County of Lincoln, Maine

Annual Financial Statements
For the Year Ended December 31, 2017

Independently Audited By

Berry · Talbot · Royer
CERTIFIED PUBLIC ACCOUNTANTS

County of Lincoln Maine

December 31, 2017

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Berry · Talbot · Royer

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the County Commissioners
County of Lincoln, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Lincoln as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements.

Management's Responsibility for the Financial Statements

The County's 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 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, 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, 2017, 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.

Tel: 207-781-3445 Fax: 207-781-3578 6 Fundy Road, Suite 100, Falmouth, Maine 04105 www.btr-cpa.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8, and Schedules A through D on pages 35 – 38, 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 April 30, 2018, on our consideration of the County'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's internal control over financial reporting and compliance.

Berry Talbot Royer

Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
April 30, 2018

32 High Street P.O. Box 240
Wiscasset, Maine 04578

INCORPORATED 1760

Management's Discussion and Analysis

Lincoln County (the County) provides this Management's Discussion and Analysis to present additional information to the readers of the County's basic financial statements. This narrative overview and analysis of the financial activities of the County is for the fiscal year ended December 31, 2017. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the County's basic financial statements and required supplementary information.

Overview of the Financial Statements

The County's basic financial statements include the following components:

1) Government-wide Financial Statements,
2) Fund Financial Statements, and
3) Notes to the Basic Financial Statements.

This report also includes *required supplementary information* (RSI) in addition to the basic financial statements.

Government-wide Financial Statements

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, county buildings, prisoner support, communications, registry of deeds, registry of probate, sheriff's department, recycling, planning 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, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirement. All of the funds of the County 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 – General Fund - Budgetary Basis 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 use the accrual basis of accounting

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund, a Schedule of County's Proportionate Share of the Net Pension Liability, a Schedule of County Contributions, Schedules of Net OPEB Liability and Contributions (GASB 75), and Notes to the Required Supplementary Information.

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 $1,604,192 from $1,928,202 to $324,010. The majority of this decrease was due the implementation of GASB 75, which resulted in a prior period restatement. Refer to Note 17 for further information.

Net investments in capital assets – a large part of the County's net position reflects its investment in capital asset (e.g. land, buildings, machinery, and equipment). The County uses these assets to provide services to citizens, consequently these assets are not available for future spending. It should also, be noted, that no part of these capital assets are funded by debt.

Restricted net position – represents resources that are subject on how they may be expended.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, enabling legislation, or other legal requirement – decreased to a deficit balance of $2,544,293 at the end of this year. The deficit balance is primarily resulting from the County's unfunded net pension and net OPEB liabilities.

Condensed Statements of Net Positions
As of December 31, 2017 and 2016

Assets:	**2017**	**2016**	**$ Difference**	**% Difference**
Current assets	$ 3,283,337	$ 3,043,496	$ 239,841	7.9%
Capital assets	2,840,143	3,100,228	(260,085)	-8.4%
Total Assets	6,123,480	6,143,724	(20,244)	-0.3%
Deferred Outflows of Resources:				
Deferred outflows related to pensions	945,270	1,345,152	(399,882)	-29.7%
Deferred outflows related to other post-employment benefits	1,487,497	-	1,487,497	N/A
Total Deferred Outflows of Resources	2,432,767	1,345,152	1,087,615	80.9%
Liabilities:				
Current liabilities	469,586	510,744	(41,158)	-8.1%
Long-term debt outstanding	6,518,301	4,406,019	2,112,282	47.9%
Total Liabilities	6,987,887	4,916,763	2,071,124	42.1%
Deferred Inflows of Resources:				
Deferred inflows related to pensions	849,727	643,911	205,816	32.0%
Deferred inflows related to other post-employment benefits	394,623	-	394,623	N/A
Total Deferred Inflows of Resources	1,244,350	643,911	600,439	93.2%
Net Position:				
Net investment in capital assets	2,840,143	3,100,228	(260,085)	-8.4%
Restricted	28,160	695,069	(666,909)	-95.9%
Unrestricted	(2,544,293)	(1,867,095)	(677,198)	36.3%
Total Net Position	$ 324,010	$ 1,928,202	$ (1,604,192)	-83.2%

Revenue and Expenses

Revenues for the County's governmental activities increased by 0.4%, while total expenses increased by 2.6%. The County's revenues remained flat while the increase in expenses was mostly due to the Sheriff's Department, and capital projects/reserves.

