

County of Lincoln, Maine

**Independent Auditors' Reports
and
Management's Financial Statements**

December 31, 2016

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

COUNTY OF LINCOLN, MAINE

DECEMBER 31, 2016

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COUNTY OF LINCOLN, MAINE

DECEMBER 31, 2016

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Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

www.rlbco.com
accting@rlbco.com

41 Bates Street
Portland, Maine 04103

Tel: (207) 775-1717
Fax: (207) 775-7103

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
County of Lincoln, Maine
Wiscasset, ME

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 Lincoln, Maine, as of and for the year ended December 31, 2016, 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.

Auditor's 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 accounting polices 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, 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 Lincoln, Maine, as of December 31, 2016, and the respective changes in financial position 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 on page 3.1 through 3.7, budgetary comparison information on pages 28 & 32, and pension schedules on pages 29 through 31 be presented 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 01, 2017, on our consideration of the County of Lincoln, Maine'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 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 the County of Lincoln, Maine's internal control over financial reporting and compliance.

Ron L. Beaulieu & Co.

Portland, Maine
June 01, 2017

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

The following management's discussion and analysis of the County of Lincoln, Maine's financial performance provides an overview of the County's financial activities for the year ended December 31, 2016. Please read it in conjunction with the County's financial statements.

Financial Statement Overview

The County of Lincoln's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension information and a schedule of funding progress, and other supplementary information which includes combining and other schedules.

Government-Wide Financial Statement

The government-wide financial statements provide a broad view of the County's operations in a manner that is similar to private business. These statements provide both short-term as well as long-term information in regards to the County's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The type of activity presented for the County of Lincoln is:

Governmental activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the County's basic services are reported in governmental activities, which includes court services, emergency management, district attorney, administration, registry of deeds, registry of probate, sheriff's department, recycling and unclassified.

Fund Financial Statements

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

Governmental Funds: All of the basic services provided by the County are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the County's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the County.

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

The general fund is the only fund for which the County legally adopts a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the County of Lincoln. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The

accounting used for fiduciary funds are much like that of proprietary funds. They used the accrual basis of accounting.

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 Financial Statements can be found following the Statement of Fiduciary Net Position – Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, Notes to Required Supplementary Information and a Schedule of Funding Progress – Retiree Healthcare Plan.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to non major funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the County’s governmental activities. The County’s total net position decreased by \$572,484 from \$2,500,686 to \$1,928,202.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirement – increased to a deficit balance of \$1,754,690 at the end of this year.

**Table 1
County of Lincoln, Maine
Net Position
December 31,**

Assets:	2016	2015
Current Assets	3,043,496	2,793,311
Capital Assets	3,100,228	3,309,020
Total Assets	6,143,724	6,102,331
 Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	1,345,152	823,747
Total Deferred Outflows of Resources	1,345,152	823,747

Liabilities:		
Current Liabilities	510,744	314,961
Long-term Debt Outstanding	4,406,019	3,226,807
Total Liabilities	<u>4,917,113</u>	<u>3,541,768</u>
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	643,911	883,624
Total Deferred Inflows of Resources	<u>643,911</u>	<u>883,624</u>
Net Position:		
Net Investment in Capital Assets	2,987,823	3,309,020
Restricted	695,069	388,388
Unrestricted	<u>(1,754,690)</u>	<u>(1,196,722)</u>
Total Net Position	<u>1,928,202</u>	<u>2,500,686</u>

Revenue and Expenses

Revenues for the County's governmental activities increased by .68%, while total expenses increased by 3.21%. The County's revenues remained flat while the increase in expenses was mostly due to Communications, Sheriff's Department, and special projects/reserves.

Table 2
County of Lincoln, Maine
Change in Net Position
For The Years Ended December 31,

	<u>2016</u>	<u>2015</u>
REVENUES		
<i>General Revenue</i>		
Taxes	\$9,503,923	\$9,133,556
Charges for services	1,279,712	795,860
Other grants/contracts	705,412	1,551,835
Interest income	14,644	6,554
Miscellaneous	80,385	17,817
Total Revenues	<u>11,584,075</u>	<u>11,505,622</u>
EXPENDITURES		
Court Services	84,904	59,156
Emergency Management	175,968	175,597
District Attorney	267,010	222,250
Commissioners	296,900	331,007
Finance	187,875	89,925
County buildings	299,697	305,864
Prisoner Support	2,925,362	2,815,337
Communications	1,318,624	1,273,942
Auditing/Marketing	8,815	7,440

