COUNTY OF WASHINGTON, MAINE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED, DECEMBER 31, 2023

County of Washington, Maine

Annual financial report
For the fiscal year ended December 31, 2023

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Independent Auditor's Report

County Commissioners
County of Washington, Maine
Machias, Maine

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 Washington, Maine (the "County"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
General Fund	Unmodified
ARPA Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinion on Governmental Activities

In our opinion, except for the possible effects of the matter described in the basis for Qualified and Umodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of County of Washington, Maine as of December 31, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on General Fund, ARPA Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, ARPA Fund and Aggregate Remaining Fund Information of the County of Washington, Maine as of December 31, 2023, and respective changes in financial position and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Umodified Opinions Opinions

We conducted our audit of the financial statements of the governmental activities, ARPA fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 County of Washington, 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 qualified and umodified opinions.

Matter Giving Rise to Qualified Opinion on Governmental Activities

The financial statements do not include all of the capital assets acquired prior to 2023 of the County of Washington, Maine. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated when present, which would increase the assets, and net position of the governmental activities. The amount by which this departure would affect the assets, and net position has not been determined.

Emphasis of Matter

Change in Accounting Principle

As dicussed in Note 1 to the financial statements, in 2023 the County adopted new accounting guidance, GASB No. 96, Subscription-Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

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 (GAAP), 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 County of Washington, 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 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 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 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 of Washington, 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 substantial doubt about County of Washington, 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, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net OPEB liability, schedule of OPEB contributions, and schedule of changes in the total OPEB liability and related ratios as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information of the qualified opinion on the financial statements as described in the Basis for Qualified Opinion section, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

The County of Washington, Maine's December 31, 2022 financial statements were audited by Stephen T. Hopkins, CPA, PC, who expressed and unmodified opinion and an adverse opinion on those audited financial statements in their report dated December 17, 2025. In our opinion, the summarized comparative information presented on pages 45 and 46 as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2026 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 County of Washington, 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's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

South Portland, Maine
July 30, 2026

County of Washington, Maine

Management's Discussion and Analysis

As management of the County of Washington, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2023.

Financial highlights

- The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $2,525,541 (deficit net position). The unrestricted net position, which represents the amounts available to meet the County's ongoing obligations to citizens and creditors, was a deficit of $3,690,721. The County is committed to providing postemployment benefits to its employees. As a result, the County recognizes substantial liabilities in the financial statements for these benefits. As of December 31, 2023, the County had liabilities of over $2.3 million for postemployment benefits, and the general fund had a deficit fund balance of $1,267,538, which are the causes of the deficit balance in the unrestricted net position.
- The County's total net position decreased $1,170,591 primarily due to expenditures exceeding revenues in the governmental funds. The County's governmental fund balance decreased by $1,234,530 during the year. There are certain adjustments to this figure when reporting the change in net position, the largest of which was the capital outlays exceeding depreciation expense by $400,038. This was offset by changes in accrued compensated absences, net pension liability, and OPEB liabilities of $342,904.
- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance deficit of $653,479, a decrease of $1,234,530 in comparison with the prior year. None is available for spending at the government's discretion due to the unassigned fund balance having a deficit balance of $1,309,362.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned,* and *unassigned* components of *fund balance*) for the general fund was a deficit of $1,309,362.

Overview of the financial statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by tax assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include emergency management, district attorney, general government, regional communication, registry of deeds, registry of probate, sheriff and jail services. The County does not have any business-type activities.

The government-wide financial statements can be found on pages 11-12 of this report.

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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The County maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and American rescue plan fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary fund. The *custodial fund* is used to report resources, not in a trust, that are held by the County for other parties outside of the County's reporting entity.

The fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 41-44.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 45-50 of this report.

Government-wide overall financial analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $2,525,541 (deficit) at the close of the most recent fiscal year.

		Governmental activities		
		2023	2022 restated	Change
Assets				
Current and other assets	$	6,324,744	6,887,559	(562,815)
Capital assets		764,933	364,895	400,038
Total assets		7,089,677	7,252,454	(162,777)
Total deferred outflows of resources		808,240	973,957	(165,717)
Liabilities				
Long-term liabilities		2,900,960	2,514,287	386,673
Other liabilities		6,978,223	6,306,508	671,715
Total liabilities		9,879,183	8,820,795	1,058,388
Total deferred inflows of resources		544,275	760,566	(216,291)
Net position				
Net investment in capital assets		735,609	328,766	406,843
Restricted		429,571	325,478	104,093
Unrestricted		(3,690,721)	(2,009,194)	(1,681,527)
Total net position	$	(2,525,541)	(1,354,950)	(1,170,591)

Current and other assets decreased in governmental activities by $562,815 which coincides with the decrease in fund balance. Cash is down over $786 thousand, while receivables increased over $186 thousand.

The County began the process of recording capital assets during the year ended December 31, 2023. Capital assets were restated $324,533 to include a project that was completed early in the fiscal year. The County plans on recording all capital assets by the year ended December 31, 2027. Capital assets are discussed in more detail later in this management's discussion and analysis.

Other liabilities in governmental activities increased $671,715 from the previous year. Unearned revenues were the driver of this increase. The County received $600,000 of funds from the Department of Justice and had unspent Local Assistance and Tribal Consistency Funds totaling $53,353.

Long-term liabilities, which consist of bonds, notes, compensated absences and postemployment benefit obligations, increased by $387 thousand from the previous year. This increase is attributable to the $53 thousand increase in accrued compensated absences and the $372 thousand increase in the net pension liability. These increases were offset by decreases in the lease and OPEB liabilities.

A portion of the County's net position, $735,609, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, $429,571 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the County's unrestricted net position was a deficit balance of $3,690,721. The deficit is caused primarily by the approximately $2.3 million in postemployment liabilities and deficits in the general fund ($1,267,538).

The County's overall net position decreased $1,170,591 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections.

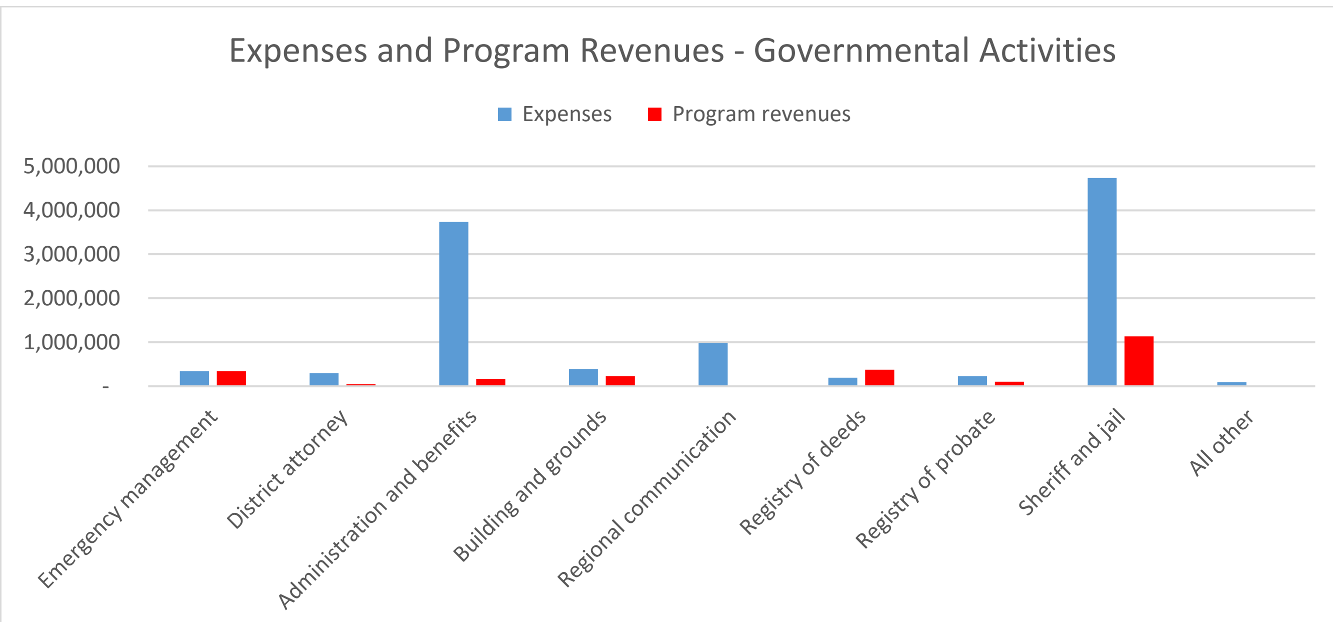
		Governmental activities		
		2023	**2022 reclassified**	**Change**
Revenues				
Program revenues				
Charges for services	$	621,354	645,831	(24,477)
Operating grants and cont.		1,349,774	1,270,103	79,671
Capital grants and cont.		431,821	310,377	121,444
General revenues				
Tax assessments		7,299,797	6,621,520	678,277
Other		131,860	226,615	(94,755)
Total revenues		9,834,606	9,074,446	760,160
Expenses				
Emergency management		341,244	240,917	100,327
District attorney		298,266	295,234	3,032
Administration and benefits		3,735,892	3,327,207	408,685
Building and grounds		396,081	335,032	61,049
Regional communication		983,988	948,305	35,683
Registry of deeds		195,179	186,716	8,463
Registry of probate		228,446	213,870	14,576
Sheriff and jail		4,732,550	4,399,064	333,486
Interest on debt		93,551	29,775	63,776
Capital maintenance		-	334,758	(334,758)
Total expenses		11,005,197	10,310,878	694,319
Increase (decrease) in net position		(1,170,591)	(1,236,432)	65,841
Net position - beginning, restated		(1,354,950)	(469,967)	
Net position - ending	$	(2,525,541)	(1,706,399)	

Governmental activities. During the current fiscal year, net position for governmental activities decreased $1,170,591 from the prior fiscal year for an ending deficit balance of $2,525,541. The decrease in the overall net position is primarily due to expenditures exceeding revenues in the governmental funds, reduced by capital outlays exceeding depreciation expense on capitalized assets.

Revenues increased $760 thousand or 8% from the prior year, with the largest increases being tax assessments and capital grants. The tax commitment was 10% higher than in the prior year. The County recognized $231,128 of local assistance and tribal consistency funds which was utilized for capital.

Expenses grew 7% during the current year, increasing from $10.3 million in the prior year to $11 million. The largest increase was in administration and benefits. The largest driver of this was the entity-wide adjustments for the change in the net pension and OPEB liabilities, which increased the expenses by $290 thousand. The remaining increase was related to wages, health insurance, and FICA taxes. Buildings and grounds saw an increase due to more repairs and maintenance costs incurred during the current year. The sheriff and jail increase were mostly related to wages. Interest on debt increased due to the amount borrowed on the tax anticipation note. Capital maintenance decreased due to the County recording capital assets this year.

As shown in the chart below, revenues generated by the County's programs are not sufficient to cover the costs. The County relies on tax assessments, grant revenues, charges for services, investment income and other general revenues to cover the costs associated with the various programs.



Financial analysis of governmental funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County Commissioners.

At December 31, 2023, the County's governmental funds reported combined fund balance deficit of $653,479, a decrease of $1,234,530 in comparison with the prior year. The County does not have any *unassigned fund balance,* as it is a deficit of $1,309,362. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is (1) not in spendable form, $41,824; (2) restricted for particular purposes, $429,571; or (3) assigned for a particular purpose, $184,488.

Analysis of Individual Funds
The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was a deficit of $1,309,362, while total fund balance decreased to a deficit of $1,267,538.

The fund balance of the County's general fund decreased by $1,502,592 during the current fiscal year. As discussed earlier in connection with governmental activities, the decrease was due to expenditures exceeding revenues. The County budgeted to use $1,626,361 of fund balance, which was made up mostly of "carryforwards". Actual revenues exceeded budget by $162,578 and expenditures exceeded budgeted amounts by $75,127.

