

FELCH & COMPANY, LLC  
*Certified Public Accountants*

COUNTY OF AROOSTOOK, MAINE  
as of  
DECEMBER 31, 2015

## *Financial Statements*

COUNTY OF AROOSTOOK, MAINE

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# FELCH & COMPANY, LLC

*Certified Public Accountants*

P.O. BOX 906  
CARIBOU, MAINE 04736  
(207) 498-3176  
FAX (207) 498-6278  
E-MAIL: CPA@FELCHCPA.COM

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

### **Opinions**

In our opinion, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and Public Pension information on Pages I through IV and Schedules 1, 2 and 3, be present to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 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* in considering County of Aroostook's internal control over financial reporting and compliance.

*Felch & Company LLC*

June 20, 2016

County of Aroostook, Maine  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015

UNAUDITED

The following narrative is an overview of the County of Aroostook's financial performance designed to assist the reader in focusing on significant financial issues. This discussion and analysis should be read in conjunction with the attached financial statements together with the related notes.

**USING THIS ANNUAL REPORT**

In accordance with generally accepted accounting principles, the basic financial statements are presented in two formats. Each format presents information by a different measurement focus. The first of these formats is called the government-wide statements which presents the County of Aroostook as a whole and presents a longer-term view of the County's finances. The second format uses fund accounting and the focus is on current resources available for current obligations.

Reporting the County as a Whole

The government-wide statements are designed to present the County as a whole similar to the way a business presents financial statements. The Statement of Net Position (Exhibit A) combines the assets and liabilities as presented in the governmental funds with the County's capital assets and long-term obligations. In the Statement of Activities (Exhibit B) the focus is on both the gross and net cost of the various activities (or departments) which are funded by various general revenues including tax assessment and intergovernmental revenues. Revenues are recognized when earned regardless of when they are collected and expenses are recognized when the liability becomes due. Since capital asset purchases are not considered an expense under this measurement focus, annual charges for depreciation are recognized to indicate the use of these assets over time.

Fund Financial Statements

In the preparation of these statements, fund accounting is used which is described more fully in the notes to the financial statements. The focus under GASB 34 is on "major funds" which presents a separate column for only the most significant funds of the County. These statements (Exhibits C & D) present the County's financial position and results of operations using a shorter-term view and show how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds report using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The County also has custody and maintains funds for the operation of the county jail for the State of Maine Department of Corrections. These funds are accounted for in an Agency Fund since they do not belong to the County. Due to the nature of these funds they are excluded from the Statement of Net Position and Activities discussed above.

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 immediately following the basic financial statements.

County of Aroostook, Maine  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015

UNAUDITED

<b>Table 1</b>		
<b>Net Position</b>		
	<u>Governmental Activities</u>	
	<u>2015</u>	(Restated) <u>2014</u>
Current and other assets	\$ 2,110,708	\$ 2,144,756
Capital assets, net	<u>1,346,499</u>	<u>1,499,147</u>
Total assets	<u>3,457,207</u>	<u>3,643,903</u>
Deferred outflows of resources	<u>1,172,638</u>	<u>273,562</u>
Current liabilities	1,204,725	1,370,627
Net pension liability	<u>2,322,411</u>	<u>1,075,708</u>
Total liabilities	<u>3,527,136</u>	<u>2,446,335</u>
Deferred inflows of resources	<u>1,190,515</u>	<u>1,142,470</u>
Net position		
Net investment in capital assets	1,346,499	1,499,147
Restricted	50,203	19,824
Unrestricted	<u>(1,484,508)</u>	<u>(1,190,311)</u>
Total net position (deficit)	<u>\$ (87,806)</u>	<u>\$ 328,660</u>

County of Aroostook, Maine  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015