Registry of Deeds	224,461	184,563
Registry of Probate	214,458	185,899
Community Programs	92,515	95,465
Sheriff's Department	2,971,543	2,793,295
Employee Benefits	69,895	275,230
Planning	315,681	242,699
Recycling	424,653	422,016
Insurances	174,772	161,875
Unclassified	22,539	303,137
Special Projects/Reserves	386,444	217,236
Capital Projects/Reserves	136,653	-
Debt Service:		
TBRJ Debt Service	891,750	871,750
TAN Interest	16,193	16,967
Unallocated Depreciation	12,373	115,424
Total Expenses	<u>11,519,085</u>	<u>11,166,074</u>
Change in Net Position	64,990	339,548
NET POSITION January 1 (restated)	<u>1,863,212</u>	<u>2,161,138</u>
NET POSITION December 31	<u>\$1,928,202</u>	<u>\$2,500,686</u>

Financial Analysis of the County's Fund Statements

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

Table 3
County of Lincoln, Maine
Fund Balances - Governmental Funds
December 31,

	<u>2016</u>	<u>2015</u>
General Fund:		
Committed	\$1,340,876	\$ 910,978
Restricted		388,388
Assigned	56,836	763,878
Unassigned	<u>1,151,052</u>	<u>531,840</u>
Total General Fund	<u>\$2,548,764</u>	<u>\$2,595,084</u>

The general fund total fund balance decreased by \$46,320 from the prior fiscal year.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were over budget by \$679,498, primarily due to the receipt of greater than anticipated fees and grants. Refer to Schedule 1 for more detailed information.

The general fund actual expenditures were under budget by \$17,853. Most expenditure categories were under budget with the exception of Communications, Commissioners, Prisoner Support and Planning departments. Refer to Schedule 1 for more detailed information.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2016, the net book value of capital assets recorded by the County decreased by \$208,792 over the prior year. The decrease was due to capital additions of \$310,241, less net disposals of \$83,819 and current year depreciation expense of \$435,214.

**Table 4
County of Lincoln, Maine
Capital Assets (Net of Depreciation)
December 31,**

	2016	2015
Land	\$ 112,405	\$ 112,405
Buildings and improvements	1,393,925	1,655,633
Vehicles	89,615	381,974
Machinery and equipment	1,212,168	796,896
Infrastructure	292,115	362,112
Total	\$3,100,228	\$3,309,020

Debt

At December 31, 2016, the County had no bonds outstanding. Other long-term obligations include accrued compensated absences, pension benefit obligations and net

pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The County's unassigned fund balance has fallen below a level sufficient to sustain government operations for a period of approximately two months, yet continue to maintain significant reserves for future capital and program needs. The county is working to rebuild this balance to a sufficient level.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the County Finance Office at 32 High St. Wiscasset, Maine 04578.

STATEMENT A

COUNTY OF LINCOLN, MAINE
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 2,793,345
Accounts receivable (net)	250,151
Total current assets	<u>3,043,496</u>
Noncurrent assets:	
Non depreciable capital assets	112,405
Capital assets, net	<u>2,987,823</u>
Total noncurrent assets	<u>3,100,228</u>
TOTAL ASSETS	<u>6,143,724</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>1,345,152</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,345,152</u>
LIABILITIES	
Current liabilities:	
Accounts payable	178,613
Due to Other Governments	164,226
Accrued Payroll	151,893
Accrued compensated absences	16,012
Total current liabilities	<u>510,744</u>
Noncurrent liabilities:	
Accrued post employment benefits	1,627,652
Accrued compensated absences	328,406
Net pension liability	<u>2,449,961</u>
Total noncurrent liabilities	<u>4,406,019</u>
TOTAL LIABILITIES	<u>4,916,763</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>643,911</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>643,911</u>
NET POSITION	
Invested in capital assets, net of related debt	2,987,823
Restricted	695,069
Unrestricted	<u>(1,754,690)</u>
TOTAL NET POSITION	<u><u>\$ 1,928,202</u></u>

See accompanying independent auditors' report and notes to required supplementary information

COUNTY OF LINCOLN, MAINE
BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Major		Total
	General	Other Governmental Funds	
ASSETS			
Cash	\$ 2,793,345	\$ -	\$ 2,793,345
Taxes receivable	-	-	-
Accounts receivable	250,151	-	250,151
Due from employees	-	-	-
Due from other governments	-	-	-
Prepaid expenses	-	-	-
Interfund receivables	-	-	-
TOTAL ASSETS	\$ 3,043,496	\$ -	\$ 3,043,496
LIABILITIES			
Accounts payable	178,613	-	178,613
Due to other governments	164,226	-	164,226
Accrued payroll	151,893	-	151,893
TOTAL LIABILITIES	494,732	-	494,732
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	1,340,876	-	1,340,876
Assigned	56,836	-	56,836
Unassigned	1,151,052	-	1,151,052
TOTAL FUND BALANCES	2,548,764	-	2,548,764
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,043,496	\$ -	\$ 3,043,496

See accompanying independent auditor' report and notes to the financial statements.

