

County of Washington, Maine

Audited Financial Statements

December 31, 2019

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

County of Washington, Maine

December 30, 2019

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Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

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Independent Auditors' Report

County Commissioners
County of Washington, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Washington, Maine, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 12 to the financial statements, management has not recorded capital assets in the governmental activities and, accordingly, has not recorded depreciation expense for capital assets. 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, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the County of Washington, Maine, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the County of Washington, Maine, as of December 31, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Washington, Maine’s basic financial statements. The combining and individual fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate 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, the information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the County of Washington, Maine’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of 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 of Washington, Maine’s internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
October 28, 2022

County of Washington, Maine
Management's discussion and analysis
December 31, 2019

Our discussion and analysis of the County of Washington, Maine's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2019. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the County. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the County as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements

- The County's unrestricted cash balance as of the end of the current fiscal year was \$2,681,557. This compares to \$2,471,711 as of the end of the prior fiscal year, as restated. This represents an increase of \$209,846 or approximately 8.49%. The County's restricted cash balance as of the end of the current fiscal year was \$273,277. This compares to \$332,603 as of the end of the prior fiscal year, as restated. This represents a decrease of (\$59,326) or approximately 17.84%. The County's restricted cash balance is made up of the ending fund balance amount of the deeds and probate surcharge accounts as well as the unearned grant revenues balance. Therefore, the current fiscal year decrease in restricted cash is simply due to the current fiscal year change in fund balance for these surcharge accounts and a decrease in the corresponding unearned grant revenues balance.
- The County's total assets exceeded its total liabilities by \$261,315 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$663,616, as restated. This represents a decrease of (\$402,301) or approximately 60.62%.
- The County's restricted net position is made up of two different material components. The first component is the expendable portion which is made up of amounts which are restricted for certain purposes and which can only be expended for those purposes. State statutes created the ability for the County to collect a deeds and probate surcharge on certain transactions and outlined the manner in which these collected funds could be expended. These statutes are considered a form of enabling legislation imposed by the State. This expendable component of the total restricted net position balance of the County was \$270,182 (103.39% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$329,562 (49.66% of total net position), as restated. This represents a decrease of (\$59,380) or approximately 18.02%. This decrease is due entirely to the current fiscal year change in fund balance for these surcharge accounts.
- The second component of the County's restricted net position balance is non-expendable funds which are made up of funds which are either nonspendable based on donor imposed restrictions or based on the form of the item. Examples of non-expendable balances would be the principal portion of trust funds which cannot be spent and the offset of the recorded inventory and prepaid item balances which are not in a spendable form. This component of the total restricted net position balance of the County was \$440 (.17% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$8,205 (1.24% of total net position), as restated. This represents a decrease of (\$7,765). This decrease is due entirely to a change in the amount of recorded prepaid expenditure items which is the only non-expendable item the County currently has recorded.
- The County's unrestricted net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, annual or special County meetings, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the County was (\$9,307) (a negative 3.56% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$325,849 (49.10% of total net position), as restated. This represents an unfavorable decrease of (\$335,156) or approximately 102.86% and relates in large part to the current fiscal year change in net position.
- The County's total revenues for its governmental activities were \$7,743,928 for the current fiscal year. This compares to \$7,616,702 for the prior fiscal year, as restated. This represents an increase of \$127,226 or approximately 1.67%. This increase is due to a number of smaller changes in revenues in the current fiscal year as compared to the prior fiscal year. Page 6 more fully compares the change in revenues by type between the current fiscal year and the prior fiscal year.
- The County's total expenses for its governmental activities were \$8,146,229 for the current fiscal year. This compares to \$7,017,612 for the prior fiscal year, as restated. This represents an increase of \$1,128,617 or approximately 16.08%. This increase is due to a number of smaller changes in revenues in the current fiscal year as compared to the prior fiscal year. Page 6 more fully compares the change in expenses by type between the current fiscal year and the prior fiscal year.

County of Washington, Maine
Management's discussion and analysis
December 31, 2019

Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net position and the Statement of activities which are shown on pages 9 and 10 and which provide information about the activities of the County as a whole and present a longer-view of the County's finances. The fund financial statements consist of the Balance sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 11 and 13 and tell how the services of the County were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 15 through 18.

