg. - Improvements & Equipment	\$ 4,963.00
Jail Building – Improvements & Equipment	\$ 50,713.00
Registry of Deeds Houlton - Office Equipment	\$ 1,000.00
Registry of Deeds Fort Kent – Office Equipment	\$ 2,500.00
Register of Probate – Office Equipment	\$ 2,000.00
Sheriff's Dept. (Support of Prisoners) - Equipment	\$ 14,750.00
Sheriff's Dept. (Law Enforcement) - Vehicles & Equipment	\$ 55,100.00
Telecommunications	\$ 3,000.00
Land Purchase	\$ 10,000.00
Underground Tanks	\$ 2,000.00
ADA Renovations	<u>\$ 23,500.00</u>
	\$270,736.00

Unorganized Territory Fund

Expenditures for services to the Unorganized Territory for the year 2008-09 amounted to \$1,174,756.00. Revenues and credits used to lower the tax assessment were projected at \$352,100.00. The net assessment was \$822,656.00. This net assessment was included in the state's budget for the services they provide to the Unorganized Territory and was assessed by the State of Maine to the taxpayers of the Unorganized Territory.

In closing, we would like to thank the members of the Finance Committee for their continuing commitment to and support of Aroostook County Government. Our department heads and staff are to be recognized for their continued dedication.

Douglas F. Beaulieu
County Administrator

Paul J. Adams
Norman L. Fournier
Paul J. Underwood

COUNTY TREASURER

Wilfred J. Bell
Treasurer



The year 2008 was again a challenging year to control expenses for all departments of Aroostook County Government.

The County started the year with a balance of \$1,554,376.00. In April the County obtained a money line of credit of \$1,600,000.00 in anticipation of County taxes, as most of the revenue is received during October and November. The year ended with a balance of \$1,364,590.00, with the loan repaid.

Credit is given to all department heads for keeping expenses to a minimum. Sound management by the County Administrator, fiscal responsibility of the County Commissioners, vigilance of the Finance Committee have all gone to moderate the size of the budget and spending.

Special thanks to my Deputy Treasurer for her financial expertise, also Sue Pelletier and Diane Gove for their support of my efforts as your County Treasurer.

**COUNTY OF AROOSTOOK
FOR THE YEAR 2008**

Expenses estimated by the County Commissioners of Aroostook County for the year 2008, for which a County Tax was assessed.

County Transportation	\$162,292.00
Emergency Management Agency	110,829.00
Emergency Planning	11,363.00
District Attorney	302,947.00
Administration	320,392.00
Workforce Investment Act (WIA)	132,917.00
Superior Court Building	173,101.00
Houlton Building Complex	157,945.00
Houlton District Court Building	33,412.00
Caribou Courthouse	166,651.00
Fort Kent Registry Building	48,366.00
Jail Building	93,473.00
Support of Prisoners	1,190,929.00
Corrections Improvement	297,879.00
Community Corrections Programs	15,011.00
Registry of Deeds South	158,519.00
Registry of Deeds North	106,337.00
Registry of Probate	145,529.00
Law Enforcement	992,816.00
Fire Marshal	10,000.00
Audit	5,000.00
Wide Area Network (WAN)	60,000.00
Debt Service	25,000.00
Interest Expense	24,350.00
Employee Benefits	862,500.00
Copiers	21,000.00
Program Grants	231,514.00
County Insurance	96,580.00
5-Year Capital Improvements	270,736.00
Capital Reserves	414,112.00
PSAP	189,768.00
Contingent Account	2,580.00
MCCA Convention	500.00
Internet Web Site	500.00
Personnel Services	7,150.00
TOTAL EXPENDITURES	\$6,842,998.00
ESTIMATED REVENUE	<u>\$2,244,613.00</u>
AMOUNT TO BE RAISED BY TAXES	<u>\$4,598,385.00</u>
2% OVERLAY	<u>\$90,437.00</u>
TOTAL TAX COMMITMENT FOR 2008	<u>\$4,688,822.00</u>

COUNTY COMMISSIONERS' COURT

In accordance with 30-A M.R.S.A., Section 71:

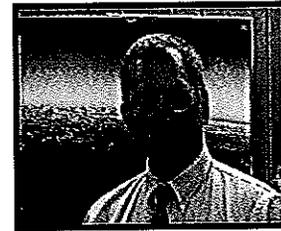
The County Commissioners shall hold sessions in the county seat at least 3 times annually in different months and at other times or other places which they may designate. The County Commissioners shall give public notice of the time and place of each regular meeting of the commissioners at least 7 days before the meeting. Any policy decisions made by the County Commissioners at meetings other than their regular meetings shall be recorded in the minutes of the next regular meeting after the decision is made. Regular meetings are held on the first and third Wednesday of every month in Houlton, Fort Kent and Caribou, on a rotating basis.

<u>MUNICIPALITY</u>	<u>2008 TAX</u>	<u>2008 PAID</u>
Allagash	\$28,419.50	\$28,419.50
Amity	\$13,051.50	\$13,051.50
Ashland	\$82,377.00	\$82,377.00
Bancroft	\$6,610.50	\$6,610.50
Blaine	\$31,414.00	\$31,414.00
Bridgewater	\$28,702.00	\$28,702.00
Caribou	\$355,272.00	\$355,272.00
Castle Hill	\$20,905.00	\$20,905.00
Caswell	\$20,905.00	\$20,905.00
Chapman	\$22,882.50	\$22,882.50
Crystal	\$15,255.00	\$15,255.00
Dyer Brook	\$15,820.00	\$15,820.00
Eagle Lake	\$70,060.00	\$70,060.00
Easton	\$162,155.00	\$162,155.00
Fort Fairfield	\$169,782.50	\$169,782.50
Fort Kent	\$207,694.00	\$207,694.00
Frenchville	\$53,675.00	\$53,675.00
Grand Isle	\$19,662.00	\$19,662.00
Hamlin	\$17,515.00	\$17,515.00
Hammond	\$6,045.50	\$6,045.50
Haynesville	\$8,870.50	\$8,870.50
Hersey	\$8,362.00	\$8,362.00
Hodgdon	\$55,370.00	\$55,370.00
Houlton	\$280,552.50	\$280,552.50
Island Falls	\$76,218.50	\$76,218.50
Limestone	\$69,721.00	\$69,721.00
Linneus	\$51,528.00	\$51,528.00
Littleton	\$47,403.50	\$47,403.50
Ludlow	\$17,628.00	\$17,628.00
Madawaska	\$435,671.50	\$435,671.50
Mapleton	\$105,542.00	\$105,542.00

Mars Hill	\$60,059.50	\$60,059.50
Masardis	\$26,611.50	\$26,611.50
Merrill	\$12,825.50	\$12,825.50
Monticello	\$38,533.00	\$38,533.00
New Canada	\$17,571.50	\$17,571.50
New Limerick	\$80,230.00	\$80,230.00
New Sweden	\$34,408.50	\$34,408.50
Oakfield	\$41,188.50	\$41,188.50
Orient	\$35,312.50	\$35,312.50
Perham	\$20,001.00	\$20,001.00
Portage Lake	\$62,093.50	\$62,093.50
Presque Isle	\$554,660.50	\$554,660.50
St. Agatha	\$64,692.50	\$64,692.50
St. Francis	\$30,623.00	\$30,623.00
Sherman	\$47,460.00	\$47,460.00
Smyrna	\$19,436.00	\$19,436.00
Stockholm	\$14,972.50	\$14,972.50
Van Buren	\$72,094.00	\$72,094.00
Wade	\$13,108.00	\$13,108.00
Wallagrass	\$35,199.50	\$35,199.50
Washburn	\$58,138.50	\$58,138.50
Westfield	\$27,741.50	\$27,741.50
Westmanland	\$15,085.50	\$15,085.50
Weston	\$31,312.50	\$31,312.50
Woodland	\$46,545.00	\$46,545.00
Cary Plantation	\$10,961.00	\$10,961.00
Cyr Plantation	\$9,887.50	\$9,887.50
Garfield Plantation	\$7,288.50	\$7,288.50
Glenwood Plantation	\$4,576.50	\$4,576.50
Macwahoc Plantation	\$7,232.00	\$7,232.00
Moro Plantation	\$10,396.00	\$10,396.00
Nashville Plantation	\$24,238.50	\$24,238.50
Oxbow Plantation	\$8,814.00	\$8,814.00
Reed Plantation	\$11,526.00	\$11,526.00
St. John Plantation	\$17,684.50	\$17,684.50
Winterville Plantation	\$37,459.50	\$37,459.50
Unorganized Territory	<u>\$567,316.50</u>	<u>\$567,316.50</u>
TOTAL	<u><u>\$4,688,822.00</u></u>	<u><u>\$4,688,822.00</u></u>

DISTRICT ATTORNEY

Neale Adams
District Attorney
Prosecutorial District 8



This year saw some modest changes, and hints of more to follow. We were able to hire a half-time victim witness advocate whose responsibility is to oversee the collection and distribution of restitution. Yue Ying Wang (now Bloomer) is in our Presque Isle office, and began immediately learning the system and cranking out payments to victims. The table below indicates the comparative production over the years.

RESTITUTION 2008

Year	Money Court Ordered	Money Collected	Number of Deposits	Money Paid to Victims	Number of Checks Issued
2004	\$107,014	\$74,213.90	466	\$77,041.61	588
2005	\$153,945	\$79,233.48	389	\$72,315.73	471
2006	\$195,481	\$110,853	555	\$101,375	461
2007	\$182,762	\$72,246	301	\$58,781	182
2008	\$157,561	\$60,841	114	\$85,675	336
Per Cent Change	13.8% Decrease	15.8% Decrease	62% Decrease	45.7% Increase	84% Increase

While we collected less (which could easily be a product of fewer damaging crimes, and of our implemented policy of not collecting restitution in cases of under \$200, where we require the defendants to reimburse the victims directly), we were far more efficient. We showed fewer deposits, but that is a consequence of grouping the payments for deposit. It is significant that we increased our total payout by 45%. The payout for 2007 reflected how pressed we had been to meet our obligations. We still have a long way to go.

Although our Houlton office remained “unmoved,” District and Superior Courts moved across the street to join us in the building while the Superior Courthouse renovations began and proceeded apace. We believe 2009 will see our office move to that building.

Another change coming to 2009 will be the birth of three children, as Brandy Fuller, Yue Ying Bloomer and Mandi Landeen have been expecting additions to their families, while we brace to sustain ourselves during three maternity leaves. It is good the staff all work together helping one another out.

Data from our case management system reinforces our belief that we are starting to get backed up. Our rough determination of our case load shows:

CASELOAD

Year	Total Cases	Closed Cases	Active Cases	Arrest Warrant Outstanding
2004	3305	2344	554	88
2005	3061	2812	367	105
2006	3318	2499	383	96
2007	3314	2406	470	110
2008	3358	2289	613	88
Per Cent Change 07-2008	No change	(4.8%)	30.4%	(20%)

As we continue to close fewer cases than we open, our active cases swell, which is not swell.

The more serious cases are usually reflected in the number of cases leading to Grand Jury indictments. The following table shows we continued with high numbers, nearly matching 2007's record. It is most apparent that the increase is fueled by drug abuse.

INDICTMENTS

Year	January	March	May	July	September	November	Total
1997	34	29	25	38	28	52	206
1998		44	22	22	38	45	171
1999	39	30	32	41	18	28	189
2000	39	26	36	34	21	34	190
2001	23	17	27	22	18	26	133
2002	52	32	47	43	24	39	237
2003	27	32	40	21	37	38	195
2004	40	26	46	48	36	60	256
2005	17	30	28	38	23	50	186
2006	38	64	43	63	38	44	290
2007	47	68	24	69	43	68	319
2008	37	53	42	49	57	59	297
Average	36	36	34	40	29	44	38/222

When defendants have fled the jurisdiction, we use our extradition account—funded with forfeited bail—to retrieve them from other states. In 2008, as other years, we generally maintained the maximum permitted balance of \$20,000.00 in the account. We deposited \$2,130.73, and used \$1,277.50 on extradition of 2 defendants, fewer than last year. Defendants must believe running away will be fruitless.

We continued to try to gain some money for the County coffers. The law permits the Courts to order defendants to pay up to \$80/day for days sentenced, to offset their cost of incarceration. Some courts find it a good practice and try to order it regularly. Other judges tend to look down upon and only reluctantly use that tool. We believe making defendants bear some responsibility for the cost of their crime is a valuable penological tool that makes incarceration more “meaningful” and therefore may be shorter to achieve the same effect as a longer, free sentence.

Jail Reimbursement Data for 2008

Court	Amount Ordered	Amount Collected
Houlton Superior Court	\$7,520	\$7,270
Caribou Superior Court	\$5,360	\$3,560
Superior Court Total	\$12,880	\$10,830
Fort Kent District Court	\$2,960	\$2,630
Caribou District Court	\$4,740	\$1,310
First District Total	\$7,700	\$3,940
Presque Isle District Court	\$4,510	\$450
Second District Total	\$4,510	\$450
All Courts Total	\$25,090	\$15,220
2007 All Courts	\$29,020	\$12,005
Amount Collected Older Cases		\$3,840
Grand Total		\$19,060

The courts ordered defendants to pay a bit less in 2008 than the year before, but we collected a greater proportion of that ordered.

We hope to perform more consistently in the coming years, and we hope the County budget allows us to do so.

SHERIFF'S OFFICE

James P. Madore
Sheriff



It is my pleasure to submit this report on behalf of the Aroostook County Sheriff's Office. I believe that this report accurately reflects the dedication of our deputies, corrections officers and administrative staff in order to meet what is expected of us by the citizens of Aroostook County.

The Aroostook County Sheriff's Office consists of three (3) primary divisions, all overseen by Sheriff James P. Madore and Chief Deputy Craig Clossey. The following Sheriff's Office activities outline what the Sheriff's Office does.