STATEMENT D

COUNTY OF LINCOLN, MAINE
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Fund balances - total government funds	\$ 2,548,764
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets	3,100,228
Deferred outflows related to pensions	1,345,152
Accrued post employment benefits	(1,627,652)
Deferred inflows related to pensions	(643,911)
Net pension liability	(2,449,961)
Accrued compensated absences	<u>(344,418)</u>
Net position of governmental activities	<u><u>\$ 1,928,202</u></u>

See accompanying independent auditor' report and notes to the financial statements.

COUNTY OF LINCOLN, MAINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Other Governmental Funds	Total
REVENUES			
Taxes from cities and towns	\$ 9,503,923	\$ -	\$ 9,503,923
Charges for services	1,279,712	-	1,279,712
Intergovernmental revenues	705,412	-	705,412
Interest	14,644	-	14,644
Other revenue	80,387	-	80,387
TOTAL REVENUES	11,584,077	-	11,584,077
EXPENDITURES			
Court Services	85,253	-	85,253
Emergency Management	148,267	-	148,267
District Attorney	252,631	-	252,631
Commissioners	289,042	-	289,042
Finance	176,294	-	176,294
County buildings	292,762	-	292,762
Prisoner Support	2,902,754	-	2,902,754
Communications	1,259,847	-	1,259,847
Auditing/Marketing	8,815	-	8,815
Registry of Deeds	209,594	-	209,594
Registry of Probate	198,831	-	198,831
Community Programs	92,515	-	92,515
Sheriff's Department	2,728,524	-	2,728,524
Employee Benefits	69,895	-	69,895
Planning	264,010	-	264,010
Recycling	385,539	-	385,539
Insurances	174,772	-	174,772
Contingency	22,539	-	22,539
Speical Projects/Reserves	386,444	-	386,444
Capital Projects/Reserves	136,653	-	136,653
Debt Service:			
TBRJ Debt Service	891,750	-	891,750
TAN Interest	16,193	-	16,193
TOTAL EXPENDITURES	10,992,923	-	10,992,923

See accompanying independent auditor' report and notes to the financial statements.

STATEMENT E (CONTINUED)

COUNTY OF LINCOLN, MAINE
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	General	Other Governmental Funds	Total
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ 591,154	\$ -	\$ 591,154
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	591,154	-	591,154
FUND BALANCE - JANUARY 1 ORIGINAL	684,272	1,910,812	2,595,084
Prior Period Adjustment	1,273,338	(1,910,812)	(637,474)
FUND BALANCE - JANUARY 1 - RESTATED	1,957,610	-	1,957,610
FUND BALANCE - DECEMBER 31	\$ 2,548,764	\$ -	\$ 2,548,764

See accompanying independent auditor' report and notes to the financial statements.

COUNTY OF LINCOLN, MAINE
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 DECEMBER 31, 2016

Net change in fund balances - total government funds \$ 591,154

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlays. 310,241

This is the amount of depreciation expense. (435,214)

This is the amount of gain/(loss) on disposal of capital assets (83,819)

Changes in net pension liability and related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (170,414)

Changes in accrued post employment benefits do not require the use of current financial resources and there are are not reported as expenditures in governmental funds. (153,236)

Expenses for accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 6,278

Change in net position of governmental activities. \$ 64,990

See accompanying independent auditor' report and notes to the financial statements.

COUNTY OF LINCOLN, MAINE
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2016

	<u>Agency Funds</u>	<u>Total</u>
ASSETS		
Cash	\$ 4,591	\$ 4,591
Investments	-	-
TOTAL ASSETS	<u>\$ 4,591</u>	<u>\$ 4,591</u>
LIABILITIES		
Due to specific individuals	4,591	4,591
TOTAL LIABILITIES	<u>\$ 4,591</u>	<u>\$ 4,591</u>

See accompanying independent auditor' report and notes to the financial statements.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Lincoln (the County), conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

Part 1 - Government-Wide Financial Statements

The statement of net position and statement of activities focuses on the primary government of the County as a whole. All governmental funds are included but are presented using the accrual basis of accounting. Fiduciary funds are excluded from these government-wide financial statements.

Measurement Focus and Basis of Accounting

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Program revenues include charges to taxpayers who purchase, use, or directly benefit from goods, services, or privileges provided by a given program; and operating or capital grants and contributions that are restricted to meeting the operational or capital requirement of a particular program.