Reporting the County as a whole

Our analysis of the County as a whole begins on page 9 with the Statement of net position. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. The statement of net position includes all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the County using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the County's net position and the changes in this net position. You can think of this net position as one way to measure the financial health and financial position of the County. The net position balance is made up of the difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the County. Over time, increases and decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the County such as changes in the tax assessment base, the conditions of the capital assets of the County, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and discretely presented component units. The County's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the County's basic services are reported here, including general government activities such as general administration, finance, buildings operation and maintenance, court costs, the district attorneys office, registry of deeds and probate services as well as public safety activities such as emergency management, the regional communications center, the sheriffs department and the County jail. Tax assessments, charges for services, state and federal operating and capital grants and other funding, interest income and other miscellaneous revenues finance these activities in whole or in part.

Reporting the County's most significant funds

Our analysis of the County's major funds begins on page 11 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the County but not a combined picture of the County as a whole. Some of these funds could be required to be established by State law or by bond covenants. In addition, the County commissioners have the authority to establish funds which it may use to help control and manage the funds of the County for particular purposes or to show that it is meeting any legal responsibilities for using certain taxes, grants, or other funds granted to the County. The County uses governmental funds which are characterized as follows:

- Governmental funds - All of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation after each of these fund financials statements.

County of Washington, Maine
Management's discussion and analysis
December 31, 2019

The County as a trustee

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used by the County to report assets held in a trustee or agency capacity for other individuals and other governmental entities and therefore cannot be used to support the County's own programs. The type of fiduciary funds for which the County is a trustee are agency funds. Agency funds are used to report resources held by the County in a purely custodial capacity in which assets equal liabilities. County agency funds consist of County jail inmate account balances, district attorney restitution funds which have been collected but not yet paid out as directed in the specific court order, estate funds which have been deposited with the County until the specific court proceedings have directed the payment of such funds to a beneficiary or other designee and the general operating fund and the TIF fund of the Unorganized Territories of Washington County.

The County as a whole - Assets, deferred outflows, liabilities, deferred inflows and net position

The information provided below represents government-wide information for the governmental activities of the County for the current fiscal year as compared to the prior fiscal year, as restated. The current ratio compares the current assets of the County to its current and other liabilities and gives an indication of the County's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the County was 5.47 to 1 compared to the end of the prior fiscal year when the current ratio was 13.33 to 1. This represents a decrease of approximately 58.96%. Another indication of the County's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current and other liabilities from the current assets. As of the end of the current fiscal year, the County's working capital balance was a positive \$2,536,808. This compares to the prior fiscal year balance of a positive \$2,789,011. This represents a decrease of approximately 9.04%.

	Governmental Activities		Percentage of Total	
	2019	2018	2019	2018
Current assets	\$ 3,103,990	\$ 3,015,136	100.00%	100.00%
Deferred outflows of resources - pensions	343,637	362,140	85.34%	85.11%
Deferred outflows of resources - OPEB	59,020	63,366	14.66%	14.89%
Total deferred outflows of resources	402,657	425,506	100.00%	100.00%
Current and other liabilities	567,182	226,125	19.94%	9.24%
Long-term liabilities	2,276,645	2,221,854	80.06%	90.76%
Total liabilities	2,843,827	2,447,979	100.00%	100.00%
Deferred inflows of resources - pensions	333,070	310,897	82.96%	94.48%
Deferred inflows of resources - OPEB	68,435	18,150	17.04%	5.52%
Total deferred inflows of resources	401,505	329,047	100.00%	100.00%
Net position:				
Restricted	270,622	337,767	103.56%	50.90%
Unrestricted	-9,307	325,849	-3.56%	49.10%
Total net position	\$ 261,315	\$ 663,616	100.00%	100.00%
Restricted net position:				
Expendable:				
Restricted surcharge funds	\$ 270,182	\$ 329,562		
Non-expendable:				
Prepaid items	440	8,205		
	\$ 270,622	\$ 337,767		

County of Washington, Maine
Management's discussion and analysis
December 31, 2019

The County as a whole - Revenues, expenses, and changes in net position

The information provided below represents government-wide information for the governmental activities of the County for the current fiscal year as compared to the prior fiscal year, as restated. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the County specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total County expenditures actually financed by general revenues. This amount and percentage is shown at the bottom of this schedule and should be used to give the reader an indication of how the County's activities were funded during the current fiscal year in comparison to the prior fiscal year. The expenses shown below indicate the general make-up of the County's spending by department and as a percentage of total spending.