The Law Enforcement division consists of the following highly dedicated personnel; Lt. Keith Wheeler oversees this division comprised of three (3) Sergeants (one patrol sergeant, one training sergeant and one Crime Stoppers sergeant) along with five (5) patrol deputies and one detective. Cathy Kennedy and Terri Sennett are secretaries assigned to this division and the Corrections division. They have the monumental task of handling the endless paperwork generated by the entire Sheriff's Department.

Lt. Wheeler and the secretaries coordinate the endless stream of civil process that is received on a daily basis. The process ranges from assigning the service, entering information in the data base and billing the responsible parties for the service. Each paper is assigned a tracking number so that the paper can be kept track of.

Lt. Wheeler also is tasked with the scheduling of part-time deputies for open shifts and keeping track of the fleet of vehicles within our office, making sure the vehicles are serviced on a regular basis.

The Aroostook County Sheriff's Office is also the Warrant Repository for outstanding warrants in Aroostook County. The warrant list is updated monthly and sent out to all departments in the county for reference by officers. All arrests are the effort of each department in Aroostook County.

The D.A.R.E. Program is administered by a part-time Deputy, Rosemary Coffin. This is the only program that reaches out to the children of Aroostook County and helps them find ways to say "NO" to drugs / alcohol and also helps them build self-esteem.

The Sheriff's Department has one lieutenant, Darrell Crandall and one sergeant, Shawn Gillen assigned to the Maine Drug Enforcement Agency. Their mission is to aggressively work to reduce the flow of illicit drugs into the county and the State.

Aroostook County continues to have the only active Crime Stoppers program in the entire State. Crime Stoppers has been attributed to the solving of numerous crimes in our county. Crime Stoppers will pay for information leading to the arrest and conviction of individuals responsible for criminal acts. The Crime Stoppers program is overseen by Sgt. Shawn Van Tasel.

The Transportation Division is supervised by one lieutenant, Michael Berube and one full-time deputy, along with numerous part-time deputies. The year 2008 was, as usual, a busy one for this division. The transporting of inmates from the Aroostook correctional facility to the different courts within the county then transporting inmates to other facilities within our state is quite a task to coordinate. This division also transports mentally ill individuals to treatment facilities within and outside the county. This year, 2008, the hub system was started in an effort to reduce travel for this division. The hub system incorporates the use of other transport divisions so that inmates are brought part way then transferred to another agency who continues on to the respective facility and delivering the inmate. This has been working quite well.

The Corrections division consists of one jail administrator, James Foss who supervises a clerical assistant, four (4) sergeants, twenty-four (24) full-time correctional officers, two (2) cooks and numerous part-time employees. The corrections staff is responsible for the health, detention, safety and security of the inmates. All the arrested or incarcerated persons have to be processed, photographed, fingerprinted, housed and fed. This is a significant burden on the jail administrator, corrections officers, shift sergeants, support staff and cooks.

The Dispatch/Communications Center, located at the Jail, is manned by four full-time certified terminal operators. We dispatch for the Limestone Police Department and for 17 volunteer fire departments in the county. The dispatchers enter and maintain all arrest warrants in the Warrant Repository for Aroostook County. We provide each agency in Aroostook County with weekly and monthly updated warrant lists. They also serve as the receptionists for the County Jail, greeting visitors as they come into the facility.

Maine Pretrial Services, Inc. was contracted to provide pretrial services in an attempt to reduce the inmate population. This service targets those inmates who are not able to get bail. Maine Pretrial Service continues to work extremely well and although our inmate population is extremely high, it would certainly be unmanageable without the services of the Maine Pretrial Services.

The routine medical problems are handled by Katahdin Valley Health Center. They also assure that we remain in compliance with standards. The medical staff performs physical exams and responds to numerous requests for medical attention. They also brought all the corrections staff up to date with training in first aid, C.P.R., blood borne pathogens, and passing out medications. Numerous inmates were also transported outside the facility for treatment ranging from dental work to cancer treatments to kidney dialysis.

Law Enforcement and Corrections Training are being coordinated by Training/Recruitment Sergeant Kris Miller. Training classes are being taught at the Maine Criminal Justice Academy along with numerous classes being taught within Aroostook County through the Aroostook

County Training Council. Sgt. Miller notifies Sheriff's Department employees of upcoming training and maintains records as required by the Maine Criminal Justice Academy. Again in 2008 employees were able to complete many mandated trainings online. This continues to be a huge timesaver and minimized the amount of travel for deputies to attend trainings.

The Aroostook County Sheriff's Office has a Chaplin, Pastor Wayne Robertson, of the Houlton Wesleyan Church. He has been certified by the Maine Criminal Justice Academy. Among other duties, Chaplin Robertson participates in a wide variety of training programs within the Department. Often chaplains are asked to teach classes dealing with stress, family life, relationships, ethics, and other issues. Chaplains represent a wide variety of religious traditions and levels of professional preparation and endorsement, but when the chaplain is working in the police world, each is "chaplain" for everyone, not the religious leader of a particular tradition serving a particular congregation or service agency. Pastor Robertson is an invaluable resource for the Sheriff's Office.

As you can see 2008 was a busy year for the Sheriff's Office. The Sheriff's Office provided quality service to the citizens and taxpayers of Aroostook County.

2009 will be a very challenging year for everyone given the newly formed State Board of Corrections which, by law, oversees all corrections facilities within our State. It remains to be seen whether this concept will be effective, however, we will do our best to abide by the statutory directives.

On behalf of the Aroostook County Sheriff's Office, I would like to thank all the citizens of Aroostook County for their continued support.

REGISTER OF PROBATE

Joanne M. Carpenter

Register



The Aroostook County Probate Court received 359 new filings for the year 2008. The Registrar scheduled 402 hearings: 303 scheduled for regular hearings. In addition, 99 contested hearings were scheduled.

Judge Dunleavy heard 402 matters: 99 contested hearings; 19 contested cases at the Presque Isle District Courthouse; 21 contested cases at the Houlton Probate Court; and 59 contested cases held in Caribou. Each year in November in observance of National Adoption Week, the Aroostook County Probate Court sets aside a day to hear only adoptions; in 2008 that special hearing day was scheduled in Houlton and the Court heard and granted 11 adoptions.

2007	2008	Difference
456 filings	359 files new files	down 97 from 2007
401 cases heard	402 cases heard	up 1 from 2007
47 contested hearings	99 contested hearings	up 52 from 2007
Probate filings fees collected for the year 2008 totaled:		\$64,370.25
Probate form fees collected for the year 2008 totaled:		\$ 3,208.00
Restoration Surcharge fees collected for the year 2008:		\$ 4,340.00

REGISTER OF DEEDS (N)

Louise Caron
Register



In light of the tough economic times we managed to keep our heads above water with our revenues. Our recordings dwindled down some in the last quarter of the year, but, we are showing a .37% increase.

We are working diligently on our indexing project and making use of the slow season to get ahead. Since we started this project in January 2007 we have re-indexed 118 books.

With that being said, this would not be possible without the help of my exceptional staff. Their knowledge of indexing is allowing the project to go smoothly and efficiently. I greatly appreciate all that they do and I commend them for that.

Also, I would like to thank the County Commissioners and their staff, and members of the bar association for the support they extend to us throughout the year.

I am pleased to give you a breakdown of the revenue collected for the Northern Aroostook Registry of Deeds for 2008.

Recording Fees	\$ 94,742.80
Photo Copies	13,723.50
Plan Copies	2,760.00
Fax Copies	1,496.25
Assessor Copies	1,317.05
Indexing	281.00
Attestations	62.00
Surcharge	10,869.00
Deeds on-line Subscription	1,500.00
Transfer Tax (10% of \$320,697.46)	<u>32,069.75</u>
Total Revenues to the County	\$158,821.35
Interest collected on checking account	\$ 2,099.93
Interest collected on surcharge account	\$ 3,445.17

REGISTER OF DEEDS (S)

Patricia F. Brown
Register



In submitting my report for 2008, you can see we took in a sizable amount of revenue for the County, but document count was down.

We are now in the process of indexing our older books from 1983 to 1984 to go with the images that have already been downloaded from our digital scanning.

Our goal for 2008 was to complete one (1) full year (1983) of indexing, which we met and is now available on the website.

Our goal for 2009 is to index 1984 and as plans are recorded in the registry, we will scan them into the system to make them available on-line.

Recording Fees	\$ 255,535.00
Transfer Tax	937,907.30
Marginal Reference	4,771.00
Name Fees	610.00
Copy Fees	43,275.56
Surcharge	29,886.00
Recording fee plans	750.00
Atlas	125.00

Total Revenues to the County \$1,272,859.86

90% of Transfer Tax to the State: \$844,116.57

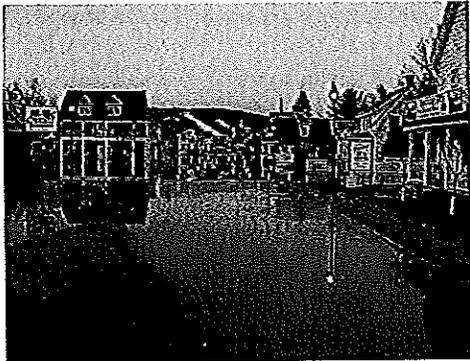
Aroostook County received: \$428,743.29

EMERGENCY MANAGEMENT AGENCY

Vernon Ouellette
Director



As we reflect over last year's flooding event we can't help but evaluate our County's preparedness efforts, response capacity and overall ability to respond to disasters. A great deal of work has been accomplished in three (3) major areas; enhancing response capacity, training and



expanding local emergency response plans. Looking back at the May Day Flood of 2008 simply reinforces the fact that we have certainly come a long way in our preparedness efforts. Many of the assets we have built and prepositioned throughout the County certainly proved beneficial as most of these assets were used to help respond to the disaster. Working closely with all our response agencies has demonstrated that we can accomplish more working together rather than by ourselves. Having gone through the floods of 2008 we

gained a great deal of insight on our response efforts, especially how well everyone worked together. Most of those successes can be attributed to the great response at our training sessions and during exercises where all responses agencies participate. By training and practicing together, the transition during disasters seems to work with great ease; we understand our roles and responsibilities which vary a great deal from one agency to another.

The May Flood of 2008 certainly demonstrated that we are not immune to disasters and when disasters strike, financial losses will occur. The current monetary loss to the County currently stands close to Twenty-eight million (\$28,000,000.00) dollars. Much of those costs were either insured losses or losses that were reimbursed by the Federal Emergency Management Agency. Having said that, many individuals will never recover all they lost during the floods and to this day, continue to work on many of their ongoing issues.



We, the staff of the Aroostook County Emergency Management Agency, look forward to working with the local communities and first responders in the upcoming years as we strive to improve our disaster preparedness, keeping in mind that disasters will occur, we just don't know when or what type of event we will have to deal with.

MAINTENANCE DEPARTMENT

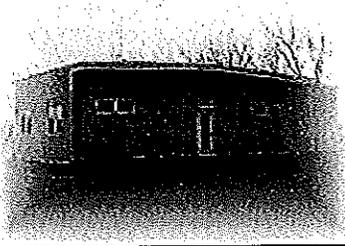
Bryan V. Jandreau
Facilities Manager



2008 brought another death to the maintenance department. The loss of Dave Violette was difficult both personally and professionally. Dave worked for Aroostook County as our Superintendent of Buildings in Houlton for nine (9) years.

Dan Bouchard was promoted to Superintendent of Buildings and Dan Lavine was hired for the position of Maintenance Worker at our Houlton location. Zeno Corbin was hired to fill the vacant full-time custodial position at our Caribou location. I would like to take this opportunity to thank my entire staff; including Ken Norton, Houlton full-time custodian, and Dave Willette, Caribou part-time custodian for all that they do in maintaining and cleaning the buildings for the County of Aroostook. I truly appreciate the work they do.

In additions to the regular cleaning, maintenance, monthly inspections and safety checks of our County buildings, 2008 was a very active year for the Maintenance Department.



Emergency Management Agency
Building

One would think that your smallest building would cause the least problems; but that's not always the case. Our Emergency Management Building has a thirty (30) year old metal roof that has caused some pretty big leaks. Hopefully a new gabled roof can be installed on this building in the near future. We also had the sewer line freeze at this building over the winter.

Our Registry of Deeds Building in Fort Kent is our second smallest building and this building also created some difficult problems. The spring flooding in Fort Kent impacted this building by surface ground water flooding a large portion of the first floor. Asbestos floors were abated, rugs pulled up and walls repaired. The University of Maine Cooperative Extension had to have a majority of their equipment and furnishing put into storage and worked with limited space for a number of months. I want to thank this department for their patience and understanding they had during the time of repair.

At our Caribou Courthouse location another phase of installing new energy efficient windows was completed in the spring and the main stairwell railings were modified to address safety issues. Two (2) of the three (3) main hallways in the building were painted along with the

majority of the doors. In mid-summer the demolition of two (2) houses on the property was completed and in the fall equipment was installed to allow generator back-up power for the courthouse.