The American Rescue Plan fund increased by $159 thousand. The County incurred costs totaling $41 thousand, mostly related to the design of the new public safety building. The fund also earned interest of $159 thousand.

General fund budgetary highlights

Original budget compared to final budget. The final budget for the general fund includes $36,318 of overlay for the year ended December 31, 2023.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source		Estimated revenues	Actual revenues	Difference
State court costs reimbursements	$	138,718	227,120	88,402
Bureau of Corrections funds		498,049	312,306	(185,743)
OSA contract		-	80,000	80,000
Registry of deeds		390,400	349,138	(41,262)
Interest		5,500	98,405	92,905

State court reimbursements exceeded budgeted amounts due to the reimbursement of unbudgeted court costs. The County will begin budgeting for these revenues and the court cost expenditures in the 2027 fiscal budget. Bureau of Correction (BOC) funds are not always paid on a consistent basis. The prior year saw an over-collection of BOC funds of $179,367. The OSA contract was reported as a special revenue in the past. The County determined that this is an operational revenue for the jail and should be accounted for in the general fund. Registry of deeds overestimated the amount of deeds revenue they would receive. The County received nearly $55 thousand less than in the prior year. Interest rates increased during the year helping interest revenue exceed budget.

Expenditures		Estimated expenditures	Actual expenditures	Difference
Emergency management	$	128,290	84,205	44,085
Building and grounds		403,231	324,055	79,176
Insurance		367,851	190,558	177,293
Jail		2,177,360	2,449,110	(271,750)
Court costs		-	100,641	(100,641)

Savings in wages and information technology (IT) services caused emergency management to come in under budget. A portion of the emergency planner's wages were covered by grant funding. The IT services were for a subscription during fiscal year 2024 and was recorded as a prepaid expenditure. Buildings and grounds had savings in its building improvements and courthouse roof accounts. Less improvements were undertaken during the year than originally anticipated and work on the roof did not begin during the year. Insurance came in under budget due to overestimating the cost of the liability and workers compensation insurance. Jail saw over-expenditures related to wages, overtime, electricity, fuel, food, and instructional supplies. Court costs are unbudgeted because the County receives payment from the State to cover these costs. Excess state court cost reimbursement funds cover a portion of this overage.

Capital asset and debt administration

Capital assets. The County's investment in capital assets as of December 31, 2023, amounts to $764,933 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, recreation facilities, and roads.

		Capital assets, net	
		2023	2022 restated
Construction in progress	$	149,412	324,533
Equipment		412,442	-
Right-to-use equipment		33,239	40,362
Vehicles		169,840	-
	$	764,933	364,895

Major capital assets events during the current fiscal year included the following:

- The Spillman/Motorola RMS/CAD system project wrapped up at a total cost of $366,044.
- The County had $149,412 of costs related to the design of the public safety building.
- The County purchased and outfitted four new police interceptor vehicles for $212,298.
- A Kioti tractor with a loader was purchased for $32,000.
- Heat pumps were installed at a cost of $20,500.
- A Parrot ANAFI drone was purchased with Homeland Security Grant funding for $15,400.

Additional information on the County's capital assets can be found in Note III.C of this report.

Long-term Debt. At the end of the current fiscal year, the County had leases outstanding of $29,324.

		Outstanding debt	
		2023	**2022**
Leases payable	$	29,324	36,129

The County has a 6-year lease for copier equipment with annual payments of $7,889. Of that $7,889 payment, $6,805 reduced the principal balance.

Additional information on the County's long-term debt can be found in Note III.E and III.F of this report.

Economic factors and next year's budget

The following economic factors were considered in developing the County's 2024 fiscal year budget. Ongoing projects that are utilizing the ARPA funds are the District Attorney and safety (Sheriff's) building. These require quite a bit of undertaking and are expected to take a few years to complete.

After the fact, we realized there were not enough funds available for the following line items as carry forwards. They are as follows:

- **County jail** - more expenses than anticipated. This is usually due to the medication needs of some inmates, unexpected equipment breakdown and a larger than expected inmate population.
- **Debt service** - not enough was budgeted in interest for the TAN repayment.
- **Sheriff's office** – patrol expenditures were cut too much for the services that were provided.

Factors that impacted the 2024 budget included:

- **Building and grounds** - added one additional full-time employee.
- **Sheriff's office** – five cruisers were purchased during 2024 and four were purchased during 2023 at a total of $528,310.
- **IT** – budgeted for contract and two part time employees.

Building repairs significantly decreased which we believe is due to ARPA funding related projects. Deeds and probate received more income than was originally expected and may have been more conservative when preparing the 2024 budget. Employee benefits and insurance were down due to higher expectations for expenses when creating the budget.

The County is currently behind on audits. It is very difficult to find auditors within the State of Maine who are willing to audit a County. Requests for proposal were sent out, advertisements were used, and letters were mailed directly to firms requesting bids for their services. Despite the County's best efforts, only one audit firm was willing to bid on the County's audit.

Requests for information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, 85 Court Street, Machias, Maine 04654.

BASIC FINANCIAL STATEMENTS

County of Washington, Maine

Statement of net position
December 31, 2023

		Governmental activities
Assets		
Cash and cash equivalents	$	5,777,702
Intergovernmental receivables		475,263
Accounts receivable, net		29,955
Prepaid items		41,824
Capital assets, not being depreciated		149,412
Capital assets, net of accumulated depreciation		615,521
Total assets		7,089,677
Deferred outflows of resources		
Pension related		658,391
OPEB related		149,849
Total deferred outflows of resources		808,240
Liabilities		
Accounts payable		446,892
Accrued wages and benefits		260,792
Accrued liabilities		31,385
Unearned revenue		6,239,154
Noncurrent liabilities:		
Due within one year		84,835
Due in more than one year		
Leases and compensated absences		528,770
Net pension and OPEB liabilities		2,287,355
Total liabilities		9,879,183
Deferred inflows of resources		
Pension related		273,958
OPEB related		270,317
Total deferred inflows of resources		544,275
Net position		
Net investment in capital assets		735,609
Restricted		429,571
Unrestricted		(3,690,721)
Total net position	$	(2,525,541)

The notes to financial statements are an integral part of this statement.

County of Washington, Maine

Statement of activities

For the year ended December 31, 2023

			Program revenues		Net (expense) revenue and changes in net position
Functions/programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**	**Governmental activities**
Primary government:					
Governmental activities:					
Emergency management	$ 341,244	-	339,761	-	(1,483)
District attorney	298,266	-	48,019	-	(250,247)
Administration	233,396	22,400	77,874	-	(133,122)
Finance	140,115	-	-	-	(140,115)
Building and grounds	295,440	-	227,120		(68,320)
Regional communication	983,988	-	-	-	(983,988)
Registry of deeds	195,179	366,901	9,090	-	180,812
Registry of probate	228,446	105,407	-	-	(123,039)
Sheriff	2,268,402	126,646	135,775	431,821	(1,574,160)
Third party requests	128,800	-	71,000	-	(57,800)
Insurance	190,558	-	-	-	(190,558)
Employee benefits	3,043,023	-	-	-	(3,043,023)
Jail	2,464,148	-	441,135	-	(2,023,013)
Court costs	100,641	-	-	-	(100,641)
Interest on debt	93,551	-	-	-	(93,551)
Total governmental activities	11,005,197	621,354	1,349,774	431,821	(8,602,248)

General revenues:	
Tax assessments	7,299,797
Unrestricted investment earnings	98,405
Miscellaneous	33,455
Total general revenues	7,431,657
Change in net position	(1,170,591)
Net position - beginning, as previously presented	(1,706,399)
Restatements	351,449
Net position - beginning, restated	(1,354,950)
Net position - ending	$ (2,525,541)

The notes to financial statements are an integral part of this statement.

County of Washington, Maine

Balance sheet
Governmental funds
December 31, 2023

		General	ARPA grant	Total nonmajor funds	Total governmental funds
Assets					
Cash and cash equivalents	$	1,799,268	3,758,463	219,971	5,777,702
Intergovernmental receivables		475,263	-	-	475,263
Accounts receivable, net		29,955	-	-	29,955
Due from other funds		38,201	1,991,836	901,154	2,931,191
Prepaid items		41,824	-	-	41,824
Total assets	$	2,384,511	5,750,299	1,121,125	9,255,935
Liabilities					
Accounts payable		446,892	-	-	446,892
Accrued wages and benefits		260,792	-	-	260,792
Accrued liabilities		31,385	-	-	31,385
Unearned revenue		19,990	5,565,811	653,353	6,239,154
Due to other funds		2,892,990	-	38,201	2,931,191
Total liabilities		3,652,049	5,565,811	691,554	9,909,414
Fund balances					
Nonspendable		41,824	-	-	41,824
Restricted		-	-	429,571	429,571
Assigned		-	184,488	-	184,488
Unassigned		(1,309,362)	-	-	(1,309,362)
Total fund balances		(1,267,538)	184,488	429,571	(653,479)
Total liabilities and fund balances	$	2,384,511	5,750,299	1,121,125	

Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	764,933
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Leases payable	(29,324)
Compensated absences	(584,281)
Net pension liability with related deferred inflows and outflows	(1,229,981)
Total OPEB liability with related deferred inflows and outflows	(793,409)
Net position of governmental funds	(2,525,541)

The notes to financial statements are an integral part of this statement.

County of Washington, Maine

Statement of revenues, expenditures, and changes in fund balances
Governmental funds
For the year ended December 31, 2023

		General	ARPA grant	Total nonmajor funds	Total governmental funds
Revenues					
Tax assessments	$	7,299,797	-	-	7,299,797
Intergovernmental		874,096	41,338	648,828	1,564,262
Charges for services		599,670	-	21,684	621,354
Interest income (loss)		98,405	159,355	9,149	266,909
Miscellaneous		82,284	-	-	82,284
Total revenues		8,954,252	200,693	679,661	9,834,606
Expenditures					
Current:					
Emergency management		84,205	-	253,426	337,631
District attorney		297,108	-	-	297,108
Administration		261,125	-	-	261,125
Finance		148,014	-	-	148,014
Building and grounds		271,555	11,456	-	283,011
Regional communication		951,897	-	-	951,897
Registry of deeds		193,511	-	-	193,511
Registry of probate		229,594	-	-	229,594
Sheriff		2,110,443	-	70,087	2,180,530
Third party requests		57,800	-	71,000	128,800
Insurance		190,558	-	-	190,558
Employee benefits		2,752,934	-	-	2,752,934
Jail		2,449,110	-	-	2,449,110
Court costs		100,641	-	-	100,641
Debt service		93,551	-	-	93,551
Capital outlay		264,798	29,882	176,441	471,121
Total expenditures		10,456,844	41,338	570,954	11,069,136
Net change in fund balances		(1,502,592)	159,355	108,707	(1,234,530)
Fund balances - beginning, as restated		235,054	25,133	320,864	581,051
Fund balances - ending	$	(1,267,538)	184,488	429,571	(653,479)

The notes to financial statements are an integral part of this statement.

County of Washington, Maine

Reconciliation of the statement of revenues, expenditures, and changes in fund balances - governmental funds to the government-wide statement of activities
For the year ended December 31, 2023

Net change in fund balances - total governmental funds	$	(1,234,530)
Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of these assets is allocated over their useful lives and reported as depreciation/amortization expense.		
Capital outlays		471,121
Depreciation/amortization expense		(71,083)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal paid on leases		6,805
Some expenses 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.		
Compensated absences		(52,815)
Changes in pension liabilities and related deferred outflows and inflows of resources		(254,006)
Changes in OPEB liabilities and related deferred outflows and inflows of resources		(36,083)
Change in net position of governmental activities	$	(1,170,591)

The notes to financial statements are an integral part of this statement.