Internal Activity

Amounts reported in the governmental funds as “due to other funds” and “due from other funds” have been eliminated in the statement of net position, except amounts due between the governmental and business-type activities. Any amounts that are “due to” or “due from” the fiduciary funds have been included in the statement of net position.

Capitalization of Assets

For government-wide financial statements, capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. Capital assets over \$5,000 are capitalized.

Depreciation

For government-wide financial statements, capital assets are depreciated over the assets useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings: 20 – 50 years
Infrastructure: 50 - 100 years
Machinery & Equipment: 3 – 50 years
Vehicles: 3 – 25 years

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Taxes from Cities and Towns are committed on or around May 1st of each year. Taxes are due on or near September 1st. If the taxes are not paid by a City or Town on or before the due date, the County may issue a warrant to the sheriff to levy by distress and sale of real and personal property of any inhabitants.

Part 2 - Fund Financial Statements

Principles Determining Scope of Reporting Entity

The financial statements of the County consist only of the funds of the County. The County has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the County. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Fund Accounting

The accounts of the County are organized on the basis of funds, 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 equity, 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 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:

General Funds

General Fund - 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.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets received by the County and held in the capacity of a trustee, custodian, or agent.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets, generally within sixty days. Property 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.

All trust and agency funds are accounted for using the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

None of the estimates used in preparing the financial statements are considered significant.

Budget

The annual budget is the financial plan for the operation of the County for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the government.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County Commissioners hold a public hearing in the County on the proposed budget no later than 90 days before the end of the County's Fiscal year. At this meeting the budget advisory committee will receive the County Commissioners itemized final estimate in the form of a budget. The budget advisory committee will review the budget and any supplemental information prepared by the department manager and makes any recommendation to the County Commissioners no later than 45 days before the end of the County's fiscal year.

Upon completion of the public hearing and review of budget advisory committee recommendation's the Commissioners may then approve the budget by 2/3 vote of its memberships, in any event, no later than 15 days before the end of the County's fiscal year.

Excess Funds

There is no documented policy on where to hold excess funds.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Allowances for uncollectible accounts are based on management's assessment of the periodic aging of accounts receivable.

Due From Other Governments

Due from other governments are stated at the amount management expects to collect from balances outstanding at year-end. Allowances for uncollectible accounts are based on management's assessment of the periodic aging of accounts due from other governments.

Investments

It is the County's policy to state investments at market value at the balance sheet date.

Interfund Receivables and Payables

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

For governmental funds, the nonspendable fund balances represent amounts that will never convert to cash or will not convert to cash to affect the current period; the restricted fund balances represent the amounts that are restricted by external governments, contributors, or external laws; the committed fund balances represent self-imposed limitations by the County Commissioners that must be voted on to be established, modified, or rescinded; the assigned fund balances represent intended use of resources such as encumbrances by the County Administrator that the Administrator feels is necessary to operate the County; and the unassigned fund balances represent anything that does not fit into the above four classifications. The general fund is the only fund that can report a positive unassigned balance.

If expenditures can be applied to either restricted or unrestricted balances, the government's policy is to apply them to restricted balances. If expenditures can be applied to committed, assigned or unassigned, the government's policy is to apply them first to committed balances, then to assigned balances, and any remainder is to be applied to unassigned balances.

The County has not established a policy regarding a minimum fund balance.

Revenues

Tax revenue and other major county revenue sources are susceptible to accrual under the modified accrual basis of accounting. Property tax revenues are recognized in the year for which they are levied. Fees and charges are reported as program revenues for the function that generates them. Grant and contributions are reported as program revenues if their use is restricted to a particular function.

NOTE 2 - CASH AND INVESTMENTS

The total amount of the County's cash, as well as the County's investments, consists of the following at December 31, 2016:

CASH	\$2,793,345
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The total amount of the County's deposits in financial institutions, per the bank statements, at December 31, 2016 was \$2,857,868 of which \$250,000 was covered by federal depository insurance. The remaining deposits of \$2,608,345 were collateralized by a bank.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectable accounts is estimated to be \$0 as of December 31, 2016.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

GOVERNMENTAL ACTIVITIES

	Balance 1/1/16	Additons	Deletions	Balance 12/31/16
Capital assets (non-depreciable):				
Land	\$ 112,405	\$ -	\$ -	\$ 112,405
Construction in progress	-	-	-	-
Capital assets (depreciable):				
Buildings & Improvements	3,945,342	33,857	-	3,979,199
Vehicles	1,332,097	154,573	(103,233)	1,383,437
Machinery & Equipment	3,780,676	121,811	-	3,902,487
Infrastructure	488,221	-	-	488,221
Total capital assets	9,658,741	310,241	(103,233)	9,865,749
Buildings & Improvements	(2,486,752)	(98,522)		(2,585,274)
Vehicles	(1,077,596)	(235,640)	19,414	(1,293,822)
Machinery & Equipment	(2,612,600)	(77,719)		(2,690,319)
Infrastructure	(172,773)	(23,333)		(196,106)
Net capital assets	<u>\$ 3,309,020</u>	<u>\$ (124,973)</u>	<u>\$ (83,819)</u>	<u>\$ 3,100,228</u>