Condensed Statements of Activitites
For the Years Ended December 31, 2017 and 2016

	2017	2016	$ Difference	% Difference
Revenues				
Program revenues	$ 1,957,825	$ 1,999,769	$ (41,944)	-2.1%
General revenues	9,668,603	9,584,306	84,297	0.9%
Total Revenues	11,626,428	11,584,075	42,353	0.4%
Expenses				
Court Services	99,964	84,904	15,060	17.7%
Emergency Management	231,319	175,968	55,351	31.5%
District Attorney	261,392	267,010	(5,618)	-2.1%
Commissioners	583,315	516,129	67,186	13.0%
County buildings	429,655	312,070	117,585	37.7%
Prisoner Support	2,990,527	2,925,362	65,165	2.2%
Communications	1,101,076	1,318,624	(217,548)	-16.5%
Registry of Deeds	253,544	224,461	29,083	13.0%
Registry of Probate	217,782	214,458	3,324	1.5%
Community Programs	93,339	92,515	824	0.9%
Sheriff's Department	3,115,361	2,971,543	143,818	4.8%
Employee Benefits	92,848	69,895	22,953	32.8%
Planning	240,296	315,681	(75,385)	-23.9%
Recycling	377,453	424,653	(47,200)	-11.1%
Insurances	89,370	174,772	(85,402)	-48.9%
Contingency	2,500	-	2,500	N/A
Special Projects/Reserves	393,048	386,444	6,604	1.7%
Capital Projects/Reserves	365,800	136,653	229,147	167.7%
Debt Service:				
TBRJ Debt Service	867,850	891,750	(23,900)	-2.7%
TAN Interest	14,631	16,193	(1,562)	-9.6%
Total Expenses	11,821,070	11,519,085	301,985	2.6%
Change in Net Position	(194,642)	64,990	(259,632)	-399.5%
Beginning Net Position, as restated	518,652	1,863,212	(1,344,560)	-72.2%
Ending Net Position	$ 324,010	$ 1,928,202	$ (1,604,192)	-83.2%

Fiscal year 2016 amounts were not restated as the County has elected to apply the restatements prospectively.

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, general fund 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.

Net Change in Fund Balance - General Fund

Fund Balance, Beginning of Year, as restated	$ 2,535,220
Total Revenues	11,409,013
Total Expenditures	(11,150,445)
Fund Balance, End of Year	$ 2,793,788
Net Change Fund Balance - General Fund	$ 258,568

The general fund total fund balance increased by $258,568 from the prior fiscal year. Total unassigned fund balance at year-end was $1,371,147 or 12.30% of total general fund expenditures.

Budgetary Highlights

There was a net increase of $56,217 from the original budget adopted at the 12/20/16 Commissioners meeting. This increase was due to known staffing changes that happened after the adoption of the budget and before our tax commitment.

The general fund actual revenues were over budget by $280,350, primarily due to the increase in intergovernmental revenues. Refer to Schedule A for more detailed information.

The general fund actual expenditures were under budget by $628,184. Most expenditure categories were under budget with the exception Employee Benefits. Refer to Schedule A for more detailed information.

Capital Assets

As of December 31, 2017, the net book value of capital assets recorded by the County increased by $119,413 from the prior year. The increase was due to capital additions of $537,302, less net disposals of $15,010 and current year depreciation expense of $402,879.

Capital Assets (Net of Depreciation)
As of December 31, 2017 and 2016

	2017	2016	$ Difference	% Difference
Land	$ 112,405	$ 112,405	$ -	0.0%
Buildings and improvements	1,118,093	1,118,837	(744)	-0.1%
Vehicles	522,560	501,446	21,114	4.2%
Machinery and equipment	798,747	673,683	125,064	18.6%
Infrastructure	288,338	314,359	(26,021)	-8.3%
Total	$ 2,840,143	$ 2,720,730	$ 119,413	4.4%

Debt

At December 31, 2017, the County had no bonds outstanding. Other long-term obligations include accrued compensated absences, other post-employment benefits and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

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 OF NET POSITION **STATEMENT A**