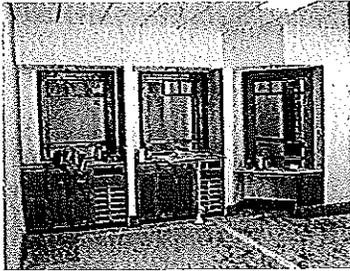
A large portion of our District Court Building in Houlton was “mothballs” to provide temporary court space for the Judiciary during the Superior Court Renovation Project. There were also a number of improvements to prepare for the new Sheriff’s office that included some new rugs, painting and wood work refinishing. The telecommunications and fiber optic frame work was also installed at this location for future connection to our wide area network. A major exterior project to this building consisted of replacing the exterior portion of the chimney and sealing areas of the exterior walls, to help prevent leaks from porous bricks.

essentially brought out of



Old District Court Chimney

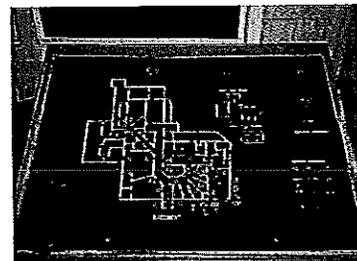
The renovation of the Superior Court Building by the State of Maine Judiciary and the County of



New Clerk of Courts Counter

Aroostook began in late summer. This project was a major undertaking and not only impacted maintenance department operations, but the day-to-day work of all County departments housed in this building. Office remodeling impacted the three (3) main floors of the building, with elevator, heating and cooling work extensively prevalent in all areas of the building including the basement and attics. On behalf of the maintenance department, it is with great appreciation for the cooperation and understanding received by the staff that had to endure all the noise, dust and disruption. By years end, this project was at approximately sixty percent (60%) complete.

In 2008 our Jail Maintenance Budget was consolidated with other jail departments to fall in-line with other county jails budgets being managed by the new Maine Board of Corrections. This consolidation has been a learning process. An ongoing project to install new stainless steel security restroom equipment was completed in 2008. A few smaller projects such as replacing boiler/chimney exhaust piping and eliminating a number of old problematic underground telephone lines with a new overhead 50 pair of telephone lines were completed. Mid-year we suffered a plumbing leak in the administration area of the jail causing damage to the ceilings and floor. The quick response by the maintenance staff helped to minimize the damage. Dan Bouchard’s steps to protect our telecommunications equipment in the basement was a very valuable strategic move. Over the course of the year we had numerous problems with the control panel and fire alarm system that controls all door to door communication, security of the doors and jail lighting. By late in the year the control panel was no longer operational and in need of upgrading.



Old Jail Control Panel

Activities "County wide" consisted of the implementation of a call routing program of our telephone network. This program automatically routes outgoing phone calls based on local exchanges, which reduces a fair amount of our long distance phone charges. All County locations were inspected by the Department of Labor for safety standards in 2008. There were two code violations with monetary fines and thirty-eight minor violations. All violations were corrected in the allotted time frame, thus eliminating the monetary fines. The amount of space we lease in both Caribou and Houlton increased this year with space being made available for Maine Pretrial Services. Lastly the maintenance department conducted an energy efficiency program in collaboration with our Wellness Works Program. Energy saving tips were offered to our employees and those who agreed to implement steps to conserve energy in the workplace were provide with a free energy efficient light bulb.

In closing, the maintenance department would like to thank employees, department heads and tenants for working with us over the past year as we continue to maintain and improve our facilities.

WORKFORCE INVESTMENT ACT LOCAL AREA 1 WORKFORCE

Dena Winslow
Executive Director



What an exciting year it has been for Workforce Investment! When I began my job last April, one of the first things on the agenda was to return funds to the government due to a Federal rescission of funding previously received. Now, we are in the midst of the Recovery Act funding initiative with the potential to really demonstrate what Workforce Investment is capable of doing, as we have always said, "If we only had enough money, we could..." Well, now we CAN! What an incredible opportunity!

It is a time of substantial economic challenge as well as opportunity for Aroostook and Washington Counties, as well as the nation and the world. The Local Area 1 Workforce Investment Board has been busy on many fronts this past year.

There have been, and continue to be major lay-offs and plant closures affecting the workforce in our area. As the forest industry is experiencing a serious downturn, the challenges to those businesses are likely to continue for the immediate future.

North Star Alliance Initiative: Our Area 1 Liaison, Troy Alley, has been actively involved in a number of exciting initiatives this year, not the least of which has been the collaborative efforts of the North Star Alliance and the Maine Marine Trades Association to create a revised apprenticeship program for Boatbuilding, Marine Trades, and Composite Industries. This new program will allow participants to use trade association certificates, not just coursework, as part of their educational requirements.

Troy was able to secure \$50,000 in training funds for the Boat School in Eastport. This money will be used for industry, unemployed, and underemployed individuals seeking training. Troy also assisted with creating the curriculum at the Boat School in composites.

The creation of the Washington County Boat Builders Association has also been instrumental in bringing together the industry partners. In addition, the Stuben boat builders have been Pine Tree Zone certified.

Working with local high schools and teachers, Troy has been involved in the "Building Bridges" and "Wind Blade Challenge" projects to increase awareness of composites and careers among school children.

WorkReady™ Credential: Local Area 1 has offered one WorkReady™ Credential program in Fort Kent with a second program in the works for the same area. Another program is in the final planning stages for the Southern Aroostook and Washington County area. These programs are

demonstrating success throughout Maine as more and more employers recognize the credential and more and more individuals recognize the value of achieving it.

“Gold Collar Worker”: Two “Gold Collar Worker” programs were held, one in Aroostook County, and one in Washington County, with a total of 73 participants. Lead by Walter Ridlon, the programs focused on what he calls, “gold collar workers”, or high-income jobs primarily in what used to be referred to as “the trades.”

National Emergency Grants: Local Area 1 has seen an increase in National Emergency Grants during the past year as a result of the lay-offs and closures in the Forestry sector. These funds are used to assist workers with reemployment and training for new careers.

Workforce Investment Incentive Grant: Local Area 1 received additional funding as a result of meeting all of the WIA performance measures for PY 07.

MDOL Young Offender Program: The Career Center in Washington County received a Direct Service Award in 2008 for their innovative Young Offender Program.

We look forward to exciting times in Workforce Investment in 2009 with the infusion of additional funding from the Recovery Act. The opportunities to assist people with improving their lives is incredible and very rewarding as we look ahead towards a stronger economy and a stronger, more educated workforce.



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA
Chad E. Bartley, CPA

To the Management of the
County of Aroostook, Maine

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Aroostook, Maine, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the County of Aroostook, Maine, as of December 31, 2008, and the respective changes in financial position where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009 on our consideration of the County of Aroostook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Aroostook's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The remaining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. All such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Chester M. Kearney

Presque Isle, Maine
September 21, 2009

COUNTY OF AROOSTOOK, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Aroostook, Maine, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the County's financial statements.

Financial Highlights

- The assets of the County of Aroostook exceeded its liabilities at the close of the most recent fiscal year by \$2,479,319 (net assets). Of this amount, \$517,532 (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- The government's total net assets decreased by \$36,803.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$1,386,649, a decrease of \$26,062 in comparison with the prior year. Approximately 37% of this total amount, \$517,532, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$467,622, or 7% of total general fund expenditures.
- The County retired \$25,000 of preexisting debt in the year ended December 31, 2008. Overall, the net change in long-term debt was a decrease of \$25,000 (100%).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Aroostook's basic financial statements. The County's basic financial statements are comprised of three (3) components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County of Aroostook's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

COUNTY OF AROOSTOOK, MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Aroostook, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into 2 categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 9 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Workforce Investment Act Fund, each of which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 to 18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 19 and 20 of this report.

COUNTY OF AROOSTOOK, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found on pages 34 and 35 of this report.

This report also includes various supplemental schedules to provide additional detail for the various items reported. These supplemental schedules can be found on pages 34 to 41 of this report.

Single Audit required information. The County's compliance with the requirements of the Single Audit Act can be found in the schedule of expenditures of federal awards, page 38, notes to the schedule of expenditures of federal awards, page 39, the schedule of finding and questioned costs, pages 40 and 41 and the additional independent auditor's reports, pages 42 to 45.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$2,479,319 at the close of the most recent fiscal year.

A large portion of the County's net assets (44%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COUNTY OF AROOSTOOK, Net assets

	<u>Governmental Activities</u>	
	December 31, <u>2008</u>	December 31, <u>2007</u>
Current and other assets	1,981,470	2,063,626
Capital assets	<u>1,092,670</u>	<u>1,128,411</u>
Total assets	<u>3,074,140</u>	<u>3,192,037</u>
Long-term liabilities outstanding		25,000
Other liabilities	<u>594,821</u>	<u>650,915</u>
Total liabilities	<u>594,821</u>	<u>675,915</u>
Net assets:		
Invested in capital assets, net of related debt	1,092,670	1,103,411
Reserved for future designated use	869,117	869,145
Unrestricted	<u>517,532</u>	<u>543,566</u>
Total net assets	<u>2,479,319</u>	<u>2,516,122</u>

COUNTY OF AROOSTOOK, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The remaining balance of unrestricted net assets (\$1,386,649) may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three (3) categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets decreased by \$36,803 during the current fiscal year. The reason for this decrease was the use of fund balance to offset the amount of taxes assessed.

Governmental activities. Governmental activities decreased the County's net assets by \$36,803, thereby accounting for 100% of the decrease in the net assets of the County. Key elements of this decrease are as follows:

COUNTY OF AROOSTOOK, Changes in Net assets

	January 1, 2008 to December 31, 2008	January 1, 2007 to December 31, 2007
Revenues		
Municipal taxes	4,688,823	4,528,109
Investment income	28,736	28,736
Other revenues	<u>170,999</u>	<u>300,600</u>
Total revenues	<u>4,888,558</u>	<u>4,857,445</u>
Expenses		
Operation of courts	679,300	616,285
Jail operations	1,013,936	913,194
General and administration	1,539,235	1,638,404
Registry operations	(501,453)	(494,666)
Capital outlays	1,099,717	886,952
Transportation	265,844	224,026
Law enforcement	784,905	715,237
Fire marshal	9,880	9,817
Emergency management agency	39,497	36,078
Local emergency planning	837	(214)
Interest	37,012	25,750
Outside requests	231,514	231,514
Federal/state assistance	(409,631)	
Unallocated depreciation	<u>134,768</u>	<u>111,320</u>
Total expenses	<u>4,925,361</u>	<u>4,913,697</u>
Change in net assets	<u>(36,803)</u>	<u>(56,252)</u>

COUNTY OF AROOSTOOK, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Other revenues continue to increase over estimated amounts to be received.

Financial Analysis of the Government's Funds

As noted earlier, the County of Aroostook uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$1,386,649, a decrease of \$26,063 in comparison with the prior year. Approximately 37% of this total amount (\$517,532) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to capital expenditures (\$468,825), and future year's expenditures (\$400,292).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$467,622, while total fund balance reached \$1,336,739. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7% of total general fund expenditures, while total fund balance represents 19% of that same amount.

The fund balance of the County's general fund decreased by \$21,739 during the current fiscal year. Key factors in this decrease are as follows:

- Actual revenues exceeded anticipated revenues by \$374,333, consisting mostly of tax commitment overlay, fees of office, interest on deposits, community based programs and many smaller items.
- Anticipated expenditures exceeded actual expenditures by \$358,405, consisting mostly of positive variances in capital outlays.
- Above excess was reduced by budgeted usage of designated fund balance of \$569,477 and budgeted use of undesignated fund balance of \$185,000 to reduce the mil rate.

COUNTY OF AROOSTOOK, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance to the extent that was originally anticipated.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of December 31, 2008, amounts to \$1,092,670, (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The total decrease in the County's investment in capital assets for the current fiscal year was 3%.

Major capital asset events during the current fiscal year included the following:

- Purchase of various machinery and equipment totaling \$195,261.
- Depreciation expense in the amount of \$227,539.

Additional information regarding the changes in fixed assets can be found at note # 7.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$0.

	December 31, <u>2008</u>	December 31, <u>2007</u>
General obligation bonds payable	<u>None</u>	<u>25,000</u>

The County's total debt decreased by a net amount of \$25,000 (100%) during the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County of Aroostook is currently 9.3% which is an increase from a rate of 6.8% a year ago. The County's rate is lower than the national rate of 9.7%, and higher than the state rate of 8.6%.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2009 fiscal year.

COUNTY OF AROOSTOOK, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

This financial report is designed to provide a general overview of the County of Aroostook, Maine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Commissioners, County of Aroostook, 144 Sweden Street, Suite 1, Caribou, Maine 04736.