UNAUDITED

**Table 2**  
**Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$1,363,139	\$1,358,522
Operating grants	<u>508,712</u>	<u>567,211</u>
	<u>1,871,851</u>	<u>1,925,733</u>
General revenues:		
Tax assessment	3,170,294	3,032,537
Investment income	5,217	3,901
Other revenues	<u>121,246</u>	<u>48,332</u>
	<u>3,296,757</u>	<u>3,084,770</u>
Total Revenues	<u>5,168,608</u>	<u>5,010,503</u>
<b>Expenses:</b>		
Program expenses:		
Emergency management	460,721	430,086
Administration	828,358	718,796
Public safety	206,632	201,594
Operation of courts	897,849	844,742
Registry operations	632,140	636,393
Law enforcement	1,988,182	1,881,390
Fire Marshal	9,460	8,707
Employment and training	-	138,986
Other	64,012	50,342
Outside requests	242,737	228,862
Capital outlays	119,018	38,029
Unallocated depreciation	<u>135,965</u>	<u>149,254</u>
Total Expenses	<u>5,585,074</u>	<u>5,327,181</u>
(Decrease) in net position	\$ <u>(416,466)</u>	\$ <u>(316,678)</u>

County of Aroostook, Maine  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015

UNAUDITED

**ANALYSIS OF FINANCIAL POSITION**

During the year ending December 31, 2015, the total net position decreased \$416,466 to \$(87,806) at year end. The net investment in capital assets decreased by \$152,648 to \$1,346,499, restricted net position increased by \$30,379 to \$50,203, and unrestricted net position decreased by \$294,197 to \$(1,484,508).

**CAPITAL ASSET ACTIVITY**

Capital assets, net of depreciation totaled \$1,346,499 as of December 31, 2015, representing a \$152,648 decrease from the prior year end. This decrease is mainly due to additions of vehicles, equipment, and building improvements offset by depreciation and retirement of assets. For more detail, please refer to Note 4 to the financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The County took in \$69,677 less than anticipated in revenues which was primarily due to lower than expected deeds/probate revenues and service fees received. This unfavorable variance was partially offset by higher than expected municipal tax revenue. The County also spent \$292,577 less than anticipated which was primarily in operation of courts, registry operations, drug and law enforcement, and capital outlays. This resulted in a net favorable budget variance of approximately \$222,900. For the budgetary comparison, please refer to Schedule 1.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is the County Administrator, County of Aroostook, 144 Sweden Street, Suite 1, Caribou, ME 04736.

## COUNTY OF AROOSTOOK, MAINE

EXHIBIT A

STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 2,000,352
Due from other governments	77,734
Accounts receivable	<u>32,622</u>
Total current assets	<u>2,110,708</u>
CAPITAL ASSETS	
Capital assets (Notes 4 and 6)	
Non-depreciable	18,400
Depreciable, net	<u>1,328,099</u>
Total capital assets	<u>1,346,499</u>
Total assets	<u>3,457,207</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,172,638</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	79,905
Due to other governments	54,074
Due to other funds	21,418
Deferred revenue	729
Accrued wages	35,544
Compensated absences	210,789
Other post-employment benefits	<u>802,266</u>
	<u>1,204,725</u>
NON-CURRENT LIABILITIES	
Net pension liability	<u>2,322,411</u>
Total liabilities	<u>3,527,136</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,190,515</u>
NET POSITION	
Net investment in capital assets	1,346,499
Restricted	50,203
Unrestricted	<u>(1,484,508)</u>
Total net position	<u>\$ (87,806)</u>

*The accompanying notes are an integral part of this financial statement.*

COUNTY OF AROOSTOOK, MAINE

EXHIBIT B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Emergency management	\$ 460,721	\$ 75,638	\$ -	\$ (385,083)
Administration	828,358	13,875	-	(814,483)
Public Safety	206,632	-	-	(206,632)
Operation of courts	897,849	156,561	-	(741,288)
Registry operations	632,140	740,378	-	108,238
Law enforcement	1,988,182	376,687	508,712	(1,102,783)
Fire marshal	9,460	-	-	(9,460)
Other	64,012	-	-	(64,012)
Outside requests	242,737	-	-	(242,737)
Capital outlays	119,018	-	-	(119,018)
Unallocated depreciation	135,965	-	-	(135,965)
	<u>\$ 5,585,074</u>	<u>\$ 1,363,139</u>	<u>\$ 508,712</u>	<u>(3,713,223)</u>
General Revenues:				
Tax assessment				3,170,294
Investment income				5,217
Other revenues				<u>121,246</u>
				<u>3,296,757</u>
CHANGE IN NET POSITION				(416,466)
NET POSITION - JANUARY 1, 2015, as restated (Note 1)				<u>328,660</u>
NET POSITION - DECEMBER 31, 2015				<u>\$ (87,806)</u>