County of Washington, Maine

General fund
Statement of revenues, expenditures, and changes in fund balance
Budget and actual
For the year ended December 31, 2023

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Tax assessments	$ 7,263,479	7,299,797	7,299,797	-
Intergovernmental	885,774	885,774	874,096	(11,678)
Charges for services	572,300	572,300	599,670	27,370
Interest	5,500	5,500	98,405	92,905
Miscellaneous	28,303	28,303	82,284	53,981
Total revenues	8,755,356	8,791,674	8,954,252	162,578
Expenditures				
Current:				
Emergency management	128,290	128,290	84,205	44,085
District attorney	335,521	335,521	297,108	38,413
Administration	239,231	239,231	261,125	(21,894)
Finance	159,572	159,572	148,014	11,558
Building and grounds	403,231	403,231	324,055	79,176
Regional communication	934,788	934,788	951,897	(17,109)
Registry of deeds	202,592	202,592	193,511	9,081
Registry of probate	222,062	222,062	229,594	(7,532)
Sheriff	2,246,407	2,246,407	2,322,741	(76,334)
Third party requests	62,300	62,300	57,800	4,500
Insurance	367,851	367,851	190,558	177,293
Employee benefits	2,827,512	2,827,512	2,658,457	169,055
Benefits reserve	60,000	60,000	94,477	(34,477)
Jail	2,177,360	2,177,360	2,449,110	(271,750)
Court costs	-	-	100,641	(100,641)
Debt service	15,000	15,000	93,551	(78,551)
Total expenditures	10,381,717	10,381,717	10,456,844	(75,127)
Excess (deficiency) of revenues over (under) expenditures	(1,626,361)	(1,590,043)	(1,502,592)	87,451
Other financing sources (uses)				
Use of fund balance	1,626,361	1,626,361	-	(1,626,361)
Total other financing sources (uses)	1,626,361	1,626,361	-	(1,626,361)
Net change in fund balance	-	36,318	(1,502,592)	
Fund balance - beginning			235,054	
Fund balance - ending			$ (1,267,538)	

County of Washington, Maine

Statement of fiduciary net position
Fiduciary funds
December 31, 2023

		Custodial funds
Assets		
Cash and cash equivalents	$	2,253,864
Total assets		2,253,864
Liabilities		
Due to unorganized territory general fund		908,985
Due to unorganized territory TIF fund		1,301,653
Total liabilities		2,210,638
Net position		
Restricted		43,226
Total net position	$	43,226

The notes to financial statements are an integral part of this statement.

County of Washington, Maine

Statement of changes in fiduciary net position
Fiduciary funds
For the year ended December 31, 2023

		Custodial funds
Additions		
Collections of restitution funds	$	72,904
Collections of inmate funds		51,092
Interest income		1,218
Total additions		125,214
Deductions		
Payments of restitution funds		58,123
Return of inmate funds		61,556
Total deductions		119,679
Net increase (decrease) in fiduciary net position		5,535
Net position - beginning		37,691
Net position - ending	$	43,226

The notes to financial statements are an integral part of this statement.

County of Washington, Maine

Notes to the financial statements
December 31, 2023

I. Summary of significant accounting policies

The County of Washington, Maine (County) was incorporated in 1789 operates under the Board of Commissioners form of government. The County provides emergency management, district attorney, deeds, probate, regional communication, sheriff, and jail services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The County is a municipal corporation governed by an elected three-member Board of Commissioners. The accompanying financial statements present information for the primary government. The County is not financially accountable for any other organizations and therefore does not report any component units.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the County's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the general fund and the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the County's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The County does not report any enterprise funds.

The County reports the following major governmental funds:

> The *general fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
>
> The *American rescue plan fund (ARPA grant fund)* accounts for federal funds received through the American Rescue Plan Act.

Additionally, the County reports the following fund type:

> The *custodial funds* accounts for moneys held for district attorney restitution funds, inmate funds, estate funds, and the funds of the Unorganized Territories of Washington County.

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the County the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Tax assessments, charges for service, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

F. Budgetary information

Budgetary basis of accounting

An annual budget of the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The capital project funds are appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one year.

The appropriated budget is prepared by department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the County Commissioners. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

Excess of expenditures over appropriations

The following appropriations were overspent as of December 31, 2023:

Administration	$21,894	Regional communication	17,109
Registry of probate	7,532	Sheriff	76,334
Benefits reserve	34,477	Jail	271,750
Court costs	100,641	Debt service	78,551

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The County's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

The County is currently not compliant with GASB standards related to capital assets. The County began recording capital assets during the year ended December 31, 2023, including a restatement for construction in progress on a project that was completed during the fiscal year. The County is working towards a complete capital asset listing to be in compliance with all GASB standards.

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $25,000 for land, buildings, and improvements; $5,000 for equipment and vehicles; and $100,000 for infrastructure projects; and an estimated useful life in excess of two years.

As the County constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	10-50
Equipment and vehicles	5-20
Infrastructure	15-40

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category, deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category, deferred amounts related to pension and OPEB.

Net position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

> *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
>
> *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on

asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the County considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The County's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed fund balance represents amounts that can be used only for the specific purposes determined by of the adoption of an order committing fund balance for a specified purpose by the County Commissioners prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Commissioners adopts another ordinance to remove or revise the limitation.

Assigned fund balance represents amounts that are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The County Commissioners approves carry forward amounts presented by the County Treasurer to assign fund balance. The County Commissioners may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the County considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

Lessee: The County is a lessee for a noncancellable lease of equipment. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

H. Revenues and expenditures/expenses

Program revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Compensated absences

The County's policy permits employees to accumulate earned but unused vacation and sick leave, which are eligible for payment upon separation from government service. Sick leave is valued based on the vesting method that calculates the amount of sick leave that is expected to become eligible for payout at termination. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

II. Stewardship, compliance, and accountability

A. Violations of legal or contractual provisions

Note I.F. Excess of expenditures over appropriations describes any budgetary violations that occurred for the year ended December 31, 2023.

B. Deficit fund balance

At December 31, 2023, the following funds had deficit balances:

General fund	$1,267,538

These deficits will be eliminated as resources are obtained (e.g., from tax assessments and other revenues).

III. Detailed notes on activities and funds

A. Cash and investments

It is the policy of the County to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the County and confirming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield. The County is not invested in any obligations typically known as derivatives.

B. Cash deposits with financial institutions

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank's failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2023, the County's bank balance was $8,403,148 all of which was covered by F.D.I.C. or collateralized with securities held by the pledging or financial institution's trust department.

C. Capital assets

Capital assets activity for the year ended December 31, 2023, was as follows:

	Restated balance beginning of year	Additions	Deletions	Balance end of year
Governmental activities				
Capital assets, not being depreciated				
Land	$ -	-	-	-
Construction in progress	324,533	190,923	366,044	149,412
Total capital assets, not being depreciated	324,533	190,923	366,044	149,412
Capital assets, being depreciated				
Buildings and improvements	-	-	-	-
Machinery and equipment	-	433,944	-	433,944
Right-to-use equipment	42,736	-	-	42,736
Vehicles	-	212,298	-	212,298
Total capital assets, being depreciated	42,736	646,242	-	688,978
Less accumulated depreciation for				
Buildings and improvements	-	-	-	-
Machinery and equipment	-	21,502	-	21,502
Right-to-use equipment	2,374	7,123	-	9,497
Vehicles	-	42,458	-	42,458
Total accumulated depreciation	2,374	71,083	-	73,457
Total capital assets, being depreciated, net	40,362	575,159	-	615,521
Total governmental activities capital assets	$364,895	766,082	366,044	764,933

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

District attorney	$2,033
Administration	1,018
Buildings and grounds	3,200
Regional communication	18,302
Registry of deeds	1,018
Registry of probate	1,018
Sheriff	43,476
Jail	1,018
Total depreciation expense	$71,083

D. Short-term note

The County issued a $4,245,406 tax anticipation note during the year, due on December 31, 2023, with an interest rate of 4.75%. Short-term note activity for the year ended December 31, 2023, was as follows:

	Balance beginning of year	Additions	Deletions	Balance end of year
Tax anticipation note	$ -	3,617,761	3,617,761	-

E. Changes in long-term liabilities

Changes in the County's long-term liabilities for the year ended December 31, 2023, are as follows:

	Balance beginning of year	Additions	Deletions	Balance end of year	Amount due within one year
Governmental activities					
Leases payable	$36,129	-	6,805	29,324	7,009
Compensated absences	531,466	352,815	300,000	584,281	77,826
Net pension liability	1,242,807	371,607	-	1,614,414	-
Net OPEB liability	44,313	-	3,801	40,512	-
Total OPEB liability	659,572	-	27,143	632,429	-
Total governmental activities	$2,514,287	724,422	337,749	2,900,960	84,835

F. Leases payable

The County entered into a six-year lease agreement as lessee for the use of copier equipment. An initial lease liability was recorded in the amount of $42,736. As of December 31, 2023, the value of the lease liability was $29,324. The County is required to make annual principal and interest payments of $7,889. The County used an incremental borrowing rate of 3% when calculating the lease liability. The copier equipment has a six-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was $42,736 and had accumulated amortization of $9,497.

The future principal and interest lease payments as of December 31, 2023, were as follows:

Year ending December 31	Principal	Interest	Total
2024	$7,009	880	7,889
2025	7,220	669	7,889
2026	7,436	453	7,889
2027	7,659	230	7,889
Totals	$29,324	2,232	31,556

G. Pension plan

Plan description

The County participates in the Participating Local District (PLD) Consolidated Plan, which is a cost-sharing, multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

Benefit terms are established in Maine statute; in the case of the PLD plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. MPERS 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 (the prior ten-year requirement was reduced by legislative action to five years). 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 is age 60 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. 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. MPERS also provides disability and death benefits which are established 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 MPERS Board of Trustees and is currently 3.88%.

Contributions

Retirement benefits are funded by contributions from employees and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Employee and employer contribution rates are each a percentage of applicable employee compensation. Employee contribution rates are defined by law, or by the MPERS Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Employees were required to contribute 6.85%, 7.6%, 9.7% and 8.1% of their annual pay for the age 65 AC Plan, age 60 AC Plan, 3C Plan and 4C Plan, respectively from January to June; and 6.95%, 7.7%, 9.3% and 8.9% of their annual pay for the age 65 AC Plan, age 60 AC Plan, 3C Plan and 4C Plan, respectively from July to December. The County's contractually required rate was 10.2%, 13.4%, and 10.3% of annual pay for the AC Plan, 3C Plan, and 4C Plan, respectively from January to June; and 10.2%, 12.8%, and 11.3% of annual pay for the AC Plan, 3C Plan, and 4C Plan, respectively from July to December. The County made contributions to the pension plan of $491,715 for the year ended December 31, 2023.

Proportionate share of the net pension (asset) liability

At December 31, 2023, the County reported a liability of $1,614,414 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2023, 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 pension liability was based on the County's contributions recognized by the plan during the measurement period, adjusted for contributions for employer-specific and employer-paid employee contributions. The County's proportionate share was 0.5059% at the end of the measurement period and 0.4675% for the beginning of the period, which represents an increase of 0.0384%.

Actuarial assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2023
Measurement date	June 30, 2023
Actuarial cost method	Entry age normal
Assumptions	
Investment rate of return	6.50%
Inflation rate	2.75%
Annual salary increases	2.75%-11.48%
Cost of living adjustments	1.91%

Mortality rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table:

Asset class	Long-term expected real rate of return
Public equities	6.0%
U.S. government	2.6%
Private equity	7.6%

Real assets:	
Real estate	5.2%
Infrastructure	5.3%
Natural resources	5.0%
Traditional credit	3.2%
Alternative credit	7.4%
Diversifiers	5.0%

Discount rate

The discount rate used to measure the collective total pension liability was 6.5% for 2023. 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 and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the 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.

