

County of Lincoln, Maine



Annual Financial Statements For the Year Ended December 31, 2025

Independently Audited By



Proven Expertise & Integrity

County of Lincoln Maine

December 31, 2025

Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Statement A Statement of Net Position.....	10
Statement B Statement of Activities.....	11
Statement C Balance Sheet – Governmental Funds	12
Statement D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	13
Statement E Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Statement F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Notes to the Basic Financial Statements	16
Required Supplementary Information	
Schedule A Budgetary Comparison Schedule – General Fund – Budgetary Basis	33
Schedule B Schedule of County’s Proportionate Share of the Net Pension Liability	34
Schedule C Schedule of County Contributions.....	35
Schedule D Schedules of Net OPEB Liability and Contributions (GASB 75)	36
Notes to the Required Supplementary Information	37
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	38



Proven Expertise & Integrity

INDEPENDENT AUDITOR'S REPORT

County Commissioners
County of Lincoln
Wiscasset, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025 and the related notes to the financial statements, which collectively comprise the County of Lincoln, Maine's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Lincoln, Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the

United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Lincoln, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit 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 County of Lincoln, Maine's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the County of Lincoln, Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 9 and 33 through 37 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 12, 2026, 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 grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County of Lincoln, Maine's 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.

RHR Smith & Company

Buxton, Maine
June 12, 2026



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, 2025. 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 regarding the County's financial position. These financial statements are prepared using the accrual basis of accounting. This measure considers 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* 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 flow.

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 the County's basic services are reported in governmental activities, which include 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 requirements.

Governmental Funds: All 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 resource 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.

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 Revenues, Expenditures, and Change in Fund Balances – Reconciliation.

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 the net position of the County's governmental activities. The County's total net position increased by \$1,620,439 to \$9,275,542.

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 – increased to a surplus balance of \$5,260,679 at the end of this year. The change in balance is primarily resulting from the County's unfunded net pension and net OPEB liabilities.

Table 1

Condensed Statements of Net Positions
As of December 31, 2025 and 2024

	2025	2024	\$ Difference	% Difference
Assets:				
Current Assets	\$ 15,825,475	\$ 14,902,930	\$ 922,545	6%
Capital Assets	3,795,302	3,767,400	27,902	1%
Total Assets	<u>19,620,777</u>	<u>18,670,330</u>	<u>950,447</u>	5%
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	1,321,146	960,176	360,970	38%
Deferred outflows related to other post-employment benefits	<u>2,302,195</u>	<u>3,109,338</u>	<u>(807,143)</u>	-26%
Total Deferred Outflows of Resources	<u>3,623,341</u>	<u>4,069,514</u>	<u>(446,173)</u>	-11%
Liabilities:				
Current Liabilities	700,868	411,642	289,226	70%
Non-Current Liabilities	<u>7,932,094</u>	<u>7,904,430</u>	<u>27,664</u>	0%
Total Liabilities	<u>8,632,962</u>	<u>8,316,072</u>	<u>316,890</u>	4%
Deferred Inflows of Resources:				
Deferred Revenues	734,966	2,338,389	(1,603,423)	-69%
Deferred Inflows Related to Pensions	717,865	299,899	417,966	139%
Deferred inflows related to other post-employment benefits	<u>3,882,783</u>	<u>4,130,381</u>	<u>(247,598)</u>	-6%
Total Deferred Inflows of Resources	<u>5,335,614</u>	<u>6,768,669</u>	<u>(1,433,055)</u>	-21%
Net Position:				
Net Investment in Capital Assets	3,795,302	3,767,400	27,902	1%
Restricted	219,561	400,806	(181,245)	-45%
Unrestricted	<u>5,260,679</u>	<u>3,486,897</u>	<u>1,773,782</u>	51%
Total Net Position	<u>\$ 9,275,542</u>	<u>\$ 7,655,103</u>	<u>\$ 1,620,439</u>	21%

Revenues and Expenses

Revenues for the County's governmental activities decreased by 4%, while total expenses increased by 4%. The decrease in County's program revenue is due to many of the historical State and Federal grant pools no longer being available while the general revenues of the County have increased due to intergovernmental contract adjustments for rising operating costs in and a rise in consumption of fee for services such as civil, probate and deeds. The County's expenses increased by 4%. This is due to the net impact of Pension and OPEB liability changes and a conservative fixed asset listing clean up.