COUNTY OF AROOSTOOK, MAINE

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	GOVERNMENTAL <u>ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	1,672,231
Accounts receivable	307,853
Due from other governments	1,386
Capital assets, net of accumulated depreciation	<u>1,092,670</u>
TOTAL ASSETS	<u>3,074,140</u>
LIABILITIES	
Accounts payable	115,113
Accrued expenses	102,856
Grants payable	2,223
Deferred revenue	<u>374,629</u>
TOTAL LIABILITIES	<u>594,821</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,092,670
Reserved for designated future use	869,117
Unrestricted	<u>517,532</u>
TOTAL NET ASSETS	<u><u>2,479,319</u></u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

Functions/Programs:	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Governmental activities:					
Operation of courts	766,300	87,000			(679,300)
Jail operations	1,670,820	656,884			(1,013,936)
General and administration	1,662,611	123,376			(1,539,235)
Registry operations	437,940	939,393			501,453
Capital outlays	1,099,717	4,207			(1,099,717)
Transportation	270,051	254,006			(265,844)
Law enforcement	1,038,911				(784,905)
Fire marshal	9,880				(9,880)
Emergency management agency	104,309	64,812			(39,497)
Local emergency planning	18,311	17,474			(837)
Interest	37,012				(37,012)
Outside requests	231,514				(231,514)
Federal/State grants	1,327,305		1,736,936		409,631
Unallocated depreciation	134,768				(134,768)
Total governmental activities	<u>8,809,449</u>	<u>2,147,152</u>	<u>1,736,936</u>	<u>-</u>	<u>(4,925,361)</u>
General revenues:					
Tax assessment					4,688,823
Investment income					28,736
Other revenues					170,999
Total general revenues					<u>4,888,558</u>
Change in net assets					(36,803)
Net assets - January 1, 2008					<u>2,516,122</u>
Net assets - December 31, 2008					<u>2,479,319</u>

See notes to financial statements

Chester M. Kearney, Certified Public Accountants

COUNTY OF AROOSTOOK, MAINE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	<u>GENERAL</u>	<u>WORKFORCE INVESTMENT ACT FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash	1,667,148	5,083		1,672,231
Accounts receivable	307,853			307,853
Due from other funds	10,904		56,814	67,718
Due from other governments	<u>1,386</u>			<u>1,386</u>
TOTAL ASSETS	<u><u>1,987,291</u></u>	<u><u>5,083</u></u>	<u><u>56,814</u></u>	<u><u>2,049,188</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	115,113			115,113
Due to other funds	56,814		10,904	67,718
Grants payable	1,140	1,083		2,223
Compensated absences payable	102,856			102,856
Deferred revenue	<u>374,629</u>			<u>374,629</u>
TOTAL LIABILITIES	<u><u>650,552</u></u>	<u><u>1,083</u></u>	<u><u>10,904</u></u>	<u><u>662,539</u></u>
FUND BALANCES				
Reserved for:				
Capital expenditures	468,825			468,825
Designated for subsequent years' expenditures	400,292			400,292
Unreserved	<u>467,622</u>	<u>4,000</u>	<u>45,910</u>	<u>517,532</u>
TOTAL FUND BALANCES	<u><u>1,336,739</u></u>	<u><u>4,000</u></u>	<u><u>45,910</u></u>	<u><u>1,386,649</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>1,987,291</u></u>	<u><u>5,083</u></u>	<u><u>56,814</u></u>	<u><u>2,049,188</u></u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2008

Total fund balances for governmental funds	1,386,649
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>1,092,670</u>
Total net assets of governmental activities	<u>2,479,319</u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	GENERAL FUND	WORKFORCE INVESTMENT ACT FUND	OTHER	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Municipal taxes	4,688,823			4,688,823
Federal and state assistance		1,331,305	405,631	1,736,936
Fees of office	939,393			939,393
Intergovernmental	228,502			228,502
Service fees	648,854			648,854
Investment income	50,236			50,236
Other revenues	476,523		3,379	479,902
TOTAL REVENUES	<u>7,032,331</u>	<u>1,331,305</u>	<u>409,010</u>	<u>8,772,646</u>
EXPENDITURES				
Operation of courts	766,300			766,300
Jail operations	1,670,820			1,670,820
General and administration	1,656,495			1,656,495
Registry operations	437,940			437,940
Capital outlays	874,182		417,334	1,291,516
Transportation	192,356			192,356
Law enforcement	1,029,951			1,029,951
Fire marshal	9,880			9,880
Emergency management agency	104,309			104,309
Local emergency planning	18,311			18,311
Debt service				
Principal retirement	25,000			25,000
Interest	37,012			37,012
Outside requests	231,514			231,514
Federal/state grants		1,327,305		1,327,305
TOTAL EXPENDITURES	<u>7,054,070</u>	<u>1,327,305</u>	<u>417,334</u>	<u>8,798,709</u>
NET CHANGE IN FUND BALANCE	<u>(21,739)</u>	<u>4,000</u>	<u>(8,324)</u>	<u>(26,063)</u>
NET CHANGE IN FUND BALANCES	(21,739)	4,000	(8,324)	(26,063)
FUND BALANCES - JANUARY 1, 2008	<u>1,358,478</u>	<u> </u>	<u>54,234</u>	<u>1,412,712</u>
FUND BALANCES - DECEMBER 31, 2008	<u>1,336,739</u>	<u>4,000</u>	<u>45,910</u>	<u>1,386,649</u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 DECEMBER 31, 2008

Net change in fund balances - total governmental funds (26,063)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital asset additions and depreciation expense is recorded as follows.

Capital asset additions	195,261
Loss on retired assets	(3,462)
Depreciation expense	(227,539)

Bond and note proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments	
Principal	<u>25,000</u>

Change in net assets of governmental activities (36,803)

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2008

REVENUES	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Municipal taxes	4,598,385	4,598,385	4,688,823	90,438
Fees of Office				
Register of Deeds - south	360,000	360,000	407,991	47,991
Register of Deeds - south (surcharge)	220,000	220,000	229,873	9,873
Register of Deeds - north	138,000	138,000	153,929	15,929
Register of Deeds - north (surcharge)	72,000	72,000	78,389	6,389
Register of Probate	72,000	72,000	61,162	(10,838)
Register of Probate (surcharge)	8,300	8,300	8,049	(251)
	<u>870,300</u>	<u>870,300</u>	<u>939,393</u>	<u>69,093</u>
Intergovernmental				
District Attorney	52,112	52,112	50,479	(1,633)
District Court - Rent	87,000	87,000	87,000	-
Probation and Parole - Rent	8,736	8,736	8,737	1
Local Emergency Planning	11,363	11,363	17,474	6,111
Emergency Management Agency	95,671	95,671	64,812	(30,859)
	<u>254,882</u>	<u>254,882</u>	<u>228,502</u>	<u>(26,380)</u>
Service Fees				
Correction improvements	297,879	297,879	298,138	259
Support of prisoners	70,000	70,000	86,019	16,019
Law enforcement	171,000	171,000	175,499	4,499
Extension maintenance	2,628	2,628	2,628	-
Extension rent	4,500	4,500	4,500	-
Dispatching	29,000	29,000	28,028	(972)
Copies	55,800	55,800	54,042	(1,758)
	<u>630,807</u>	<u>630,807</u>	<u>648,854</u>	<u>18,047</u>
Investment income	24,000	24,000	50,236	26,236
Other Revenues				
Administration	71,000	71,000	69,334	(1,666)
Firefighter insurance	780	780	675	(105)
Community based programs	64,179	64,179	211,281	147,102
Workforce Investment Act	127,965	127,965	134,563	6,598
Transportation	10,500	10,500	4,207	(6,293)
Reserves	-	-	52,709	52,709
Maine Pretrial	4,200	4,200	-	(4,200)
Miscellaneous	1,000	1,000	3,754	2,754
	<u>279,624</u>	<u>279,624</u>	<u>476,523</u>	<u>196,899</u>
TOTAL REVENUES	<u>6,657,998</u>	<u>6,657,998</u>	<u>7,032,331</u>	<u>374,333</u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont'd.)

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2008

EXPENDITURES	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Operation of courts				
Houlton Courthouse	173,101	173,101	136,743	36,358
Caribou Courthouse	166,651	166,651	154,785	11,866
District Attorney	302,947	305,516	293,843	11,673
District Court Building	33,412	33,412	34,793	(1,381)
Houlton Complex	157,945	157,945	146,136	11,809
	<u>834,056</u>	<u>836,625</u>	<u>766,300</u>	<u>70,325</u>
Jail Operations				
Support of Prisoners	1,190,929	1,190,929	1,262,144	(71,215)
Building	93,473	93,473	96,317	(2,844)
Community Based Programs	15,011	15,011	14,480	531
Corrections Improvement Fund	297,879	297,879	297,879	-
	<u>1,597,292</u>	<u>1,597,292</u>	<u>1,670,820</u>	<u>(73,528)</u>
General and Administration				
Administration	320,392	320,392	321,903	(1,511)
Website Fees	500	3,864	900	2,964
Audit and accounting services	5,000	5,000	6,370	(1,570)
Employee benefits	862,500	862,500	847,677	14,823
Copiers	21,000	21,000	19,833	1,167
Insurance	96,580	96,580	83,583	12,997
Contingent	2,580	93,438	2,580	90,858
PSAP	189,768	189,768	189,458	310
Personnel Services	7,150	7,150	6,940	210
MCCA convention	500	789	500	289
Welcome to Aroostook sign	-	3,281	200	3,081
Workforce Investment Act	132,917	132,917	130,161	2,756
Wide area network	60,000	60,000	46,190	13,810
	<u>1,698,887</u>	<u>1,796,679</u>	<u>1,656,495</u>	<u>140,184</u>
Registry Operations				
Registry Building - north	48,366	48,366	45,802	2,564
Registry of Deeds - north	106,337	106,337	101,254	5,083
Registry of Deeds - south	158,519	158,519	148,582	9,937
Register of Probate	145,529	145,529	142,302	3,227
	<u>458,751</u>	<u>458,751</u>	<u>437,940</u>	<u>20,811</u>
Capital Outlays				
	<u>685,848</u>	<u>1,154,964</u>	<u>874,182</u>	<u>280,782</u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont'd.)

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2008

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Transportation	<u>162,292</u>	<u>162,292</u>	<u>192,356</u>	<u>(30,064)</u>
Law enforcement	<u>992,816</u>	<u>992,816</u>	<u>1,029,951</u>	<u>(37,135)</u>
Fire marshal	<u>10,000</u>	<u>10,000</u>	<u>9,880</u>	<u>120</u>
Emergency Management Agency	<u>110,829</u>	<u>110,829</u>	<u>104,309</u>	<u>6,520</u>
Local emergency planning	<u>11,363</u>	<u>11,363</u>	<u>18,311</u>	<u>(6,948)</u>
Debt service	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Interest expense	<u>24,350</u>	<u>24,350</u>	<u>37,012</u>	<u>(12,662)</u>
Outside requests				
Extension	60,430	60,430	60,430	-
Battered Women's Project	5,045	5,045	5,045	-
Aroostook County Action Program	5,298	5,298	5,298	-
Northern Maine Development Commission	24,695	24,695	24,695	-
Aroostook Mental Health Center	42,380	42,380	42,380	-
Northern Aroostook Association	2,543	2,543	2,543	-
Central Aroostook Association	11,655	11,655	11,655	-
Community Living Association	10,594	10,594	10,594	-
Green Valley Association	5,933	5,933	5,933	-
St. John Valley Association	7,417	7,417	7,417	-
Charities of Maine	6,012	6,012	6,012	-
Northern Maine General	7,417	7,417	7,417	-
Northern Aroostook Alternatives	5,298	5,298	5,298	-
Aroostook Area Agency on Aging	7,417	7,417	7,417	-
Child Abuse and Neglect	1,210	1,210	1,210	-
Shelter for the Homeless	5,045	5,045	5,045	-
Northern Maine Regional Airport	<u>23,125</u>	<u>23,125</u>	<u>23,125</u>	<u>-</u>
	<u>231,514</u>	<u>231,514</u>	<u>231,514</u>	<u>-</u>
TOTAL EXPENDITURES	<u>6,842,998</u>	<u>7,412,475</u>	<u>7,054,070</u>	<u>358,405</u>
NET CHANGE IN FUND BALANCE	<u>(185,000)</u>	<u>(754,477)</u>	<u>(21,739)</u>	<u>732,738</u>
NET CHANGE IN FUND BALANCE	<u>(185,000)</u>	<u>(754,477)</u>	<u>(21,739)</u>	<u>732,738</u>
FUND BALANCE - JANUARY 1, 2008			<u>1,358,478</u>	
FUND BALANCE - DECEMBER 31, 2008			<u>1,336,739</u>	

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2008

	REGISTRY OF DEEDS <u>NORTH</u>	REGISTRY OF DEEDS <u>SOUTH</u>	REGISTRY OF <u>PROBATE</u>	TOTAL FIDUCIARY <u>FUNDS</u>
ASSETS				
Cash	<u>35,921</u>	<u>112,650</u>	<u>1,653</u>	<u>150,224</u>
TOTAL ASSETS	<u>35,921</u>	<u>112,650</u>	<u>1,653</u>	<u>150,224</u>
LIABILITIES				
Due to State of Maine	13,486	49,229		62,715
Due to County of Aroostook (General Fund)	<u>17,621</u>	<u>29,160</u>	<u>2,799</u>	<u>49,580</u>
	<u>31,107</u>	<u>78,389</u>	<u>2,799</u>	<u>112,295</u>
NET ASSETS - HELD IN TRUST	<u>4,814</u>	<u>34,261</u>	<u>(1,146)</u>	<u>37,929</u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE
 COMBINING STATEMENT OF
 CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED DECEMBER 31, 2008

	REGISTRY OF DEEDS NORTH	REGISTRY OF DEEDS SOUTH	REGISTRY OF PROBATE	TOTAL FIDUCIARY FUNDS
ADDITIONS				
Program revenue	<u>425,868</u>	<u>1,229,053</u>	<u>70,324</u>	<u>1,725,245</u>
TOTAL ADDITIONS	<u>425,868</u>	<u>1,229,053</u>	<u>70,324</u>	<u>1,725,245</u>
DEDUCTIONS				
Program expenses	<u>430,306</u>	<u>1,218,073</u>	<u>68,136</u>	<u>1,716,515</u>
TOTAL DEDUCTIONS	<u>430,306</u>	<u>1,218,073</u>	<u>68,136</u>	<u>1,716,515</u>
CHANGE IN NET ASSETS	<u>(4,438)</u>	<u>10,980</u>	<u>2,188</u>	<u>8,730</u>
NET ASSETS - JANUARY 1, 2008	<u>9,252</u>	<u>23,281</u>	<u>(3,334)</u>	<u>29,199</u>
NET ASSETS - DECEMBER 31, 2008	<u><u>4,814</u></u>	<u><u>34,261</u></u>	<u><u>(1,146)</u></u>	<u><u>37,929</u></u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Aroostook, Maine, was incorporated in 1839. The County operates under the authority of a County Charter and State law. Under this form of government, the County Commissioners set the policy for the Organization, the County Administrator is charged with implementing that policy. The accompanying financial statements present the activities of the County of Aroostook, Maine.

The County of Aroostook's basic financial statements include the accounts of all of the County of Aroostook's operations. The criteria for including organizations as component units within the County of Aroostook's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the Organization is legally separate (can sue and be sued in their own name)
- the County of Aroostook holds the corporate powers of the Organization
- the County of Aroostook appoints a voting majority of the Organization's board
- the Organization has the potential to impose a financial benefit/burden on the County of Aroostook.

Based on the above criteria, the County of Aroostook has no component units.

