

Audited Financial Statements
and Other Financial Information

**County of Aroostook, Maine
Unorganized Territories**

June 30, 2019



Proven Expertise & Integrity

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

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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, 2019 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, 2019 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 23, 2021

STATEMENT A

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Total
ASSETS		
Cash and cash equivalents	\$ 1,140,045	\$ 1,140,045
Accounts receivable (net of allowance for uncollectibles)	2,427	2,427
Due from other governments	533,119	533,119
TOTAL ASSETS	1,675,591	1,675,591
LIABILITIES		
Accounts payable	\$ 37,634	\$ 37,634
Accrued expenses	7,548	7,548
TOTAL LIABILITIES	45,182	45,182
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	1,223,065	1,223,065
Unassigned	407,344	407,344
TOTAL FUND BALANCES	1,630,409	1,630,409
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,675,591	\$ 1,675,591

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, 2019

	General Fund
REVENUES	
Taxes:	
Property taxes	\$ 1,413,226
Excise taxes	328,953
Intergovernmental revenue	173,932
Miscellaneous revenue	13,481
TOTAL REVENUES	1,929,592
EXPENDITURES	
Current:	
Snow removal	443,436
Fire protection	162,334
Ambulance services	53,754
Street lights	12,505
Polling places	6,885
Recreation	5,213
Senior citizens	13,754
Cemeteries	3,930
Septage disposal	4,852
Solid waste	129,935
Roads/bridge maintenance	175,000
Personnel services	194,575
Public works	8,962
Capital outlay	342,619
Miscellaneous	35,285
Insurance	3,276
Administration fees	87,930
Audit	2,400
TOTAL EXPENDITURES	1,688,302
NET CHANGE IN FUND BALANCES	241,290
FUND BALANCES - JULY 1, RESTATED	1,389,119
FUND BALANCES - JUNE 30	\$ 1,630,409

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

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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Budgetary Fund Balance, July 1, Restated	\$ 1,389,119	\$ 1,389,119	\$ 1,389,119	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	1,413,226	1,413,226	1,413,226	-
Excise taxes	300,000	300,000	328,953	28,953
Intergovernmental revenue	81,300	81,300	173,932	92,632
Miscellaneous revenue	7,000	7,000	13,481	6,481
Amounts Available for Appropriation	<u>3,190,645</u>	<u>3,190,645</u>	<u>3,318,711</u>	<u>128,066</u>
Charges to Appropriations (Outflows):				
Snow removal	446,032	446,032	443,436	2,596
Fire protection	163,605	163,605	162,334	1,271
Ambulance services	56,790	56,790	53,754	3,036
Street lights	12,550	12,550	12,505	45
Polling places	11,350	11,350	6,885	4,465
Recreation	6,635	6,635	5,213	1,422
Senior citizens	16,651	16,651	13,754	2,897
Cemeteries	4,350	4,350	3,930	420
Septage disposal	5,202	5,202	4,852	350
Solid waste	137,899	137,899	129,935	7,964
Roads/bridge maintenance	175,000	175,000	175,000	-
Personnel services	214,468	214,468	194,575	19,893
Public works	10,480	10,480	8,962	1,518
Capital outlay	407,750	1,483,628	342,619	1,141,009
Miscellaneous	39,158	39,158	35,285	3,873
Insurance	3,276	3,276	3,276	-
Legal fees	-	-	1,657	(1,657)
Administration fees	87,930	87,930	87,930	-
Audit	2,400	2,400	2,400	-
Total Charges to Appropriations	<u>1,801,526</u>	<u>2,877,404</u>	<u>1,688,302</u>	<u>1,189,102</u>
Budgetary Fund Balance, June 30	<u>\$ 1,389,119</u>	<u>\$ 313,241</u>	<u>\$ 1,630,409</u>	<u>\$ 1,317,168</u>
Utilization of Assigned Fund Balance	<u>\$ -</u>	<u>\$ 1,075,878</u>	<u>\$ -</u>	<u>\$ (1,075,878)</u>

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

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. 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
- 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.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 9.00% per annum.

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.

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, the County Unorganized Territories' cash balance of \$1,140,045 was comprised of bank deposits of \$1,197,352. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the County Unorganized Territories' cash balance. Of these deposits, \$786,851 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$410,501 were collateralized with securities held by the financial institution in the County Unorganized Territories' name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 660,501
ICS account	536,851
	<u>\$ 1,197,352</u>

COUNTY OF AROOSTOOK, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019, 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 BALANCE

At June 30, 2019, the County of Aroostook Unorganized Territories had the following assigned fund balance:

Reserved for FY19-20 budget	<u>\$ 1,223,065</u>
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NOTE 4 - RESTATEMENT

In 2019 the County Unorganized Territories determined that certain transactions in prior years had been recorded incorrectly, therefore, a restatement to the 2018 fund financial statements was required. The beginning general fund total fund balance was restated by \$35,098 to correct an error in due from other governments for the 2018 fiscal year. The resulting restatement decreased the general fund total fund balance from \$1,424,217 to \$1,389,119.