Discount rate sensitivity analysis

The following presents the County's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% decrease	Current rate	1% increase
Proportionate share net pension (asset) liability	$4,423,611	1,614,414	(702,946)

Pension expense and deferred items summary

For the year ended December 31, 2023, the County recognized pension expense of $745,956 for its proportionate share of the pension expense. At December 31, 2023, the County reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows	Deferred inflows
Differences between expected and actual experience	$299,718	-
Differences between expected and actual investment earnings	-	273,958
Changes of assumptions	-	-
Changes in proportion	102,405	-
Contributions paid subsequent to the measurement date	256,268	-
Total deferred outflows and inflows of resources	$658,391	273,958

Deferred outflows of resources reported $256,268 related to pensions resulting from the County's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31	
2024	$47,438
2025	(209,874)
2026	277,867
2027	12,734

Pension plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.mainepers.org.

H. Other postemployment benefit (OPEB) obligations – life insurance

Plan description

The County participates in the Participating Local District (PLD) Consolidated and the State Employee, which is a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

The group life insurance plan provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits).

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic group life insurance is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or $2,500.

Contributions and funding policy

Premium rates are those determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims. Employers are required to remit a premium of $0.46 per $1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. Employers with retired employees continue to remit a premium of $0.46 per $1,000 of coverage per month during the post-employment retired period. The County made contributions to the PLD plan of $1,226 for the year ended December 31, 2023. Employees are not required to contribute to the plan.

Proportionate share of the net OPEB liability

At December 31, 2023, the County reported a liability of $40,512 for its proportionate share of the net OPEB liability. The OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the OPEB liability was based on the County's contributions recognized by the plan during the measurement period. The County's proportionate share was 0.2969% at the end of the measurement period and 0.306% for the beginning of the period, which represents a decrease of 0.0091%.

Actuarial assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2023
Measurement date	June 30, 2023
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Assumptions	
Investment rate of return	6.50%
Inflation rate	2.75%
Annual salary increases	2.75%-11.48%

Mortality rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2023 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Long-term expected rate of return

Assets of the plan are pooled for investment purposes and are allocated based on the plan's fiduciary net position. The long-term expected rate of return on the plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table:

Asset class	Long-term expected real rate of return
Public equities	6.0%
Real estate	5.2%
Traditional credit	3.2%
U.S. government securities	2.3%

Discount rate

The discount rate used to measure the collective total OPEB liability was 6.5% for 2023 for the plans. 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 and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount rate sensitivity analysis

The following presents the County's proportionate share of the net OPEB liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% decrease	Current rate	1% increase
Proportionate share net OPEB liability	$56,189	40,512	27,910

OPEB expense and deferred items summary

For the year ended December 31, 2023, the County recognized OPEB expense of $1,976 for its proportionate share of the OPEB expense. At December 31, 2023, the County reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows	Deferred inflows
PLD plan		
Differences between expected and actual experience	$720	317
Differences between expected and actual investment earnings	1,304	-
Changes of assumptions	1,980	8,952
Changes in proportion	3,002	3,940
Contributions paid subsequent to the measurement date	617	-
Total deferred outflows and inflows of resources	$7,623	13,209

Deferred outflows of resources reported $617 related to OPEB resulting from the County's contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31	
2024	$(2,860)
2025	(3,779)
2026	1,620
2027	(1,002)
2028	(182)

OPEB plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.mainepers.org.

I. Other postemployment benefit (OPEB) obligations – health insurance

Plan description

The County sponsors a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Board of Commissioners has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Plan membership

At January 1, 2024, membership consisted of:

Inactive members currently receiving benefits	3
Inactive members entitled to but not yet receiving benefits	-
Active members	74
Total	77

Benefits provided

Healthcare and life insurance benefits are provided for retirees and their dependents. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for postretirement benefits. The retiree pays 100% of the premium equivalent rate for coverage elected. The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B, which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage. Medical benefits are provided for the life of the retiree and surviving spouses. The $2,000 life insurance benefit is provided automatically to all retirees participating in the retiree medical plan. Spouses are not covered for life insurance, but surviving spouses covered by the retiree medical plan are covered for a $2,000 life insurance benefit as well.

Net OPEB liability

At December 31, 2023, the County reported a total OPEB liability of $632,429. The OPEB liability was measured as of January 1, 2023, and was determined by an actuarial valuation as of January 1, 2022.

Actuarial assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	January 1, 2022
Measurement date	January 1, 2023
Actuarial cost method	Entry age normal
Assumptions	
Inflation rate	3.00%
Annual salary increases	2.75%
Healthcare cost trend rates - non-Medicare	7.95% in 2022
decreasing to	4.55% in 2043
Healthcare cost trend rates - Medicare	7.26% in 2022
decreasing to	4.55% in 2043

Rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females.

Actuarial assumptions used for the January 1, 2022, valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.

Discount rate

Using the Bond Buyer 20-Bond GO Index, the discount rate used to measure the total OPEB liability was 3.72%. These rates are assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in total OPEB liability	
Balances beginning of year	$659,572
Changes for the period	
Service cost	47,157
Interest	14,450
Changes of benefits	-
Differences between expected and actual experience	-
Changes of assumptions	(78,133)
Benefit payments	(10,617)
Net changes	(27,143)
Balances end of year	$632,429

Discount rate and healthcare rate sensitivity analysis

The following is a sensitive analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability calculated using the discount rate of 3.72% as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% decrease	Current rate	1% increase
Total OPEB liability	$743,698	632,429	542,592

The table below presents the total OPEB liability of the County calculated using the healthcare rates disclosed above as well as what the total OPEB liability would be if it were calculated using a healthcare rate that is one percentage point lower or one percentage point higher than the current rate:

	1% decrease	Current rate	1% increase
Total OPEB liability	$527,546	632,429	769,005

OPEB expense and deferred items summary

For the year ended December 31, 2023, the County recognized OPEB expense of $49,750. At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred outflows	Deferred inflows
Differences between expected and actual experience	$369	163,710
Changes of assumptions	135,462	93,398
Contributions paid subsequent to the measurement date	6,395	-
Total deferred outflows and inflows of resources	$142,226	257,108

Deferred outflows of resources reported $6,395 related to OPEB resulting from the County's contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31	
2024	($11,857)
2025	(11,854)
2026	(18,745)
2027	(11,051)
2028	(11,053)
Thereafter	(56,717)

J. Fund balance

Components of fund balance

	Nonspendable	Restricted	Committed	Assigned
General fund				
Prepaid expenditures	$41,824	-	-	-
American rescue plan	-	-	-	184,488
Special revenue funds				
Deeds surcharge	-	180,319	-	-
Probate surcharge	-	54,711	-	-
Local emergency planning	-	1,842	-	-
Opioid settlement funds	-	192,699	-	-
Total	$41,824	429,571	-	184,488

The County budgeted to use $1,613,460 of fund balance (carryovers) for the fiscal year 2024 budget. Funds cannot be assigned if the result of that assignment would cause or increase a deficit in unassigned fund balance.

K. Interfund balances

The outstanding balances between funds result from receipts and disbursements being made through consolidated cash accounts held by the general fund. The composition of interfund balances as of December 31, 2023, is as follows:

Receivable fund (due from)	Payable fund (due to)	Amount
General fund	Deeds surcharge fund	$38,201
American rescue plan	General fund	1,991,836
Probate surcharge fund	General fund	54,711
Grants and other funds	General fund	846,443
Total		$2,931,191

L. Jail revenues and expenditures

The County is required to report revenues and expenditures pertaining to jail operations to the Department of Corrections through the corrections reporting actual systems (CRAS). Revenues and expenditures related to jail operations for the year ending December 31, 2023, were as follows:

Revenues		Expenditures	
Bureau of correction funds	$312,306	Jail	$2,369,662
OSA contract	80,000	Employee benefits	842,589
Jail commissary	48,830	Insurance	76,796
Miscellaneous	12,417	Jail commissary	79,448
Total	$453,553	Total	$3,368,495

M. 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; and natural disasters. The County carries commercial insurance and participates in public entity risk pools sponsored by the Maine County Commissioners Association. Based on the coverages provided, the County is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2023. The amounts of settlements have not exceeded insurance coverage in any of the past three years.

N. Contingencies

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the County's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County anticipates such amounts, if any, will be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

O. Construction and other significant commitments

The County had active engineering project for a new public safety building as of December 31, 2023. At year end, the County's commitments are as follows:

Project	Spent-to-date	Remaining commitment
Engineering for public safety building	$149,412	224,118
Construction for public safety building	-	4,799,493

P. Adjustments and restatements of beginning balances

During fiscal year 2023, the County decided to report funds received from the American Rescue Plan grant as unearned revenue as opposed to restricted net position to be consistent with the reporting in the governmental-wide financial statements. The County will no longer consider the interest earned in the American Rescue Plan fund nor the LEPC Passbook fund as unearned revenue in the governmental-wide financial statements.

The County began recording capital assets during the year ended December 31, 2023. The restatement to construction in progress is from a project that began in 2022 and was completed in 2023. The following accounts were restated as of January 1, 2023:

	For the year ended December 31, 2022		
Governmental activities	Original amount	Adjustments	Restated amount
Capital assets, not being depreciated	$ -	324,533	324,533
Unearned revenue, governmental activities	5,654,055	(26,916)	5,627,139
Net position, beginning	(1,706,399)	351,449	(1,354,950)
American Rescue Plan			
Unearned revenue, ARPA grant fund	-	5,607,149	5,607,149
Fund balance, ARPA grant fund	5,632,282	(5,607,149)	25,133

Q. GASB pronouncements

During the current year, the County implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The County does not have any arrangements that require reporting under GASB No. 96.

R. Subsequent events

In February 2024, the County issued a tax anticipation note (TAN) in the amount of $4,958,491 with Machias Savings Bank with interest at a rate of 5.25% per annum. The note matured on December 31, 2024 and was paid in full by maturity.

In February 2025, County issued a TAN with Machias Savings Bank. The note was initially issued in the amount of $5,679,800 and was subsequently increased to $7,612,174 through an amendment in July 2025. A second amendment extended the maturity date to February 20, 2026. The note bore interest at 5.02% and was paid in full by maturity.

In February 2026, the County also entered into TAN agreement with Machias Savings Bank in the amount of $4,027,350. In June 2026, the County increased the borrowing through an amendment to the note, bringing the total available borrowing to $6,630,090. The note bears interest at 5.02% and matures on December 31, 2026.

The TAN's are used to provide short-term financing pending the collection of property tax revenues.