	Governmental Activities		Percentage of Total	
	2019	2018	2019	2018
Program revenues				
Charges for services	\$ 549,097	\$ 567,432	7.09%	7.45%
Operating grants	772,495	741,085	9.98%	9.73%
Capital grants	73,792	41,593	0.95%	0.55%
General revenues				
Tax assessments	6,234,461	6,223,311	80.51%	81.71%
Interest income	38,440	20,585	0.50%	0.27%
Miscellaneous revenues	75,643	22,696	0.97%	0.29%
Total revenues	<u>7,743,928</u>	<u>7,616,702</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses				
Administration	221,472	200,299	2.72%	2.85%
Finance	129,062	116,329	1.58%	1.66%
Buildings	306,169	249,971	3.76%	3.56%
Court costs	74,448	80,021	0.91%	1.14%
District attorney	253,836	287,798	3.12%	4.10%
Registry of deeds	267,223	187,854	3.28%	2.68%
Registry of probate	153,548	154,568	1.88%	2.20%
Employee benefits	1,471,216	874,263	18.06%	12.46%
Benefit reserves	44,137	19,280	0.54%	0.27%
Insurances	155,354	84,919	1.91%	1.21%
Third party requests	40,350	68,350	0.50%	0.97%
Contingency	12,560	60,168	0.15%	0.86%
Emergency management agency	81,407	87,672	1.00%	1.25%
Regional communications center	652,053	699,964	8.00%	9.97%
Sheriffs department	1,411,978	1,210,318	17.33%	17.25%
County jail	2,781,713	2,587,327	34.15%	36.87%
Capital outlay	73,792	41,593	0.91%	0.59%
Debt service interest	15,911	6,918	0.20%	0.11%
Total expenses	<u>8,146,229</u>	<u>7,017,612</u>	<u>100.00%</u>	<u>100.00%</u>
Change in net position	-402,301	599,090		
Net position - January 1	<u>663,616</u>	<u>64,526</u>		
Net position - December 31	<u>\$ 261,315</u>	<u>\$ 663,616</u>		
Expenses financed by general revenues:				
Total expenses	\$ 8,146,229	\$ 7,017,612		
Less program revenues	-1,395,384	-1,350,110		
	<u>\$ 6,750,845</u>	<u>\$ 5,667,502</u>	<u>82.87%</u>	<u>80.76%</u>

County of Washington, Maine
Management's discussion and analysis
December 31, 2019

Capital asset

The capital assets of the County include land, land improvements, buildings, building improvements, vehicles, equipment and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. The financial statements do not presently include balances and other information regarding the capital assets of the County due to a lack of complete and accurate detail of these items. As a result, the independent auditors' report has been modified. More detailed information on the capital assets of the County can be found in note 1J on page 24.

Debt administration

The types of long-term debt which may be incurred by the County include bonds, notes, and capital leases payable. The types of short-term debt which may be incurred by the County include tax anticipation notes. The types of other debt related liabilities of the County include accrued compensated balances (earned vacation and sick time balances) in accordance with the established personnel policies and the various union contracts of the County and pension and other post employment benefit liabilities in accordance with generally accepted accounting principles. All long-term and short-term debt is incurred through the approval of the County commissioners in accordance with applicable state statutes. The short-term debt incurred by the County during the current and prior fiscal year was paid back prior to the end of each fiscal year and as such there was no outstanding balance at the end of either the current or prior fiscal year. More detailed information on the short-term debt activity for the current fiscal year can be found in note 6 on page 31. The comparison of the other debt related liabilities shown below indicates that the general make-up of the County's different types of other debt related liabilities as a percentage of the total was consistent for the current fiscal year in comparison to the prior fiscal year. More detailed information on the other debt related liabilities of the County can be found in note 5 on page 30.

	Governmental Activities		Percentage of total	
	2019	2018	2019	2018
Other debt related liabilities:				
Accrued compensated balances	\$ 433,522	\$ 412,645	18.24%	18.57%
Net pension liability	1,309,988	1,163,630	55.12%	52.37%
Net OPEB liability - Life insurance	63,430	58,315	2.67%	2.62%
Total OPEB liability - Health insurance	569,705	587,264	23.97%	26.44%
Total debt	<u>\$ 2,376,645</u>	<u>\$ 2,221,854</u>	<u>100.00%</u>	<u>100.00%</u>

Financial highlights - Fund financial statements

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the County as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the County. The following financial highlights, however, do relate to the balances and results of the activities of the County's individual funds as found in its fund financial statements. Detailed current year information on the County's individual funds can be found on the Balance sheet on page 11, the Statement of revenues, expenditures, and changes in fund balances on page 13 and the budget to actual statement for the general fund on page 15 through 18.

