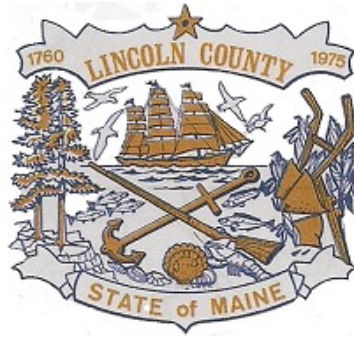


# County of Lincoln, Maine



## Annual Financial Statements For the Year Ended December 31, 2021

Independently Audited By

**Berry·Talbot·Royer**

CERTIFIED PUBLIC ACCOUNTANTS

# County of Lincoln Maine

December 31, 2021

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**INDEPENDENT AUDITOR'S REPORT**

To the County Commissioners  
County of Lincoln, Maine

**Report on the Audit of the Financial Statements**

*Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Lincoln, Maine as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2021, 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.

*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 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*

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.

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's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 control 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'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 substantial doubt about the County'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.

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 (on pages 4 – 9), a budgetary comparison schedule (Schedule A), and schedules related to pensions and other post-employment benefits (Schedules B – D), 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 August 29, 2022 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 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 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.

A handwritten signature in black ink that reads "Berry Talbot Royer". The signature is written in a cursive, slightly slanted style.

Berry Talbot Royer  
Certified Public Accountants  
Falmouth, Maine  
August 29, 2022



## 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, 2021. 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 increased to \$5,937,789.

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 \$3,626,254 at the end of this year. The change in balance is primarily resulting from the County's unfunded net pension and net OPEB liabilities.

Condensed Statements of Net Positions  
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>Assets:</b>				
Current Assets	\$ 10,369,150	\$ 6,115,784	\$ 4,253,366	70%
Capital Assets	2,291,493	2,267,821	23,672	1%
Total Assets	<u>12,660,643</u>	<u>8,383,605</u>	<u>4,277,038</u>	51%
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	911,977	459,299	452,678	99%
Deferred outflows related to other post-employment benefits	<u>5,244,890</u>	<u>3,196,301</u>	<u>2,048,589</u>	64%
Total Deferred Outflows of Resources	<u>6,156,867</u>	<u>3,655,600</u>	<u>2,501,267</u>	68%
<b>Liabilities:</b>				
Current Liabilities	443,269	712,051	(268,782)	-38%
Long-term Debt Outstanding	<u>9,133,748</u>	<u>9,922,757</u>	<u>(789,009)</u>	-8%
Total Liabilities	<u>9,577,017</u>	<u>10,634,808</u>	<u>(1,057,791)</u>	-10%
<b>Deferred Inflows of Resources:</b>				
Deferred Inflows Related to Pensions	2,180,741	64,562	2,116,179	3278%
Deferred inflows related to other post-employment benefits	<u>1,121,963</u>	<u>764,462</u>	<u>357,501</u>	47%
Total Deferred Inflows of Resources	<u>3,302,704</u>	<u>829,024</u>	<u>2,473,680</u>	298%
<b>Net Position:</b>				
Net Investment in Capital Assets	2,291,493	2,267,821	23,672	1%
Restricted	20,042	21,300	(1,258)	-6%
Unrestricted	<u>3,626,254</u>	<u>(1,713,748)</u>	<u>5,340,002</u>	-312%
Total Net Position	<u>\$ 5,937,789</u>	<u>\$ 575,373</u>	<u>\$ 5,362,416</u>	932%



## Revenues and Expenses

Revenues for the County's governmental activities increased by 29%, while total expenses decreased by 14%. The increase in County Revenue's was due to the receipt of American Rescue Plan Act (ARPA funds) and a robust housing and recycling market. The majority of the decrease in the County's expenses were due to a significant change to the County's Entity-Wide Liabilities.