County of Washington, Maine

Required supplementary information
Schedule of County's proportionate share of the net pension liability
Maine Public Employees Retirement System
Last ten fiscal years

		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability		0.5059%	0.4675%	0.4329%	0.4239%	0.4286%	0.4252%	0.4288%	0.3970%	0.4047%	0.3707%
County's proportionate share of the net pension liability	$	1,614,414	1,242,807	(139,127)	1,684,158	1,309,988	1,163,630	1,755,850	2,109,548	1,291,252	570,370
County's covered payroll		4,380,945	3,427,559	2,886,962	2,749,227	2,696,216	2,567,825	2,320,576	2,093,312	2,120,974	2,014,925
County's proportionate share of the net pension liability as a percentage of its covered payroll		36.85%	36.26%	-4.82%	61.26%	48.59%	45.32%	75.66%	100.78%	60.88%	28.31%
Plan fiduciary net position as a percentage of the total pension liability		92.34%	93.26%	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%

Schedule of County's pension contributions
Maine Public Employees Retirement System
Last ten fiscal years

		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually determined contribution	$	491,715	367,990	296,195	273,809	262,166	236,029	219,802	186,305	165,436	128,493
Contributions in relation to the contractually required contribution		(491,715)	(367,990)	(296,195)	(273,809)	(262,166)	(236,029)	(219,802)	(186,305)	(165,436)	(128,493)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-	-
County's covered payroll		4,380,945	3,427,559	2,886,962	2,749,227	2,696,216	2,567,825	2,320,576	2,093,312	2,120,974	2,014,925
Contributions as a percentage of covered payroll		11.22%	10.74%	10.26%	9.96%	9.72%	9.19%	9.47%	8.90%	7.80%	6.38%

County of Washington, Maine

Required supplementary information
Schedule of County's proportionate share of the net OPEB liability
Maine Public Employees Retirement System
Last ten fiscal years (only seven years available)

		2023	2022	2021	2020	2019	2018	2017
County's proportion of the net OPEB liability		0.2969%	0.3060%	0.3010%	0.3251%	0.2964%	0.2887%	0.3121%
County's proportionate share of the net OPEB liability	$	40,512	44,313	31,080	42,883	63,430	58,315	52,187
County's covered-employee payroll		1,305,570	1,233,279	1,038,765	989,206	970,132	923,936	897,025
County's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		3.10%	3.59%	2.99%	4.34%	6.54%	6.31%	5.82%
Plan fiduciary net position as a percentage of the total OPEB liability		59.71%	55.88%	67.26%	55.39%	43.18%	43.92%	47.42%

Schedule of County's OPEB contributions
Maine Public Employees Retirement System
Last ten fiscal years (only seven years available)

		2023	2022	2021	2020	2019	2018	2017
Contractually determined contribution	$	1,226	3,909	3,572	3,664	3,262	3,088	3,237
Contributions in relation to the contractually required contribution		(1,226)	(3,909)	(3,572)	(3,664)	(3,262)	(3,088)	(3,237)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-
County's covered-employee payroll		1,305,570	1,233,279	1,038,765	989,206	970,132	923,936	897,025
Contributions as a percentage of covered-employee payroll		0.09%	0.32%	0.34%	0.37%	0.34%	0.33%	0.36%

County of Washington, Maine

Required supplementary information
Schedule of changes in the County's total OPEB liability and related ratios
Last ten fiscal years (only six years available)

		2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	$	47,157	46,443	40,251	30,311	34,200	26,988
Interest		14,450	15,907	17,917	24,360	21,184	19,598
Changes of benefits		-	-	-	(11,722)	-	-
Differences between expected and actual experience		-	(113,040)	-	(131,902)	-	1,467
Changes of assumptions		(78,133)	12,147	43,304	150,251	(61,538)	53,624
Benefit payments		(10,617)	(11,470)	(11,029)	(11,861)	(11,405)	(11,655)
Net change in total OPEB liability - MMEHT plan		(27,143)	(50,013)	90,443	49,437	(17,559)	90,022
Total OPEB liability - beginning		659,572	709,585	619,142	569,705	587,264	497,242
Total OPEB liability - ending	$	632,429	659,572	709,585	619,142	569,705	587,264
Covered-employee payroll	$	3,200,136	3,200,136	3,080,827	3,080,827	2,757,879	2,757,879
Total OPEB liability as a percentage of covered-employee payroll		19.76%	20.61%	23.03%	20.10%	20.66%	21.29%

County of Washington, Maine

Notes to required supplementary information

Pension plans

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Discount rate	6.50%	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.25%	7.25%	7.25%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%	3.50%
Salary increases	2.75-11.48%	2.75-11.48%	2.75% + merit	2.75-9.00%	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Cost of living increases - PLD	1.91%	1.91%	1.91%	2.20%	2.20%	2.20%	2.55%	3.12%	3.12%	3.12%

Mortality rates - **2015**: RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. **2016**: RP2014 Total Data Set Healthy Annuitant Mortality Table. **2021**: 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table

Other postemployment benefit (OPEB) obligations - life insurance

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2023	2022	2021	2020	2019	2018
Discount rate - PLD	6.50%	6.50%	6.75%	4.98%	5.13%	5.41%

Other postemployment benefit (OPEB) obligations - health insurance

Changes of benefit terms - In 2020, implemented the Medicare Advantage plan.

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2023	2022	2021	2020	2019	2018
Discount rate	3.72%	2.06%	2.12%	2.74%	4.10%	3.44%

County of Washington, Maine

General fund
Statement of revenues, expenditures, and changes in fund balance
Budget and actual
For the year ended December 31, 2023
(with comparative totals for the year ended December 31, 2022)

		2023				
		Original budget	**Final budget**	**Actual**	**Variance positive (negative)**	**2022 actual**
Revenues						
Tax assessments	$	7,263,479	7,299,797	7,299,797	-	6,621,520
Intergovernmental						
EMA federal match		80,777	80,777	70,876	(9,901)	40,579
Federal witness advocacy		55,000	55,000	48,019	(6,981)	29,630
State court costs reimbursements		138,718	138,718	227,120	88,402	197,651
MDEA cost reimbursements - Sheriff		113,230	113,230	135,775	22,545	140,940
Bureau of Corrections funds		498,049	498,049	312,306	(185,743)	535,191
OSA contract		-	-	80,000	80,000	-
Total intergovernmental		885,774	885,774	874,096	(11,678)	943,991
Charges for services						
Registry of deeds		390,400	390,400	349,138	(41,262)	404,036
Registry of propate		72,500	72,500	101,486	28,986	98,986
Civil process/detail fees		87,000	87,000	126,646	39,646	89,403
UT admin and building rental		22,400	22,400	22,400	-	22,400
Coop rentals		-	-	-	-	7,200
Total charges for services		572,300	572,300	599,670	27,370	622,025
Interest		5,500	5,500	98,405	92,905	18,165
Jail commissary and other		-	-	48,829	48,829	29,551
Miscellaneous		28,303	28,303	33,455	5,152	37,891
Total revenues		8,755,356	8,791,674	8,954,252	162,578	8,273,143

County of Washington, Maine

General fund
Statement of revenues, expenditures, and changes in fund balance
Budget and actual
For the year ended December 31, 2023
(with comparative totals for the year ended December 31, 2022)

	2023				
	Original budget	**Final budget**	**Actual**	**Variance positive (negative)**	**2022 actual**
Expenditures					
Current:					
Emergency management	128,290	128,290	84,205	44,085	68,184
District attorney	335,521	335,521	297,108	38,413	294,534
Administration	239,231	239,231	261,125	(21,894)	233,450
Finance	159,572	159,572	148,014	11,558	138,594
Building and grounds	403,231	403,231	324,055	79,176	232,903
Regional communication	934,788	934,788	951,897	(17,109)	934,026
Registry of deeds	202,592	202,592	193,511	9,081	187,774
Registry of probate	222,062	222,062	229,594	(7,532)	214,118
Sheriff	2,246,407	2,246,407	2,322,741	(76,334)	2,164,402
Third party requests	62,300	62,300	57,800	4,500	65,000
Insurance	367,851	367,851	190,558	177,293	179,286
Employee benefits	2,827,512	2,827,512	2,658,457	169,055	1,661,424
Benefits reserve	60,000	60,000	94,477	(34,477)	18,467
Jail	2,177,360	2,177,360	2,449,110	(271,750)	3,076,739
Court costs	-	-	100,641	(100,641)	107,972
Debt service	15,000	15,000	93,551	(78,551)	24,694
Total expenditures	10,381,717	10,381,717	10,456,844	(75,127)	9,601,567
Excess (deficiency) of revenues over (under) expenditures	(1,626,361)	(1,590,043)	(1,502,592)	87,451	(1,328,424)
Other financing sources (uses)					
Use of fund balance	1,626,361	1,626,361	-	(1,626,361)	-
Total other financing sources (uses)	1,626,361	1,626,361	-	(1,626,361)	-
Net change in fund balance	-	36,318	(1,502,592)		(1,328,424)
Fund balance - beginning			235,054		1,563,478
Fund balance - ending		$	(1,267,538)		235,054

County of Washington, Maine

Combining balance sheet
Nonmajor governmental funds
December 31, 2023

		Deeds surcharge	Probate surcharge	Grants and other	Total nonmajor governmental funds
Assets					
Cash and cash equivalents	$	218,520	-	1,451	219,971
Due from other funds		-	54,711	846,443	901,154
Total assets	$	218,520	54,711	847,894	1,121,125
Liabilities					
Unearned revenue		-	-	653,353	653,353
Due to other funds		38,201	-	-	38,201
Total liabilities		38,201	-	653,353	691,554
Fund balances					
Restricted		180,319	54,711	194,541	429,571
Total fund balances		180,319	54,711	194,541	429,571
Total liabilities and fund balances	$	218,520	54,711	847,894	1,121,125

County of Washington, Maine

Combining statement of revenues, expenditures, and changes in fund balances
Nonmajor governmental funds
For the year ended December 31, 2023

		Deeds surcharge	Probate surcharge	Grants and other	Total nonmajor governmental funds
Revenues					
Intergovernmental	$	-	-	648,828	648,828
Charges for services		17,763	3,921	-	21,684
Interest		9,090	-	59	9,149
Total revenues		26,853	3,921	648,887	679,661
Expenditures					
Current:					
Emergency management		-	-	253,426	253,426
Sheriff		-	-	70,087	70,087
Third party requests		-	-	71,000	71,000
Capital outlay		-	-	176,441	176,441
Total expenditures		-	-	570,954	570,954
Net change in fund balances		26,853	3,921	77,933	108,707
Fund balances - beginning		153,466	50,790	116,608	320,864
Fund balances - ending	$	180,319	54,711	194,541	429,571

County of Washington, Maine

Combining statement of revenues, expenditures, and changes in fund balances
Grants and other funds
For the year ended December 31, 2023

		Beginning fund balance	Revenues	Expenditures	Transfers in (out)	Ending fund balance
MEMA - LEPC operating	$	-	4,009	4,009	-	-
MEMA - LEPC training		-	1,200	1,200	-	-
MEMA - LEPC passbook		1,783	59	-	-	1,842
FEMA - Stonegarden		-	213,926	213,926	-	-
FEMA - Homeland security 2020		-	140	140	-	-
FEMA - Homeland security 2021		-	7,448	7,448	-	-
FEMA - Homeland security 2022		-	26,703	26,703	-	-
FEMA - Homeland security 2023		-	15,400	15,400	-	-
ATV municipality county		-	71,000	71,000	-	-
DOJ grant		-	-	-	-	-
Opioid settlement funds		114,825	77,874	-	-	192,699
LATCF		-	231,128	231,128	-	-
	$	116,608	648,887	570,954	-	194,541

County of Washington, Maine

Combining statement of changes in fiduciary net position
Custodial funds
For the year ended December 31, 2023

		District attorney restitution	Inmate funds	Saunders estate	Unorganized territories general fund	Unorganized territories TIF fund	Total
Additions							
Collections of restitution funds	$	72,904	-	-	-	-	72,904
Collections of inmate funds		-	51,092	-	-	-	51,092
Interest income		1,010	-	208	-	-	1,218
Total additions		73,914	51,092	208	-	-	125,214
Deductions							
Payments of restitution funds		58,123	-	-	-	-	58,123
Inmate usage and return of funds		-	61,556	-	-	-	61,556
Total deductions		58,123	61,556	-	-	-	119,679
Change in net position		15,791	(10,464)	208	-	-	5,535
Net position - beginning		8,763	24,119	4,809	-	-	37,691
Net position - ending	$	24,554	13,655	5,017	-	-	43,226

Compliance Section

WIPFLI

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 Washington, Maine
Machias, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of County of Washington, Maine, as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the County of Washington, Maine's basic financial statements, and have issued our report thereon dated July 30, 2026. Our report also contains a qualified opinion on the Governmental Activities as we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the County 's capital assets and related net investment in capital assets as of December 31, 2023 because management has not maintained detailed records to support the historical costs.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Washington, Maine's internal control over financial reporting (internal control) as a basis for designing 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 County of Washington, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Washington, Maine's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and deficiencies that we consider to be significant deficiencies.