Change in Accounting Methods and Basis of Financial Statement Presentation

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* (GASB #34). Under GASB #34 the County was required to change its reporting format as of June 30, 2003 and thus these financial statements conform to that new format.

Statement No. 34, among many other changes, added a new report by management entitled Management's Discussion and Analysis (MD&A), which provides an analysis of the County's overall financial position and results of operations. GASB #34 also adds two (2) new Government-Wide financial statements as basic financial statements required for all governmental units. These new statements are the Statement of Net Assets and the Statement of Activities. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the County used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds are reported as governmental activities, or fiduciary funds. The definitions for these types of activities are discussed below.

Finally, all non-fiduciary funds are further classified as major or nonmajor funds. In reporting financial condition and results of operations for governmental units, GASB #34 concentrates on major funds versus nonmajor funds.

COUNTY OF AROOSTOOK, MAINE
NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Basis of Presentation – Government-Wide and Fund Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the overall government, except the fiduciary activities. These statements reflect governmental type activities and there were no business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include (a) fee, fines, and charges paid by those recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, propriety funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund financial statements provide information about the County's funds including its fiduciary funds. Each individual fund is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate statements for each fund category – governmental, propriety and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund - To account for all financial resources except those required to be accounted for in another fund. The general fund is the County's operating fund.

Workforce Investment Act (a special revenue fund) - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes of the Workforce Investment Act program.

Other governmental funds are:

All Other Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Additionally, the County reports the following fund type:

Agency fund - To account for monies held by the County as an agent for various related organizations.

Measurement Focus and Basis of Accounting

Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, interest income and inter-governmental revenues and grants are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

Deposits and Investments

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash. Earnings from these investments are reported by the applicable funds generating the investments. All deposits are carried at cost plus accrued interest.

The laws of the State of Maine under 30-A M.R.S.A. Sections 5706-5719 limit investment of municipal funds to investments described within that law. The law authorizes the County to invest in various financial institutions insured by Federal Deposit Insurance Corporation and the National Credit Union Association.

Repurchase agreements are allowed to the extent secured by the obligations of the United States Government, as defined in Section 5712, Subsection 1, provided that the market value of the underlying obligation is equal to or greater than the amount of the municipality's investment and that the municipality's security interest is perfected.

Investment in mutual funds is limited to bonds and other direct obligations of the United States Government or repurchase agreements secured by bonds and other direct obligations of the United States Government.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

For other securities, including the above-mentioned investment vehicles, minimum security quality grade requirements are mandated in conjunction with percentage limitations of reserve amounts or portfolio balances, depending upon the type of the applicable securities purchased.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the County of Aroostook considers all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased to be cash equivalents.

Receivables and Payables

All outstanding, uncollected taxes and uncollected fees are considered fully collectible by management of the County.

Inventories and Prepaid Items

Inventories and prepaid items are insignificant and are not reflected in the County's basic financial statements.

Capital Assets

Capital assets, not including infrastructure assets, purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost if actual historical cost is not available. Infrastructure assets capitalized have an original cost of \$50,000 or more. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance costs are recorded as an expense.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building improvements	20-30
Vehicles	5-10
Office equipment	5-10
Computer equipment	5-10

Compensated Absences

County employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is paid the full amount of accumulated vacation and sick leave not taken. As of December 31, 2008 accumulated vacation and sick leave amounted to \$30,595 and \$72,261, respectively.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or propriety fund type statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts, and other commitments for the expenditure of funds) are not treated as expenditures until the liability for payment is incurred, but are merely used to facilitate effective budget control, cash planning and management. Encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders is not employed by the County.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported accounts and disclosures. Accordingly, actual results could differ from those estimates.

Other General Items

The County is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) BUDGETARY INFORMATION

An operating budget is adopted each year for the General Fund on the same modified accrual basis used to reflect actual revenues and expenditures.

(3) ASSESSMENT OF COUNTY TAXES

To assess the county tax, the County Commissioners submit itemized budget estimates to the finance committee no later than sixty days prior to the end of the County's fiscal year.

The finance committee consists of nine members, three members from each Commissioner's district. The committee reviews the proposed budgets prepared by the County Commissioners, together with any supplementary material prepared by the head of each county department or provided by any independent board or institution or another governmental agency. The finance committee may alter the proposed budget provided that:

- The finance committee enters into its minutes a statement for the basis for any change in the estimated expenditures and revenues as initially presented by the County Commissioners.
- The total estimated revenue, together with the amount of county tax to be levied, equals the total estimated expenditures.
- The finance committee holds a public hearing on the proposed budget prior to the end of the County's fiscal year and before the final adoption of the budget.
- A notice of the hearing is given at least ten days prior to the hearing in all newspapers of general circulation within the County. Written notice and a copy of the proposed budget are sent by mail, or are delivered by hand in person, to the clerk of each municipality in the County. The municipal clerk notifies the municipal officials of the proposed budget.
- After the public hearing, the finance committee adopts a final budget and transmits that budget to the County Commissioners. The Commissioners will not alter the budget as adopted by the finance committee, except by unanimous vote of the Board. If the adopted budget is changed by the Commissioners, the finance committee may reject that change by a two-thirds vote of its membership. Those actions shall be final and not subject to further action by either the Commissioners or the finance committee.

When the County tax is authorized, the Commissioners, within thirty days of the date for which the tax is authorized, shall apportion it upon the municipalities and unorganized territories within the County according to the last state valuation and fix the time of the payment of same, which shall not be earlier than the first day of the following September.

They may also add to that sum above the sum so authorized, not exceeding 2% of that sum, as a fractional division necessitates and demonstrates that necessity in the record of that apportionment, and issue their warrant to the assessors, requiring them to immediately assess the sum apportioned to their municipality or place, and to commit their assessment to the constable or collector for collection. The County treasurer immediately certifies the millage rate to the State Tax Assessor. The millage rate is separately assessed by the State Tax Assessor upon the real and personal property in the unorganized territory within the appropriate county.

The county may collect delinquent county taxes and charge interest on delinquent county taxes as provided by the statutes.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(4) CASH AND INVESTMENTS

The County's deposits at year end were partly covered by Federal Depository Insurance Corporation (FDIC) and by a collateral pledge agreement with Katahdin Trust Company.

The County's cash is categorized to give an indication of the level of risk assumed by the County at year end. These categories are defined as follows:

Category #1 - Insured or collateralized with securities held by the County or by its agent in the County's name.

Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Category #3 - Uncollateralized, which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the County's name.

At December 31, 2008, the County's funds were on deposit with the banks listed below:

<u>BANK - TYPE OF ACCOUNT</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>		
			<u>#1</u>	<u>#2</u>	<u>#3</u>
Katahdin Trust Company					
Checking - General Fund	1,667,148	1,758,803	250,000	1,508,803	
Checking- Other funds	<u>154,907</u>	<u>155,307</u>		155,307	
	<u>1,822,055</u>	<u>1,914,110</u>			
Cash on hand	<u>400</u>				
	<u>1,822,455</u>	<u>1,914,110</u>	<u>250,000</u>	<u>1,664,110</u>	<u>None</u>
Consists of:					
Governmental funds	1,672,231				
Fiduciary funds	<u>150,224</u>				
	<u>1,822,455</u>				

(5) ACCOUNTS RECEIVABLE

Accounts receivable consists mostly of amounts due from the Registries of Deeds and Probate, the State of Maine, and other governments and are considered to be fully collectible by management.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(6) CAPITAL BUDGETING PLAN

Starting in 1995, the County established a five-year capital budgeting plan. Capital type items are budgeted and accounted for in one capital outlays account. In 1994 and previous years, capital type items were budgeted and accounted for within each department's operations.

As further described in note #10, the unspent Capital Outlay funds are carried forward from year to year and included in the following year's budget as part of the "final" budget. In 2008, \$469,116 was carried forward from 2007. \$468,825 has been carried forward to the 2009 budget.

(7) CAPITAL ASSETS

As of December 31, 2008 capital assets consisted of the following:

	December 31, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2008</u>
Land	18,400			18,400
Land improvements	183,243			183,243
Buildings	11,775,500			11,775,500
Building improvements	83,379	54,356		137,735
Roofing	49,309			49,309
Communications equipment	315,988	33,117	(12,224)	336,881
Computer hardware	391,412	12,118	(5,871)	397,659
Custodial equipment	41,878	2,938	(100)	44,716
Engineering equipment	420			420
Firefighting Equipment	10,497	1,200		11,697
Furniture and fixtures	256,042	4,141	(2,686)	257,497
Grounds equipment	24,403		(130)	24,273
Heating systems	198,195		(165)	198,030
Electrical/plumbing	59,283			59,283
Kitchen equipment	67,195			67,195
Medical equipment	600	1,588		2,188
Office equipment	4,871	2,485		7,356
Photocopier	97,933			97,933
Police equipment	91,532	18,698	(2,180)	108,050
Vehicles	<u>494,057</u>	<u>64,620</u>	<u>(41,199)</u>	<u>517,478</u>
	<u>14,164,137</u>	<u>195,261</u>	<u>(64,555)</u>	<u>14,294,843</u>

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(7) CAPITAL ASSETS (cont'd.)

	December 31, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2008</u>
Accumulated Depreciation				
Land improvements	38,971	9,022		47,993
Buildings	11,775,500			11,775,500
Building improvements	11,127	5,380		16,507
Roofing	3,670	2,466		6,136
Communications equipment	133,182	41,316	(10,898)	163,600
Computer hardware	274,743	44,204	(5,661)	313,286
Custodial equipment	19,800	3,187	(100)	22,887
Engineering equipment	332	27		359
Firefighting equipment	5,225	1,107		6,332
Furniture and fixtures	239,038	7,916	(2,066)	244,888
Grounds equipment	6,731	2,132	(83)	8,780
Heating systems	45,442	9,908	(165)	55,185
Electrical/plumbing	3,021	2,804		5,825
Kitchen equipment	33,775	3,985		37,760
Medical equipment	600	53		653
Office equipment	393	1,261		1,654
Photocopier	64,731	6,116		70,847
Police equipment	49,189	8,960	(2,180)	55,969
Vehicles	<u>330,256</u>	<u>77,695</u>	<u>(39,939)</u>	<u>368,012</u>
	<u>13,035,726</u>	<u>227,539</u>	<u>(61,092)</u>	<u>13,202,173</u>
 Net book value	 <u>1,128,411</u>	 <u>(32,278)</u>	 <u>(3,463)</u>	 <u>1,092,670</u>

Depreciation expense was charged to governmental activities as follows:

Transportation	77,695
Law enforcement	8,960
Administration	6,116
Unallocated	<u>134,768</u>
 Total depreciation expense	 <u>227,539</u>

(8) RELATED PARTY – UNORGANIZED TERRITORIES OF AROOSTOOK COUNTY, MAINE

The County administers, for the State of Maine, the day to day operations of the Unorganized Territories of Aroostook County, Maine. The County oversees the maintenance of roads and bridges, snow removal, solid waste disposal, fire and ambulance protection and other needs of the residents of the Unorganized Territories. The County also maintains the accounting records for the Unorganized Territories. The Unorganized Territories pay the County an annual administration fee for these services.

COUNTY OF AROOSTOOK, MAINE
NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY

The County has no debt service requirements as of December 31, 2008.

(10) DESIGNATED FUND BALANCES

CAPITAL RESERVES

Title 30-A, Section 921, Maine Revised Statutes Annotated of 1964, as amended, permits the establishment of capital accounts. The County has established such funds for acquisitions of land, buildings and equipment, and roads and bridges as provided by statutory requirements. At December 31, 2008 the balance of the reserves amounted to \$468,825.

SUBSEQUENT YEARS EXPENDITURES

Title 30-A, Section 923, Maine Revised Statutes Annotated of 1964, provides that any unexpended balance of capital expenditures shall not lapse, but shall be carried forward to next year or until the purpose for which said account was established and has been completed.

At December 31, 2008, unexpended balances carried forward were as follows:

Capital reserve	468,825
K-9 Program	5,897
Registry of Deeds	292,089
Local emergency planning	1,228
Community based programs	63,582
Contingent	93,438
Registry of Probate surcharge	2,057
Welcome to Aroostook signs	3,181
County internet web site	3,164
MCCA convention	<u>465</u>
	<u>933,926</u>

Title 30-A, Section 922, Maine Revised Statutes Annotated of 1964, provides that the County can establish a contingent account not to exceed \$100,000. As noted above, this account did not lapse at year end into undesignated fund balance.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(11) FUND BALANCE LIMITATION

Title 30-A, Section 924, Maine Revised Statutes Annotated of 1964, provides that the County Commissioners shall use unexpended balances as follows:

1. The county commissioners shall use first any unencumbered surplus funds to restore the contingent account as provided in Section 922, subsection 2.
2. After restoring the contingent account, the county commissioners shall use any unencumbered surplus funds to reduce the tax levy in the following fiscal year as provided in this subsection. The commissioners shall use any remaining unencumbered surplus funds in excess of 20% for the fiscal year beginning in 2004 and each fiscal year thereafter of the amount to be raised by taxation in the following fiscal year to reduce the tax levy in that year. The commissioners may not commit taxes to be raised in any fiscal year until the commissioners have complied with this subsection.
3. The county commissioners may use any remaining unencumbered surplus funds to establish a county charter commission, as provided in Section 1322, subsection 4, or to establish or fund a capital reserve account under Section 921, as provided in Section 5801.

(12) DEFERRED REVENUE

At December 31, 2008, deferred revenue consists of funds received for the Corrections Improvement Fund of \$297,879, Community Based Programs of \$63,583 and other grants of \$13,167. These programs are funded in advance by the State of Maine. Therefore, the revenues received in 2008 will be appropriated in the 2009 budget. Deferred revenue at December 31, 2008 totaled \$374,629.