*The accompanying notes are an integral part of this financial statement.*

COUNTY OF AROOSTOOK, MAINE

EXHIBIT C

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	General Fund	Grants	Total Governmental Funds
<u>ASSETS</u>			
Cash (Note 3)	\$ 1,978,923	\$ 21,429	\$ 2,000,352
Due from other governments	48,960	28,774	77,734
Accounts receivable	<u>32,622</u>	<u>-</u>	<u>32,622</u>
	<u>\$ 2,060,505</u>	<u>\$ 50,203</u>	<u>\$ 2,110,708</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 79,905	\$ -	\$ 79,905
Due to other funds	21,418	-	21,418
Due to other governments	54,074	-	54,074
Deferred revenue	<u>729</u>	<u>-</u>	<u>729</u>
	<u>156,126</u>	<u>-</u>	<u>156,126</u>
<u>FUND BALANCES</u>			
Restricted:			
Deeds and probate records preservation	153,514	-	153,514
Grant projects	-	50,203	50,203
Assigned (Note 9)	795,312	-	795,312
Unassigned	<u>955,553</u>	<u>-</u>	<u>955,553</u>
	<u>1,904,379</u>	<u>50,203</u>	<u>1,954,582</u>
	<u>\$ 2,060,505</u>	<u>\$ 50,203</u>	<u>\$ 2,110,708</u>

*The accompanying notes are an integral part of this financial statement.*

COUNTY OF AROOSTOOK, MAINE

EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	General <u>Fund</u>	<u>Grants</u>	Total Governmental <u>Funds</u>
REVENUES			
Municipal tax revenue	\$ 3,170,294	\$ -	\$ 3,170,294
Federal and state assistance	-	508,712	508,712
Registry of deeds and probate	740,378	-	740,378
Intergovernmental revenues	232,199	-	232,199
Service fees	390,562	-	390,562
Interest income	5,217	-	5,217
Other revenues	121,246	-	121,246
	<u>4,659,896</u>	<u>508,712</u>	<u>5,168,608</u>
EXPENDITURES			
Emergency management	145,342	298,843	444,185
Administration	767,618	-	767,618
Public Safety	206,632	-	206,632
Operation of courts	833,645	-	833,645
Registry operations	570,680	-	570,680
Drug and law enforcement	1,586,780	115,478	1,702,258
Fire marshal	9,460	-	9,460
Other	-	64,012	64,012
Outside requests	242,737	-	242,737
Capital outlays	197,194	-	197,194
	<u>4,560,088</u>	<u>478,333</u>	<u>5,038,421</u>
EXCESS OF REVENUES OVER EXPENDITURES	99,808	30,379	130,187
FUND BALANCE - JANUARY 1, 2015	<u>1,804,571</u>	<u>19,824</u>	<u>1,824,395</u>
FUND BALANCE - DECEMBER 31, 2015	<u>\$ 1,904,379</u>	<u>\$ 50,203</u>	<u>\$ 1,954,582</u>

*The accompanying notes are an integral part of this financial statement.*

COUNTY OF AROOSTOOK, MAINE

EXHIBIT E

RECONCILIATION OF FUND BALANCE IN GOVERNMENTAL FUNDS TO NET POSITION  
DECEMBER 31, 2015

Fund balance in governmental funds (Exhibit C)		\$ 1,954,582
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 15,653,401	
Accumulated depreciation	<u>(14,306,902)</u>	1,346,499
Deferred outflows in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred outflows of resources		1,172,638
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued wages		(35,544)
Accrued compensated absences		(210,789)
Other postemployment benefits		(802,266)
Net pension liability		(2,322,411)
Deferred inflows in governmental activities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Deferred inflows of resources		<u>(1,190,515)</u>
Net position (Exhibit A)		<u>\$ (87,806)</u>