Table 2

Condensed Statements of Activities
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>\$ Difference</u>	<u>% Difference</u>
REVENUES				
Program Revenues	\$ 3,272,731	\$ 5,465,227	\$ (2,192,496)	-40%
General Revenues	14,961,596	13,524,755	1,436,841	11%
Total Revenues	<u>18,234,327</u>	<u>18,989,982</u>	<u>(755,655)</u>	-4%
EXPENSES				
Court Services	168,570	123,832	44,738	36%
Emergency Management	223,370	289,743	(66,373)	-23%
District Attorney	448,448	426,106	22,342	5%
Commissioners	887,451	654,047	233,404	36%
County buildings	644,786	363,473	281,313	77%
Prisoner Support	3,165,943	3,042,080	123,863	4%
Communications	1,871,983	1,263,186	608,797	48%
Registry of Deeds	266,878	235,378	31,500	13%
Registry of Probate	301,596	284,433	17,163	6%
Sheriff's Department	4,882,035	4,332,481	549,554	13%
TBRJ Debt Service	645,750	676,500	(30,750)	-5%
Planning	473,059	327,243	145,816	45%
Recycling	590,942	585,735	5,207	1%
Employee Benefits	114,225	109,523	4,702	4%
Community Programs	109,329	104,037	5,292	5%
Insurance	110,675	97,856	12,819	13%
Contingency	17,000	-	17,000	0%
Special Projects / Reserves	1,176,965	2,196,628	(1,019,663)	-46%
Capital Projects / Reserves	514,883	934,880	(419,997)	-45%
Total Expenses	<u>16,613,888</u>	<u>16,047,161</u>	<u>566,727</u>	4%
Change in Net Position	1,620,439	2,942,821	(1,322,382)	-45%
Beginning Net Position	<u>7,655,103</u>	<u>4,712,282</u>	<u>2,942,821</u>	
Ending Net Position	<u>\$ 9,275,542</u>	<u>\$ 7,655,103</u>	<u>\$ 1,620,439</u>	21%

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. General fund unassigned fund balance serves 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

Fund Balances - Governmental Funds

	<u>2025</u>	<u>2024</u>
General Fund:		
Nonspendable	\$ 16,854	\$ 3,161
Assigned	285,000	265,000
Unassigned	<u>4,477,625</u>	<u>4,226,309</u>
Total General Fund	<u>\$ 4,779,479</u>	<u>\$ 4,494,470</u>
Nonmajor Funds:		
Nonspendable	\$ 2,292	\$ 2,292
Restricted	221,853	403,098
Committed	9,415,585	7,259,962
Assigned	19,959	15,484
Unassigned	<u>(2,292)</u>	<u>(2,292)</u>
	<u>\$ 9,657,397</u>	<u>\$ 7,678,544</u>

The general fund unassigned fund balance increased by \$251,316 from the prior fiscal year. This was mostly due to earning interest income on cash investments.

Budgetary Highlights

The general fund’s actual revenues were over budget by \$58,629 primarily due to unanticipated revenues in the Planning and Sheriff’s Department.

The general fund’s actual expenses were under budget by \$241,871 after an allocation of surplus generated by staffing vacancies in our Communications and Sheriff’s Department has been shifted to replenish the effected reserves such as termination, legal and training.

Capital Assets

As of December 31, 2025, the net book value of capital assets recorded by the County increased by \$27,902 from the prior year. The increase was due to the current year’s depreciation expense of \$571,897 which was offset with capital additions of \$658,160 and net disposals of \$58,631. Net disposals increased due to an evaluation of the county’s fixed asset listing bring it closer to actual.

Table 4

Capital Assets (Net of Depreciation)

	<u>2025</u>	<u>2024</u>	<u>\$ Difference</u>	<u>% Difference</u>
Land	\$ 132,300	\$ 132,300	\$ -	
Construction in progress	-	-	-	100.0%
Buildings and improvements	841,398	820,625	20,773	2.5%
Vehicles	808,688	531,154	277,534	52.3%
Machinery and equipment	1,854,610	2,110,194	(255,584)	-12.1%
Infrastructure	158,306	173,127	(14,821)	-8.6%
Total	<u>\$ 3,795,302</u>	<u>\$ 3,767,400</u>	<u>\$ 27,902</u>	0.7%

Debt

On December 31, 2025, 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 5 of Notes to Financial Statements for more detailed information.

**Currently Known Facts, Decisions or Conditions
Economic Factors and Next Year’s Budget and Rates**

In prior years, the County’s unassigned fund balance had fallen below a sufficient level to sustain government operations for a period of approximately two months. As of December 31, 2025 the County had established an unassigned fund balance that covers approximately three months, or 25% of the approved appropriations for the fiscal year 2026 budget. The County also continues to maintain significant reserves for future capital and program needs.