As of December 31, 2017

	Governmental Activities
Assets	
Current assets:	
Cash	$ 2,976,144
Accounts receivable	194,861
Taxes receivable	111,033
Interest and costs receivable	1,299
Total current assets	3,283,337
Noncurrent assets:	
Non depreciable capital assets	112,405
Depreciable capital assets	8,399,881
Accumulated depreciation	(5,672,143)
Total noncurrent assets	2,840,143
Total Assets	6,123,480
Deferred Outflows of Resources	
Deferred outflows related to pensions	945,270
Deferred outflows related to other post-employment benefits	1,487,497
Total Deferred Outflows of Resources	2,432,767
Liabilities	
Current liabilities:	
Accounts payable	165,970
Accrued payroll	174,022
Due to State	102,846
Other current liabilities	12,474
Accrued compensated absences	14,274
Total current liabilities	469,586
Noncurrent liabilities:	
Accrued compensated absences	289,711
Net Pension liability	1,880,548
Net OPEB liability	4,348,042
Total noncurrent liabilities	6,518,301
Total Liabilities	6,987,887
Deferred Inflows of Resources	
Deferred inflows related to pensions	849,727
Deferred inflows related to other post-employment benefits	394,623
Total Deferred Inflows of Resources	1,244,350
Net Position	
Invested in capital assets, net of related debt	2,840,143
Restricted	1,456,878
Unrestricted	(3,973,011)
Total Net Position	$ 324,010

STATEMENT OF ACTIVITIES **STATEMENT B**

For the Year Ended December 31, 2017

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Court Services	$ 99,964	$ 113,837	$ -	$ 13,873
Emergency Management	231,319	-	99,712	(131,607)
District Attorney	261,392	13,140	-	(248,252)
Commissioners	583,315	19,600	-	(563,715)
County buildings	429,655	-	-	(429,655)
Prisoner Support	2,990,527	14,803	294,828	(2,680,896)
Communications	1,101,076	10,679	44,993	(1,045,404)
Registry of Deeds	253,544	423,986	-	170,442
Registry of Probate	217,782	111,132	-	(106,650)
Community Programs	93,339	14,000	-	(79,339)
Sheriff's Department	3,115,361	95,895	109,821	(2,909,645)
Employee Benefits	92,848	-	16,167	(76,681)
Planning	240,296	6,662	11,876	(221,758)
Recycling	377,453	225,223	-	(152,230)
Insurances	89,370	-	-	(89,370)
Contingency	2,500	-	-	(2,500)
Special Projects / Reserves	393,048	-	314,338	(78,710)
Capital Projects / Reserves	365,800	3,465	-	(362,335)
Debt Service:				
TBRJ Debt Service	867,850	-	-	(867,850)
TAN Interest	14,631	13,668	-	(963)
Total	$ 11,821,070	$ 1,066,090	$ 891,735	(9,863,245)
General Revenues:				
Taxes from cities and towns				9,637,981
Miscellaneous revenues				30,622
Total general revenue				9,668,603
Change in Net Position				(194,642)
Beginning Net Position, as restated				518,652
Ending Net Position				$ 324,010

See accompanying notes to the basic financial statements.

BALANCE SHEET-GOVERNMENTAL FUNDS **STATEMENT C**

As of December 31, 2017

	Major		
	General	Other Governmental Funds	Total
Assets			
Cash	$ 2,976,144	$ -	$ 2,976,144
Accounts receivable	135,525	59,336	194,861
Taxes receivable	111,033	-	111,033
Interest and costs receivable	1,299	-	1,299
Due from other funds	25,099	-	25,099
Total Assets	$ 3,249,100	$ 59,336	$ 3,308,436
Liabilities and Fund Balances			
Liabilities			
Accounts payable	165,970	-	165,970
Accrued payroll	174,022	-	174,022
Due to State	102,846	-	102,846
Other current liabilities	12,474	-	12,474
Due to other funds	-	25,099	25,099
Total liabilities	455,312	25,099	480,411
Fund balances			
Nonspendable	-	-	-
Restricted	22,825	5,335	28,160
Committed	1,129,296	14,000	1,143,296
Assigned	270,520	14,902	285,422
Unassigned	1,371,147	-	1,371,147
Total fund balances	2,793,788	34,237	2,828,025
Total Liabilities and Fund Balances	$ 3,249,100	$ 59,336	$ 3,308,436

RECONCILIATION OF THE BALANCE SHEET - **STATEMENT D**
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
As of December 31, 2017

Total governmental funds balances, per Statement C	$	2,828,025
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,840,143
Deferred Outflows and Inflows related to pensions		95,543
Deferred Outflows and Inflows related to OPEB		1,092,874
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Accrued compensated absences		(303,985)
Net OPEB liability		(4,348,042)
Net Pension liability		(1,880,548)
Net position of governmental activities, per Statement A	$	324,010

