

Audited Financial Statements  
and Other Financial Information

**County of Aroostook, Maine  
Unorganized Territories**

June 30, 2018



*Proven Expertise & Integrity*

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

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JUNE 30, 2018

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## INDEPENDENT AUDITORS' REPORT

County Commissioners  
County of Aroostook, Maine - Unorganized Territories  
Presque Isle, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the County of Aroostook - Unorganized Territories, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Unorganized Territories' 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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

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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.

### Opinions

In our opinion, except for the items mentioned in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County of Aroostook - Unorganized Territories as of June 30, 2018 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*

Management has omitted a management's discussion and analysis, capital assets, depreciation on capital assets, debt and other disclosures that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. These financial statements have been prepared for the purposes of the State of Maine. Our opinion on the basic financial statements is not affected by this missing information.

*RHR Smith & Company*

Buxton, Maine  
December 7, 2021

STATEMENT A

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 567,549
Due from other governments	940,000
<b>TOTAL ASSETS</b>	<b>\$ 1,507,549</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 20,042
Accrued expenses	5,022
Due to other governments	58,268
<b>TOTAL LIABILITIES</b>	<b>83,332</b>
<b>FUND BALANCES</b>	
Nonspendable	-
Restricted	-
Committed	-
Assigned	1,075,879
Unassigned	348,338
<b>TOTAL FUND BALANCES</b>	<b>1,424,217</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,507,549</b>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>
REVENUES	
Taxes:	
Property taxes	\$ 1,288,800
Excise taxes	345,625
Intergovernmental revenue	92,420
Miscellaneous revenue	50,512
TOTAL REVENUES	<u>1,777,357</u>
EXPENDITURES	
Current:	
Snow removal	427,554
Fire protection	165,077
Ambulance services	54,032
Street lights	11,835
Polling places	11,350
Recreation	5,376
Senior citizens	13,157
Cemeteries	3,539
Septage disposal	4,688
Solid waste	133,235
Roads/bridge maintenance	266,978
Personnel services	163,975
Public works	8,214
Capital outlay	155,550
Miscellaneous	34,674
Insurance	3,276
Administration fees	82,468
Audit	600
TOTAL EXPENDITURES	<u>1,545,578</u>
NET CHANGE IN FUND BALANCES	231,779
FUND BALANCES - JULY 1	<u>1,192,438</u>
FUND BALANCES - JUNE 30	<u><u>\$ 1,424,217</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Budgetary Fund Balance, July 1	\$ 1,192,438	\$ 1,192,438	\$ 1,192,438	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	1,288,800	1,288,800	1,288,800	-
Excise taxes	285,000	285,000	345,625	60,625
Intergovernmental revenue	80,400	80,400	92,420	12,020
Miscellaneous revenue	26,000	26,000	50,512	24,512
Amounts Available for Appropriation	<u>2,872,638</u>	<u>2,872,638</u>	<u>2,969,795</u>	<u>97,157</u>
Charges to Appropriations (Outflows):				
Snow removal	437,597	437,597	427,554	10,043
Fire protection	162,944	162,944	165,077	(2,133)
Ambulance services	60,570	60,570	54,032	6,538
Street lights	12,775	12,775	11,835	940
Polling places	11,350	11,350	11,350	-
Recreation	6,015	6,015	5,376	639
Senior citizens	16,651	16,651	13,157	3,494
Cemeteries	4,225	4,225	3,539	686
Septage disposal	5,388	5,388	4,688	700
Solid waste	139,649	139,649	133,235	6,414
Roads/bridge maintenance	178,500	266,978	266,978	-
Personnel services	168,901	168,901	163,975	4,926
Public works	10,630	10,630	8,214	2,416
Capital outlay	393,250	1,231,429	155,550	1,075,879
Miscellaneous	35,236	35,236	34,674	562
Insurance	3,276	3,276	3,276	-
Contingency	-	25,000	-	25,000
Administration fees	82,468	82,468	82,468	-
Audit	2,400	2,400	600	1,800
Total Charges to Appropriations	<u>1,731,825</u>	<u>2,683,482</u>	<u>1,545,578</u>	<u>1,137,904</u>
Budgetary Fund Balance, June 30	<u>\$ 1,140,813</u>	<u>\$ 189,156</u>	<u>\$ 1,424,217</u>	<u>\$ 1,235,061</u>
Utilization of Unassigned Fund Balance	<u>\$ 51,625</u>	<u>\$ 1,003,282</u>	<u>\$ -</u>	<u>\$ (1,003,282)</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The County of Aroostook - Unorganized Territories is governed by the State of Maine and County of Aroostook officials. The following services are provided: fire department, contracting for snow removal, waste disposal and other administrative activities.

The accounting policies of the County of Aroostook - Unorganized Territories conform to accounting principles generally accepted in the United States of America applicable to governmental units, except for the implementation of *Government Accounting Standards Board Statement Number 34*. The following is a summary of the more significant of these policies.