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

As of December 31, 2025

STATEMENT A

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 15,223,382
Accounts receivable	585,240
Prepaid expenses	16,853
Total current assets	<u>15,825,475</u>
Capital assets:	
Land	132,300
Depreciable capital assets	9,671,525
Accumulated depreciation	<u>(6,008,523)</u>
Total capital assets	<u>3,795,302</u>
Total Assets	<u>19,620,777</u>
Deferred Outflows of resources	
Deferred outflows related to pensions	1,321,146
Deferred outflows related to other post-employment benefits	<u>2,302,195</u>
Total Deferred Outflows of Resources	<u>3,623,341</u>
Liabilities	
Current liabilities:	
Accounts payable	456,990
Accrued payroll	180,569
Other current liabilities	16,074
Accrued compensated absences	<u>47,235</u>
Total current liabilities	<u>700,868</u>
Noncurrent liabilities:	
Accrued compensated absences	897,465
Net OPEB liability	5,253,721
Net Pension liability	<u>1,780,908</u>
Total noncurrent liabilities	<u>7,932,094</u>
Total Liabilities	<u>8,632,962</u>
Deferred Inflows of Resources	
Deferred revenue - ARPA	734,966
Deferred inflows related to pensions	717,865
Deferred inflows related to other post-employment benefits	<u>3,882,783</u>
Total Deferred Inflows of Resources	<u>5,335,614</u>
Net Position	
Net investment in capital assets	3,795,302
Restricted	219,561
Unrestricted	<u>5,260,679</u>
Total Net Position	<u>\$ 9,275,542</u>

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

STATEMENT B

Functions / Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental activities:				
Court Services	\$ 168,570	\$ 32,370	\$ 156,134	\$ 19,934
Emergency Management	223,370	-	51,513	(171,857)
District Attorney	448,448	-	-	(448,448)
Administration	887,451	58,798	-	(828,653)
County buildings	644,786	-	-	(644,786)
Transportation	3,165,943	31,440	305,320	(2,829,183)
Communications	1,871,983	88,837	-	(1,783,146)
Registry of Deeds	266,878	458,241	-	191,363
Registry of Probate	301,596	193,762	-	(107,834)
Sheriff's Department	4,882,035	71,934	254,289	(4,555,812)
TBRJ Debt Service	645,750	-	-	(645,750)
Planning	473,059	5,147	356,345	(111,567)
Recycling	590,942	211,038	-	(379,904)
Employee Benefits	114,225	25,823	-	(88,402)
Community Programs	109,329	-	-	(109,329)
Insurance	110,675	-	-	(110,675)
Contingency	17,000	-	-	(17,000)
Special Projects / Reserves	1,176,965	286,214	635,341	(255,410)
Capital Projects / Reserves	514,883	-	50,185	(464,698)
Total	\$ 16,613,888	\$ 1,463,604	\$ 1,809,127	(13,341,157)
General Revenues:				
				14,543,371
Taxes from cities and towns				418,225
Interest revenues				<u>14,961,596</u>
Total general revenue				
Change in Net Position				1,620,439
Beginning Net Position				<u>7,655,103</u>
Ending Net Position				<u><u>\$ 9,275,542</u></u>

BALANCE SHEET-GOVERNMENTAL FUNDS**STATEMENT C**

As of December 31, 2025

	General	ARPA Special Revenue	Other Governmental Funds	Total
Assets				
Cash	\$ 15,223,382	\$ -	\$ -	\$ 15,223,382
Accounts receivable	392,963	-	192,277	585,240
Prepaid expenses	16,853	-	-	16,853
Due from other funds	-	734,966	9,465,120	10,200,086
Total Assets	<u>\$ 15,633,198</u>	<u>\$ 734,966</u>	<u>\$ 9,657,397</u>	<u>\$ 26,025,561</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	456,990	-	-	456,990
Accrued payroll	180,569	-	-	180,569
Other current liabilities	16,074	-	-	16,074
Due to other funds	10,200,086	-	-	10,200,086
Total liabilities	<u>10,853,719</u>	<u>-</u>	<u>-</u>	<u>10,853,719</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues	-	734,966	-	734,966
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>734,966</u>	<u>-</u>	<u>734,966</u>
Fund balances				
Nonspendable	16,854	-	2,292	19,146
Restricted	-	-	221,853	221,853
Committed	-	-	9,415,585	9,415,585
Assigned	285,000	-	19,959	304,959
Unassigned	4,477,625	-	(2,292)	4,475,333
Total fund balances	<u>4,779,479</u>	<u>-</u>	<u>9,657,397</u>	<u>14,436,876</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,633,198</u>	<u>\$ 734,966</u>	<u>\$ 9,657,397</u>	<u>\$ 26,025,561</u>

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**
As of December 31, 2025

STATEMENT D

Total governmental funds balances, per Statement C	\$ 14,436,876
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,795,302
Deferred Outflows and Inflows related to pensions	603,281
Deferred Outflows and Inflows related to OPEB	(1,580,588)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Accrued compensated absences	(944,700)
Net OPEB liability	(5,253,721)
Net Pension liability	<u>(1,780,908)</u>
Net position of governmental activities, per Statement A	<u><u>\$ 9,275,542</u></u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