(13) DEFINED BENEFIT PENSION PLAN

Employees of participating local government units are eligible to participate in the Maine State Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees and political subdivisions.

Various full-time employees participate in the System. Benefits vested after 5 years of service. Employees who retire at or after age sixty (60) with ten (10) years of credits of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2% of the average of their three (3) highest years of earnings, per year of service. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

All employees are required to contribute 6.5% of their annual salary to the System. The County contributes the balance of the cost not provided by employee contribution.

The County does not have any outstanding loans with the System. The System has not invested in or purchased any of the County's notes or bonds.

Effective July 1, 1994, the County elected to join the Participating Local District Consolidated Plan established by Chapter 803 of MSRS rules in accordance with 5 MRSA, Chapter 427.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) DEFINED BENEFIT PENSION PLAN (cont'd.)

	<u>07-08</u>	<u>08-09</u>
Retirement benefits		
Employer normal costs	7.90%	7.90%
Unfunded actuarial reserve	<u>(5.10)%</u>	<u>(5.10)%</u>
	2.80%	2.80%
Disability cost	None	None
Survivor benefit cost	<u>None</u>	<u>None</u>
Contribution rate (as a percentage of payroll)	<u>2.80%</u>	<u>2.80%</u>

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation.

Trend information provides an indication of the progress made in accumulating sufficient assets to pay benefits when due. The trend information and on-behalf payments for the County of Aroostook, Maine are not currently available from the Maine State Retirement System. Information is current as of December 31, 2008.

(14) CONTINGENCIES

The County is the fiscal agent for a federal grant entitled Workforce Investment Act (WIA). For a majority of the expenditures in WIA, the County contracts with other governments or local agencies to perform the specific services set forth in the grant agreement. The County disburses grant funds to the agencies based on weekly expenditure reports received from each agency. Additionally, the County receives an administrative fee equal to 10% of the grant.

WIA subcontractors are required to have an annual independent audit. The County requires each agency to submit a copy of the audit reports. If such audits disclose expenditures not in accordance with the terms of the grant, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the County or the delegate agency. The County generally has the right to recovery from the subcontractors.

For the year ended December 31, 2008, agency costs of various amounts have been disbursed for which the audits have not been received. Based on prior experience, management believes that the County will not incur significant losses from possible grant disallowance.

(15) SUBSEQUENT EVENT – REVOLVING LINE OF CREDIT

Pursuant to authority granted by the vote of the County Commissioners on January 22, 2009, a revolving line of credit with a maximum amount of \$1,600,000 was opened with Katahdin Trust Company. This note carries an interest rate of 4.5%, and is open until December 31, 2009.

COUNTY OF AROOSTOOK, MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(16) PARTICIPATION IN PUBLIC ENTITY RISK POOL

The County is a member of the Maine Municipal Association-Worker Compensation Trust Fund. The fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker compensation coverage and develop a comprehensive loss control program. The County pays an annual premium to the fund for its workers compensation coverage. The County's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts. Coverage provided is statutory, with a \$500,000 self-insured retention by the Fund. Employer's liability limit is \$2,000,000 per assurance. The aggregate excess limit is \$4,000,000.

(17) EXPENDITURES OVER GENERAL FUND APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
General and Administration	
Administration	1,511
Audit and accounting services	1,570
Operation of courts	
District court building	1,381
Jail operations	
Support of prisoners	71,215
Building	2,844
Transportation	30,064
Law enforcement	37,135
Local emergency planning	6,948
Interest expense	12,662

COUNTY OF AROOSTOOK, MAINE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2008

SPECIAL REVENUE FUNDS

	ARDENT SENTRY GRANT	SHERIFFS DEPARTMENT EQUIPMENT	WELLNESS PROGRAM	WEAPONS OF MASS DESTRUCTION GRANT	GENERATOR GRANT	WIRED GRANT	FINGERPRINT PROJECT	PSIC GRANT	SCHOOL PLANNING GRANT	HIGH SCHOOL TRAINING GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS											
Due from other funds	6,594	-	667	9,284	19,731	-	1,970	18,568	-	-	56,814
TOTAL ASSETS	6,594	-	667	9,284	19,731	-	1,970	18,568	-	-	56,814
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Due to other funds	-	-	-	-	-	7,993	-	-	1,153	1,758	10,904
TOTAL LIABILITIES	-	-	-	-	-	7,993	-	-	1,153	1,758	10,904
FUND BALANCES	6,594	-	667	9,284	19,731	(7,993)	1,970	18,568	(1,153)	(1,758)	45,910
Unreserved, undesignated	6,594	-	667	9,284	19,731	(7,993)	1,970	18,568	(1,153)	(1,758)	45,910
TOTAL FUND BALANCES	6,594	-	667	9,284	19,731	(7,993)	1,970	18,568	(1,153)	(1,758)	45,910
TOTAL LIABILITIES AND FUND BALANCES	6,594	-	667	9,284	19,731	-	1,970	18,568	-	-	56,814

See notes to financial statements

Chester M. Kearney, Certified Public Accountants

COUNTY OF AROOSTOOK, MAINE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008

	SPECIAL REVENUE FUNDS											TOTAL
	ARDENT SENTRY GRANT	SHERIFFS DEPARTMENT EQUIPMENT	WELLNESS PROGRAM	WEAPONS OF MASS DESTRUCTION GRANT	GENERATOR GRANT	WIRED GRANT	FINGERPRINT PROJECT	FSIC GRANT	SCHOOL PLANNING GRANT	HIGH SCHOOL TRAINING GRANT	NONMAJOR GOVERNMENTAL FUNDS	
REVENUES	41,982	630	2,109	32,542	72,489	78,454	-	132,240	30,951	16,363	405,631	
Federal/State assistance			2,109	1,270	72,489	78,454		132,240	30,951	16,363	405,631	
Other income	41,982	630	2,109	32,812	72,489	78,454	-	132,240	30,951	16,363	3,379	
TOTAL REVENUES	41,982	630	2,109	32,812	72,489	78,454	-	132,240	30,951	16,363	409,010	
EXPENDITURES	37,460	3,665	1,534	75,435	52,758	79,314	3,270	113,672	32,104	18,122	417,334	
Current and Capital Outlays	37,460	3,665	1,534	75,435	52,758	79,314	3,270	113,672	32,104	18,122	417,334	
TOTAL USES OF FINANCIAL RESOURCES	37,460	3,665	1,534	75,435	52,758	79,314	3,270	113,672	32,104	18,122	417,334	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,522	(3,035)	575	(41,623)	19,731	(880)	(3,270)	18,568	(1,153)	(1,759)	(8,324)	
NET CHANGE IN FUND BALANCES	4,522	(3,035)	575	(41,623)	19,731	(880)	(3,270)	18,568	(1,153)	(1,759)	(8,324)	
FUND BALANCES - JANUARY 1, 2008	2,072	3,035	92	50,907		(7,112)	5,240				54,234	
FUND BALANCES - DECEMBER 31, 2008	6,594	-	667	9,284	19,731	(7,992)	1,970	18,568	(1,153)	(1,759)	45,910	

See notes to financial statements

Chester M. Kearney, Certified Public Accountants

COUNTY OF AROOSTOOK, MAINE

SCHEDULE OF PROPERTY VALUATION AND ASSESSMENT

GENERAL FUND

YEAR ENDED DECEMBER 31, 2008

	<u>MUNICIPALITIES</u>	<u>UNORGANIZED TERRITORIES</u>	<u>TOTAL</u>
ASSESSED VALUATION	3,647,350	502,050	4,149,400
TAX RATE PER \$1,000			<u>1.13000</u>
			<u>4,688,822</u>

COMPUTATION OF ASSESSMENT

TAX COMMITMENT		4,688,822	
ESTIMATED REVENUES		<u>2,244,614</u>	6,933,436
APPROPRIATIONS			<u>6,842,998</u>
OVERLAY			<u>90,438</u>

See notes to financial statements

COUNTY OF AROOSTOOK, MAINE

SCHEDULE OF CHANGES IN LONG-TERM DEBT

YEAR ENDED DECEMBER 31, 2008

	BALANCE AT JANUARY 1, 2008	DEBT ISSUED OR ACQUIRED	DEBT RETIRED	BALANCE AT DECEMBER 31, 2008	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
BONDS PAYABLE TO MAINE MUNICIPAL BOND BANK					
Issued October 1988, due 2008, in yearly installments of \$25,000, with variable interest rates	25,000	-	25,000	-	-
GOVERNMENTAL ACTIVITIES LONG-TERM DEBT	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>

See notes to financial statements

Chester M. Kearney, Certified Public Accountants

COUNTY OF AROOSTOOK, MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	PROGRAM AWARD AMOUNT	AMOUNT RECEIVED	REVENUE RECOGNIZED	EXPENDITURES
FEDERAL GRANTOR					
U.S. DEPARTMENT OF LABOR					
PASS-THROUGH STATE OF MAINE					
		Workforce Investment Act (WIA) 7/01/06 to 6/30/07	69,911	69,911	69,911
	17,258	Workforce Investment Act (WIA) 7/01/07 to 6/30/08	778,413	778,413	778,413
	17,258	Workforce Investment Act (WIA) 7/01/08 to 6/30/09	482,981	482,981	482,981
	17,258	Workforce Investment Act (WIA) 7/01/08 to 6/30/09	6,667	6,667	6,667
	17,260	National Emergency Grant, FISH 7/01/06 to 12/31/04	221,259	221,259	221,259
	17,260	National Emergency Grant, Forest 7/01/07 to 6/30/08	15,665	15,665	15,665
	17,260	National Emergency Grant, Forest 7/01/08 to 6/30/09	1,574,896	1,574,896	1,574,896
U.S. DEPARTMENT OF AGRICULTURE					
PASS-THROUGH STATE OF MAINE					
	10,769	Labor Force Analysis Grant	27,151	27,151	27,151
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
COMMUNITY PLANNING AND DEVELOPMENT					
PASS-THROUGH STATE OF MAINE					
	14,228	Special Projects Matching Funds Grant	62,500	62,500	62,500
	14,228	Special Projects Matching Funds Grant	20,000	20,000	20,000
	14,228	Public Service Grant	3,501	3,501	3,501
			86,001	86,001	86,001
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,688,048	1,688,048	1,688,048

Note A - Significant Accounting Policies
The accompanying schedule of expenditures of federal awards is prepared on the same basis as the basic financial statements, accrual basis.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2008

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Aroostook, Maine and is presented on the full accrual basis. The reporting entity is defined in the notes to the financial statements of the County of Aroostook, Maine.

PURPOSE OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, which requires a schedule showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

COUNTY OF AROOSTOOK, MAINE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2008

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

The auditor's report issued expressed an unqualified opinion on the basic financial statements of the County of Aroostook, Maine.

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ yes X no

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ yes X no

The auditors' report issued on compliance for the major federal award programs for the County of Aroostook, Maine expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258/17.260	Workforce Investment Act/National Emergency Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes ___ no

COUNTY OF AROOSTOOK, MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (cont'd.)
YEAR ENDED DECEMBER 31, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were made during the audit of the financial statements for the County of Aroostook, Maine and no matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs relative to major federal award programs were found during the audit of the financial statements for the County of Aroostook, Maine and no matters were reported.



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callan, CPA
Chad E. Bartley, CPA

To the Management of the
County of Aroostook, Maine

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Aroostook, Maine, as of and for the year ended December 31, 2008, which collectively comprise the County of Aroostook, Maine's basic financial statements and have issued our report thereon dated September 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Aroostook, Maine's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Aroostook, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Aroostook, Maine's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Aroostook, Maine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the County of Aroostook, Maine's financial statements that is more than inconsequential will not be prevented or detected by the County of Aroostook, Maine's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Aroostook, Maine's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Aroostook, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, County Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester M. Kearney

Presque Isle, Maine
September 21, 2009



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA
Chad E. Bartley, CPA

To the Board of Selectmen of the
County of Aroostook, Maine

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the County of Aroostook, Maine, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The County of Aroostook, Maine's major federal programs are identified in the summary of auditor's results section accompanying the schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Aroostook, Maine's management. Our responsibility is to express an opinion on the County of Aroostook, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Aroostook, Maine's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Aroostook, Maine's compliance with those requirements.

In our opinion, the County of Aroostook, Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the County of Aroostook is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Aroostook's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, County Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester M. Kearney

Presque Isle, Maine
September 21, 2009

UNORGANIZED TERRITORY PUBLIC WORKS DIRECTOR

David J. Sokolich
Director



As you are aware, rapid increases in costs for services and materials along with budgetary constraints are affecting the quantity of road mile improvements that can be completed in a given year. However, we will not lower our standards in lieu of our expectation of quality.

We will do our best to keep up with these economic constraints as we understand we have to be reasonable and responsible in our efforts. However, it is still our goal to strive toward fair and equitable budgeting practices that will minimize our increases now and in the future.

Residents will continue noticing improvements to the Unorganized Territory's infrastructure, whether it is roads, ditch lines, signage, etc. These measures along with others are preserving our infrastructure and allowing the justification to continue the capital improvements to our road inventory.

Our multi-year contracts foster long term relationships with our service providers and contractors, leading to greater financial controls that result in increased budgeting efficiency for us and our providers.

I always look forward to meeting and working with you to improve the Unorganized Territory of Aroostook County. Serving the residents of the Unorganized Territory in Aroostook County is a great pleasure.



Chester M. Kearney
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA
Chad E. Bartley, CPA

To the Management of the
Unorganized Territories Fund

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and major fund of the Unorganized Territories Fund, as of and for the year ended June 30, 2008, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Territories' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Territories' internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Unorganized Territories Fund, as of June 30, 2008, and the respective changes in financial position where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2008 on our consideration of the Unorganized Territories Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Unorganized Territories Fund's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The remaining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. All such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Chester M. Kearney

Presque Isle, Maine
September 23, 2008

UNORGANIZED TERRITORIES FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Unorganized Territory Fund of the Territories of Aroostook, Maine, we offer readers of the Territories' financial statements this narrative overview and analysis of the financial activities of the Territories for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Territories' financial statements.