Condensed Statements of Activities  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>REVENUES</b>				
Program Revenues	\$ 5,805,444	\$ 2,244,075	\$ 3,561,369	159%
General Revenues	<u>10,947,513</u>	<u>10,710,362</u>	<u>237,151</u>	2%
Total Revenues	<u>16,752,957</u>	<u>12,954,437</u>	<u>3,798,520</u>	29%
<b>EXPENSES</b>				
Court Services	113,602	128,233	(14,631)	-11%
Emergency Management	217,629	335,174	(117,545)	-35%
District Attorney	371,898	364,675	7,223	2%
Commissioners	587,157	760,753	(173,596)	-23%
County buildings	547,166	558,662	(11,496)	-2%
Prisoner Support	2,170,436	3,158,338	(987,902)	-31%
Communications	1,453,902	1,934,422	(480,520)	-25%
Registry of Deeds	228,043	253,104	(25,061)	-10%
Registry of Probate	288,382	341,573	(53,191)	-16%
Community Programs	103,541	97,263	6,278	6%
Sheriff's Department	2,654,797	2,885,426	(230,629)	-8%
Employee Benefits	102,671	95,053	7,618	8%
Planning	294,777	322,031	(27,254)	-8%
Recycling	484,140	617,969	(133,829)	-22%
Insurances	89,615	97,614	(7,999)	-8%
Contingency	42,720	95,000	(52,280)	0%
Special Projects/Reserves	560,552	275,640	284,912	103%
Capital Projects/Reserves	318,063	130,482	187,581	144%
TBRJ Debt Service	761,450	790,581	(29,131)	-4%
Total Expenses	<u>11,390,541</u>	<u>13,241,993</u>	<u>(1,851,452)</u>	-14%
Change in Net Position	5,362,416	(287,556)	5,649,972	-1965%
<b>Beginning Net Position</b>	<u>575,373</u>	<u>862,929</u>	<u>(287,556)</u>	-33%
<b>Ending Net Position</b>	<u>\$ 5,937,789</u>	<u>\$ 575,373</u>	<u>\$ 5,362,416</u>	932%

### 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.

	<u>2021</u>	<u>2020</u>
General Fund Unassigned Fund Balance:	\$ 3,696,382	\$ 3,205,422

The general fund unassigned fund balance increased by \$490,960 from the prior fiscal year.

### Budgetary Highlights

The general fund actual revenues were over budget by \$468,407 primarily due to the receipt of greater than anticipated fees and salable materials. Refer to Schedule A for more detailed information.

The general fund actual expenditures were under budget by \$900,452. This is due to finding a "new normal" for our operations as the Covid-19 restrictions started to relax. We saw significant employee turn-over and many vacant positions during 2021.

### Capital Assets

As of December 31, 2021, the net book value of capital assets recorded by the County increased by \$23,672 from the prior year. The increase was due to current year depreciation expense of \$428,342, which was offset with capital additions of \$452,014 and disposals of \$1,061,595.

	<u>2021</u>	<u>2020</u>	<u>\$ Difference</u>	<u>% Difference</u>
Land	\$ 132,300	\$ 132,300	\$ -	
Construction in progress	253,883	-	253,883	100.0%
Buildings and improvements	781,817	884,610	(102,793)	-11.6%
Vehicles	340,429	398,670	(58,241)	-14.6%
Machinery and equipment	598,809	641,965	(43,156)	-6.7%
Infrastructure	184,255	210,276	(26,021)	-12.4%
Total	<u>\$ 2,291,493</u>	<u>\$ 2,267,821</u>	<u>\$ 23,672</u>	1.0%

## Debt

At December 31, 2021, 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, 2021 the County had established an unassigned fund balance that covers approximately three months, or 25% of the approved appropriations for the fiscal year 2022 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.

County of Lincoln, Maine

Basic Financial Statements

**STATEMENT OF NET POSITION**

As of December 31, 2021

**STATEMENT A**

Governmental  
Activities

**Assets**

Current assets:

Cash	\$ 10,028,090
Accounts receivable	285,764
Prepaid expenses	55,296
<b>Total current assets</b>	<u>10,369,150</u>

Capital assets:

Land	132,300
Construction in progress	253,883
Depreciable capital assets	7,872,950
Accumulated depreciation	<u>(5,967,640)</u>
<b>Total capital assets</b>	<u>2,291,493</u>

Noncurrent assets:

Net pension asset	<u>155,679</u>
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**Total Assets**

12,816,322

**Deferred Outflows of resources**

Deferred outflows related to pensions	911,977
Deferred outflows related to other post-employment benefits	<u>5,244,890</u>

**Total Deferred Outflows of Resources**

6,156,867

**Liabilities**

Current liabilities:

Accounts payable	343,309
Accrued payroll	75,479
Other current liabilities	6,241
Accrued compensated absences	<u>18,240</u>
<b>Total current liabilities</b>	<u>443,269</u>

Noncurrent liabilities:

Accrued compensated absences	356,798
Net OPEB liability	<u>8,932,629</u>
<b>Total noncurrent liabilities</b>	<u>9,289,427</u>

**Total Liabilities**

9,732,696

**Deferred Inflows of Resources**

Deferred inflows related to pensions	2,180,741
Deferred inflows related to other post-employment benefits	<u>1,121,963</u>