Depreciation was charged to governmental functions as follows:

Emergency Management	32,578
District Attorney	1,372
Commissioners	462
Treasurer	82
County Buildings	99,827
Support of Prisoners	1,836
Communications	31,290
Deeds	10,440.00
Probate	3,136
Sheriff	133,822
Planning	51,629
Recycling	45,408
Unclassified	23,333
Total	<u>\$ 435,214</u>

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the fiscal year ended December 31, 2016, is as follows:

Type	Purpose	Rate	Due Date	Balance 1/1/16	Issued	Retired	Balance 12/31/16
TAN	Cash flow	0.89%	12/31/2016	\$ -	\$ 4,000,000	\$ 4,000,000	\$ -
				\$ -	\$ 4,000,000	\$ 4,000,000	\$ -

NOTE 6 – LONG-TERM DEBT

Summarized below are the long-term debt liabilities at December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Current Portion
Accrued compensated					
Absences	\$ 350,696	\$ -	\$ 6,277	\$ 344,419	\$ 16,012
Accrued post employment	1,474,416	153,236	-	1,627,652	
Net Pension Liability	1,518,429	931,532	-	2,449,961	-
Totals	<u>\$ 3,343,541</u>	<u>\$ 1,084,768</u>	<u>\$ 6,277</u>	<u>\$ 4,422,032</u>	<u>\$ 16,012</u>

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 - COMPONENTS OF FUND BALANCE

At December 31, 2016, the components of fund balances consisted of the following:

	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund					
Fund Balance	-	-	-	-	1,150,702
Other Governmental Funds					
Unemployment Reserve	-	-	17,863	-	-
Termination Reserve	-	-	74,896	-	-
Uninsured Loss Reserve	-	-	62,479	-	-
Dare	-	-	-	205	-
Deeds Preservation	-	-	184,601	-	-
IT Infrastructure	-	-	5,486	-	-
Education Instruction	-	-	14,775	-	-
Probate Preservation	-	-	6,535	-	-
Records Preservation	-	-	27,570	-	-
Sheriff's Seizure	-	-	-	2,952	-
Drug Forfeiture	-	-	-	843	-
DA Lost Victims Fund	-	-	-	4,304	-
EMA Inkind	-	-	-	38,783	-
Superior Court Restoration	-	-	1,853	-	-
Capital Improvement Reserve	-	-	110,053	-	-
Buildings & Grounds Reserve	-	-	110,031	-	-
Communications Reserve	-	-	261,320	-	-
Capital Equipment Reserve	-	-	128,357	-	-
Recycling Reserve	-	-	293,605	-	-
Roads & Bridges Reserve	-	-	7,622	-	-
County Map & Promo Reserve	-	-	3,226	-	-
Hibbert's Gore Reserve	-	-	3,007	-	-
TBRJ Capital Reserve	-	-	118	-	-
Heidi K-9 Reserve	-	-	-	9,749	-
Sheriff IT Reserve	-	-	12,479	-	-
Sheriff Training Reserve	-	-	15,000	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,340,876</u>	<u>\$ 56,836</u>	<u>\$ 1,150,702</u>

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - EMPLOYEE BENEFIT PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

County employees contribute to the Maine Public Employees Retirement System (MEPERS), a cost-sharing multiple-employer contributory defined benefit public employee pension plan (The Plan) that acts as a common investment and administrator for its participants.

The MEPERS provides retirement, annual cost-of-living adjustments, and death and disability benefits to members and beneficiaries. These benefit provisions and all other requirements are established by state statute. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine, 04333-0046.

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the state statute. This year, members contributed 7.5% from January through June and 8% from July through December of gross earnings. The County is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by the statute.

The Plan's fiduciary net position uses the same basis as the plan. The Plan uses the accrual basis of accounting, and benefits and refunds are recognized when due and payable. Plan investments are measured at fair value.