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES **STATEMENT E**
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General	Other Governmental Funds	Total
Revenues			
Taxes from cities and towns	$ 9,637,981	$ -	$ 9,637,981
Charges for services	1,041,546	-	1,041,546
Intergovernmental revenues	685,646	202,965	888,611
Interest	13,668	-	13,668
Other revenue	30,172	14,450	44,622
Total revenues	11,409,013	217,415	11,626,428
Expenditures			
Court Services	96,265	-	96,265
Emergency Management	191,107	-	191,107
District Attorney	240,827	-	240,827
Commissioners	535,652	-	535,652
County buildings	284,159	-	284,159
Prisoner Support	2,945,716	-	2,945,716
Communications	1,202,591	-	1,202,591
Registry of Deeds	230,117	-	230,117
Registry of Probate	197,456	-	197,456
Community Programs	93,339	-	93,339
Sheriff's Department	2,863,488	-	2,863,488
Employee Benefits	92,848	-	92,848
Planning	225,404	-	225,404
Recycling	414,999	-	414,999
Insurances	89,370	-	89,370
Contingency	2,500	-	2,500
Special Projects/Reserves	196,326	196,722	393,048
Capital Projects/Reserves	365,800	-	365,800
Debt Service:			
TBRJ Debt Service	867,850	-	867,850
TAN Interest	14,631	-	14,631
Total expenditures	11,150,445	196,722	11,347,167
Change in Fund Balance	258,568	20,693	279,261
Beginning Fund Balance, as restated	2,535,220	13,544	2,548,764
Ending Fund Balance	$ 2,793,788	$ 34,237	$ 2,828,025

See accompanying notes to the basic financial statements.

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

As of December 31, 2017

Net change in total governmental funds balances, per Statement E	$	279,261
Capital assets acquired during the year are reported as expenditures in the governmental funds, but are not reported as expenses of governmental activities. Instead, they are reported as increases in capital assets in the Statement of Net Position.		
Capital asset acquisitions		537,302
Gain/(loss) on disposal of capital assets		(15,010)
Certain expenses and expense adjustments reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Depreciation expense		(402,879)
Change in accrued compensated absences		40,434
Change in net pension liability and related deferred outflows and inflows		(36,285)
Change in accrued post employment benefits and related deferred outflows and inflows		(597,465)
Change in net position of governmental activities, per Statement B	$	(194,642)

STATEMENT OF FIDUCIARY NET POSITION **STATEMENT G**

FIDUCIARY FUNDS

For the Year Ended December 31, 2017

	Pension Liability Trust	Agency Funds
ASSETS		
Cash	$ 4,695	$ 19,297
Investments	558,022	-
TOTAL ASSETS	562,717	19,297
LIABILITIES		
Due to specific individuals	-	19,297
TOTAL LIABILITIES	-	19,297
NET POSITION		
Total net position held in trust for pensions	$ 562,717	$ -

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:

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. 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

Property Taxes

Taxes from Cities and Counties 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specified purpose.

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.

> *Pension Liability Trust* – The primary purpose of the Pension Liability Trust is to hold money for the purpose of paying the Maine Public Employees Retirement Systems (MEPERS) employee contributions to the MEPERS.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

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.

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.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the County will not be able to recover the value of its deposits or investments that are in the possession of an outside party.

The County currently does not have a policy covering custodial credit risk for deposits. However, the County maintains deposits in qualifying financial institutions that are a member of the FDIC, and the County has an additional municipal deposit collateralization agreement.

At December 31, 2017, the County had a cash balance of $2,846,959. Of this cash balance, $630,051 was insured by the federal depository insurance (FDIC), the remaining deposits of $2,216,907 were insured by a municipal deposit collateralization agreement.

NOTE 3 - INVESTMENTS

At December 31, 2017, the County had the following investments and maturities:

			Maturities		
Investment Type	Fair Value	Not Applicable	< 1 Year	1 - 5 Years	> 5 Years
Equity securities	$ 344,049	$ 344,049	$ -	$ -	$ -
Fixed Income	213,350	89,469	49,970	73,911	-
Totals	$ 557,399	$ 433,518	$ 49,970	$ 73,911	$ -

Interest Rate Risk

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

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and Federal agency securities) that represent 5% or more of total investments are as follows:

	% of Total	Fair Value
Dodge & Cox International Stock	15.08%	$ 84,079
Dodge & Cox Stock	15.08%	84,077
Fidelity Growth Company Fund	15.86%	88,425
Parnassus Mid Cap Fund CL I	7.81%	43,509

Custodial Credit Risk

Custodial credit risk for investments is that, in the event of failure of the counterparty, the County 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 does not have a policy for custodial credit risk for investments.