**Total Deferred Inflows of Resources**

3,302,704

**Net Position**

Net investment in capital assets	2,291,493
Restricted	20,042
Unrestricted	<u>3,626,254</u>

**Total Net Position**

\$ 5,937,789

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2021

**STATEMENT B**

Functions / Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Court Services	\$ 113,602	\$ 38,892	\$ 92,075	\$ 17,365
Emergency Management	217,629	-	94,369	(123,260)
District Attorney	371,898	2,437	-	(369,461)
Administration	587,157	38,070	-	(549,087)
County buildings	547,166	-	-	(547,166)
Transportation	2,170,436	19,175	247,987	(1,903,274)
Communications	1,453,902	11,514	55,921	(1,386,467)
Registry of Deeds	228,043	579,659	-	351,616
Registry of Probate	288,382	122,585	-	(165,797)
Community Programs	103,541	-	-	(103,541)
Sheriff's Department	2,654,797	26,917	264,899	(2,362,981)
Employee Benefits	102,671	-	20,844	(81,827)
Planning	294,777	4,200	56,482	(234,095)
Recycling	484,140	366,270	67,156	(50,714)
Insurances	89,615	-	-	(89,615)
Contingency	42,720	-	-	(42,720)
Special Projects / Reserves	560,552	-	3,521,860	2,961,308
Capital Projects / Reserves	318,063	-	174,132	(143,931)
TBRJ Debt Service	761,450	-	-	(761,450)
<b>Total</b>	<b>\$ 11,390,541</b>	<b>\$ 1,209,719</b>	<b>\$ 4,595,725</b>	<b>(5,585,097)</b>
<b>General Revenues:</b>				
				10,921,934
				25,579
				<u>10,947,513</u>
				<b>Change in Net Position</b> 5,362,416
				<u>575,373</u>
				<u><b>Ending Net Position</b> \$ 5,937,789</u>

## BALANCE SHEET-GOVERNMENTAL FUNDS

## STATEMENT C

As of December 31, 2021

	General	ARPA Special Revenue	Other Governmental Funds	Total
<b>Assets</b>				
Cash	\$ 10,028,090	\$ -	\$ -	\$ 10,028,090
Accounts receivable	242,333	-	43,431	285,764
Prepaid expenses	55,296	-	-	55,296
Due from other funds	-	3,094,711	2,809,597	5,904,308
<b>Total Assets</b>	<b>\$ 10,325,719</b>	<b>\$ 3,094,711</b>	<b>\$ 2,853,028</b>	<b>\$ 16,273,458</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	343,309	-	-	343,309
Accrued payroll	75,479	-	-	75,479
Other current liabilities	6,241	-	-	6,241
Due to other funds	5,904,308	-	-	5,904,308
<b>Total liabilities</b>	<b>6,329,337</b>	<b>-</b>	<b>-</b>	<b>6,329,337</b>
<b>Fund balances</b>				
Restricted	-	-	20,042	20,042
Committed	-	3,094,711	2,797,675	5,892,386
Assigned	300,000	-	35,311	335,311
Unassigned	3,696,382	-	-	3,696,382
<b>Total fund balances</b>	<b>3,996,382</b>	<b>3,094,711</b>	<b>2,853,028</b>	<b>9,944,121</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,325,719</b>	<b>\$ 3,094,711</b>	<b>\$ 2,853,028</b>	<b>\$ 16,273,458</b>

**RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
As of December 31, 2021

**STATEMENT D**

<b>Total governmental funds balances, per Statement C</b>	\$ 9,944,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,291,493
Deferred Outflows and Inflows related to pensions	(1,268,764)
Deferred Outflows and Inflows related to OPEB	4,122,927
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Accrued compensated absences	(375,038)
Net OPEB liability	(8,932,629)
Net Pension liability	<u>155,679</u>
<b>Net position of governmental activities, per Statement A</b>	<u>\$ 5,937,789</u>