Net Pension Liability assumptions:

- 1) Investment rate of return 6.875 %
- 2) Price inflation 2.75%
- 3) Salary increases 2.75% - 9.0%
- 4) Mortality source was the RP-2014 mortality table
- 5) Experience studies were from 2012-2015

Discount rate assumptions:

- 1) Rate equals investment rate of return
- 2) Projected cash flows assume required contributions
- 3) Long-term expected rate of return equals investment rate of return and is applied to all periods

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - EMPLOYEE BENEFIT PLANS (CONTINUED)

4) Asset allocation is as follows:

US Equities:	20%
Non-US Equities:	20%
Private Equities:	10%
Real Estate	10%
Infrastructure	10%
Hard Assets	5%
Fixed Income	25%

Net Pension Liability Sensitivity:

- 1) Discount rate 1% higher: \$928,053
- 2) Discount rate 1% lower: \$4,066,493

The proportion of total liability was determined by taking the District's actual contributions divided by the Plan's actual contributions. The proportion decreased by 0.014829% from the prior measurement date of December 31, 2015 to the current measurement date of December 31, 2016. The actuarial valuation date is June 30, 2016.

Pension expense recognized during December 31, 2016 was \$352,291

The following is the composition of deferred outflows related to pension:

Difference Between Expected and Actual Experience	Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Contributions to Plan Subsequent to Measurement	Total Deferred Outflows Related to Pension
\$ 29,700	\$ 905,340	\$ 262,642	\$ 30,084	\$ 117,386	\$ 1,345,152
Difference Between Expected and Actual Experience	Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows Related to Pension		
\$(157,579)	\$ (376,791)	\$ (109,541)	\$ (643,911)		

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - EMPLOYEE BENEFIT PLANS (CONTINUED)

The following is a 5 year schedule of changes in Deferred Outflows and Deferred Inflows related to pensions:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Deferred Outflows and (Inflows)	\$92,319	\$60,977	\$289,359	\$141,202	\$-0-

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

The County, in accordance with its current health insurance company agreement, provides optional health and other benefits to eligible retirees. Benefit provisions for contractual employees are established and amended through negotiations between the County Commissioners and the respective unions. For all other employees, benefit provisions are established and amended by the County Commissioners.

Funding policy – The County currently funds claims and administrative costs for postemployment benefits through its health insurance company or through current year expenditures.

Active members	70
Retirees	<u>13</u>
Total	83

Annual OPEB Cost and Net OPEB Obligations

The County of Lincoln’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation (asset):

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	2016
Annual required contribution (ARC)	\$ 260,205
Interest on net OPEB obligation	58,977
Adjustment to annual required contribution	(85,266)
Annual OPEB cost	233,916
Contributions made	(80,680)
Increase in net OPEB obligation	153,236
Net OPEB obligation, beginning of year	1,474,416
 Net OPEB obligation, end of year	 \$ 1,627,652

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended December 31, 2011 through 2016 is presented below:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Employer Contributions	Percentage Of AOC Contributed	Net OPEB Obligation
12/31/11	\$209,735	-	0.0%	\$787,299
12/31/12	205,995	-	0.0%	993,294
12/31/13	202,323	48,411	23.9%	1,147,206
12/31/14	239,750	75,547	30.3%	1,314,409
12/31/15	236,769	76,762	32.4%	1,474,416
12/31/16	233,916	80,680	34.5%	1,627,652

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of 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 actuarial assumptions include a 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

An annual healthcare cost blended trend rate of 8.9% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.6% for 2029 and later. The remaining amortization period at December 31, 2016 was 30 years. As of January 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$2,760,741, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$2,760,741.

The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

These numbers are based on information that was presented on January 1, 2014 for December 31, 2016. The amortization method that was used to calculate the numbers is presented below.

	2016
Discount rate	4.0%
Payroll growth assumption	3.0%
Accrued liability	\$2,760,741
Value of assets	-
Unfunded liability	2,760,741
Normal cost	96,684
Amortization of unfunded	153,513
Interest	10,008
Annual required contribution	260,205

NOTE 10 - DEFERRED COMPENSATION PLAN

There is a deferred compensation 457(b) plan sponsored by the County, but as it is administered by nongovernmental third parties and the plan administrators invest plan assets at the direction of the plan's participants, the plan is not reported in the financial statements of the County.

Employees are not required to contribute to the plan, but if the employees choose to contribute, the County will match up to 8% of employee contributions. During the year ended December 31, 2016, the County contributed \$32,129.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 11 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County, along with numerous other municipalities in the State, is a member of three public entity risk pools in the State currently operating as a common risk management and insurance program for which all political subdivisions in the State of Maine are eligible to participate. The pools provide coverage for worker's compensation, unemployment and property liability insurance. As a member of the pools, the County shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. There were no unpaid contributions at year-end. There were no deductible claims for the fiscal year.