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 reasonable possibility that a material misstatement of the County of Washington, Maine’s financial statements will not be prevented or detected and corrected on a timely basis. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-009, and 2023-010 that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-011 and 2023-012 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Washington, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-007, 2023-011 and 2023-012.

County of Washington, Maine's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County of Washington, Maine's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 County of Washington, Maine's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Washington, Maine's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

South Portland, Maine
July 30, 2026

Section I - Audit Findings in Relation to Financial Statements

2023-001 **Inadequate Fund Accounting Structure Within the General Ledger**

Criteria or Specific Requirement: Counties are responsible for maintaining accounting records that provide accountability and transparency over financial resources. Governmental accounting standards require separate accounting and reporting of governmental activities through individual funds to demonstrate compliance with legal, regulatory, and budgetary requirements. An effective accounting system should be structured to accumulate and report financial activity by fund to ensure accurate financial reporting and facilitate management oversight.

Condition: During our audit, we noted the County does not maintain separate funds within its financial accounting software. Instead, all receipts, disbursements, assets, liabilities, revenues, and expenditures are recorded within a single fund structure. As a result, fund-level financial information is not readily available from the accounting system and must be manually compiled and adjusted for financial reporting purposes.

Context: The County operates multiple funds that are required to be separately accounted for and reported in the annual financial statements. Because transactions are recorded within one fund in the general ledger, management must perform extensive manual procedures at year-end to identify and allocate transactions to the appropriate funds for financial statement preparation.

Effect: The County's practice of recording all financial activity within a single fund increases the risk that revenues, expenditures, assets, liabilities, and fund balances may be improperly classified or omitted from the appropriate funds. As a result, management may not have accurate or timely fund-level financial information necessary to monitor budgets, restricted resources, grant activities, and compliance with legal requirements. Furthermore, the lack of fund segregation within the accounting system requires significant manual effort to prepare year-end financial statements, increasing the likelihood that errors or material misstatements could occur and remain undetected in the normal course of operations.

Cause: The County has not established a fund accounting structure within its accounting software and continues to utilize a general ledger setup that does not segregate financial activity by fund.

Repeat: No

Auditor's Recommendation: We recommend the County implement a fund accounting structure within its financial software that allows transactions to be recorded and reported by individual fund. Each fund should maintain separate accounting records for assets, liabilities, fund balance, revenues, and expenditures. Management should also establish procedures to ensure transactions are recorded to the appropriate fund throughout the year and periodically review fund activity for accuracy.

View of Responsible Officials: County management agrees with the recommendation. Establishing a clear fund accounting structure is essential for accurate financial reporting and compliance with governmental accounting standards.

Finance has begun evaluating its current financial software capabilities and discussing the necessary configurations to ensure each fund maintains distinct ledgers for assets, liabilities, fund balance, revenues, and expenditures.

2023-002 **<u>Account Reconciliations</u>**

Criteria or Specific Requirement: An accounting system should provide timely and accurate information for management. The reconciliation of account balances is an integral internal control activity to determine that stated account balances are accurate and fairly reported. County management and accounting personnel should reconcile general ledger accounts to subsidiary ledgers and other supporting documents in a timely and effective manner.

Condition: Improperly designed internal controls and account reconciliation procedures allowed for the County to perform inadequate or no reconciliation of balance sheet accounts.

Context: In planning and performing our audit procedures, we obtained an understanding of the design and implementation of internal controls for significant audit risk and performed audit procedures assessing the effectiveness of internal controls. Additionally, we performed substantive audit procedures to obtain audit evidence verifying the completeness, validity, and accuracy of the financial records.

Effect: Without performing adequate account reconciliations, information provided to management and governance is inaccurate. Also, the probability that fraud or material errors will occur and go undetected generally increases.

Cause: The County did not perform adequate reconciliations of balance sheet accounts to verify the completeness, validity, and accuracy of their financial records. Variances between the subsidiary ledger and the general ledger were left unexplained throughout the year and were updated subsequent to year end.

Repeat: Yes - 2022-01

Auditor's Recommendations: County management should implement policies and procedures requiring accountability to monitor the accuracy of monthly reconciliations. This would allow the County to ensure completeness and accuracy, enhancing the control system in the accounting department. Management personnel involved in the reconciliation process should sign supporting documentation to attest that not only the process was complete, but it also had been reviewed.

View of Responsible Officials: County management agrees with this recommendation. We recognize that timely and accurate monthly reconciliations are essential to maintaining a strong internal control environment within the accounting department. To strengthen accountability, beginning in 2026, Finance will implement formal policies and procedures requiring staff responsible for reconciliations to document completion and review through signatures on all supporting materials.

Finance will also establish monitoring practices to ensure reconciliations are performed accurately and consistently each month. These procedures will include periodic supervisory reviews to verify completeness, identify discrepancies, and confirm that reconciliation standards are being followed. The County is committed to improving oversight and ensuring the reliability of its financial records.

2023-003 <u>**Untimely Cash Reconciliations**</u>

Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal control over financial reporting. Effective internal controls include the preparation and review of bank reconciliations on a timely basis to ensure cash balances are accurate, reconciling items are investigated and resolved promptly, and errors or irregularities are identified in a timely manner.

Condition: During our testing of internal controls over cash, we noted that bank reconciliations were not consistently completed in a timely manner. Several monthly reconciliations were prepared weeks or months after the related bank statements were received, and evidence of timely supervisory review was not available. As a result, exceptions and reconciling items were not identified and addressed promptly throughout the year.

Context: The County maintains multiple cash accounts that are used to process a significant volume of receipts and disbursements. Timely completion and review of monthly bank reconciliations is a key control to ensure cash balances reported in the accounting records agree with bank records and that unusual transactions are identified and investigated on a timely basis.

Effect: Failure to perform cash reconciliations timely increases the risk that errors, unauthorized transactions, omissions, or irregularities may not be detected and corrected promptly. Additionally, management and those charged with governance may rely on inaccurate cash information when making financial decisions, resulting in an increased risk of material misstatement in the County's financial records and financial statements.

Cause: The County has not established formal procedures requiring bank reconciliations to be completed within a defined timeframe after month-end. In addition, management oversight designed to monitor the timely preparation and review of reconciliations was not operating effectively.

Repeat: Yes - 2022-02

Auditor's Recommendation: We recommend the County strengthen its internal controls over cash by establishing formal procedures requiring all bank reconciliations to be completed within a defined timeframe following month-end and reviewed by an appropriate supervisory individual. Management should ensure all reconciling items are investigated and resolved promptly, maintain documentation evidencing the preparation and review of reconciliations, and periodically monitor compliance with established deadlines. Implementing these procedures will help ensure cash balances are accurate, discrepancies are identified and corrected timely, and financial information is reliable for management and governance purposes.

View of Responsible Officials: County management agrees with this recommendation. We acknowledge the importance of timely, welldocumented bank reconciliations as a core component of strong internal controls over cash. To improve consistency and accountability, Finance will establish formal procedures requiring all bank reconciliations to be completed within a defined timeframe following monthend and reviewed by an appropriate supervisory individual.

Finance will ensure that all reconciling items are investigated and resolved promptly and that documentation clearly reflects both the preparation and supervisory review of each reconciliation. In addition, periodic monitoring will be implemented to confirm compliance with established deadlines and reconciliation standards. These actions will strengthen oversight, improve the accuracy of cash balances, and enhance the reliability of financial information used by County leadership and governing officials.

2023-004 **Inadequate Supporting Documentation for Bank Transfers**

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls to provide reasonable assurance that financial transactions are properly authorized, adequately documented, and accurately recorded. Sound internal control practices require that transfers between bank accounts be supported by documentation evidencing the purpose, authorization, amount, date, and accounts involved in each transfer. Additionally, management should maintain sufficient records to support financial activity and ensure an adequate audit trail.

Condition: During our testing of interbank transfers, we noted that the County was unable to provide adequate supporting documentation for certain transfers between bank accounts. Documentation supporting the transfers, such as transfer requests, authorization records, bank confirmations, or other evidence substantiating the nature and purpose of the transactions, was either incomplete or unavailable. As a result, the County could not demonstrate that all transfers were properly authorized and supported.

Context: We reviewed a sample of bank transfers during the audit period and identified instances where supporting documentation was not maintained in accordance with sound internal control practices. The lack of documentation limited our ability to verify the purpose and authorization of the transfers and reduced the effectiveness of management's monitoring controls over cash activity.

Effect: Without adequate supporting documentation, the County cannot demonstrate that bank transfers were valid, properly authorized, or made for legitimate governmental purposes. As a result, there is an increased risk of errors, unauthorized transactions, misappropriation of assets, or misstatements in the financial records going undetected. Furthermore, the absence of a complete audit trail impairs management's ability to monitor cash activity and limits the ability of auditors and other stakeholders to verify the propriety of transactions.

Cause: The County has not established adequate procedures to ensure supporting documentation for bank transfers is retained and reviewed. Additionally, management oversight over the transfer process was insufficient to ensure that an appropriate audit trail was maintained for all cash transfers between accounts.

Repeat: No

Auditor's Recommendation: We recommend that the County establish formal procedures requiring all bank transfers to be supported by adequate documentation, including evidence of authorization, the purpose of the transfer, source and destination accounts, transaction amounts, and confirmation of completion by the financial institution. Management should also implement a review process to verify that supporting documentation is retained and reconciled to accounting records in a timely manner.

View of Responsible Officials: County management agrees with this recommendation. We recognize the importance of maintaining strong internal controls over cash activity, including ensuring that all bank transfers are properly supported, authorized, and documented. To strengthen accountability, in October 2025 Finance established a formal procedure requiring each bank transfer to include adequate supporting documentation, such as evidence of authorization, the purpose of the transfer, source and destination accounts, transaction amounts, and confirmation of completion by the Treasurer.

2023-004 **Inadequate Supporting Documentation for Bank Transfers - continued**

Finance will also implement a review process to verify that supporting documentation is retained and reconciled to accounting records in a timely manner. Periodic monitoring will be conducted to ensure compliance with these procedures and to maintain the accuracy and reliability of the County's financial information.

2023-005 **Absence of a Accounting Policies and Procedures Manual**

Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal control over financial reporting and compliance. Effective internal controls include documented accounting policies and procedures that provide consistent guidance regarding financial transactions, accounting processes, segregation of duties, approvals, reconciliations, and financial reporting responsibilities.

Condition: The County has not developed and implemented a formal, comprehensive accounting policies and procedures manual. While accounting functions are being performed, key accounting processes and control activities are not documented in a centralized manual available to employees responsible for financial operations.

Context: The County's finance department is responsible for processing and recording a significant volume of financial transactions, including cash receipts and disbursements, payroll, accounts payable, budgetary activities, grant transactions, and financial reporting. During our assessment of internal controls, we noted that the County has not established a formal accounting policies and procedures manual that documents key accounting processes, internal control activities, employee responsibilities, approval requirements, and reporting procedures. Current accounting practices are primarily communicated through on-the-job training and employee experience rather than through formally documented guidance. A comprehensive accounting policies and procedures manual is an important component of an effective internal control system and helps ensure consistency in financial operations, continuity during personnel changes, and compliance with applicable laws, regulations, and accounting standards.

Effect: The lack of documented accounting policies and procedures increases the risk of:

- Inconsistent performance of accounting functions.
- Errors or omissions in financial reporting.
- Loss of institutional knowledge resulting from employee turnover.
- Inadequate segregation of duties and monitoring controls.
- Noncompliance with applicable laws, regulations, grant requirements, and County policies.

Cause: Management has not established formal procedures to document accounting processes and internal control activities. The County has relied on institutional knowledge and employee experience rather than formally documented policies and procedures.