*The accompanying notes are an integral part of this financial statement.*

COUNTY OF AROOSTOOK, MAINE

EXHIBIT F

RECONCILIATION OF CHANGE IN FUND BALANCE IN GOVERNMENTAL FUNDS  
TO CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balance - total governmental funds (Exhibit D)		\$ <u>130,187</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	\$ 81,384	
Depreciation expense	(230,824)	
Net book value of assets disposed	<u>(3,208)</u>	(152,648)
(Increase) in liability for accrued wages		(2,393)
Decrease in liability for compensated absences		4,060
Change in deferred inflows/outflows of resources		851,031
(Increase) in deferred pension liability		<u>(1,246,703)</u>
Change in net position of governmental activities (Exhibit B)		\$ <u>(416,466)</u>

*The accompanying notes are an integral part of this financial statement.*

COUNTY OF AROOSTOOK, MAINE  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2015

EXHIBIT G

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 54,290</u>
<u>LIABILITIES</u>	
Due to State of Maine	<u>\$ 54,290</u>
NET POSITION	<u>\$ -</u>

*The accompanying notes are an integral part of this financial statement.*

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Aroostook, Maine was incorporated in 1839 and operates under the authority of a County Charter and State of Maine law. Under this form of government, the County commissioners set the policy for the organization and the County Administrator is in charge of implementing that policy.

The accounting and reporting policies of the County of Aroostook relating to the funds included in the accompanying basic 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 Government Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Government Units*. The County's significant accounting policies are described below.

These 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 by GASB have been considered. It has been determined that the County of Aroostook, Maine has no component units for inclusion in these financial statements.

Basis of Presentation

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The County does not have any activities classified as business-type activities.

Government-Wide Statements and Measurement Focus

In the government-wide Statement of Net Position the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts - net investment in capital assets, restricted net position and unrestricted net position. The unrestricted net position includes those designated by the County for subsequent years' expenditures, since they are considered available for use, and those that are undesignated.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions (operation of courts, administration, law enforcement, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or department. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by department are normally covered by general revenue (property taxes and investment income). The government-wide focus is on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities, except for fiduciary funds. The County does not allocate indirect costs.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements and Measurement Focus

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

All governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources and uses of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. For this reason, a reconciliation is presented with brief explanations to identify the differences between the two sets of financial statements.

The emphasis in fund financial statements is on the major funds. GASB standards set forth minimum criteria based on the size of the funds for the determination of major funds. County management may also designate additional funds as major funds. Each major fund is presented in a separate column in the financial statements. The nonmajor funds are combined in a column in the fund financial statements.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Other governmental funds are reported as non-major funds:

The Grants Fund is a special revenue fund and is used to account for proceeds from specific revenue sources that are legally restricted to expenditure for specific purposes.

The County also reports the following fund type:

An Agency Fund is used to account for funds held by the County as an agent for the State of Maine Board of Corrections' jail fund.

Formal budgetary accounting is employed as a management control for the General Fund of the County. Annual operating budgets are adopted by the Finance Committee. In accordance with generally accepted accounting principles, these budgets use the same accounting method to reflect actual revenues and expenditures. Budgetary control is exercised at the departmental level or by project. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used where purchase orders, contracts and other commitments for the expenditure of resources are recorded to ensure that that portion of fund balance is utilized for its intended purpose. In the general fund, for budgetary purposes, appropriations lapse at fiscal year-end except for that portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The term "basis of accounting" refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. This differs from measurement focus in that it refers to the timing of recognition. Measurement focus refers to what is being measured and included in the financial statements.

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recognized when the exchange takes place (accrual basis). Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within 60 days of fiscal year-end. Licenses and permits, charges for services, fines and forfeits and miscellaneous revenues are recorded as revenues when received in cash. General property taxes and investment earnings are recorded when they become both measurable and available.