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The County participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2016 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 13 - JOINT VENTURES

On March 6, 2003 the Maine legislature passed LD 1199, an act to establish the Lincoln and Sagadahoc Multi-County Jail Authority (Jail Authority). The bill authorized the County of Lincoln, Maine and County of Sagadahoc, Maine to form a multi-county jail authority and to issue debt and collect assessments to operate the jail. The jail became the responsibility of the Board of Directors upon completion. The Board of Directors consists of six public members, one from each of the Commissioners Districts; four County Commissioners, two from each County; and two Sheriffs, one from each County. The Board of Directors conducts all of the affairs of the Jail Authority. Upon dissolution of the Jail Authority, by a 2/3 vote of the Board of Directors, the Jail Authority will liquidate assets and liabilities of the Jail Authority. All expenses will be paid and any

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 13 - JOINT VENTURES (CONTINUED)

residual funds will be distributed evenly by the Counties. The Jail Authority is a separate reporting entity and has not been included within the financial statements of the County.

The Jail Authority issued revenue bonds in the amount of \$24,600,000 on June 1, 2005. Although the bonds are in the name of the Jail Authority, the Lincoln County Commissioners have passed a resolution authorizing the guarantee of half of the debt service, or \$12,300,000. Lincoln County's share of principal and interest for the fiscal year ended December 31, 2016 was \$630,000, and \$260,125, respectively. Lincoln and Sagadahoc Counties operate under a cost sharing agreement entered into by the commissioners on November 5, 2002, which obligates Lincoln County to share in the operating and capital costs of the jail. The share of operating costs is split 50/50 between the two counties. For the fiscal year ended December 31, 2016, Lincoln County's share was \$2,876,910. In addition to contributions from the two counties, the Jail Authority receives revenues from the boarding of prisoners from outside the two supporting jurisdictions, from various grants and other miscellaneous revenue. The Jail Authority issues its own financial statements and copies can be obtained from the Jail Authority at 522 Bath Road, Wiscasset, Maine 04578.

NOTE 14 – JAIL OPERATIONS

During its 2007 Fiscal Year, the State of Maine enacted legislation known as LD 2080 "An Act to Better Coordinate and Reduce the Cost of the delivery of State and County Correctional Services", located in Public Laws 2007, Chapter 653. This Act has in essence capped what counties can assess their municipalities for taxes to fund their corrections budgets, and will also establish the annual growth limitations for future corrections expenditures. A Board of Overseers at the State of Maine has been appointed to supervise county correction operations. The Act has raised many accounting and auditing issues regarding both financial and budgetary reporting. It is the position of the County that it has addressed, to the best of its ability, these issues in its 2014 annual audit report. At the present time issues such as the funding of accrued benefits; ownership and maintenance of correction assets; external funding of certain corrections operations; corrections capital/reserve funding and ownership; and the treatment of net position (deficit) have not been specifically addressed in this Act. Any financial and/or other impact on the County cannot be determined at the time of the issuance of this report.

NOTE 15 – TRUST FUND

In 2016, the County of Lincoln established the County of Lincoln Investment Fund Trust (the "Trust"). The primary purpose of the Trust is to hold money for the purpose of paying the Maine Public Employees Retirement System ("MEPERS") employer contribution to the MEPERS. The Trustee is First National Bank.

COUNTY OF LINCOLN, MAINE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 15 – TRUST FUND (CONTINUED)

Because the Trustee is the legal owner of the Trust assets, the Trust assets are not recorded on these financial statements, which is in accordance with generally accepted accounting principles. At December 31, 2016, the Trust assets amount to \$506,456.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

General Fund – Beginning fund balance was increased by \$1,910,812 to add funds that were not special revenue funds as defined by GASB 54.

General Fund – Beginning fund balance was decreased by \$637,474 for 12/31/15 accrued wages that were not posted and establishing the MEPERS Trust Fund in the amounts of \$131,018 and \$506,456, respectively.

Other Governmental Fund – Beginning fund balance was decreased by \$1,910,812 to remove funds that were not special revenue funds as defined by GASB 54.

NOTE 17 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of June 01, 2017, the date the financial statements were available to be issued. At that time, there were no material subsequent events.