Repeat: Yes - 2022-06

2023-005 **Absence of a Accounting Policies and Procedures Manual - continued**

Auditor's Recommendation: We recommend that management develop, formally adopt, and periodically update a comprehensive accounting policies and procedures manual. The manual should document significant accounting processes, internal control activities, approval requirements, cash management procedures, purchasing and disbursement processes, payroll procedures, financial reporting responsibilities, and monitoring activities. Management should also provide training to appropriate personnel and review the manual annually to ensure it remains current.

View of Responsible Officials: County management agrees with this recommendation. Finance recognizes the importance of maintaining a comprehensive and uptodate accounting policies and procedures manual to support consistent practices, strengthen internal controls, and ensure staff has clear guidance for all major financial processes. A formal manual will serve as a central reference that promotes uniformity, enhances compliance with applicable standards and regulations, and supports effective oversight across all County departments.

Finance will begin developing a formal manual that documents significant accounting processes, internal control activities, approval requirements established in October 2025, cash management procedures developed in October 2025, purchasing and disbursement processes, payroll procedures, financial reporting responsibilities, and monitoring activities. The manual will be drafted to reflect best practices, regulatory requirements, and operational needs identified through recent audits and internal reviews.

Once completed and formally adopted, Finance will provide training to appropriate personnel to ensure proper implementation and understanding of the documented procedures. This training will reinforce accountability, promote consistent application of financial controls, and ensure staff is equipped to follow the updated processes.

The manual will be reviewed annually and updated as needed to reflect changes in operations, regulations, or best practices. These actions will enhance the reliability, consistency, and transparency of the County’s financial management framework, supporting longterm operational effectiveness and audit readiness.

2023-006 **Improper Segregation of Duties**

Criteria or Specific Requirement: Internal controls should be in place that provide reasonable assurance that not one individual handles a transaction from its inception to its completion.

Condition: There is inadequate control over the functions of processing and recording the financial transactions due to the inadequate segregation of duties.

Context: The County should have adequate staffing to properly segregate duties.

Effect: As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Cause: The County has a limited number of staff to allow for adequate segregation of duties.

Repeat: No

Auditor's Recommendation: Management and the Commission’s close supervision and review of accounting information appears to be the most economical and appropriate manner to help prevent and detect errors and irregularities in the County’s accounting and financial reporting.

2023-006 **Improper Segregation of Duties** - continued

View of Responsible Officials: County management acknowledges this recommendation and agrees that close supervision and regular review of accounting information are essential components of an effective internal control system. Given that Washington County is very rural and remote, with limited available resources, finance must rely on the Commissioner's active oversight to help prevent and detect errors or irregularities in financial reporting. In September 2025, a part-time (20 hours per week) Provisional Treasurer was appointed, and duties could be distributed better but were still not ideal. The County was able to hire a full-time finance director in June of 2026, which will further strengthen financial management and oversight capabilities.

Finance will maintain direct involvement in reviewing accounting records, monitoring key financial processes, and ensuring that any issues identified through this oversight are addressed promptly. This approach supports the County's commitment to accurate financial reporting and strong internal controls.

2023-007 **Inadequate Grant Tracking, Financial System Utilization, and Strategic Management of ARPA Funds**

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls to ensure grant funds are properly tracked, monitored, and utilized in accordance with grant requirements and County objectives. Sound fiscal management practices require grant revenues and expenditures to be separately identified within the County's financial software to facilitate monitoring of available funding, reporting, compliance, and budgetary decision-making. Significant grant awards, such as American Rescue Plan Act (ARPA) funding, should be supported by formal spending plans, periodic reviews of grant activity, and ongoing evaluation of future funding needs to maximize the benefit of available resources.

Condition: The County did not utilize its financial software to separately track ARPA grant activity or maintain fund-level records sufficient to monitor the availability and use of grant resources. Instead, the County relied on external schedules and manual processes to monitor grant expenditures. As a result, grant resources were used to support General Fund expenditures as cash became available rather than being strategically reserved and managed for future eligible projects, capital improvements, or other long-term County priorities.

Context: During our audit, we noted that ARPA activity was not adequately segregated and tracked within the County's accounting system, limiting management's ability to readily identify grant balances, expenditures, and remaining funding available for future use. Furthermore, management had not developed a comprehensive plan for the expenditure of ARPA funds. Without utilizing the financial software to track grant activity and monitor available resources, the County lacked accurate and timely information necessary to evaluate funding priorities and make strategic decisions regarding the use of ARPA funds.

Effect: Failure to separately track grant activity within the County's financial software increases the risk that grant revenues and expenditures may not be accurately monitored, reported, or reconciled. Additionally, without a formal spending and monitoring strategy, the County risks exhausting available ARPA resources before future eligible needs are identified. As a result, the County may lose opportunities to fund significant infrastructure improvements, capital projects, equipment purchases, or other one-time investments that could provide lasting benefits to taxpayers. Furthermore, using temporary grant funding to support ongoing operational expenditures may create future budgetary pressures once grant funding is no longer available.

2023-007 <u>Inadequate Grant Tracking, Financial System Utilization, and Strategic Management of ARPA Funds</u>- continued

Cause: The County has not established formal policies and procedures requiring grant activity to be tracked within the financial software or requiring the development of multi-year spending plans for significant grant awards. Management relied on available cash balances rather than maintaining a structured process for monitoring grant resources and evaluating future funding needs.

Repeat: Yes - 2022-08

Auditor's Recommendation:We recommend the County utilize its financial software to establish separate funds, projects, departments, or accounting codes for all significant grant programs, including ARPA, to allow for complete tracking of grant revenues, expenditures, reimbursements, and remaining balances. In addition, management should develop and implement a documented grant spending plan that identifies intended uses of grant funds, project timelines, anticipated costs, and available resources through the end of the grant period. Periodic reviews should be performed to reconcile grant activity to the general ledger, evaluate future funding needs, and ensure grant resources are utilized strategically to maximize long-term benefits to County residents.

View of Responsible Officials**:** County management agrees with this recommendation. We recognize the importance of establishing clear accounting structures and documented spending plans to ensure complete, accurate, and transparent tracking of all grant programs, including significant programs such as ARPA. To strengthen grant oversight, Finance will use its financial software to establish separate funds, departments, or accounting codes to enable detailed tracking of grant revenues, expenditures, reimbursements, and remaining balances.

Management/Finance is developing a comprehensive grant policy to further formalize the administration and oversight of grant funds. This policy establishes clear guidelines for grant application, Board of Commissioners preapproval, budgeting, monitoring, reimbursement, drawdown procedures, and reporting. It ensures compliance with applicable federal, state, and grantor regulations while maintaining alignment with County priorities and financial controls.

Under this policy, each department is responsible for applying for and managing its own grants, including maintaining documentation, monitoring expenditures, and ensuring adherence to grant requirements. This structure promotes accountability, transparency, and clear lines of responsibility for grant management across all County departments.

Periodic reviews will reconcile grant activity to the general ledger, assess future funding needs, and ensure grant resources are used strategically to maximize long-term benefits for County residents. These actions will enhance accountability, improve financial reporting, and support effective management of grant programs.

2023-008 **Insufficient Cash to Support Unearned Revenue Balances and Deficit Fund Balance**

Criteria or Specific Requirement: Management is responsible for maintaining adequate cash flow and liquidity to meet obligations associated with restricted resources and funds received in advance of eligibility requirements. Sound fiscal management and internal controls require that cash resources be available to support liabilities reported on the financial statements, including unearned (deferred) revenue balances

Condition: During our audit, we noted that the County's available cash and cash equivalent balances at year-end were insufficient to cover deferred revenue liabilities recorded on the County's financial statements. As a result, the County did not maintain sufficient liquid resources to satisfy obligations associated with resources received in advance of earning the related revenue or meeting associated program requirements. In addition, the County reported a deficit unrestricted fund balance, indicating that accumulated expenditures and obligations exceeded available unrestricted financial resources and further evidencing the County's financial and liquidity challenges.

Context: At December 31, 2023, the County reported deferred revenue totaling approximately $6.2 million, while unrestricted cash and cash equivalents available to satisfy those obligations totaled approximately $5.8 million, resulting in a shortfall of approximately $461,000. The County also reported a deficit fund balance of approximately $653,479. This condition affects the County's ability to meet future obligations associated with resources received in advance and demonstrates liquidity challenges that warrant the attention of management and those charged with governance.

Effect: Failure to maintain sufficient cash resources to cover unearned revenue increases the risk that future grant, program, or contractual obligations may not be met when due. This condition may require the County to obtain short-term financing, delay expenditures on authorized programs, or identify alternative funding sources to satisfy future obligations. The deficit fund balance further reduces the County's financial flexibility and may impair its ability to respond to unforeseen expenditures, sustain operations, or provide required local matching funds for grant-funded programs.

Cause: The County has not established sufficient cash flow monitoring procedures to ensure that cash resources associated with restricted or unearned revenues remain available to satisfy future program requirements and obligations. In addition, recurring operating deficits have reduced overall liquidity. Additionally, recurring operating deficits and expenditures in excess of available revenues have contributed to the County's deficit fund balance and reduced overall liquidity.

Repeat: No

Auditor's Recommendation: We recommend that management develop and implement formal cash flow monitoring procedures that regularly compare available cash resources to restricted and unearned revenue balances. Management should also develop a plan to improve liquidity and replenish cash reserves to ensure that funds received for future program requirements remain available until eligibility requirements are met and the revenues are earned. Further, management should implement a corrective action plan to eliminate the deficit fund balance through improved budgeting practices, expenditure controls, revenue enhancements where feasible, and periodic monitoring of financial position throughout the year.

2023-008 **Insufficient Cash to Support Unearned Revenue Balances and Deficit Fund Balance - continued**

View of Responsible Officials: County management agrees with this recommendation. We recognize the importance of implementing formal cash flow monitoring procedures to ensure that available cash resources are sufficient to meet program requirements and that restricted and unearned revenues remain intact until eligibility criteria are met. In January 2026, *the 2019 carryover policy,* which had been established by then Commissioner's, Gardner, Crowley, and Cassidy was repealed. Finance established a structured process to regularly compare cash balances to restricted and unearned revenue accounts, strengthening financial oversight and improving the County's ability to identify liquidity concerns early.

Finance will develop a plan to improve liquidity and rebuild cash reserves, ensuring funds designated for future program needs remain available when required. In addition, Finance will implement a corrective action plan to prevent a deficit fund balance by refining its annual budgeting process to ensure revenues and expenditures are accurately projected, structurally balanced, and aligned with operational needs. Finance will implement tighter expenditure monitoring, including periodic reviews, spending thresholds, and enhanced oversight of departmental budget performance. Finance will continuously monitor fund balances, cash flow, and budget performance throughout the year to identify variances early and take corrective action promptly.These actions will support longterm financial stability and reinforce the County's commitment to responsible fiscal management.

2023-009 **Capital Assets**

Criteria or Specific Requirement: Governmental entities are required to account for and report capital assets in accordance with the applicable Governmental Accounting Standards Board (GASB) standards, including GASB Statement No. 34 and related pronouncements. Capital assets should be identified, recorded, depreciated (when applicable), and reported in the government-wide financial statements with adequate supporting records and disclosures. Governments are responsible for maintaining complete and accurate capital asset records and implementing accounting standards in a timely manner.

Condition: During our audit, we noted the County had not fully implemented GASB requirements related to the recording and reporting of capital assets. Specifically, complete capital asset records were not maintained for all governmental activities, resulting in omissions and inaccuracies in the County's capital asset schedules and related financial statement reporting.

During the current fiscal year, management undertook efforts to identify and record previously unreported capital assets and improve capital asset accounting records. While these efforts resulted in partial implementation of the applicable GASB requirements and improved reporting, the County had not completed a comprehensive inventory and reconciliation of all capital assets as of year-end. Therefore, audit adjustments and additional procedures were necessary to present capital assets fairly in the financial statements

Context: We reviewed the County's capital asset listing and accounts payable aging listing, tested depreciation expense and current year additions.