- The net change in fund balance (excess of revenues over expenditures) for the County's general fund was a negative (\$92,823) for the current fiscal year.
- The actual revenues received in the County's general fund were \$251,428 higher than the budgeted revenues for the current fiscal year which is a favorable variance. This excess of actual revenues in comparison to budgeted revenues is due in large part to intergovernmental revenues exceeding the budgeted amount by \$151,999. State court cost reimbursements exceeded the budgeted amount by \$94,137 due to the fact that only wage reimbursements are budgeted. In addition, the State Bureau of Corrections jail revenues exceeded the budgeted amount by \$50,537. Charges for services exceeded the budgeted amount by \$63,735 which was made up in large part of registry of deeds charges for services which exceeded the budgeted amount by \$31,059 and sheriff process, details and patrols revenue which exceeded the budgeted amount by \$40,554.

County of Washington, Maine
Management's discussion and analysis
December 31, 2019

Financial highlights - Fund financial statements (continued)

- The actual program expenditures in the County's general fund were \$631,249 lower than the budgeted expenditures for the current fiscal year which is a favorable variance. These current fiscal year budgeted expenditures include the original approved expenditures amount of \$7,662,415 plus the approved budget carryover amounts from the prior fiscal year in the amount of \$684,684 for total budgeted expenditures of \$8,347,099. Administration was underspent by \$23,387, buildings was underspent by \$139,318, court costs were over expended by (\$73,373), the district attorneys office was underspent by \$77,107, the registry of deeds was underspent by \$8,893, the registry of probate was underspent by \$6,054, employee benefits was underspent by \$903,523, benefit reserves were underspent by \$115,056, insurances were underspent by \$66,821, the budgeted contingency amount was underspent by \$42,286, the emergency management agency was underspent by \$24,451, the regional communications center was underspent by \$73,543, the sheriffs department was underspent by \$162,831 and the county jail was over expended by (\$927,220) for the current fiscal year. Additional more detailed information relating to the current fiscal year budget to actual results for both revenues and expenditures can be found on the budget to actual statement for the general fund which can be found on pages 15 through 18.
- The current fiscal year budget was approved by the County Commissioners on December 13, 2018 and included using \$271,833 of unassigned general fund balance towards the budgeted expenditures and \$50,000 of unassigned fund balance towards the budgeted contingency amount. In addition, on June 13, 2019 the County Commissioners approved \$684,684 of prior fiscal year unexpended balances which had flowed down to unassigned fund balance to be carried forward to the current fiscal year which is in effect the same as approving the use of unassigned fund balance. In total, the County Commissioners approved the use of \$1,006,517 of it unassigned general fund balance during the current fiscal year. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues.

Economic factors and next year's budgets and rates

The County believes it is currently moving towards maintaining a sufficient unassigned fund balance to sustain the governmental activities and operations for an estimated two month period of time. The County sees this trend continuing through future fiscal years. The following relate to currently known facts, decisions and conditions as of the date of this audit report that the County believes may effect the financial position or results of the operations of the County in the future:

- The County receives both direct and pass-through intergovernmental revenues from the State of Maine. Maine's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the County will receive during future fiscal years.
- The potential impact of the pandemic on the local economy, businesses and County revenues is being continually monitored. For the current fiscal year, there was no negative impact as the pandemic had not yet begun as of the end of the current fiscal year. During future fiscal years though the pandemic could have a negative impact on interest income earned on County bank balances as well as recording fees and other charges for services provided by the County.

Contacting the County's financial management

This financial report is designed to provide a general overview of the County's finances, comply with finance-related laws and regulations, and demonstrate the County's commitment to public accountability. If you have questions about this report or need additional financial information, contact the County Treasurers office at 85 Court Street, Machias, Maine 04654.

County of Washington, Maine
Statement of net position
December 31, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,681,557
Restricted cash and cash equivalents	273,277
Receivables, net:	
Intergovernmental	115,806
Other	3,348
Prepaid expenditures	440
Due from fiduciary funds	29,562
Total assets	<u>3,103,990</u>
 Deferred outflows of resources	
Related to Pensions	343,637
Related to OPEB - Life insurance	11,998
Related to OPEB - Health insurance	47,022
Total deferred outflows of resources	<u>402,657</u>
 Liabilities	
Accounts payable	286,385
Accrued payroll	107,294
Other liabilities	50,418
Unearned revenue	23,085
Noncurrent liabilities	
Portion due within one year	-
Portion due after one year	433,522
Net pension liability	1,309,988
Net OPEB liability - Life insurance	63,430
Total OPEB liability - Health insurance	569,705
Total liabilities	<u>2,843,827</u>
 Deferred inflows of resources	
Related to pensions	333,070
Related to OPEB - Life insurance	14,589
Related to OPEB - Health insurance	53,846
Total deferred inflows of resources	<u>401,505</u>
 Net position	
Restricted	
Expendable	270,182
Non-expendable	440
Unrestricted	-9,307
Total net position	<u><u>\$ 261,315</u></u>