COUNTY OF LINCOLN, MAINE
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND
 DECEMBER 31, 2016

	Proposed Budget	Approved Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes from cities and towns	\$ 9,503,923	\$ 9,503,923	\$ 9,503,923	\$ (0)
Charges for services	934,967	934,967	1,279,712	344,745
Intergovernmental revenues	462,189	462,189	705,412	243,223
Interest	2,000	2,000	14,644	12,644
Other revenue	1,500	1,500	80,387	78,887
TOTAL REVENUES	10,904,579	10,904,579	11,584,077	679,498
EXPENDITURES				
Current:				
Court Services	106,053	106,053	85,253	20,800
Emergency Management	168,449	168,449	148,267	20,182
District Attorney	265,574	265,574	252,631	12,943
Commissioners	273,784	273,784	289,042	(15,258)
Finance	193,709	193,709	176,294	17,415
County buildings	368,880	368,880	292,762	76,118
Prisoner Support	2,877,228	2,877,228	2,902,754	(25,526)
Communications	1,193,964	1,193,964	1,259,847	(65,883)
Auditing/Marketing	10,800	10,800	8,815	1,985
Registry of Deeds	237,719	237,719	209,594	28,125
Registry of Probate	211,295	211,295	198,831	12,464
Community Programs	92,515	92,515	92,515	-
Sheriff's Department	2,780,746	2,780,746	2,728,524	52,222
Employee Benefits	68,016	68,016	69,895	(1,879)
Planning	200,687	200,687	264,010	(63,323)
Recycling	426,750	426,750	385,539	41,211
Insurances	191,825	191,825	174,772	17,053
Contingency	70,000	70,000	22,539	47,461
Overlay	87,657	87,657		87,657
Speical Projects/Reserves	55,000	55,000	386,444	(331,444)
Capital Projects/Reserves	178,000	178,000	136,653	41,347
Debt Service:		-		-
TBRJ Debt Service	892,125	892,125	891,750	375
TAN Interest	60,000	60,000	16,193	43,807
TOTAL EXPENDITURES	11,010,776	11,010,776	10,992,923	17,853
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	(106,197)	(106,197)	591,154	697,351
OTHER FINANCING SOURCES (USES)				
Prior year surplus utilization	106,197	106,197	-	(106,197)
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	106,197	106,197	-	(106,197)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AFTER OTHER				
FINANCING SOURCES (USES)	\$ -	\$ -	\$ 591,154	\$ 591,154

See accompanying independent auditors' report and notes to required supplementary information.

SCHEDULE B**COUNTY OF LINCOLN, MAINE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2016**

	2016	2015	2014
Proportion of the net pension liability	0.46%	0.48%	0.50%
Proportionate share of net pension liability	\$ 2,449,960	\$ 1,518,429	\$ 7,744
Covered-employee payroll	\$ 2,441,522	\$ 2,279,942	\$ 2,536,777
Proportionate share of the net pension liability as a percentage of covered-employee payroll	100.3%	66.6%	30.53%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.30%	94.10%

See accompanying independent auditors' report and notes to required supplementary information.

SCHEDULE C

**COUNTY OF LINCOLN, MAINE
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2016**

	2016	2015	2014
Actuarially determined contribution	\$ 224,018	\$ 111,717	\$ 118,851
Contributions in relation to the actuarially determined contribution	(224,018)	(111,717)	(118,851)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>* </u>
 Covered-employee payroll	 \$ 2,441,522	 \$ 2,279,942	 \$ 2,536,777
 Contributions as a percentage of covered-employee payroll	 9.2%	 4.9%	 4.7%

See accompanying independent auditors' report and notes to required supplementary information.

SCHEDULE D

**COUNTY OF LINCOLN, MAINE
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT PLAN
YEAR ENDED JUNE 30, 2016**

	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2011	-	2,540,011	2,540,011	0%	-	N/A
1/1/2014	-	2,760,741	2,760,741	0%	-	N/A

See accompanying independent auditors' report and notes to required supplementary information.

**COUNTY OF LINCOLN, MAINE
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The County is required to have a budget for the General Fund. The County is not required to adopt an annual budget for its special revenues and capital project funds. Budgets for individual special revenues funds are utilized in accordance with the requirement for the grantor agencies.

Basis of Accounting

The modified accrual basis of accounting is used in preparing budgets except when non-cash items are involved. In that case, the non-cash items are omitted from the budget.

NOTE 2 – ACTUAL (BUDGET BASIS) TO GAAP BASIS RECONCILIATION

Revenues:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 11,584,077
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Differences - budget to GAAP:

Employee health insurance withholdings are budgeted as a revenue, but are reductions to insurance expenditures for GAAP.	-
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 11,584,077
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Expenditures:

Actual amounts (budgetary basis) from the budgetary comparison schedule	10,992,923
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Differences - budget to GAAP:

Employee health insurance withholdings are budgeted as a revenue, but are reductions to insurance expenditures for GAAP.	-
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Bad debts are not budgeted as an expense, but are expenditures for GAAP.	-
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 10,992,923
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NOTE 3 – OVERSPENT APPROPRIATIONS

There were no materially overspent appropriations.