Credit Risk

Under Maine statute, municipalities may invest in corporate bonds and other obligations of any U.S. or Canadian corporation, provided that the securities are rated within the three highest grades by any rating service approved by the Superintendent of Financial institutions and are payable in U.S. funds. At December 31, 2017, the County's investments in corporate securities were in compliance with this statute.

Fair Value Hierarchy

The County categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*.

NOTE 3 – INVESTMENTS (Continued)

Fair Value Hierarchy (Continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The three levels of the fair value hierarchy are as follows:

Level I – Unadjusted quoted prices for identical assets or liabilities in active markets;

Level II – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability:

Level III – Unobservable inputs for the asset or liability, which include management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions risk.

The County had the following fair value measurements as of December 31, 2017:

		Fair Value Measurements Using		
Investments by fair value level	Total	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Equity securities	$ 344,049	$ 344,049	$ -	$ -
Fixed Income	213,350	89,469	123,881	-
Totals	$ 557,399	$ 433,518	$ 123,881	$ -

Equity securities are classified in Level I are valued using prices quoted in active markets for those securities.

Certificates of deposits are classified in Level II are valued using standard inputs consisting of publically reliable sources or using a matrix pricing technique. All other fixed income investments are classified in Level I.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance, as Restated	Additons	Retirements	Ending Balance
Non-depreciable assets				
Land	$ 112,405	$ -	$ -	$ 112,405
Depreciable assets				
Buildings & Improvements	3,889,072	-	-	3,889,072
Vehicles	961,749	267,261	(132,278)	1,096,732
Machinery & Equipment	2,662,870	270,041	-	2,932,911
Infrastructure	481,166	-	-	481,166
	7,994,857	537,302	(132,278)	8,399,881
Total capital assets	8,107,262	537,302	(132,278)	8,512,286
Accumulated Depreciation				
Buildings & Improvements	(2,770,235)	(118,012)	117,268	(2,770,979)
Vehicles	(460,303)	(113,869)	-	(574,172)
Machinery & Equipment	(1,989,187)	(144,977)	-	(2,134,164)
Infrastructure	(166,807)	(26,021)	-	(192,828)
	(5,386,532)	(402,879)	117,268	(5,672,143)
Net capital assets	$ 2,720,730	$ 134,423	$ (15,010)	$ 2,840,143

Depreciation was charged to governmental functions as follows:

Emergency Management	19,026
County Buildings	142,300
Support of Prisoners	3,399
Communicaitons	42,813
Deeds	8,115
Probate	2,236
Sheriff	156,165
Recycling	28,825
Total	$ 402,879

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, 2017, is as follows:

Type	Purpose	Rate	Due Date	Balance 1/1/17	Issued	Retired	Balance 12/31/17
TAN	Cash flow	1.04%	12/31/2017	$ -	$ 3,500,000	$ 3,500,000	$ -

Total TAN related interest during the year was $14,631.

NOTE 6 – LONG-TERM DEBT

Summarized below are the long-term debt liabilities at December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
Accrued compensated absences	$ 344,419	$ -	$ 40,434	$ 303,985	$ 14,274
Net OPEB Liability	2,657,704 *	1,690,338	-	4,348,042	-
Net pension Liability	2,449,961	-	569,413	1,880,548	-
Totals	$ 5,452,084	$ 1,690,338	$ 40,434	$ 6,532,575	$ 14,274

*As restated, due to implementation of GASB 75

NOTE 7 - COMPONENTS OF FUND BALANCE

At December 31, 2017, the components of fund balances consisted of the following:

	Restricted	Committed	Assigned	Unassigned
General Fund				
Unassigned Fund Balance	-	-	-	1,371,147
Assigned for 2018 Expenditures	-	-	232,678	-
Buildings & Grounds Reserve	-	118,756	-	-
Capital Equipment Reserve	-	128,357	-	-
Capital Improvement Reserve	-	118,052	-	-
Communications Reserve	-	79,892	-	-
County Map & Promo Reserve	-	3,226	-	-
DA Lost Victims Fund	4,304	-	-	-
Dare	-	-	205	-
Deeds Preservation	-	175,720	-	-
Education Instruction	-	14,775	-	-
EMA In-kind	-	-	37,637	-
Hibbert's Gore Reserve	-	3,007	-	-
IT Infrastructure	-	12,899	-	-
Probate Preservation	-	9,173	-	-
Records Preservation	-	27,570	-	-
Recycling Reserve	-	215,907	-	-
Roads & Bridges Reserve	18,521	-	-	-
Sheriff IT Reserve	-	25,544	-	-
Sheriff Training Reserve	-	30,000	-	-
Superior Court Restoration	-	1,853	-	-
TBRJ Capital Reserve	-	118	-	-
Termination Reserve	-	84,005	-	-
Unemployment Reserve	-	12,963	-	-
Uninsured Loss Reserve	-	67,479	-	-
Special Revenue Funds				
Community Program Reserve	-	14,000	-	-
Drug Forfeiture	-	-	4,703	-
Faunce Grant Work	2,135	-	-	-
Heidi K-9	-	-	10,199	-
HSGP 2017	3,200	-	-	-
Total	$ 28,160	$ 1,143,296	$ 285,422	$ 1,371,147