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

STATEMENT E

For the Year Ended December 31, 2021

	General	ARPA Special Revenue	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes from cities and towns	\$ 10,921,934	\$ -	\$ -	\$ 10,921,934
Charges for services	1,248,312	-	124,804	1,373,116
Intergovernmental revenues	736,335	3,363,624	211,254	4,311,213
Interest	25,579	-	-	25,579
Other revenue	-	-	121,115	121,115
<b>Total revenues</b>	<u>12,932,160</u>	<u>3,363,624</u>	<u>457,173</u>	<u>16,752,957</u>
<b>Expenditures</b>				
Court Services	97,514	-	-	97,514
Emergency Management	195,179	-	-	195,179
District Attorney	332,586	-	-	332,586
Administration	522,988	-	-	522,988
County buildings	397,876	-	-	397,876
Prisoner Support	2,958,974	-	-	2,958,974
Communications	1,343,339	-	-	1,343,339
Registry of Deeds	208,426	-	-	208,426
Registry of Probate	281,444	-	-	281,444
Community Programs	103,541	-	-	103,541
Sheriff's Department	3,194,807	-	-	3,194,807
Employee Benefits	102,672	-	-	102,672
Planning	256,150	-	-	256,150
Recycling	461,917	-	-	461,917
Insurances	89,615	-	-	89,615
Contingency	42,720	-	-	42,720
TBRJ Debt Service	761,450	-	-	761,450
Capital expenditures	-	-	318,063	318,063
Other expenditures	-	268,913	291,639	560,552
<b>Total expenditures</b>	<u>11,351,198</u>	<u>268,913</u>	<u>609,702</u>	<u>12,229,813</u>
<b>Revenue Surplus (Deficit)</b>	1,580,962	3,094,711	(152,529)	4,523,144
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	989,944	989,944
Transfers out	(989,944)	-	-	(989,944)
<b>Net other financing</b>	(989,944)	-	989,944	-
<b>Change in Fund Balance</b>	591,018	3,094,711	837,415	4,523,144
<b>Beginning Fund Balance</b>	<u>3,405,364</u>	<u>-</u>	<u>2,015,613</u>	<u>5,420,977</u>
<b>Ending Fund Balance</b>	<u>\$ 3,996,382</u>	<u>\$ 3,094,711</u>	<u>\$ 2,853,028</u>	<u>\$ 9,944,121</u>



**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, 2021

<b>Net change in total governmental funds balances, per Statement E</b>	\$ 4,523,144
<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	452,014
<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	(428,342)
Change in accrued compensated absences	(12,919)
Change in net pension liability and related deferred outflows and inflows	347,054
Change in accrued post employment benefits and related deferred outflows and inflows	481,465
	<hr/>
<b>Change in net position of governmental activities, per Statement B</b>	<b>\$ 5,362,416</b>

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 For the Year Ended December 31, 2021

**STATEMENT G**

	Pension Liability Trust	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 66,036	\$ 3,238
Investments	717,105	-
<b>TOTAL ASSETS</b>	<u>783,141</u>	<u>3,238</u>
 <b>LIABILITIES</b>		
Due to specific individuals	-	3,238
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>3,238</u>
 <b>NET POSITION</b>		
Total net position held in trust for pensions	<u>\$ 783,141</u>	<u>\$ -</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

For the Year Ended December 31, 2021

**STATEMENT H**

	Pension Liability Trust
<b>Additions</b>	
Dividends and interest	\$ 33,567
Change in market value	<u>73,952</u>
	107,519
<b>Deductions</b>	
Fees	9,171
Net cash purchases	<u>24,396</u>
	<u>33,567</u>
<b>Change in Fund Balance</b>	73,952
<b>Beginning Fund Balance</b>	<u>709,189</u>
<b>Ending Fund Balance</b>	<u>\$ 783,141</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. 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 March 1<sup>st</sup> of each year. Taxes are due on or near September 1<sup>st</sup>. 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

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 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. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town's governmental funds are identified as either general, special revenue, or capital projects funds based upon the following guidelines:

General Funds

General Fund - The General Fund is the general operating fund of the County and is always classified as a major fund. 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. The ARPA special revenue fund is a major fund in the current year.

Capital Project Funds

Capital projects funds is used to account for financial resources to be used for the acquisition or construction of major capital assets. None of the capital projects funds are considered a major fund in the current year.

Fiduciary 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. These funds are not incorporated into the government-wide statements.

*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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets, generally within sixty days. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Exceptions to the general rule include principal and interest on general long-term debt, which is recognized when due. All trust and agency funds are accounted for using the accrual basis of accounting.

Estimates

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 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 recommendations 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.

**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.

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, vacation 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 is 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	\$ 8,259,133
Accumulated depreciation	<u>(5,967,640)</u>
Net investment in capital assets	<u>\$ 2,291,493</u>

*Restricted* - This component shows the portion of net assets that is restricted by external constraints (e.g., grant agreements, laws, regulations, 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.

**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 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, 2021, the County had a bank balance of \$10,206,327. Of this cash balance, \$250,000 was insured by the federal depository insurance (FDIC), the remaining deposits of \$9,956,327 were insured by a municipal deposit collateralization agreement.