Financial Highlights

- The assets of the Territories exceeded its liabilities at the close of the most recent fiscal year by \$977,899 (net assets). Of this amount, \$126,708 (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- The government's total net assets increased by \$128,312.
- As of the close of the current fiscal year, the Territories' governmental funds reported combined ending fund balances of \$252,436, an increase of \$27,393 in comparison with the prior year. Approximately 50% of this total amount, \$126,708 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$126,708, or 8% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Unorganized Territories Fund's basic financial statements. The basic financial statements are comprised of three (3) components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Territories' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Territories' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Territories is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Territories that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

UNORGANIZED TERRITORIES FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Unorganized Territories Fund, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Territories can be divided into 2 categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Unorganized Territories Fund maintains 3 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other 2 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Unorganized Territories Fund adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 to 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Territories' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Unorganized Territories Fund does not maintain any fiduciary funds.

UNORGANIZED TERRITORIES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found on pages 24 and 25 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Territories, assets exceeded liabilities by \$977,899 at the close of the most recent fiscal year.

A large portion of the Territories' net assets (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Territories uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Territories' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

UNORGANIZED TERRITORIES FUND, Net assets

	<u>Governmental Activities</u>	
	June 30, <u>2008</u>	June 30, <u>2007</u>
Current and other assets	302,723	253,201
Capital assets	<u>725,463</u>	<u>624,544</u>
Total assets	<u>1,028,186</u>	<u>877,745</u>
Liabilities	<u>50,287</u>	<u>28,158</u>
Net assets:		
Invested in capital assets, net of related debt	725,463	624,554
Reserved for future designated use	125,728	116,774
Unrestricted	<u>126,708</u>	<u>108,259</u>
Total net assets	<u>977,899</u>	<u>849,587</u>

UNORGANIZED TERRITORIES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

The remaining balance of unrestricted net assets (\$126,708) may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the Territories are able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The government's net assets increased by \$128,312 during the current fiscal year.

Governmental activities. Governmental activities increased the Territories' net assets by \$128,312, thereby accounting for 100% of the increase in the net assets of the Territories. Key elements of this increase are as follows:

TERRITORIES OF AROOSTOOK, Changes in Net assets

	July 1, 2007 to June 30, 2008	July 1, 2006 to June 30, 2007
Revenues		
Property taxes	1,366,792	1,327,075
Investment income	15,223	64,180
Other revenues	<u>279,162</u>	<u>241,093</u>
Total revenues	<u>1,661,177</u>	<u>1,632,348</u>
Expenses		
County tax	567,316	554,700
Roads	121,405	105,000
Public works	71,942	72,341
Public safety	11,130	10,550
Snow removal	241,045	229,205
Solid waste disposal	104,672	106,845
Fire protection	77,874	86,266
Ambulance service	22,454	29,475
Administration	52,630	50,475
Capital outlays	160,884	165,628
Other	137,632	85,379
Public facilities grant		(25,997)
Community septic systems grant	<u>(36,119)</u>	<u>36,285</u>
Total expenses	<u>1,532,865</u>	<u>1,506,152</u>
Change in net assets	<u>128,312</u>	<u>126,196</u>

UNORGANIZED TERRITORIES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the Unorganized Territories Fund uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Territories' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Territories' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Territories' governmental funds reported combined ending fund balances of \$252,436, an increase of \$27,393 in comparison with the prior year. Approximately 50% of this total amount (\$126,708) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to capital expenditures (\$100,728), and future year's expenditures (\$25,000).

The general fund is the chief operating fund of the Territories. At the end of the current fiscal year, unreserved fund balance of the general fund was \$124,803, while total fund balance reached \$250,531. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7% of total general fund expenditures, while total fund balance represents 14.7% of that same amount.

The fund balance of the Territories' general fund decreased by \$8,726 during the current fiscal year. Key factors in this decrease are as follows:

- Actual revenues exceeded anticipated revenues by \$46,143, consisting mostly of snowmobile grant funds and interest income.
- Anticipated expenditures exceeded actual expenditures by \$114,803, consisting mostly of positive variances in capital outlays and ambulance service.
- The use of \$20,000 of undesignated fund balance was budgeted to reduce the tax commitment for the year ended June 30, 2008.

General Fund Budgetary Highlights

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance to the extent that was originally anticipated.

Capital Asset and Debt Administration

Capital assets. The Territories' investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$725,463, (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The total increase in the Territories' investment in capital assets for the current fiscal year was 13%.

Major capital asset events during the current fiscal year included the following:

- Purchase of various machinery and equipment totaling \$127,026.
- Depreciation expense in the amount of \$26,107.

Additional information regarding the changes in fixed assets can be found at note # 4.

UNORGANIZED TERRITORIES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County of Aroostook is currently 6.8% which is an increase from a rate of 5.1% a year ago. The County's rate is higher than the national rate of 5.0%, and the state rate of 4.7%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Territories budget for the 2008/2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Unorganized Territories Fund of Aroostook County, Maine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Commissioners, County of Aroostook, 144 Sweden Street, Suite 1, Caribou, Maine 04736.

UNORGANIZED TERRITORIES FUND

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	302,558
Prepaid expenses	165
Capital assets, net of accumulated depreciation	<u>725,463</u>
TOTAL ASSETS	<u>1,028,186</u>
LIABILITIES	
Accounts payable	<u>50,287</u>
NET ASSETS	
Invested in capital assets, net of related debt	725,463
Reserved for designated future use	125,728
Unrestricted	<u>126,708</u>
TOTAL NET ASSETS	<u><u>977,899</u></u>

UNORGANIZED TERRITORIES FUND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	
<u>Functions/Programs:</u>			Capital Grants and Contributions	
Governmental activities:				
County tax	567,316			(567,316)
Roads	121,405			(121,405)
Public works	71,942			(71,942)
Public safety	11,130			(11,130)
Snow removal	241,045			(241,045)
Solid waste disposal	104,672			(104,672)
Fire protection	77,874			(77,874)
Ambulance service	22,454			(22,454)
Administration	52,630			(52,630)
Capital outlays	200,121		39,237	(160,884)
Other	137,632			(137,632)
Community septic systems	49,293		36,119	36,119
Public facilities grant			49,293	49,293
Total governmental activities	<u>1,657,514</u>	<u>-</u>	<u>39,237</u>	<u>(1,532,865)</u>
General revenues:				
Property tax				1,366,792
Investment income				15,223
Other revenues				279,162
Total general revenues				<u>1,661,177</u>
Change in net assets				128,312
Net assets - July 1, 2007				<u>849,587</u>
Net assets - June 30, 2008				<u>977,899</u>

UNORGANIZED TERRITORIES FUND

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>GENERAL</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash	300,449	2,109	302,558
Prepaid expenses	<u>165</u>	<u> </u>	<u>165</u>
TOTAL ASSETS	<u><u>300,614</u></u>	<u><u>2,109</u></u>	<u><u>302,723</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	48,787	204	48,991
Due to other governments	<u>1,296</u>	<u> </u>	<u>1,296</u>
TOTAL LIABILITIES	<u><u>50,083</u></u>	<u><u>204</u></u>	<u><u>50,287</u></u>
FUND BALANCES			
Reserved for:			
Capital expenditures	100,728		100,728
Designated for subsequent years' expenditures	25,000		25,000
Unreserved	<u>124,803</u>	<u>1,905</u>	<u>126,708</u>
TOTAL FUND BALANCES	<u><u>250,531</u></u>	<u><u>1,905</u></u>	<u><u>252,436</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>300,614</u></u>	<u><u>2,109</u></u>	<u><u>302,723</u></u>

UNORGANIZED TERRITORIES FUND
RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances for governmental funds	252,436
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>725,463</u>
Total net assets of governmental activities	<u><u>977,899</u></u>

UNORGANIZED TERRITORIES FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Property taxes	1,366,792		1,366,792
State assistance	106,012	85,412	191,424
Excise tax	211,317		211,317
Investment income	15,223		15,223
Other revenues	1,071		1,071
TOTAL REVENUES	<u>1,700,415</u>	<u>85,412</u>	<u>1,785,827</u>
EXPENDITURES			
County tax	567,316		567,316
Roads	108,000		108,000
Public works	71,942		71,942
Public safety	11,130		11,130
Snow removal	241,045		241,045
Solid waste disposal	104,672		104,672
Fire protection	92,776		92,776
Ambulance service	22,454		22,454
Administration	52,630		52,630
Capital outlays	302,147	49,293	351,440
Other	135,029		135,029
TOTAL EXPENDITURES	<u>1,709,141</u>	<u>49,293</u>	<u>1,758,434</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,726)</u>	<u>36,119</u>	<u>27,393</u>
NET CHANGE IN FUND BALANCES	(8,726)	36,119	27,393
FUND BALANCES - JULY 1, 2007	<u>259,257</u>	<u>(34,214)</u>	<u>225,043</u>
FUND BALANCES - JUNE 30, 2008	<u><u>250,531</u></u>	<u><u>1,905</u></u>	<u><u>252,436</u></u>

UNORGANIZED TERRITORIES FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2008

Net change in fund balances - total governmental funds	27,393
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital asset additions and depreciation expense is recorded as follows.	
Capital asset additions	127,026
Depreciation expense	<u>(26,107)</u>
Change in net assets of governmental activities	<u><u>128,312</u></u>

UNORGANIZED TERRITORIES FUND

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
Property taxes	799,476	799,476	799,476	
Local taxes	567,316	567,316	567,316	
County tax				
State assistance	64,180	64,180	65,300	1,120
Local road assistance	1,500	1,500	40,712	39,212
Snowmobile funds	215,000	215,000	211,317	(3,683)
Excise taxes	6,000	6,000	15,223	9,223
Interest income	800	800	1,071	271
Other Revenues				
TOTAL REVENUES	<u>1,654,272</u>	<u>1,654,272</u>	<u>1,700,415</u>	<u>46,143</u>
EXPENDITURES				
County tax	567,316	567,316	567,316	
Roads	108,000	108,000	108,000	
Public works	74,842	74,842	71,942	2,900
Public safety	11,130	11,130	11,130	
Snow removal	248,900	248,900	241,045	7,855
Solid waste disposal	99,150	99,150	104,672	(5,522)
Fire protection	94,066	94,066	92,776	1,290
Ambulance service	48,350	48,350	22,454	25,896
Administration	52,508	52,508	52,630	(122)
Capital outlays	270,650	399,276	302,147	97,129
Other	99,360	120,406	135,029	(14,623)
TOTAL EXPENDITURES	<u>1,674,272</u>	<u>1,823,944</u>	<u>1,709,141</u>	<u>114,803</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(20,000)</u>	<u>(169,672)</u>	<u>(8,726)</u>	<u>160,946</u>
NET CHANGE IN FUND BALANCE	<u>(20,000)</u>	<u>(169,672)</u>	<u>(8,726)</u>	<u>160,946</u>
FUND BALANCE - JULY 1, 2007			<u>259,257</u>	
FUND BALANCE - JUNE 30, 2008			<u>250,531</u>	

UNORGANIZED TERRITORIES FUND

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Unorganized Territories Fund of the Territories of Aroostook provides various services to the Territories' residents. The Municipality operates under the Manager-Selectmen form of government. The Territories' major operations include the payment of Territories tax and maintenance of roads.

Financial Reporting Entity

The accounting and reporting policies of the Territories relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governments* and by the Financial Accounting Standards Board (when applicable). The more significant of the governments accounting policies are described below.

The Unorganized Territories Fund's basic financial statements include the accounts of all of the Unorganized Territories Fund's operations. The criteria for including organizations as component units within the Unorganized Territories Fund's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the Organization is legally separate (can sue and be sued in their own name)
- the Unorganized Territories Fund hold the corporate powers of the Organization
- the Unorganized Territories Fund appoints a voting majority of the Organization's board
- the Organization has the potential to impose a financial benefit/burden on the Unorganized Territories Fund.

Based on the above criteria, the Unorganized Territories Fund has no component units.

Fund Accounting

The modified accrual basis of accounting is used by all governmental fund types and non-expendable fiduciary fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, (i.e. when they become measurable and available). Measurable means that the amount of the transaction can be determined and available means that the amount of the transaction is collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state of Maine are recognized when susceptible to accrual. Miscellaneous revenues are recorded when received and earnings are recorded as earned since they are measurable and available. Grant revenues are considered measurable and available and are recorded simultaneously with the grant expenditure.

UNORGANIZED TERRITORIES FUND

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Fund Accounting (cont'd.)

Fund financial statements provide information about the Territories' funds. Each individual fund is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate statements for each fund category – governmental, propriety and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Territories report the following major governmental funds:

General Fund - To account for all financial resources except those required to be accounted for in another fund. The general fund is the Territories' operating fund.

Other governmental funds are:

All Other Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

In addition, all funds are reported as governmental activities, or fiduciary funds. The definitions for these types of activities are discussed below.

Finally, all non-fiduciary funds are further classified as major or nonmajor funds. In reporting financial condition and results of operations for governmental units, GASB #34 concentrates on major funds versus nonmajor funds.

The statement of net assets and the statement of activities display information about the Territories as a whole. These statements include the financial activities of the overall government, except the fiduciary activities. These statements reflect governmental type activities and there were no business-type activities of the Territories. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Territories and for each function of the Territories' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Territories does not allocate indirect expenses to functions in the statement of activities. Program revenues include (a) fee, fines, and charges paid by those recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, propriety funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

UNORGANIZED TERRITORIES FUND

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Measurement Focus and Basis of Accounting

Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Territories gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, interest income and inter-governmental revenues and grants are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

Deposits and Investments

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash. Earnings from these investments are reported by the applicable funds generating the investments. All deposits are carried at cost plus accrued interest.