STATEMENT E

For the Year Ended December 31, 2025

	General	ARPA Special Revenue	Other Governmental Funds	Total
Revenues				
Taxes from cities and towns	\$ 14,543,371	\$ -	\$ -	\$ 14,543,371
Charges for services	958,073	-	146,853	1,104,926
Intergovernmental revenues	1,342,417	1,603,423	821,527	3,767,367
Interest	25,000	-	393,225	418,225
Other revenue	500	-	240	740
Total revenues	16,869,361	1,603,423	1,361,845	19,834,629
Expenditures				
Court Services	166,758	-	-	166,758
Emergency Management	323,726	-	-	323,726
District Attorney	418,420	-	-	418,420
Administration	804,353	-	-	804,353
County buildings	566,679	-	-	566,679
Prisoner Support	3,123,690	-	-	3,123,690
Communications	1,754,059	-	-	1,754,059
Registry of Deeds	257,717	-	-	257,717
Registry of Probate	287,040	-	-	287,040
Sheriff's Department	4,488,443	-	-	4,488,443
TBRJ Debt Service	645,750	-	-	645,750
Planning	446,578	-	-	446,578
Recycling	644,175	-	-	644,175
Employee Benefits	114,225	-	-	114,225
Community Programs	109,329	-	-	109,329
Insurance	110,675	-	-	110,675
Contingency	17,000	-	-	17,000
Capital expenditures	-	-	514,883	514,883
Other expenditures	-	1,603,423	1,173,844	2,777,267
Total expenditures	14,278,617	1,603,423	1,688,727	17,570,767
Revenue Surplus (Deficit)	2,590,744	-	(326,882)	2,263,862
Other Financing Sources (Uses)				
Transfers in	-	-	2,305,735	2,305,735
Transfers out	(2,305,735)	-	-	(2,305,735)
Net other financing	(2,305,735)	-	2,305,735	-
Change in Fund Balance	285,009	-	1,978,853	2,263,862
Beginning Fund Balance	4,494,470	-	7,678,544	12,173,014
Ending Fund Balance	\$ 4,779,479	\$ -	\$ 9,657,397	\$ 14,436,876

**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, 2025

Net change in total governmental funds balances, per Statement E	\$ 2,263,862
<p>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.</p>	
Capital asset acquisitions	658,160
Gain/(loss) on disposal of capital assets	(58,361)
<p>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.</p>	
Depreciation expense	(571,897)
Change in accrued compensated absences	(542,388)
Change in net pension liability and related deferred outflows and inflows	183,689
Change in accrued post employment benefits and related deferred outflows and inflows	(312,626)
	<hr/>
Change in net position of governmental activities, per Statement B	<u><u>\$ 1,620,439</u></u>

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.

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 March 1st of each year. Taxes are due on or near September 1st. If the taxes are not paid by a 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

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made based on criteria set forth in GAAP. The criteria used define the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of these criteria and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, it has been determined that the County has no component units.

Fund Accounting

The accounts of the County are organized based on 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 how 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 a specific purpose.

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 received. Intergovernmental revenues and interest income are accrued when their receipt occurs soon enough after the end of the accounting period 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended December 31, 2025, the following statement of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 100 “Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62”. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. Management has determined the impact of this Statement is material to the financial statements.

Statement No. 101 “Compensated Absences” – replacing GASB Statement No. 16 from 1992, introducing a unified model for recognizing and measuring liabilities for compensated absences, including vacation, sick leave, paid time off and other forms of leave ensuring consistency across all leave types. Management has assumed continued employment for staff and has deemed that the monetary liability of all leave balances available at 12/31/2025 to have a material impact on the financial statements and therefore need to be recorded accordingly.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

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 be presented the budget and any supplemental information prepared by the Elected Treasurer 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 recommendations the Commissioners may then approve the budget by 2/3 vote of its membership, 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 is 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. As of 12/31/2025 the County did not have any uncollectible accounts to report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

It is the County’s policy to state investments at market value at the balance sheet date. As of 12/31/2025 the County has Certificate of Deposits with First Federal National Bank.

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.

Accrued Compensated Absences

Pursuant to the terms of the personnel policies and union contracts, vacation, sick, comp, and float holiday time is granted in varying amounts according to the length of service. In the government-wide financial statements, liabilities that are attributable to services already rendered are accrued as employees earn the rights to the benefits and are recognized in the period incurred. In the governmental fund financial statements, compensated absences are recognized as related payments come due each period.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental activities have deferred outflows and inflows that relate to the net pension and net OPEB liabilities, which include the County’s contributions subsequent to the measurement date, which are recognized as a reduction of the related net liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between County contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on plan investments, which are deferred and amortized over a five-year period.

Net Position Components

Net position in the government-wide financial statements is required to be separated into the following three components:

Net Investment in Capital Assets - This component shows the portion of net position that is the most illiquid. It is tied up in capital assets, net of any depreciation or related debt.

Capital assets	\$ 9,803,825
Accumulated depreciation	<u>(6,008,523)</u>
Net investment in capital assets	<u>\$ 3,795,302</u>

Restricted - This component shows the portion of net assets that are restricted by external constraints (e.g., grant agreements, laws, regulations and other governments etc.) to be used only for specified purposes.