**NOTE 3 - INVESTMENTS**

At December 31, 2021, the County had the following investments and maturities:

Investment Type	Fair Value	Not Applicable	Maturities		
			< 1 year	1 - 5 Years	> 5 Years
Equity Shares	\$ 477,434	\$ 477,434	\$ -	\$ -	\$ -
Fixed Income	239,671	214,637	-	25,034	-
Totals	\$ 717,105	\$ 692,071	\$ -	\$ 25,034	\$ -

**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	11.97%	\$ 85,840
Dodge & Cox Stock	16.99%	121,870
Fidelity Growth Company Fund	15.53%	111,366
Parnassus Mid Cap Fund CLI	9.63%	69,072
Neuberger Berman Genesis Instl.	6.86%	49,185

**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, 2021, 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, 2021:

	Total	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Unobservable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Equity Securities	\$ 477,434	\$ 477,434	\$ -	\$ -
Fixed Income	239,671	214,637	25,034	-
Totals	<u>\$ 717,105</u>	<u>\$ 692,071</u>	<u>\$ 25,034</u>	<u>\$ -</u>

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, 2021, was as follows:

	Beginning Balance	Additons	Retirements	Ending Balance
<i>Non-depreciable assets</i>				
Land	\$ 132,300	\$ -	\$ -	\$ 132,300
Construction in progress	-	253,883	-	253,883
<b>Total Non-Depreciable</b>	<b>132,300</b>	<b>253,883</b>	<b>-</b>	<b>386,183</b>
<i>Depreciable assets</i>				
Buildings & Improvements	3,979,057	-	(34,835)	3,944,222
Vehicles	1,332,823	114,990	(266,568)	1,181,245
Machinery & Equipment	2,943,368	83,141	(760,192)	2,266,317
Infrastructure	481,166	-	-	481,166
	<u>8,736,414</u>	<u>198,131</u>	<u>(1,061,595)</u>	<u>7,872,950</u>
<b>Total capital assets</b>	<b>8,868,714</b>	<b>452,014</b>	<b>(1,061,595)</b>	<b>8,259,133</b>
<i>Accumulated Depreciation</i>				
Buildings & Improvements	(3,094,447)	(102,793)	34,835	(3,162,405)
Vehicles	(934,153)	(173,231)	266,568	(840,816)
Machinery & Equipment	(2,301,403)	(126,297)	760,192	(1,667,508)
Infrastructure	(270,890)	(26,021)	-	(296,911)
	<u>(6,600,893)</u>	<u>(428,342)</u>	<u>1,061,595</u>	<u>(5,967,640)</u>
<b>Net capital assets</b>	<u><u>\$ 2,267,821</u></u>	<u><u>\$ 23,672</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,291,493</u></u>

Depreciation was charged to governmental functions as follows:

Emergency Management	\$ 18,404
County Buildings	127,081
Transportation	4,268
Communications	67,331
Deeds	2,415
Sheriff	128,693
Recycling	80,150
<b>Total</b>	<u><u>\$ 428,342</u></u>

**NOTE 5 – LONG-TERM DEBT**

Summarized below are the long-term debt liabilities at December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
Accrued compensated absences	\$ 362,119	\$ 12,919	\$ -	\$ 375,038	\$ 18,240
Net OPEB Liability	7,723,006	1,209,623	-	8,932,629	-
Net pension Liability	1,854,876	(2,010,555)	-	(155,679)	-
<b>Totals</b>	<u><u>\$ 9,940,001</u></u>	<u><u>\$ (788,013)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,151,988</u></u>	<u><u>\$ 18,240</u></u>

## NOTE 6 - COMPONENTS OF FUND BALANCE

At December 31, 2021, the components of fund balances consisted of the following:

	Restricted	Committed	Assigned	Unassigned
<b>General Fund</b>				
Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ 3,696,382
Assigned for 2022 Expenditure	-	-	300,000	-
<b>Special Revenue Funds</b>				
Ask Program	-	8,000	-	-
Alternative Sentencing Program	-	15,350	-	-
ARPA Funding	-	3,094,711	-	-
Bi-Centennial Reserve	-	5,286	-	-
Civil Process	-	7,634	-	-
Community Program Reserve	-	21,793	-	-
Court Appointed Reserve	-	1,898	-	-
Dare	-	-	205	-
Deeds Preservation	-	233,647	-	-
Drug Forfeiture	-	-	2,485	-
Education Instruction	-	14,775	-	-
EUDL Grant	-	1,735	-	-
EMA In-kind	-	-	605	-
Hazmat Team	-	-	2,769	-
Health and Safety Reserve	-	4,082	-	-
Home Release Reserve	-	41,872	-	-
Housing Study	-	2,500	-	-
IT Infrastructure	-	82,814	-	-
Legal Reserve	-	194,370	-	-
Lincoln County Triad	2,292	-	-	-
Local EMA Grant	-	1,699	-	-
MNCDC - Planning	1,330	-	-	-
Probate Preservation	-	12,418	-	-
Project Life Saver	-	-	2,026	-
Safety Reserve	-	5,644	-	-
Safety & Wellness	-	10,178	-	-
HSGP FY 2019	-	188	-	-
HSGP FY 2020	-	4,043	-	-
Operation Stone Garden	-	4,196	-	-
Strategic Planning Reserve	-	965	-	-
Termination Reserve	-	122,121	-	-
Training Reserve	-	45,299	-	-
Unemployment Reserve	-	22,492	-	-
Uninsured Loss Reserve	-	82,211	-	-
<b>Capital Reserve Funds</b>				
Buildings & Grounds Reserve	-	361,218	-	-
Capital Equipment Reserve	-	180,471	-	-
Capital Improvement Reserve	-	451,894	-	-
Communications Reserve	-	182,438	-	-
County Map & Promo Reserve	-	3,226	-	-
Incentive Reserve	-	50,000	-	-
Repeater Reserve	-	8,280	-	-
Recycling Reserve	-	96,565	-	-
Roads & Bridges Reserve	16,420	-	-	-
Sheriff IT Reserve	-	91,688	-	-
Sheriff Training Reserve	-	240,935	-	-
Sheriff Vehicle Reserve	-	183,750	-	-
Heidi K-9	-	-	27,221	-
Total	<u>\$ 20,042</u>	<u>\$ 5,892,386</u>	<u>\$ 335,311</u>	<u>\$ 3,696,382</u>

As of and for the year ended December 31, 2021.

**NOTE 7 – 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, 2021, there were 238 employers participating in the plan.

Benefit terms are established in Maine statute; in this 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 programs provide 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 employees of the PLD). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. 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, 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 his/her 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 .93%

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

As of December 31, 2021 the County reported an asset of \$155,679 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 the County's proportion was 0.48%.

For the year ended December 31, 2021, the County recognized pension expense of \$10,267.

**NOTE 7 - 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, 2021, 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	\$ 100,704	\$ 10,581
Change of assumptions	522,757	-
Net difference between projected and actual earnings on pension plan investments	-	2,121,958
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,402	48,202
District contributions subsequent to the measurement date	189,114	-
<b>Total</b>	<b>\$ 911,977</b>	<b>\$ 2,180,741</b>

Deferred outflows relating to pensions resulting from County contributions subsequent to the measurement date in the amount of \$189,114, as of December 31, 2021, will be recognized as a reduction of the net pension liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2021, will be recognized in pension expense as follows:

Year	PLD Plan
2021	(205,407)
2022	(179,787)
2023	(483,034)
2024	(589,650)
<b>Total</b>	<b>\$ (1,457,878)</b>

**NOTE 7 - 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, 2021, 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, 2021 are as follows:

- *Investment Rate of Return* – 6.50% per annum for the year ended June 30, 2021, compounded annually.
- *Inflation Rate* – 2.75% per annum for the year ended June 30, 2021.
- *Annual Salary Increases, Merit, and Inflation*– members of the PLD Consolidated Plan, 2.75% - 11.48% for the year ended June 30, 2021.
- *Cost of Living Benefit Increases* – 1.91% per annum for the year ended June 30, 2021 participating local districts.
- *Mortality Rates* – For the year ended June 30, 2021, 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 7 – 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, 2020, 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	6.0%
US Government	2.3%
Private equity	7.6%
Real assets:	
Real estate	5.2%
Infrastructure	5.3%
Natural Resources	5.0%
Traditional Credit	3.0%
Alternative Credit	7.2%
Diversifiers	5.9%

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.5% for 2021. 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, 2021 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>
	\$ 2,215,398	\$ (155,679)	\$ (2,116,872)

*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 7 – EMPLOYEE BENEFIT PLANS (Continued)**

*Financial Reporting*

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

<http://www.maineopers.org/Publications/Publications.htm#Annual Reports>

**NOTE 8 – 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, 2021, the following employees were covered by the benefit terms:

Active Employees	75
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Inactive Employees Currently Receiving Benefits	<u>14</u>
Total	89

**Total OPEB Liability**

The County’s total OPEB liability of \$8,932,629 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs:* The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS – OPEB (GASB 75) (Continued)**

*Actuarial assumptions and other inputs*

Measurement Date	December 31, 2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	2.25%
Inflation Rate	3.00%
Salary Rate Increase	4.00%
Health Care Trend Rates	
Initial Health Care Cost Trend Rate	7.50%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2036

A rate of 2.25% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of December 31, 2021.