NOTE 8 - EMPLOYEE BENEFIT PLANS

Plan Description

The County is a participant of the Maine Public Employees State Retirement System's (MainePERS or the System) multiple employer cost sharing consolidated retirement plan. Accordingly, due to the consolidation, details of the pension obligation pertaining to the County can no longer be presented. Additional information may be obtained from the MainePERS, 46 State House Station; Augusta, Maine 04333-0046.

As of June 30, 2017, there were 300 employers participating in the plan.

The contribution requirements of plan members are established and may be amended by State statute. This year, members contributed 8% from January through June and 8% from July through 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.

Employees participating are eligible for normal retirement upon attaining the age of sixty with five or more years of service or early retirement after completing twenty-five or more years of creditable service and being at least age 45. Beginning in July 2014, newly hired employees' normal retirement age will increase to age 65. Vested participants are entitled to a retirement benefit equal to a fraction of the average final compensation multiplied by the years of membership service (discounted for early retirement).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2017 the County reported a liability of $1,880,548 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating local municipalities, actuarially determined. As of December 31, 2017, the County's proportion, was 0.46%.

For the years ended December 31, 2017, the County recognized pension expense of $36,285.

NOTE 8 - EMPLOYEE BENEFIT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 90,346
Change of assumptions	160,024	-
Net difference between projected and actual earnings on pension plan investments	648,091	699,801
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,648	59,580
District contributions subsequent to the measurement date	129,507	-
Total	$ 945,270	$ 849,727

Deferred outflows relating to pensions resulting from County contributions subsequent to the measurement date in the amount of $117,386, as of December 31, 2017, will be recognized as a reduction of the net pension liability in 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2017, will be recognized in pension expense as follows:

Year	PLD Plan
2018	(73,058)
2019	154,510
2020	12,616
2021	(128,035)
Total	$ (33,967)

NOTE 8: - EMPLOYEE BENEFIT PLANS (Continued)

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions, applied to all periods included in the measurement.

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the Plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each employee is the product of his pay and his normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability (UAAL).

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

- *Investment Rate of Return* – 6.875% per annum, compounded annually.
- *Inflation Rate* – 2.75% per year
- *Annual Salary Increases, Merit, and Inflation*– 2.75% to 9.50% per year
- *Cost of Living Benefit Increases* – 2.20% for participating local districts
- *Mortality Rates* –For active members and non-disabled retirees of the participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.

NOTE 8: - EMPLOYEE BENEFIT PLANS (Continued)

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2017, are summarized in the following table. Assets of the Plan are commingled for investment purposes.

	Target Allocation	Long-Term Expected Real Rate of Return
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
County's proportionate share of the net pension liability	$ 3,772,958	$ 1,880,548	$ 455,857

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial report.

NOTE 8: - EMPLOYEE BENEFIT PLANS (Continued)

Financial Reporting

The Plan issues stand-alone financial reports which can be found online at:

http://www.mainepers.org/Publications/Publications.htm#Annual Reports

NOTE: 9 - OTHER POST-EMPLOYMENT BENEFITS – OPEB (GASB 75)

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement established standard for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed.

General Information about the OPEB Plan

Plan Description: 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.

At December 31, 2017, the following employees were covered by the benefit terms:

Active Employees	70
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Inactive Employees Currently Receiving Benefits	14
Total	84

Total OPEB Liability

The County's total OPEB liability of $4,348,042 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs: The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement, unless otherwise specified:

NOTE: 9 - OTHER POST-EMPLOYMENT BENEFITS – OPEB (GASB 75) (Continued)

Actuarial assumptions and other inputs

Measurement Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.29%
Inflation Rate	2.50%
Salary Rate Increase	3.00%
Health Care Trend Rates	
PreMedicare-Medical	7.50%
Medicare Eligible Medical	6.50%
Ultimate Health Care Cost Trend Rate	5.00%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2032

A rate of 3.29% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of September 21, 2017.