Unrestricted - This component shows the remainder of net position that is neither net investment in capital assets nor restricted. It is the portion that may be used for general governmental purposes.

See accompanying notes to the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Fund Balance Components

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 Elected Treasurer that the Treasurer 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 implemented a General Operating Fund Balance policy in conformity with GASB 54 fund balance classifications.

- **Non-spendable** fund balance is non-cash form including item such as inventory and prepaid expenses and are not required to be maintained intact.
- **Restricted** fund balance is constrained to specific purposes by their providers through constitutional provisions, contracts or enabling legislation.
- **Unrestricted** fund balance:
 - **Committed** fund balance is constrained to specific purposes by a government itself, using its highest level of decision-making authority.
 - **Assigned** fund balance are amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by Elected Official to which the governing body delegates authority.
 - **Unassigned** fund balance is money available for any purpose.

It is the policy of the county to maintain a minimum of 2 months or 15% of the most recent budgeted operating expenses. If this policy is met, the commissioners may "assign" or "preserve" unassigned fund balance based on the financial needs and wellness of the county or reducing the annual tax commitment to the towns. If the policy is not met, the commissioners may vote annually to "preserve" the funds until the county's financial wellness is reestablished.

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.

NOTE 2 - CASH (Continued)

On December 31, 2025, the County had a bank balance of \$15,504,521. Of this cash balance, \$250,000 was insured by the federal depository insurance (FDIC), the remaining deposits of \$15,254,521 were insured by a municipal deposit collateralization agreement.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additons	Retirements	Ending Balance
<i>Non-depreciable assets</i>				
Land	\$ 132,300	\$ -	\$ -	\$ 132,300
Construction in progress	-	-	-	-
Total Non-Depreciable	132,300	-	-	132,300
<i>Depreciable assets</i>				
Buildings & Improvements	4,044,206	168,849	-	4,213,055
Vehicles	1,633,084	481,561	(119,959)	1,994,686
Machinery & Equipment	4,009,137	7,750	(1,092,269)	2,924,618
Infrastructure	539,166	-	-	539,166
	<u>10,225,593</u>	<u>658,160</u>	<u>(1,212,228)</u>	<u>9,671,525</u>
Total capital assets	10,357,893	658,160	(1,212,228)	9,803,825
<i>Accumulated Depreciation</i>				
Buildings & Improvements	(3,223,581)	(89,715)	(58,361)	(3,371,657)
Vehicles	(1,101,930)	(204,027)	119,959	(1,185,998)
Machinery & Equipment	(1,898,943)	(263,334)	1,092,269	(1,070,008)
Infrastructure	(366,039)	(14,821)	-	(380,860)
	<u>(6,590,493)</u>	<u>(571,897)</u>	<u>1,153,867</u>	<u>(6,008,523)</u>
Net capital assets	<u><u>\$ 3,767,400</u></u>	<u><u>\$ 86,263</u></u>	<u><u>\$ (58,361)</u></u>	<u><u>\$ 3,795,302</u></u>

Depreciation was charged to governmental functions as follows:

Emergency Management	\$ 14,384
County Buildings	103,223
Communications	183,774
Deeds	3,635
Probate	9,549
Sheriff	194,707
Recycling	62,625
Total	<u><u>\$ 571,897</u></u>

NOTE 4 – NON-CURRENT LIABILITIES

Summarized below are the Non-Current Liabilities at December 31, 2024:

	<u>Balance 1/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2025</u>	<u>Current Portion</u>
Accrued compensated absences	\$ 402,312	\$ 542,388		\$ 944,700	\$ 47,235
Net OPEB Liability	5,500,640	(246,919)	246,919	5,253,721	-
Net pension Liability	(2,021,593)	240,685	-	(1,780,908)	-
Totals	<u>\$ 3,881,359</u>	<u>\$ 536,154</u>	<u>\$ -</u>	<u>\$ 4,417,513</u>	<u>\$ 47,235</u>

NOTE 5 - COMPONENTS OF FUND BALANCE

At December 31, 2024, the components of fund balances consisted of the following:

	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund					
Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ 4,477,625
Prepaid items	16,854	-	-	-	-
Assigned for 2025 Expenditure	-	-	-	285,000	-
Special Revenue Funds					
Ask Program	-	-	1,800	-	-
Alternative Sentencing Program	-	46,933	-	-	-
Animal Control Program	-	-	3,161	-	-
Broadband Grant	-	-	167,190	-	-
Civil Process	-	-	51,930	-	-
Court Appointed Reserve	-	-	25,372	-	-
CRPSG Grant	-	-	3,190	-	-
Dare	-	205	-	-	-
DA Witness Reserve	-	-	26,490	-	-
Deeds Preservation	-	-	255,874	-	-
Due to Victim	-	-	375	-	-
Education Instruction	-	-	10,119	-	-
First Responder Wellness Grant	-	-	51,729	-	-
Health and Safety Reserve	-	-	20,507	-	-
Home Release Reserve	-	-	44,300	-	-
Interest Income	-	-	2,028,345	-	-
IT Infrastructure	-	-	125,178	-	-
Legal Reserve	-	-	198,081	-	-
Lincoln County Triad	2,292	-	-	-	(2,292)
Opioid Funding	-	160,713	-	-	-
Paid Family Medical Leave	-	7,431	-	-	-
Probate Preservation	-	-	22,218	-	-
Project Life Saver	-	4,279	-	-	-
Safety Reserve	-	-	20,068	-	-
Seized Property	-	-	569	-	-
Semiquincentennial	-	-	12,800	-	-
Strategic Planning Reserve	-	-	181,445	-	-
Termination Reserve	-	-	120,630	-	-
Training Reserve	-	-	100,863	-	-
Unemployment Reserve	-	-	100,000	-	-
Uninsured Loss Reserve	-	-	97,383	-	-
Wellness	-	-	106	-	-
Capital Reserve Funds					
Buildings & Grounds Reserve	-	-	761,791	-	-
CIP Reserve	-	-	3,033,393	-	-
Capital Equipment Reserve	-	-	377,055	-	-
Capital Improvement Reserve	-	-	268,425	-	-
Communications Reserve	-	-	250,027	-	-
County Map & Promo Reserve	-	-	3,226	-	-
Incentive Reserve	-	-	100,000	-	-
Repeater Reserve	-	-	100,000	-	-
Recycling Reserve	-	-	177,330	-	-
Sheriff IT Reserve	-	-	44,138	-	-
Sheriff Training Reserve	-	-	256,266	-	-
Sheriff Vehicle Reserve	-	-	74,211	-	-
Two Bridge Regional Jail - Repair Loan	-	-	300,000	-	-
Heidi K-9	-	-	-	19,959	-
Total	\$ 19,146	\$ 219,561	\$ 9,415,585	\$ 304,959	\$ 4,475,333

NOTE 6 – EMPLOYEE BENEFIT PLANSPlan 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, 2025, there were 335 employers participating in the plan.

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. The System's retirement program provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, the normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 4.58%.

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

As of December 31, 2025 the County reported a liability of \$1,780,908 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2025 the County's proportion was 0.54%.

For the year ended December 31, 2025, the County recognized pension expense of \$420,905.

NOTE 6 - 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, 2025, 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	\$ 573,260	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	326,071
Changes in proportion and differences between employer contributions and proportionate share of contributions	436,035	391,794
District contributions subsequent to the measurement date	311,851	-
Total	\$ 1,321,146	\$ 717,865

Deferred outflows relating to pensions resulting from County contributions subsequent to the measurement date in the amount of \$311,851, as of December 31, 2025, will be recognized as a reduction of the net pension liability in 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2024, will be recognized in pension expense as follows:

Year	PLD Plan
2026	487,494
2027	(28,108)
2028	(41,667)
2029	(126,290)
Total	\$ 291,429

NOTE 6 - 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, 2025, 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, 2025 are as follows:

- *Investment Rate of Return* – 6.50% per annum for the year ended June 30, 2025 and for the year ended June 30, 2024, compounded annually.
- *Inflation Rate* – 2.75% per annum for the year ended June 30, 2025.
- *Annual Salary Increases, Merit, and Inflation*– members of the PLD Consolidated Plan, 2.75% - 11.48% for the year ended June 30, 2025.
- *Cost of Living Benefit Increases* – 1.91% per annum for the year ended June 30, 2025 participating local districts.
- *Mortality Rates* – For the year ended June 30, 2024, for active members and non-disabled retirees of the participating local districts, the RPEC_2020 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.

NOTE 6 – EMPLOYEE BENEFIT PLANS (Continued)

The long-term expected rate of return on pension plan investment 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan’s target asset allocation as of June 30, 2025, are summarized in the following table. Assets of the Plan are commingled for investment purposes.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	5.6%
US Government	2.2%
Private equity	7.2%
Real assets:	
Real estate	5.8%
Infrastructure	5.3%
Natural Resources	5.1%
Traditional Credit	2.7%
Alternative Credit	6.4%
Diversifiers	4.8%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.5% for 2025. 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, 2023 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

County's proportionate share of the net pension liability	1% Decrease <u>(5.5%)</u>	Current Discount Rate <u>(6.5%)</u>	1% Increase <u>(7.5%)</u>
	\$ 5,217,763	\$ 1,780,908	\$ (1,048,676)

Pension Plan Fiduciary Net Position

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

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

https://www.maineopers.org/wp-content/uploads/pdfs/GASB-68-reports/2025/FY25-GASB-68-Report_Final_rev.pdf

NOTE 7 – 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 standards 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 for 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 have been established and amended by the County Commissioners.