The County Unorganized Territories is the basic level of government, which has financial accountability, and control over all activities related to the County Unorganized Territories. The County Unorganized Territories is not included in any other governmental "reporting entity" as defined by GASB 14. In addition, we have determined that the County Unorganized Territories has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

**Implementation of Accounting Standards**

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "*Omnibus 2017.*" The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues.*" The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

**Principles Determining Scope of Reporting Entity**

The financial statements of the County of Aroostook - Unorganized Territories consist only of the funds and account groups of the County Unorganized Territories. The criteria for including organizations as component units within the County Unorganized Territories reporting entity, as set forth in GAAP include whether:

- The County Unorganized Territories is legally separate (can sue and be sued in their own name)
- The County Unorganized Territories holds the corporate powers of the organization
- The County Unorganized Territories appoints a voting majority of the organization's board

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The County Unorganized Territories is able to impose its will on the organization
- The County Unorganized Territories has the potential to impose a financial benefit/burden on the County Unorganized Territories
- There is fiscal dependency by the organization of County Unorganized Territories.

Based on the aforementioned criteria, County of Aroostook - Unorganized Territories has no component units.

**Basis of Presentation**

The accounts of County of Aroostook - Unorganized Territories are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are allocated to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

**Governmental Funds**

Governmental funds are those through which general governmental functions of the Unorganized Territories of Aroostook County are financed. The acquisition, use and balances of the Unorganized Territories of Aroostook County expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental funds.

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

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - The Capital Projects Funds are used to account for all capital projects within the Unorganized Territories of Aroostook County

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanent Funds - The Permanent Funds are used to account for assets held by the County Unorganized Territories that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the County Unorganized Territories or its citizenry. The County Unorganized Territories' policy for authorizing and spending investment income follows State statutes.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for by using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. County Unorganized Territories taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to the general rule include principal and interest on general long-term debt which is recognized when due.

**Budgets and Budgetary Accounting**

The County Unorganized Territories utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the County Unorganized Territories' general fund. The budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles. The budget is established in accordance with various laws, which govern the County Unorganized Territories' operations.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The County Commissioners prepare estimates of the amounts needed for appropriations for the coming year.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A public hearing is held by the County Commissioners on these estimates prior to June 30.
3. On or before July 1, the budget is transmitted to the State Tax Assessor and Fiscal Administrator of the County Unorganized Territories to be presented to the State of Maine Legislature for final approval.

**Deposits and Investments**

The County of Aroostook - Unorganized Territories' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the County Unorganized Territories' policy to value investments at fair value. None of the County Unorganized Territories' investments are reported at amortized cost. For purposes of the statement of cash flows, the proprietary fund type and similar trust funds consider all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

The County Unorganized Territories' Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

The County Unorganized Territories' investment policy follows that of Aroostook County and does not conflict with the State of Maine Statutes. The policy is comprehensive and is applicable to all County Unorganized Territories funds.

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the County Unorganized Territories is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the County Unorganized Territories. The inhabitants of the County Unorganized Territories through County Unorganized Territories meetings are the highest level of decision-making authority of the County Unorganized Territories. Commitments may be established, modified or rescinded only through a County Unorganized Territories meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Commissioners.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County Unorganized Territories considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the County Unorganized Territories considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the County Unorganized Territories meeting vote has provided otherwise in its commitment or assignment actions.

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The County Unorganized Territories' tax assessment is levied annually on the assessment values for each property located in the County Unorganized Territories. Assessment values are established for each municipality by the state. Taxes are payable on October 1. Interest on unpaid taxes commenced after the due date at a rate of 8.00% per annum.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Encumbrance Accounting**

The County Unorganized Territories does not employ encumbrance accounting; under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations.

**Use of Estimates**

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The County Unorganized Territories' investment policies, which follow state statutes, authorize the County Unorganized Territories to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all County Unorganized Territories funds.

**Deposits**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the County Unorganized Territories will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The County of Aroostook - Unorganized Territories does not have a policy covering custodial credit risk. However, the County Unorganized Territories maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2018, the County Unorganized Territories' cash balance of \$567,549 was comprised of bank deposits of \$577,301. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the County Unorganized Territories' cash balance. All of these deposits were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 45,252
ICS account	532,049
	<u>\$ 577,301</u>

**Investments**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the County Unorganized Territories will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the County Unorganized Territories does not have a policy for custodial credit risk for investments.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The County Unorganized Territories does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

At June 30, 2018, the County Unorganized Territories did not have any investments.

Credit risk - Statutes for the State of Maine authorize the County Unorganized Territories to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The County Unorganized Territories does not have an investment policy on credit risk.

NOTE 3 - ASSIGNED FUND BALANCES

At June 30, 2018, the County of Aroostook Unorganized Territories had the following assigned fund balances:

Reserved for FY18-19 budget	<u>\$ 1,075,879</u>
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NOTE 4 - EXPENDITURES OVER APPROPRIATIONS

The following expenditures were over appropriations at June 30, 2018:

Fire protection	<u>\$ 2,133</u>
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