Nonexchange transactions, in that the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions is considered to be available since it has already been received.

Financial Statement Amounts

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Following is a summary of significant accounting principles used by the County.

*Cash and Temporary 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 and temporary investments. Earnings from these investments are reported by the applicable funds. The County's policy is to invest in local banks and to insure the funds to as great a degree as possible.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Property Taxes and Deferred Revenue*

The county tax is authorized as part of the annual budget process by the Finance Committee, a nine member group selected from all three districts in the County. Taxes are assessed in February each year to the municipalities and unorganized territories within the County's borders and are used to finance the operations of the County for the calendar year. Property taxes that remained uncollected at year end were collected soon enough to be considered available and accordingly were fully recognized as revenue as of December 31, 2015.

*Capital Assets*

Initial acquisitions of capital assets purchased or acquired with an original cost of \$500 or more are reported at actual or estimated historical cost. Contributed assets are reported 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 if they exceed \$5,000. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of 5 to 10 years for vehicles and equipment, 20 to 40 years for buildings and improvements. Due to the County's size it has elected not to report infrastructure prior to January 31, 2004.

*Compensated Absences*

County employees are entitled to sick and vacation leave based on their length of employment. Upon termination, an employee is paid the amount of accumulated vacation and/or sick days not used up to certain limits. Accumulated sick leave is paid out at 25% or 50% up to 90 days depending on length of service. Accumulated vacation leave is paid up to 30 days. Unused sick and vacation time is accumulated at the employees' current rate of pay and is included as a liability in the government-wide financial statements.

*Net Position*

Net position represents the difference between assets, liabilities and deferred inflows and outflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

*Fund Balance Classifications*

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted Fund Balance

The County of Aroostook's restricted fund balance includes amounts that can only be used for specific purposes.

Unrestricted - Committed

The County's board of commissioners has the authority to commit fund balance amounts for specific purposes. Board approval is also required to modify or rescind a commitment of fund balance. The County does not currently have any committed balances.

Unrestricted - Assigned

The County Administrator has the authority to assign fund balance amounts for specific purposes. Management approval is also needed to modify or rescind an assignment of fund balance.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned

The County of Aroostook's unassigned fund balances includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

When restricted and other fund balances resources are available for use, it is the County's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively. The County does not currently have a minimum fund balance policy.

*New Pronouncements*

The County implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27, effective for periods beginning after June 15, 2014, which replaces the requirements of GASB Statements Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize, for the first time, a liability for their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest, and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

*Restatement*

During the year ended December 31, 2015, the County implemented GASB Statement No. 68. The implementation of this new accounting standard required a restatement of beginning net position for the beginning net pension liability, resulting in a reduction of net position as originally reported.

The above restatement had the following impact on previously reported balances:

<u>Statement of Activities</u>	<u>Governmental Activities</u>
January 1, 2015 net position, as previously reported	\$ 2,273,276
Restatement for net pension liability	<u>(1,944,616)</u>
January 1, 2015 net position, as restated	\$ <u><u>328,660</u></u>

(2) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may be lost. As of December 31, 2015, the County's deposits with financial institutions of \$2,059,840 were fully insured or collateralized with government securities held in the County's name.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(3) RELATED PARTY TRANSACTIONS

The County is related to the Unorganized Territories of Aroostook County, Maine through common management. The County oversees the day to day operations, maintenance of roads and bridges, snow removal and other needs of the residents of the Unorganized Territories. For these services, the Unorganized Territories paid the County an annual administration fee of \$68,925 for the year ended December 31, 2015.