At December 31, 2024, the following employees were covered by the benefit terms:

Active Employees	72
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Inactive Employees Currently Receiving Benefits	<u>13</u>
Total	85

Total OPEB Liability

The County’s total OPEB liability of \$5,494,922 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs: The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions and other inputs

Measurement Date	December 31, 2025
Actuarial Cost Method	Entry Age Normal
Discount Rate	4.28%
Inflation Rate	4.00%
Salary Rate Increase	4.00%
Health Care Trend Rates	
Initial Health Care Cost Trend Rate	6.50%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2040

A rate of 4.00% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of December 31, 2025.

Mortality rates were based on the PubG.H-2010 General Mortality with Mortality Improvement using Scale MP-2020.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS – OPEB (GASB 75) (CONTINUED)

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2025 valuation were based on the results of the most recent actuarial experience study.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2024	\$ 5,500,640
Changes for the year:	
Service Cost	148,981
Interest	233,019
Changes of benefit terms	-
Differences between expected and actual experience	(428,274)
Changes in assumptions of other inputs	(88,115)
Benefit Payments	(112,530)
Other Changes	-
Net Changes	<u>(246,919)</u>
Balance at December 31, 2024	<u>\$ 5,253,721</u>

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.

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 (17.84%) or 1-percentage-point higher (14.34%) than the current discount rate:

	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$ 4,500,388	\$ 5,253,721	\$ 6,191,148

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 (16.20%) or 1-percentage-point higher (20.78%) than the current healthcare cost trend rates:

	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$ 6,345,338	\$ 5,253,721	\$ 4,402,487

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

For the year ended December 31, 2025, the County recognized an OPEB expense of \$425,156. At December 31, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS – OPEB (GASB 75) (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected & Actual Experience	\$ 659,899	\$ 1,696,154
Changes of Assumptions	1,642,296	2,186,629
Total	<u>\$ 2,302,195</u>	<u>\$ 3,882,783</u>

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, 2026	671,617	745,365
December 31, 2027	637,823	714,123
December 31, 2028	479,376	671,248
December 31, 2029	349,187	668,935
December 31, 2030	93,956	568,393
December 31, 2031	38,306	291,197
December 31, 2032	31,930	206,606
December 31, 2033	-	16,916
Total	<u>\$ 2,302,195</u>	<u>\$ 3,882,783</u>

NOTE 8 - 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 employee chooses to contribute and are not enrolled in the Maine Public Employees Retirement System, the County will match up to the MPERS plan rate that would apply to the position if enrolled. During the year ended December 31, 2025, the County contributed \$132,841.33.

NOTE 9 - 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 10 - COMMITMENTS AND CONTINGENCIESState and Federal Grants

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, 2025 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.

Litigation

The County is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the County has defensible positions, and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the County.

NOTE 11 - OVERLAPPING DEBT

The County was contingently responsible for debt service on the Two Bridges Regional Jail building project. This debt service has been fully retired as of 12/31/2025.

NOTE 12 - 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, 2025 was \$630,375, and \$15,15375, respectively. Lincoln and Sagadahoc Counties operate under a cost sharing agreement entered 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, 2025, Lincoln County's share was fully retired. 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 13 - 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 14 - SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, which was the same as the report date.

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
 For the Year Ended December 31, 2025

SCHEDULE A

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes from cities and towns	\$ 14,523,371	\$ 14,523,371	\$ 14,543,871	\$ 20,500
Use of Surplus		285,000	-	(285,000.00)
Charges for services	978,279	978,279	958,073	(20,206)
Intergovernmental revenues	999,082	999,082	1,342,417	343,335
Interest	25,000	25,000	25,000	-
Total revenues	<u>16,525,732</u>	<u>16,810,732</u>	<u>16,869,361</u>	<u>58,629</u>
Expenditures				
Court Services	199,672	199,672	166,759	32,913
Emergency Management	393,729	393,729	323,727	70,002
District Attorney	476,306	476,306	418,421	57,885
Administration	871,855	871,855	804,353	67,502
County buildings	575,547	575,547	566,680	8,867
Prisoner Support	3,255,027	3,255,027	3,123,689	131,338
Communications	2,074,956	2,074,956	1,754,060	320,896
Registry of Deeds	284,398	284,398	257,718	26,680
Registry of Probate	291,357	291,357	287,041	4,316
Sheriff's Department	5,137,094	5,137,094	4,488,443	648,651
TBRJ Debt Service	645,750	645,750	645,750	-
Planning	477,085	477,085	446,579	30,506
Recycling	674,203	674,203	644,177	30,026
Employee Benefits	116,424	116,424	114,225	2,199
Community Programs	109,329	109,329	109,329	-
Insurances	105,000	105,000	110,675	(5,675)
Contingency	95,000	95,000	17,000	78,000
Total expenditures	<u>15,782,732</u>	<u>15,782,732</u>	<u>14,278,626</u>	<u>1,504,106</u>
Revenue Surplus (Deficit)	743,000	1,028,000	2,590,735	(1,562,735)
Other Financing Sources (Uses)				
Transfers out	(1,043,500)	(1,043,500)	(2,305,735)	1,262,235
Net other financing	<u>(1,043,500)</u>	<u>(1,043,500)</u>	<u>(2,305,735)</u>	<u>-</u>
Change in Fund Balance	<u>\$ (300,500)</u>	<u>\$ (15,500)</u>	<u>\$ 285,000</u>	<u>\$ (300,500)</u>
Addition to (Use of) Fund Balance				
Assigned	\$ -	\$ 285,000	\$ -	
Unassigned	-	-	285,000	
	<u>\$ -</u>	<u>\$ 285,000</u>	<u>\$ 285,000</u>	