Mortality rates were based on the RP-2014 Combined Annuitant Mortality Tables for males and females.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2016	$ 2,760,741
Changes for the year:	
Service Cost	339,147
Interest	90,828
Changes of benefit terms	(307,965)
Differences between expected and actual experience	(102,879)
Changes in assumptions of other inputs	926,795
Benefit Payments	(70,374)
Other Changes	711,749
Net Changes	1,587,301
Balance at December 31, 2017	$ 4,348,042

The Discount Rate and Actuarial Cost Method were changed based on GASB 75 rules. Retiree Contributions were changed due to the revised County policy. Starting per capita costs were updated using most recent premiums. The health care trend rates were reset based on recent experiences. Decrements were changed per AMM allowances. The election at retirement assumptions was changed.

NOTE: 9 - OTHER POST-EMPLOYMENT BENEFITS – OPEB (GASB 75) (Continued)

Sensitivity Information

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.29 percent) or 1-percentage-point higher (4.29 percent) than the current discount rate:

	1% Increase	Valuation Rate	1% Decrease
Total OPEB Liability	$ 3,638,535	$ 4,348,042	$ 5,250,088

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using health-care cost trend rates that 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.50 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Increase	Valuation Rate	1% Decrease
Total OPEB Liability	$ 5,407,112	$ 4,348,042	$ 3,545,444

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the County recognized an OPEB expense of $597,464. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected & Actual Experience	$ -	$ 91,581
Changes of Assumptions	1,487,497	303,042
Total	$ 1,487,497	$ 394,623

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

Fiscal Year Ending:	Outflows	Inflows
December 31, 2018	$ 183,510	$ 48,684
December 31, 2019	183,510	48,684
December 31, 2020	183,510	48,684
December 31, 2021	183,510	48,684
December 31, 2022	183,510	48,684
Thereafter	569,947	151,203
Total	$ 1,487,497	$ 394,623

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, 2017, the County contributed $42,941.

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, 20177 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 – OVERLAPPING DEBT

The County is contingently responsible for the following debt as of December 31, 2017 (also see Joint Venture note below):

Governmental Unit	Net debt outstanding	County's Percentage	County's share of debt
Lincoln and Sagadahoc Multi-County Jail Authority	$ 9,870,000	50%	$ 4,935,000

The debt of Lincoln and Sagadahoc Multi-County Jail Authority is paid through annual assessments to the County. The debt will be fully paid in 2025.

NOTE 14 - JOINT VENTURE

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 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 $14,920,000 in 2014. 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 $7,460,000. Lincoln County’s share of principal and interest for the fiscal year ended December 31, 2017 was $625,000, and $120,425, 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, 2017, Lincoln County’s share was $2,990,527. 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 15 – 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. 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 17 – PRIOR PERIOD RESTATEMENTS

The County's beginning net position has been restated from the previous fiscal year to conform to GASB Statement 75. In accordance with Statement 75, the County has elected to apply the standard prospectively and not recalculated OPEB related deferred outflows and inflows of resources for prior periods.

In addition, Management determined that the County was carrying old, obsolete, capital assets on the Statement of Net Position. In 2017, Management made a one-time disposal of these items.

Accordingly, the following reconciliation is provided:

Government-wide Financial Statements:

	Governmental Activities
As previously reported	$ 1,928,202
Implementation of GASB 75	(1,030,052)
Capital asset adjustment	(379,498)
As restated	$ 518,652

The County's beginning fund balance has been restated from the previous to separately record special revenue funds, as defined by GASB 58. The following reconciliation is provided:

Fund Basis Financial Statements:

	General Fund	Other Governmental Funds
As previously reported	$ 2,548,764	$ -
Current year restatement	(13,544)	13,544
As restated	$ 2,535,220	$ 13,544

NOTE 17 – SUBSEQUENT EVENTS

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through April 30, 2018, the date the financial statements were available to be issued.

In February 2018, the County Commissioners approved a tax anticipation note not to exceed $5,000,000 for working capital needs. Management expects this loan to be fully repaid in 2018.