Effect: Failure to fully implement GASB requirements related to capital assets increases the risk that capital assets, accumulated depreciation, depreciation expense, and net position may be materially misstated. In addition, incomplete capital asset records may impair management's ability to accurately monitor and safeguard County assets and may result in financial statements that are not prepared in accordance with generally accepted accounting principles (GAAP).

2023-009 **<u>Capital Assets- continued</u>**

Repeat: No

Cause: The County lacked sufficient policies, procedures, and internal controls over the identification, tracking, capitalization, and reporting of capital assets. In addition, prior-year records were incomplete, and management had limited resources available to perform a comprehensive capital asset review and reconciliation.

Repeat: No

Auditor's Recommendations: We recommend the County continue its efforts to fully implement GASB requirements related to capital assets by:

- Completing a comprehensive inventory of all capital assets.
- Reconciling capital asset records to supporting documentation.
- Establishing and documenting formal capital asset accounting policies and procedures.
- Implementing controls to ensure capital asset additions, disposals, transfers, and depreciation are recorded accurately and timely.
- Performing periodic reviews of capital asset records to ensure continued compliance with GASB requirements.

View of Responsible Officials: County management agrees with this recommendation. We understand the importance of fully implementing GASB requirements related to capital assets to ensure accurate financial reporting and strong internal controls. Finance will continue its efforts to complete a comprehensive inventory of all capital assets and reconcile those records to supporting documentation to verify completeness and accuracy.

Finance will also establish and formally document capital asset accounting policies and procedures that address additions, disposals, transfers, and depreciation. Controls will be implemented to ensure these transactions are recorded accurately and in a timely manner. In addition, periodic reviews of capital asset records will be performed to confirm ongoing compliance with GASB standards and to maintain the reliability of the County’s financial information.

These actions reflect the County’s commitment to strengthening its capital asset management practices and enhancing the overall integrity of its financial reporting framework.

2023-0010 **<u>Lack of Review of Journal entries</u>**

Criteria or Specific Requirement: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. A fundamental component of internal control is the independent review and approval of journal entries to ensure transactions are accurate, properly supported, authorized, and recorded in the correct accounting period. Independent review of journal entries helps mitigate the risk of errors, fraud, and management override of controls. Guidance in Government Auditing Standards emphasizes the importance of internal controls designed to provide reasonable assurance that financial information is reliable.

2023-0010 **Lack of Review of Journal entries - continued**

Condition: During our audit, we noted the County does not have a formal process requiring independent review and approval of journal entries. Journal entries can be prepared and posted to the general ledger without documented evidence of supervisory review. Additionally, the County does not maintain written procedures identifying approval requirements, supporting documentation standards, or review responsibilities for journal entries.

Context: We reviewed a sample of journal entries posted during the fiscal year and noted that entries lacked documented evidence of review and approval prior to posting. While no material unsupported entries were identified during our testing, the absence of a formal review control increases the risk that errors or unauthorized transactions could occur and not be detected in a timely manner.

Effect: Without an independent review process, the County is exposed to an increased risk of:

- Errors in financial reporting.
- Unauthorized or inappropriate journal entries.
- Misclassification of transactions.
- Fraudulent transactions resulting from management override of controls.
- Financial statement misstatements that may not be detected timely.

Cause: The County has not established formal policies and procedures requiring independent review of journal entries and has relied on informal processes and limited accounting staff to monitor financial reporting activities.

Repeat: No

Auditor's Recommendation: We recommend the County establish formal written procedures requiring all journal entries to be reviewed and approved by an individual independent of the preparer prior to posting. The review should verify the appropriateness of the entry, supporting documentation, account classifications, and authorization. Documentation of the review and approval should be retained as part of the accounting records.

View of Responsible Officials: County management agrees with this recommendation. We recognize that establishing formal written procedures for journal entry preparation, review, and approval is essential to maintaining strong internal controls and ensuring the accuracy of the County’s financial records. To strengthen oversight, Finance will develop and implement procedures requiring all journal entries to be reviewed and approved by an individual independent of the preparer prior to posting.

The review process will verify the appropriateness of each entry, supporting documentation, account classifications, and authorization. Documentation of both the preparation and independent review will be retained as part of the permanent accounting records. These actions will enhance accountability, reduce the risk of errors, and support the integrity of the County’s financial reporting framework.

2023-0011 **<u>Expenditures Exceeded Budget Appropriations</u>**

Criteria or Specific Requirement: State law and the County's annual budget ordinance require that expenditures not exceed appropriations approved by the County Commissioners. Effective budgetary controls should be maintained throughout the year to ensure expenditures remain within authorized spending levels.

Condition: During our audit, we noted that actual expenditures exceeded the amounts appropriated in the adopted budget in one or more funds and/or departments during the year ended December 31, 2023.

Context: The County incurred expenditures of approximately $75,127 in excess of the legally adopted budget.

Effect: The County was not in compliance with applicable budget laws and did not maintain effective budgetary control over expenditures. As a result, expenditures were incurred without sufficient approved appropriations.

Cause: County management did not adequately monitor budget-to-actual results throughout the fiscal year and did not approve budget amendments in a timely manner when it became apparent that expenditures would exceed authorized spending levels.

Repeat: Yes - 2022-05

Auditor's Recommendation: We recommend the County strengthen its budget monitoring procedures by reviewing budget-to-actual reports on a regular basis and approving necessary budget amendments before expenditures exceed appropriated amounts. Management should ensure compliance with all applicable budgetary requirements and maintain expenditures within authorized spending levels.

View of Responsible Officials: County management agrees with this recommendation. We recognize that strengthening budget monitoring procedures is essential to maintaining compliance with statutory requirements and ensuring expenditures remain within authorized spending levels. To improve oversight, in FY26 the County began reviewing budget to actual reports monthly and will ensure that any necessary budget amendments are approved before expenditures exceed appropriated amounts. In FY26, at the recommendation of Commissioner Howard, a policy was implemented requiring a line-by-line budget review. To support ongoing financial oversight, each department head receives monthly budget-to-actual reports, enabling timely monitoring of expenditures and budget performance.

Finance will reinforce compliance with all applicable budgetary requirements and implement monitoring practices throughout the year to maintain expenditures within authorized limits. These actions will enhance fiscal discipline, improve financial transparency, and support responsible stewardship of County resources.

2023-0012 **<u>Internal Control Over Compliance with State Statute Title 33, Chapter 11, Subchapter 4, Section 752 (Reservation of Deeds Preservation Surcharge)</u>**

Criteria or Specific Requirement: Title 33, Chapter 11, Subchapter 4, Section 752 of Maine statutes requires the Registry of Deeds to collect a $3 preservation surcharge on eligible recorded documents. The surcharge must be remitted to the County Treasurer and deposited into a separate nonlapsing account within 30 days of receipt. Any interest earned on the account is required to be credited to the account.

2023-0012 Internal Control Over Compliance with State Statute Title 33, Chapter 11, Subchapter 4, Section 752 (Reservation of Deeds Preservation Surcharge) - continued

Condition: During the year, preservation surcharge collections received from the Registry of Deeds were deposited into the County's general operating bank account rather than the established deeds surcharge account. While the County separately tracked the surcharge revenue within its accounting records, the funds were not transferred to the designated account as required. In addition, interest attributable to these funds was not calculated or recorded within the deeds surcharge account. These conditions represent a significant deficiency in internal control over compliance.

Context: Although the statute does not explicitly define whether the required "separate nonlapsing account" must be maintained as a separate bank account or solely as a separate fund within the accounting records, the County had previously established a dedicated deeds surcharge bank account. Given this interpretation and existing practice, surcharge collections should have been transferred to the designated account within the timeframe prescribed by statute.

Effect: Failure to transfer surcharge collections to the designated account and allocate related interest earnings may result in noncompliance with the requirements of Title 33, Section 752. Additionally, the lack of segregation of these funds reduces transparency and accountability over the use and accumulation of preservation surcharge resources.

Cause: County personnel did not transfer preservation surcharge collections from the general operating account to the established deeds surcharge account and did not have procedures in place to calculate and allocate interest earnings attributable to these funds.

Repeat: Yes - 2022-07

Auditor's Recommendation: We recommend the County establish and implement procedures to ensure Registry of Deeds preservation surcharge collections are deposited into or transferred to the designated deeds surcharge account in accordance with statutory requirements. The County should also develop a methodology to calculate and record any interest earned on these funds and ensure such amounts are credited to the account as required by law.

View of Responsible Officials: County management agrees with this recommendation. We recognize the importance of ensuring that Registry of Deeds preservation surcharge collections are handled in full compliance with statutory requirements. To strengthen controls and improve transparency, Finance will establish and implement formal procedures to ensure all surcharge collections are deposited into or transferred to the designated deeds surcharge account accurately and in a timely manner.

In 2026, Finance developed a methodology to calculate and record interest earned on these funds and ensure that all interest is properly credited to the surcharge account as required by law. In addition, periodic reviews will be conducted to verify compliance with statutory requirements and confirm that supporting documentation is complete and properly maintained. These actions will enhance accountability and ensure the County’s financial practices align with legal and regulatory expectations.

County of Washington, Maine

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2023

The following summarizes the prior audit findings and corrective action taken:

Finding 2022-001 Non-Cash Account Reconciliations and Review: The County did not perform or document regular reconciliations and reviews of non-cash asset and liability accounts. Numerous audit adjustments were required to correct account balances and transaction postings, indicating weaknesses in financial reporting controls. Management was advised to implement routine reconciliations and documented account reviews. **-Not Implemented**

Finding 2022-002 Cash Account Reconciliations and Reviews: Bank reconciliations were not consistently signed, dated, or independently reviewed to demonstrate timely completion and appropriate segregation of duties. The County was advised to strengthen reconciliation procedures and implement documented review controls over all cash accounts. **- Not Implemented**

Finding 2022-003 Cash Transaction Posting Dates: Certain cash receipts and disbursements were recorded in incorrect accounting periods, resulting in transactions being posted outside of the period in which they occurred. The County was advised to strengthen controls to ensure transactions are recorded in the proper accounting period. **- Implemented**

Finding 2022-004 Cash Disbursements: Expenditures were processed without documented evidence of approval on the supporting invoice or related documentation. The County was advised to establish procedures requiring documented approval prior to the processing of all disbursements. **- Implemented**

Finding 2022-005 Controls Relating to Expenditures Over Appropriations: The County's budgetary controls were inadequate, resulting in discrepancies between approved budgets and amounts entered into the accounting system, as well as instances of expenditures exceeding appropriated amounts. The County was advised to improve budget monitoring and ensure approved budgets are accurately entered and maintained within the accounting system. **- Not Implemented**

Describe the reasons for the finding's recurrence. If the corrective action taken is significantly different from corrective action previously reported, you must provide an explanation.

Finding 2022-006 Accounting Policies and Procedures Manual: The County had not developed a comprehensive accounting policies and procedures manual documenting key financial processes and internal controls. The County was advised to establish and maintain a formal accounting policies and procedures manual approved by governance. **- Not Implemented**

Finding 2022-007 Deeds Surcharge Account Compliance: The County was not properly transferring and accounting for Registry of Deeds surcharge funds in accordance with State statute requirements. The County was advised to establish procedures to ensure surcharge funds are deposited and maintained in compliance with applicable laws and regulations. **- Not Implemented**

Finding 2022-008 Allowable Costs Charged to State and Federal Awards: The County did not maintain accounting records sufficient to separately track revenues, expenditures, and remaining balances by individual grant award. As a result, compliance with grant requirements could not be readily demonstrated. The County was advised to establish separate accounting mechanisms for each grant program and perform reconciliations to support grant activity and balances. **- Not Implemented**