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

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, 2021 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, 2020	\$ 7,723,006
Changes for the year:	
Service Cost	473,639
Interest	148,099
Changes of benefit terms	(1,618,304)
Differences between expected and actual experience	1,154,224
Changes in assumptions of other inputs	1,150,926
Benefit Payments	(98,961)
Other Changes	-
Net Changes	<u>1,209,623</u>
Balance at December 31, 2021	<u>\$ 8,932,629</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.

**NOTE 8 – 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 (16.31%) or 1-percentage-point higher (20.77%) than the current discount rate:

	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$ 7,475,993	\$ 8,932,629	\$ 10,788,284

*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 (25.17%) or 1-percentage-point higher (18.82%) than the current healthcare cost trend rates:

	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$ 11,181,077	\$ 8,932,629	\$ 7,251,459

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

For the year ended December 31, 2021, the County recognized an OPEB expense of \$(382,505). At December 31, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected & Actual Experience	\$ 1,425,180	\$ 46,388
Changes of Assumptions	3,819,710	1,075,575
Total	<u>\$ 5,244,890</u>	<u>\$ 1,121,963</u>

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

<u>Fiscal Year Ending:</u>	<u>Outflows</u>	<u>Inflows</u>
December 31, 2022	\$ 801,546	\$ 187,485
December 31, 2023	801,546	187,485
December 31, 2024	801,546	187,485
December 31, 2025	801,546	187,485
December 31, 2026	632,966	135,809
December 31, 2027	599,173	104,568
December 31, 2028	440,725	61,692
December 31, 2029	310,537	59,379
December 31, 2030	55,306	10,575
Total	<u>\$ 5,244,891</u>	<u>\$ 1,121,963</u>

**NOTE 9 - 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, 2021, the County contributed \$47,845.

**NOTE 10 - 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 11 - COMMITMENTS AND CONTINGENCIES**State 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, 2021 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 Town.

**NOTE 12 - OVERLAPPING DEBT**

The County is contingently responsible for the following debt as of December 31, 2021 (also see Joint Venture note below):

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>County's Percentage</u>	<u>County's share of debt</u>
Lincoln and Sagadahoc Multi-County Jail Authority	\$ 4,910,000	50%	\$ 2,455,000

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 13 - 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, 2021 was \$620,000, and \$141,450, 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, 2021, Lincoln County’s share was \$2,749,700. In addition to contributions from the two counties, the Jail Authority receives revenues from the boarding of prisoners from outside the two supporting jurisdictions, from various grants and other miscellaneous revenue.

The Jail Authority issues its own financial statements and copies can be obtained from the Jail Authority at 522 Bath Road Wiscasset, Maine 04578.

**NOTE 14 - JAIL OPERATIONS**

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

**NOTE 15 – RECLASSIFICATIONS**

Certain reclassifications have been made to the prior year's financial statements to conform with the current year presentation. The reclassification had no effect on previously reported results of operations or net position.

**NOTE 16 - 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, 2021

**SCHEDULE A**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Taxes from cities and towns	\$ 10,921,934	\$ 10,921,934	\$ 10,921,934	\$ -
Charges for services	918,725	918,725	1,248,312	329,587
Intergovernmental revenues	620,094	620,094	736,335	116,241
Interest	3,000	3,000	25,579	22,579
Total revenues	<u>12,463,753</u>	<u>12,463,753</u>	<u>12,932,160</u>	<u>468,407</u>
<b>Expenditures</b>				
Court Services	136,021	136,021	97,514	38,507
Emergency Management	252,555	252,555	195,179	57,376
District Attorney	391,174	391,174	332,586	58,588
Administration	577,859	577,859	522,988	54,871
County buildings	420,729	420,729	397,876	22,853
Prisoner Support	3,075,996	3,075,996	2,958,974	117,022
Communications	1,433,858	1,433,858	1,343,339	90,519
Registry of Deeds	213,147	213,147	208,426	4,721
Registry of Probate	306,346	306,346	281,444	24,902
Community Programs	103,541	103,541	103,541	-
Sheriff's Department	3,409,892	3,409,892	3,194,807	215,085
Employee Benefits	102,732	102,732	102,672	60
Planning	281,032	281,032	256,150	24,882
Recycling	496,046	496,046	461,917	34,129
Insurances	89,615	89,615	89,615	-
Contingency	95,000	95,000	42,720	52,280
Overlay	87,657	87,657	-	87,657
TBRJ Debt Service	778,450	778,450	761,450	17,000
Total expenditures	<u>12,251,650</u>	<u>12,251,650</u>	<u>11,351,198</u>	<u>900,452</u>
<b>Revenue Surplus (Deficit)</b>	212,103	212,103	1,580,962	(1,368,859)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(412,045)	(989,944)	(989,944)	-
Net other financing	(412,045)	(989,944)	(989,944)	-
<b>Change in Fund Balance</b>	<u>\$ (199,942)</u>	<u>\$ (777,841)</u>	<u>\$ 591,018</u>	<u>\$ (1,368,859)</u>
<b>Addition to (Use of) Fund Balance</b>				
Assigned	\$ (199,942)	\$ (989,944)	\$ 100,058	
Unassigned	-	-	490,960	
	<u>\$ (199,942)</u>	<u>\$ (989,944)</u>	<u>\$ 591,018</u>	