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

SCHEDULE B

	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.54%	0.54%	0.54%	0.47%	0.48%
Proportionate share of net pension liability	\$ 1,780,908	\$ 2,021,593	\$ 1,724,884	\$ 1,416,284	\$ (155,679)
Covered-employee payroll	\$ 4,820,717	\$ 4,666,091	\$ 3,995,973	\$ 3,726,745	\$ 3,349,107
Proportionate share of the net pension liability as a percentage of covered-employee payroll	36.9%	43.3%	43.2%	38.0%	-4.6%
Plan fiduciary net position as a percentage of the total pension liability	93.00%	91.06%	92.30%	93.25%	100.80%
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.47%	0.44%	0.46%	0.46%	0.46%
Proportionate share of net pension liability	\$ 1,854,876	\$ 1,338,140	\$ 1,279,174	\$ 1,880,548	\$ 2,449,960
Covered-employee payroll	\$ 2,974,921	\$ 2,692,443	\$ 2,482,837	\$ 2,593,004	\$ 2,441,522
Proportionate share of the net pension liability as a percentage of covered-employee payroll	62.4%	49.7%	51.5%	72.5%	100.3%
Plan fiduciary net position as a percentage of the total pension liability	90.60%	90.60%	78.32%	86.42%	81.61%

ed 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

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 605,147	\$ 537,410	\$ 494,604	\$ 428,746	\$ 356,985
Contributions in relation to the actuarially determined contribution	<u>(605,147)</u>	<u>(537,410)</u>	<u>(494,604)</u>	<u>(428,746)</u>	<u>(356,985)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,820,717	\$ 4,666,091	\$ 3,995,973	\$ 3,726,745	\$ 3,349,107
Contributions as a percentage of covered-employee payroll	12.6%	11.5%	12.4%	11.5%	10.7%
	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 312,228	\$ 285,204	\$ 255,903	\$ 235,796	\$ 224,018
Contributions in relation to the actuarially determined contribution	<u>(312,228)</u>	<u>(285,204)</u>	<u>(255,903)</u>	<u>(235,793)</u>	<u>(224,018)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,974,921	\$ 2,692,443	\$ 2,482,837	\$ 2,593,004	\$ 2,441,522
Contributions as a percentage of covered-employee payroll	10.5%	10.6%	10.3%	9.1%	9.2%

d 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

	2025	2024	2023	2022	2021
<u>Net OPEB Liability</u>					
Net OPEB liability	\$ 5,253,721	\$ 5,500,640	\$ 5,494,921	\$ 6,700,534	\$ 8,932,629
Covered payroll	2,725,000	4,386,000	4,386,000	3,597,000	3,597,000
Net OPEB liability as a percentage of covered payroll	192.80%	120.59%	125.28%	186.28%	248.34%
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Contributions</u>					
Actuarially determined contribution	\$ 246,919.00	\$ 494,604.00	\$ 494,604.00	\$ 428,746.00	\$ 356,985.00
Contributions in relation to the actuarially determined contribution	(246,919)	(494,604)	(494,604)	(428,746)	(356,985)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule is intended to show information for 5 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 POLICIESGeneral

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 – ORIGINAL AND FINAL BUDGET DIFFERENCES

The County is required by state statute to adopt a budget before December 31st. There were no adjustments that happened between December 31st and when the County committed taxes in March. However, the County's Commissioners approved an additional transfer at 12/31/2025 from the General Fund to the County's Special Revenue & Capital Reserve funds in the amount \$1,262,235 replenishing prior year consumption and planning for future financial wellness.



Proven Expertise & Integrity

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
Wiscasset, 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 the County of Lincoln, Maine as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the County of Lincoln, Maine's basic financial statements and have issued our report thereon dated June 12, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Lincoln, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Additionally, as part of obtaining reasonable assurance about whether the County of Lincoln, Maine's financial statements are free of material misstatement, we considered the County of Lincoln, Maine's internal controls. We did this for the purpose of determining our auditing procedures but not for the purpose of expressing an opinion on the effectiveness of the County of Lincoln, Maine's internal control over financial reporting or compliance. We provided a separate letter reporting the results of our consideration of internal control to the management of the County of Lincoln, Maine dated June 12, 2026.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
June 12, 2026