(4) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance January 1 <u>2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2015</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ <u>18,400</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,400</u>
Depreciable assets:				
Land improvements	257,955	-	-	257,955
Building and improvements	12,486,877	10,398	-	12,497,275
Heating systems	277,313	-	-	277,313
Electrical and plumbing	85,943	-	-	85,943
Communications equipment	351,886	2,335	-	354,221
Computer/office equipment	684,850	12,300	100	697,050
Custodial equipment	49,080	-	-	49,080
Firefighting equipment	91,166	-	-	91,166
Grounds equipment	39,230	-	-	39,230
Kitchen equipment	75,007	629	-	75,636
Police equipment	177,556	16,185	3,500	190,241
Vehicles	714,601	36,927	-	751,528
Furniture and fixtures	<u>265,753</u>	<u>2,610</u>	<u>-</u>	<u>268,363</u>
	<u>15,557,217</u>	<u>81,384</u>	<u>3,600</u>	<u>15,635,001</u>
Less accumulated depreciation for:				
Land improvements	116,887	12,757	-	129,644
Building and improvements	11,915,607	29,163	-	11,944,770
Heating systems	131,381	13,794	-	145,175
Electrical and plumbing	33,562	4,572	-	38,134
Communications equipment	270,949	13,908	-	284,857
Computer/office equipment	548,315	44,458	100	592,673
Custodial equipment	42,019	2,789	-	44,808
Firefighting equipment	23,789	2,313	-	26,102
Grounds equipment	25,747	2,960	-	28,707
Kitchen equipment	65,558	4,125	-	69,683
Police equipment	146,452	9,345	292	155,505
Vehicles	510,336	85,514	-	595,850
Furniture and fixtures	<u>245,868</u>	<u>5,126</u>	<u>-</u>	<u>250,994</u>
	<u>14,076,470</u>	<u>230,824</u>	<u>392</u>	<u>14,306,902</u>
Total Capital Assets	<u>\$ 1,499,147</u>	<u>\$ (149,440)</u>	<u>\$ 3,208</u>	<u>\$ 1,346,499</u>

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(4) CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities	
Law enforcement	\$ 94,859
Unallocated	<u>135,965</u>
	<u>\$230,824</u>

(5) LINE OF CREDIT

The County borrowed and repaid \$950,000 during the year ended December 31, 2015 to finance its operations while it waited to collect tax revenues. This note was paid in full by year end. The County paid a total of \$13,044 in interest on this loan during 2015.

(6) PARTICIPATION IN PUBLIC ENTITY RISK POOL

The County is a member of the Maine Municipal Association - Worker Compensation Trust Fund (the fund). The fund was created to assist members in managing their workers compensation costs through effective claims management and loss prevention activities. 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.

(7) EMPLOYEES' RETIREMENT PLAN

Plan Description

The County contributes to the Maine Public Employees Retirement System (MainePERS) which is a multiple-employer cost sharing defined benefit pension plan as a Participating Local District (PLD). Eligible employers are defined in Maine statute. As of June 30, 2015, there were 289 employers in the plan. As of December 31, 2015, the County had 85 employees enrolled in the plan.

Pension Benefits

Benefit terms are established in Maine statute and an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The plan provides defined benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below the normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest (annual rate is currently 5%), credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(7) EMPLOYEES' RETIREMENT PLAN (Continued)

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule. The County's participants contribute 7.0% of their wages to the plan until June 30, 2015 and 7.5% beginning July 2015. The County's contribution rate is determined through actuarial valuations.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At December 31, 2015, the County reported a liability of \$2,322,411 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was .728%, which was an increase of .029% from its proportion as measured as of June 30, 2014.

For the year ended December 31, 2015, the County recognized pension expense of \$693,220. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 93,770	\$ 298,275
Net difference between projected and actual investment earnings on pension plan investments	716,781	892,240
Changes in assumptions	205,239	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>156,848</u>	<u>-</u>
Total	<u>\$1,172,638</u>	<u>\$1,190,515</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 34,675
2018	34,675
2019	127,722
2020	(179,195)

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(7) EMPLOYEES' RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.5% to 9.5% per year
Investment rate of return	7.125% per annum, compounded annually
Cost of living benefit increases	2.55%

Mortality rates were based on the RP2000 Tables projected forward to 2015 using Scale AA; for recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females was used.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.2%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.7%

Discount Rate

The discount rate used to measure the collective pension liability was 7.125% for 2015 and 7.25% for 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2015, would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.125% for the PLD Consolidated Plan.

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$4,626,931	\$2,322,411	\$137,584

All other employees are covered under the Social Security System.