The laws of the State of Maine under 30-A M.R.S.A. Sections 5706-5719 limit investment of municipal funds to investments described within that law. The law authorizes the Territories to invest in various financial institutions insured by Federal Deposit Insurance Corporation and the National Credit Union Association.

Repurchase agreements are allowed to the extent secured by the obligations of the United States Government, as defined in Section 5712, Subsection 1, provided that the market value of the underlying obligation is equal to or greater than the amount of the municipality's investment and that the municipality's security interest is perfected.

Investment in mutual funds is limited to bonds and other direct obligations of the United States Government or repurchase agreements secured by bonds and other direct obligations of the United States Government.

UNORGANIZED TERRITORIES FUND
 NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

For other securities, including the above-mentioned investment vehicles, minimum security quality grade requirements are mandated in conjunction with percentage limitations of reserve amounts or portfolio balances, depending upon the type of the applicable securities purchased.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Unorganized Territories Fund considers all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, not including infrastructure assets, purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost if actual historical cost is not available. Infrastructure assets capitalized have an original cost of \$50,000 or more. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance costs are recorded as an expense.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building improvements	20-30
Vehicles	5-15
Office equipment	5-15
Computer equipment	5-15

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislations adopted by the Territories or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

UNORGANIZED TERRITORIES FUND
NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts, and other commitments for the expenditure of funds) are not treated as expenditures until the liability for payment is incurred, but are merely used to facilitate effective budget control, cash planning and management. Encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders is not employed by the Territories.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported accounts and disclosures. Accordingly, actual results could differ from those estimates.

Other General Items

The Unorganized Territories are exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; and natural disasters for which the Unorganized Territories carries commercial insurance. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage.

(2) BUDGETARY INFORMATION

An operating budget is adopted each year for the General Fund on the same modified accrual basis used to reflect actual revenues and expenditures.

(3) CASH AND INVESTMENTS

The Unorganized Territories' deposits at year end were partly covered by Federal Depository Insurance Corporation (FDIC) and by a collateral pledge agreement with Katahdin Trust Company.

The Unorganized Territories' cash is categorized to give an indication of the level of risk assumed by the Unorganized Territories at year end. These categories are defined as follows:

- Category #1 - Insured or collateralized with securities held by the Unorganized Territories or by its agent in the Unorganized Territories' name.
- Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Unorganized Territories' name.
- Category #3 - Uncollateralized, which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Unorganized Territories' name.

UNORGANIZED TERRITORIES FUND
 NOTES TO FINANCIAL STATEMENTS (cont'd.)

(3) CASH AND INVESTMENTS (cont'd.)

At June 30, 2008, the Unorganized Territories' funds were on deposit with the banks listed below:

<u>BANK - TYPE OF ACCOUNT</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>		
			<u>#1</u>	<u>#2</u>	<u>#3</u>
Katahdin Trust Company Checking - General Fund	298,856	306,639	100,000	206,639	

(4) CAPITAL ASSETS

As of June 30, 2008 capital assets consisted of the following:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>
<i>Non-depreciable assets</i>				
Land	74,900			74,900
<i>Depreciable assets</i>				
Land improvements	4,755			4,755
Buildings and contents	134,325			134,325
Vehicles	163,458	25,000		188,458
Equipment	22,855	245		23,100
Infrastructure	<u>442,915</u>	<u>101,781</u>		<u>544,696</u>
	<u>843,208</u>	<u>127,026</u>	<u>None</u>	<u>970,234</u>
<i>Accumulated depreciation</i>				
Land improvements	317	159		476
Buildings and contents	28,754	3,369		32,123
Vehicles	149,416	6,888		156,304
Equipment	15,730	2,286		18,016
Infrastructure	<u>24,447</u>	<u>13,405</u>		<u>37,852</u>
	<u>218,664</u>	<u>26,107</u>	<u>None</u>	<u>244,771</u>
<i>Net Book Value</i>	<u>624,544</u>	<u>100,919</u>	<u>None</u>	<u>725,463</u>

Depreciation expense was charged to governmental activities as follows:

Roads	13,405
Fire protection	10,098
Other	<u>2,604</u>
Total depreciation expense	<u>26,107</u>

UNORGANIZED TERRITORIES FUND

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(5) RELATED-PARTY TRANSACTIONS

The County of Aroostook administers, for the State of Maine, the day to day operations of the Unorganized Territories of Aroostook County, Maine. The County oversees the maintenance of roads and bridges, snow removal, solid waste disposal, fire and ambulance protection and other needs of the residents of the Unorganized Territories. The County also maintains the accounting records for the Unorganized Territories. The Unorganized Territories pays the County an annual administration fee for these services. For the year ended June 30, 2008 the Unorganized Territories paid the County of Aroostook \$52,630 for these services.

Occasionally, the Unorganized Territories and County of Aroostook loan monies to one another. As of June 30, 2008 the Unorganized Territories owed the County of Aroostook \$1,296.

(6) EXPENDITURES OVER GENERAL FUND APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
Solid waste disposal	5,522
Administration	122
Other	14,623

(7) DESIGNATED FUND BALANCES

CAPITAL RESERVES

Title 30-A, Section 921, Maine Revised Statutes Annotated of 1964, as amended, permits the establishment of capital accounts. The Territories has established such funds for acquisitions of land, buildings and equipment, and roads and bridges as provided by statutory requirements. At June 30, 2008 the balance of the reserves amounted to \$100,728

SUBSEQUENT YEARS EXPENDITURES

Title 30-A, Section 923, Maine Revised Statutes Annotated of 1964, provides that any unexpended balance of capital expenditures shall not lapse, but shall be carried forward to next year or until the purpose for which said account was established and has been completed.

At June 30, 2008, designated fund balance consisted of the following:

Capital reserves	16,000
Pavement resurface	2,481
Dry hydrant	4,282
911-E program	2,223
Cemetery improvement	707
T17R5 fire building	1,953
T17R4 transfer station	8,740
T17R4 fire building	4,104
T17R4 fire truck	2,003
T17R4 fire equipment	

UNORGANIZED TERRITORIES FUND
 NOTES TO FINANCIAL STATEMENTS (cont'd.)

(7) DESIGNATED FUND BALANCES (cont'd.)

DEDC administration	1,793
E. Plantation bridge	20,000
Vehicle	20,933
Connor recreation park	3,675
Computer	2,334
Community signs	3,500
Vehicle – Fire department	<u>6,000</u>
	100,728
Contingent account	<u>25,000</u>
Total	<u>125,728</u>

Title 30-A, Section 922, Maine Revised Statutes Annotated of 1964, provides that the Territories can establish a contingent account not to exceed \$100,000. As noted above, this account did not lapse at year end into undesignated fund balance.

(8) JOINT VENTURES

The Northwestern Aroostook County Septage Board is owned jointly by the Municipalities of Ashland, Portage Lake, Masardis, Oxbow, Garfield, Nashville and the Unorganized Territories of Aroostook County, Township 11, Range 4 and Township 10, Range 4.

The facility is administered by a seven member board of representatives from each community. The board is responsible for establishing the facility's annual budget and overseeing its operation.

The Organization issues and audited financial statement bianually. The latest financial statement is not available as of the date of this report.

As of June 30, 2008 the Unorganized Territories Fund owned 7% of the assets and liabilities of this Organization.

UNORGANIZED TERRITORIES FUND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	SPECIAL REVENUE FUNDS		
	SEPTIC GRANT	PUBLIC FACILITIES GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	2,109	-	2,109
TOTAL ASSETS	2,109	-	2,109
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	204		204
TOTAL LIABILITIES	204		204
FUND BALANCES			
Unreserved, undesignated	1,905		1,905
TOTAL FUND BALANCES	1,905	-	1,905
TOTAL LIABILITIES AND FUND BALANCES	2,109	-	2,109

UNORGANIZED TERRITORIES FUND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>		
	<u>SEPTIC GRANT</u>	<u>PUBLIC FACILITIES GRANT</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES			
State assistance	36,119	49,293	85,412
TOTAL REVENUES	<u>36,119</u>	<u>49,293</u>	<u>85,412</u>
EXPENDITURES			
Current and Capital Outlays		49,293	49,293
TOTAL USES OF FINANCIAL RESOURCES	<u>-</u>	<u>49,293</u>	<u>49,293</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>36,119</u>	<u>-</u>	<u>36,119</u>
NET CHANGE IN FUND BALANCES	36,119	-	36,119
FUND BALANCES - JULY 1, 2007	<u>(34,214)</u>	<u>-</u>	<u>(34,214)</u>
FUND BALANCES - JUNE 30, 2008	<u><u>1,905</u></u>	<u><u>-</u></u>	<u><u>1,905</u></u>



Chester M. Kearney
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA
Chad E. Bartley, CPA

To the Management of the
Unorganized Territories Fund

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Unorganized Territories Fund, as of and for the year ended June 30, 2008, which collectively comprise the Unorganized Territories Fund's basic financial statements and have issued our report thereon dated September 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Unorganized Territories Fund's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unorganized Territories Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Unorganized Territories Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Unorganized Territories Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the Unorganized Territories Fund's financial statements that is more than inconsequential will not be prevented or detected by the Unorganized Territories Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Unorganized Territories Fund's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Unorganized Territories Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester M. Kearney

Presque Isle, Maine
September 23, 2008



HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002

(207) 287-1400

TTY: (207) 287-4469

Bernard L. A. Ayotte

1469 Van Buren Road
Caswell, ME 04750

Residence: (207) 325-4905

State House E-Mail:

RepBernard.Ayotte@legislature.maine.gov

January 2009

Dear Friends & Neighbors:

It is truly an honor to be writing to you again as State Representative for House District 3, which encompasses the northeastern Aroostook County. Much has happened since last I wrote, including the election of a new president and the progressive decline of our state and national economy. We are witness to a historical transition, not only in the leadership of this nation, but also in how we conduct private business and implement public policy. No single factor can be pointed to as the cause of this turmoil. Nonetheless, commerce's and industry's growing weakness is the culmination of failures across the spectrum of financial management, government accountability, and balanced discourse. Our mettle is truly being tested at this moment in time, a test that we can assuredly transition through just as our parents and grandparents did during the 1930's.

As a biology graduate and former teacher of this subject, I am pleased that legislative leadership has once again appointed me to serve on the Natural Resources Committee. My previous tenure on this panel will allow me improved insight and a better understanding of the applicable issues of oversight. The working group's jurisdiction includes the Department of Environmental Protection, natural resource protection, hydropower and dam regulations, and general environmental policy. It also reviews site location and development laws, shoreland zoning, and growth management.

While lawmakers work to address a shortfall in excess of \$140 million for the current biennium and an \$838 million gap for the next two-year cycle, efforts, such as reducing the number of bill submissions, are being made to minimize expenditures. Due to a lengthened period of time by which legislation may be tendered, there was a 23% decline in proposed initiatives. Various controversial topics are amongst the hundreds of topics that have been brought forward for consideration. I welcome your input on such issues as the legalization of gay marriage, banning cell phone usage while driving, requiring State employees to pay part of their health insurance, and repealing the laws governing school consolidation. By hearing from you, I can be sure the collective voice of my constituency is heard in Augusta.

Once more I wish to thank you for the pleasure of serving at the State House. Please know that if you ever encounter a problem with any State agency, I am happy to work as your personal advocate to ensure the impasse is resolved.

Most graciously,

Bernard L. A. Ayotte
State Representative

District 3 Caswell, Grand Isle, Hamlin, Limestone, New Sweden, Van Buren, Woodland and Cyr Plantation,
plus the unorganized territory of Connor Township

Printed on recycled paper

PHONE/FAX/E-MAIL DIRECTORY

County Commissioners (207) 493-3318
Fax – (207) 493-3491

County Administrator (207) 493-3318
Cell - (207) 227-2822
Fax – (207) 493-3491 E-mail - doug@aroostook.me.us

County Treasurer (207) 493-3318
Fax – (207) 493-3491 E-mail - wil@aroostook.me.us

District Attorney (207) 498-2557
Fax – (207) 493-3493 E-mail - neale@aroostook.me.us

District Court - Caribou (207) 493-3144
District Court - Fort Kent (207) 834-5003
District Court - Madawaska (207) 728-4700
District Court - Presque Isle (207) 764-2055
District Court - Houlton (207) 532-2147

Emergency Management Agency (207) 493-4328
Cell - (207) 551-2501
Fax – (207) 328-4205 E-mail - vern@aroostookema.com

Public Works Director (207) 493-3318
Cell - (207) 227-5252
Fax – (207) 493-3491 E-mail - paul@aroostook.me.us

Register of Deeds – Fort Kent (207) 834-3925
Fax – (207) 834-3138 E-mail - louise@aroostook.me.us

Registry of Deeds – Houlton (207) 532-1500
Fax – (207) 532-1506 E-mail - pat@aroostook.me.us

Register of Probate (207) 532-1502
Fax – (207) 532-1506 E-mail - joanne@aroostook.me.us

Sheriff's Department (207) 532-3471
Cell - (207) 538-6192
Fax – (207) 532-7319 E-mail - sheriff@aroostook.me.us

Facilities Manager – Caribou (207) 493-3318
Fax – (207) 493-3491 Cell - (207) 227-3538
- Fort Kent (207) 834-3925
Fax – (207) 834-3138 E-mail - bryan@aroostook.me.us

Superintendent of Buildings – Houlton (207) 532-1509
Fax – (207) 532-7121 Cell - (207) 538-7670
E-mail - dan@aroostook.me.us

Superior Court - Caribou (207) 498-8125
Superior Court - Houlton (207) 532-6563

Workforce Investment Act (WIA) (207) 493-3496
Cell – (207) 227-4385
Fax – (207) 493-3498 E-mail - dena@aroostook.me.us