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

SCHEDULE B

	2021	2020	2019	2018	2017
Proportion of the net pension liability	0.48%	0.47%	0.44%	0.46%	0.46%
Proportionate share of net pension liability	\$ (155,679)	\$ 1,854,876	\$ 1,338,140	\$ 1,279,174	\$ 1,880,548
Covered-employee payroll	\$ 3,349,107	\$ 2,974,921	\$ 2,692,443	\$ 2,482,837	\$ 2,593,004
Proportionate share of the net pension liability as a percentage of covered-employee payroll	-4.6%	62.4%	49.7%	51.5%	72.5%
Plan fiduciary net position as a percentage of the total pension liability	100.80%	90.60%	90.60%	78.32%	86.42%
	2016	2015	2014	2012	2011
Proportion of the net pension liability	0.46%	0.48%	0.50%	*	*
Proportionate share of net pension liability	\$ 2,449,960	\$ 1,518,429	\$ 7,744	*	*
Covered-employee payroll	\$ 2,441,522	\$ 2,279,942	\$ 2,536,777	*	*
Proportionate share of the net pension liability as a percentage of covered-employee payroll	100.3%	66.6%	30.53%	*	*
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.30%	94.10%	*	*

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



**County of Lincoln, Maine**

**Required Supplementary Information**

**SCHEDULE OF COUNTY CONTRIBUTIONS**

**SCHEDULE C**

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM CONSOLIDATED PLAN

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Actuarially determined contribution	\$ 356,985	\$ 312,228	\$ 285,204	\$ 255,903	\$ 235,796
Contributions in relation to the actuarially determined contribution	<u>(356,985)</u>	<u>(312,228)</u>	<u>(285,204)</u>	<u>(255,903)</u>	<u>(235,793)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,349,107	\$ 2,974,921	\$ 2,692,443	\$ 2,482,837	\$ 2,593,004
Contributions as a percentage of covered-employee payroll	10.7%	10.5%	10.6%	10.3%	9.1%
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Actuarially determined contribution	\$ 224,018	\$ 111,717	\$ 118,851	*	*
Contributions in relation to the actuarially determined contribution	<u>(224,018)</u>	<u>(111,717)</u>	<u>(118,851)</u>	<u>*</u>	<u>*</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	\$ 2,441,522	\$ 2,279,942	\$ 2,536,777	*	*
Contributions as a percentage of covered-employee payroll	9.2%	4.9%	4.7%	*	*

*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

	2021	2020	2019	2018	2017
<u>Net OPEB Liability</u>					
Net OPEB liability	\$ 8,932,629	\$ 7,723,006	\$ 5,336,642	\$ 4,599,445	\$ 4,348,042
Covered payroll	3,597,000	3,541,748	3,541,748	3,168,653	3,168,653
Net OPEB liability as a percentage of covered payroll	248.34%	218.06%	150.68%	145.15%	137.22%
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	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
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 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 – ORIGINAL AND FINAL BUDGET DIFFERENCES**

The County is required by state statute to adopt a budget before December 31<sup>st</sup>. There were no adjustments that happened between December 31<sup>st</sup> and when the County committed taxes in March. However, the County's Commissioners approved an additional transfer as 12/31/2021 from the General Fund to the County's Special Revenue & Capital Reserve funds in the amount \$577,899.



**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 31, 2021, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated August 29, 2022.

**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.

A handwritten signature in black ink that reads "Berry Talbot Royer". The signature is written in a cursive, slightly slanted style.

Berry Talbot Royer  
Falmouth, Maine  
Certified Public Accountants  
August 29, 2022