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(7) EMPLOYEES' RETIREMENT PLAN (Continued)

MainePERS issues a publicly available financial report that includes financial statements and required supplementary information that may be obtained on the Internet at [www.maineopers.org](http://www.maineopers.org) or at the MainePERS office in Augusta.

(8) OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The County provides health insurance benefits to its retirees meeting certain age and length of service requirements up to the age of 65 through an agent multiple-employer plan administered by the Maine Municipal Employees Health Trust. The County does not issue a stand-alone financial statement for the plan.

Funding Policy

The County's funding policy is to pay the net expected benefits for the current retirees. The County does not generally contribute to the trust to fund future retirement benefits except that it receives credit for premiums paid currently in the form of a rate subsidy toward future premiums.

Annual OPEB Cost and Net OPEB Obligation

The County's Other Post-employment Benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortizes the unfunded actuarial liability over a period of 30 years. The following table presents the components of the County's annual OPEB cost for 2014, the amount actually contributed to the plan, and the net change in its net OPEB obligation:

Annual required contribution	\$276,997
Interest on net OPEB obligation	22,179
Adjustment to ARC	<u>(32,065)</u>
Annual OPEB cost	267,111
Employer contributions - admin fee	(3,450)
Employer contributions - explicit premiums	<u>(15,861)</u>
Increase in net OPEB obligation	247,800
Net OPEB, January 1, 2014	<u>554,466</u>
Net OPEB, December 31, 2014	<u>\$802,266</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012, 2013 and 2014 were as follows:

Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2014	\$267,111	7.2%	\$802,266
2013	183,150	2.7%	554,466
2012	186,474	0.0%	376,334

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(8) OTHER POST-EMPLOYMENT BENEFITS (Continued)

Based on the size of the plan, actuarial valuations are performed every three years. As of January 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,260,078, with no plan assets resulted in an unfunded actuarial accrued liability of \$2,260,078. The covered payroll (annual payroll of active employees covered by the plan) was \$626,869. The ratio of the unfunded actuarially accrued liabilities to covered payroll was 1.28%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between the County and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation the projected unit credit actuarial cost method was used. The assumptions included a 4% rate of return and a 3% payroll growth rate. Also assumed was, an annual healthcare cost trend rate of 8.9% initially, reduced incrementally to an ultimate rate of 4.6% after 15 years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year open amortization period.

(9) ASSIGNED FUND BALANCE

The County had the following assigned fund balances, as of December 31, 2015:

Welcome to Aroostook signs	\$ 1,841
Part-time officers	2,000
Sheriff's equipment	2,664
Unemployment	5,214
Compensation study	25,000
Sick and vacation fund	77,307
Retiree/administrator medical	93,234
Contingency	100,000
Capital reserve	<u>488,052</u>
	<u>\$795,312</u>

COUNTY OF AROOSTOOK, MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2015

(10) COMMITMENTS AND CONTINGENCIES

The County is exposed to various risks of loss related to torts; theft or damages to assets for which it carries commercial insurance. Settled claims, if any, resulting from these risks have not significantly exceeded commercial insurance coverage.

The County is the recipient of various grants which are subject to review and/or compliance audits by various authorities. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. In the opinion of management, there are no such amounts that will be disallowed as of December 31, 2015.

(11) SUBSEQUENT EVENTS

Management has reviewed subsequent events through June 20, 2016, the date that these financial statements were available to be issued and determined that no additional adjustments or disclosures are required in order for these financial statements to be fairly stated.