BUDGETARY COMPARISON SCHEDULE **SCHEDULE A**
GENERAL FUND - BUDGETARY BASIS
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes from cities and towns	$ 9,503,923	$ 9,637,981	$ 9,637,981	$ -
Charges for services	851,079	1,004,790	1,041,546	36,756
Intergovernmental revenues	578,555	480,892	685,646	204,754
Interest	5,000	5,000	13,668	8,668
Other revenue	-	-	30,172	30,172
Total Revenues	10,938,557	11,128,663	11,409,013	280,350
Expenditures				
Current:				
Court Services	115,686	120,634	96,265	24,369
Emergency Management	209,780	220,991	191,107	29,884
District Attorney	269,121	269,121	240,827	28,294
Commissioners	506,157	562,477	535,652	26,825
County Buildings	354,511	354,511	284,159	70,352
Prisoner Support	2,919,151	2,967,912	2,945,716	22,196
Communications	1,340,922	1,268,760	1,202,591	66,169
Registry of Deeds	234,225	234,225	230,117	4,108
Registry of Probate	214,965	214,965	197,456	17,509
Community Programs	96,339	96,339	93,339	3,000
Sheriff's Department	2,823,742	2,904,977	2,863,488	41,489
Employee Benefits	80,300	86,477	92,848	(6,371)
Planning	250,160	250,160	225,404	24,756
Recycling	449,325	449,325	414,999	34,326
Insurances	105,122	105,122	89,370	15,752
Contingency	72,824	95,000	2,500	92,500
Overlay	-	87,657	-	87,657
Special Projects/Reserves	60,000	60,000	60,000	-
Capital Projects/Reserves	158,000	158,000	158,000	-
Debt Service:				
TBRJ Debt Service	867,850	867,850	867,850	-
TAN Interest	60,000	60,000	14,631	45,369
Total Expenditures	11,188,180	11,434,503	10,806,319	628,184
Budgetary Surplus (Deficit)	(249,623)	(305,840)	602,694	908,534
Use of Fund Balance				
Assigned	249,623	305,840		
	$ 249,623	$ 305,840		

See notes to the required supplementary information.

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY **SCHEDULE B**
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM CONSOLIDATED PLAN

	2017	**2016**	**2015**	**2014**
Proportion of the net pension liability	0.46%	0.46%	0.48%	0.50%
Proportionate share of net pension liability	$ 1,880,548	$ 2,449,960	$ 1,518,429	$ 7,744
Covered-employee payroll	$ 2,593,004	$ 2,441,522	$ 2,279,942	$ 2,536,777
Porportionate share of the net pension liability as a percentage of covered-employee payroll	72.5%	100.3%	66.6%	30.53%
Plan fiduciary net position as a percentage of the total pension liability	86.42%	81.61%	88.30%	94.10%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF COUNTY CONTRIBUTIONS **SCHEDULE C**

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM CONSOLIDATED PLAN

	2017	2016	2015	2014
Actuarially determined contribution	$ 247,582	$ 224,018	$ 111,717	$ 118,851
Contributions in relation to the actuarially determined contribution	247,582	(224,018)	(111,717)	(118,851)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 2,593,004	$ 2,441,522	$ 2,279,942	$2,536,777
Contributions as a percentage of covered-employee payroll	9.5%	9.2%	4.9%	4.7%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS (GASB 75) **SCHEDULE D**

Net OPEB Liability	2017
Net OPEB liability	$ 4,348,042
Covered payroll	3,168,653
Net OPEB liability as a percentage of covered payroll	137.22%
Plan fiduciary net position as a percentage of total OPEB liability	0.00%

Contributions	2017
Actuarially determined contribution	-
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	-
Contributions as a percentage of covered payroll	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the County financial statements for summary of significant actuarial methods and assumptions.

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. 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 – RECONCILIATION OF BUDGETARY TO GAAP BASIS

The following is a reconciliation between the Budgetary Comparison Schedule (Schedule A) prepared on a budgetary basis of accounting and the General Fund's Statement of Revenues, Expenditures and Changes in Fund Balances (Statement E) prepared on the modified accrual basis of accounting, in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP).

Total expenditures, per Schedule A	$	10,806,319
Reserve expenditures that were not budgeted in the current year.		344,126
Total expenditures, per Statement E	$	11,150,445

The majority of the $344,126 in unbudgeted reserve expenditures is the purchase of a new Simulcast radio system for fire and law enforcement. The expenditures came out of the Communications reserve.

NOTE 3 – ORIGINAL AND FINAL BUDGET DIFFERENCES

The County is required by state statute to adopt a budget before December 31st. There were some adjustments that happen between December 31st and when the County committed taxes in May. Overall, there was an increase in the budgetary surplus of $56,217.

Berry · Talbot · Royer
CERTIFIED PUBLIC ACCOUNTANTS
BTR

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

County Commissioners
County of Lincoln, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Lincoln (the County), as of and for the year ended December 30, 2017, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated April XX, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Berry Talbot Royer

Berry Talbot Royer
Falmouth, Maine
Certified Public Accountants
April 30, 2018