COUNTY OF AROOSTOOK, MAINE  
 BUDGETARY COMPARISON  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 1

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Resources (Inflows)				
Municipal tax revenue	\$ 3,064,564	\$ 3,064,564	\$ 3,170,294	\$ 105,730
Registry of deeds and probate	853,000	853,000	740,378	(112,622)
Intergovernmental revenues	236,236	236,236	232,199	(4,037)
Service fees	493,729	493,729	390,562	(103,167)
Interest income	7,000	7,000	5,217	(1,783)
Other revenues	<u>75,044</u>	<u>75,044</u>	<u>121,246</u>	<u>46,202</u>
Amounts available for appropriations	<u>4,729,573</u>	<u>4,729,573</u>	<u>4,659,896</u>	<u>(69,677)</u>
Charges to appropriations (Outflows)				
Emergency management	142,060	142,060	145,342	(3,282)
Administration	802,988	802,988	767,618	35,370
Public safety	208,756	208,756	206,632	2,124
Operation of courts	928,426	928,426	833,645	94,781
Registry operations	614,867	614,867	570,680	44,187
Drug and law enforcement	1,638,955	1,638,955	1,586,780	52,175
Fire marshal	9,500	9,500	9,460	40
Outside requests	242,737	242,737	242,737	-
Capital outlays	<u>264,376</u>	<u>264,376</u>	<u>197,194</u>	<u>67,182</u>
Total charges to appropriations	<u>4,852,665</u>	<u>4,852,665</u>	<u>4,560,088</u>	<u>292,577</u>
Excess of resources (under) charges to appropriations	(123,092)	(123,092)	99,808	<u>\$ 222,900</u>
FUND BALANCE - JANUARY 1, 2015	<u>123,092</u>	<u>123,092</u>	<u>1,804,571</u>	
FUND BALANCE - DECEMBER 31, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,904,379</u>	

COUNTY OF AROOSTOOK, MAINE

SCHEDULE 2

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED DECEMBER 31, 2015

County's proportion of the net pension liability (asset)	0.727922%
County's proportionate share of the net pension liability (asset)	\$ 2,322,411
County's covered-employee payroll	3,745,557
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62.00%
Plan fiduciary net position as a percentage of the total pension liability	88.30%

COUNTY OF AROOSTOOK, MAINE

SCHEDULE 3

SCHEDULE OF THE COUNTY'S CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Contractually required contribution	\$ 271,693
Contributions in relation to the contractually required contribution	<u>271,693</u>
Contribution deficiency (excess)	<u>\$ -</u>
County's covered-employee payroll	\$ 3,745,557
Contributions as a percentage of covered-employee payroll	7.25%

COUNTY OF AROOSTOOK, MAINE

NOTES TO SCHEDULES 2 AND 3  
DECEMBER 31, 2015

NOTE 1 - VALUATION DATE

Only fiscal year 2015 is reported. The amounts have a measurement date as of June 30, 2015. The County will continue to present information until a full ten-year trend is compiled.

NOTE 2 - BENEFIT CHANGES

There were no benefit changes for County employees in the employees' retirement plan.

NOTE 3 - CHANGE IN ASSUMPTIONS

The change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2015 valuation.

NOTE 4 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return
Investment rate of return	7.125% compounded annually
Retirement age	60 or 65, depending on years of creditable service at certain dates
Mortality	RP2000 Tables projected to 2015 using Scale AA, with ages set back two years

# FELCH & COMPANY, LLC

*Certified Public Accountants*

P.O. BOX 906  
CARIBOU, MAINE 04736  
(207) 498-3176  
FAX (207) 498-6278  
E-MAIL: CPA@FELCHCPA.COM

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the County of Aroostook, Maine as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County of Aroostook, Maine's basic financial statements and have issued our report thereon dated June 20, 2016.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Aroostook, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County of Aroostook, Maine's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below that we consider to be a significant deficiency.

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

The size of the County imposes practical limitations on the establishment of those internal control structure policies and procedures that depend on segregation of duties. One individual effectively signs checks by the use of a signature stamp and is also responsible to record journal entries and reconcile the bank account. Failure to segregate these duties could lead to unintentional errors in cash or the misuse of cash without being detected in the normal course of business.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Aroostook, Maine's financial statements are free from 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*.

#### County of Aroostook, Maine's Response to Findings

The County of Aroostook, Maine's response to the above-mentioned finding is that management has segregated duties to the extent it considers feasible for the size of its office staff. It has also implemented various compensating controls in order to minimize its risk.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Felch & Company LLC*

Caribou, Maine  
June 20, 2016