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Statement of activities
For the year ended December 31, 2019

Primary government:	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					Total governmental activities
General government					
Administration	\$ -221,472	\$ 22,400	\$ -	\$ -	\$ -199,072
Finance	-129,062	-	-	-	-129,062
Buildings	-306,169	-	69,555	-	-236,614
Court costs	-74,448	-	70,217	-	-4,231
District attorney	-253,836	-	27,500	-	-226,336
Registry of deeds	-267,223	375,721	-	-	108,498
Registry of probate	-153,548	55,422	-	-	-98,126
Employee benefits	-1,471,216	-	-	-	-1,471,216
Benefit reserves	-44,137	-	-	-	-44,137
Insurances	-155,354	-	-	-	-155,354
Third party requests	-40,350	-	-	-	-40,350
Contingency	-12,560	-	-	-	-12,560
Public safety					
Emergency management agency	-81,407	-	50,142	-	-31,265
Regional communications center	-652,053	-	-	-	-652,053
Sheriffs department	-1,411,978	95,554	125,583	-	-1,190,841
County jail	-2,781,713	-	429,498	-	-2,352,215
Capital outlay	-73,792	-	-	73,792	-
Debt service					
Tan Interest expense	-15,911	-	-	-	-15,911
	<u>\$ -8,146,229</u>	<u>\$ 549,097</u>	<u>\$ 772,495</u>	<u>\$ 73,792</u>	<u>-6,750,845</u>
General revenues:					
					6,234,461
					38,440
					75,643
					<u>6,348,544</u>
Change in net position					<u>-402,301</u>
Net position - January 1					4,518,392
Prior period adjustments - Note 14					<u>-3,854,776</u>
Net position - January 1 - Restated					<u>663,616</u>
Net Position - December 31					<u><u>\$ 261,315</u></u>

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Balance sheet - Governmental funds
December 31, 2019

	General fund	Non-major governmental funds	Total governmental funds
Assets			
Cash and cash equivalents	\$ 2,749,737	\$ 205,097	\$ 2,954,834
Receivables (net of allowance)			
Intergovernmental	73,794	42,012	115,806
Other	3,348	-	3,348
Prepaid items	440	-	440
Due from fiduciary funds	29,562	-	29,562
Due from governmental funds	41,616	150,583	192,199
Total assets	<u>\$ 2,898,497</u>	<u>\$ 397,692</u>	<u>\$ 3,296,189</u>
Liabilities			
Accounts payable	\$ 203,586	\$ 82,799	\$ 286,385
Accrued payroll	107,294	-	107,294
Other liabilities	50,418	-	50,418
Unearned revenue	19,990	-	19,990
Due to governmental funds	150,583	41,616	192,199
Total liabilities	<u>531,871</u>	<u>124,415</u>	<u>656,286</u>
Fund balances			
Nonspendable	440	-	440
Restricted	-	273,277	273,277
Committed	890,107	-	890,107
Assigned	-	-	-
Unassigned	1,476,079	-	1,476,079
Total fund balances	<u>2,366,626</u>	<u>273,277</u>	<u>2,639,903</u>
Total liabilities and fund balances	<u>\$ 2,898,497</u>	<u>\$ 397,692</u>	<u>\$ 3,296,189</u>

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Reconciliation of Statement C to Statement A
for all governmental funds and activities
December 31, 2019

Fund balances of governmental funds as shown on Statement C		\$ 2,639,903
Amounts reported for governmental activities in the government-wide financial statements (Statement A) differ from the amounts reported in the fund financial statements (Statement C):		
1 Certain grant revenues received by the County are recorded as revenue when the amounts are available and measurable in the fund financial statements on the modified accrual basis of accounting. However, the government-wide financial statements record revenues when they have been earned on the accrual basis of accounting and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-3,095
2 Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period, and therefore will not be recognized as an expenditure or revenue until then, and therefore, they are not reported in the fund financial statements:		
Deferred outflows of resources related to pensions	343,637	
Deferred outflows of resources related to OPEB - Life insurance	11,998	
Deferred outflows of resources related to OPEB - Health insurance	47,022	
Deferred inflows of resources related to pensions	-333,070	
Deferred inflows of resources related to OPEB - Life insurance	-14,589	
Deferred inflows of resources related to OPEB - Health insurance	-53,846	1,152
3 Long-term liabilities, are not due and payable in the current period and therefore are not reported in the fund financial statements. However, they are reported in the government-wide financial statements and therefore must be subtracted out:		
Accrued compensated absences	-433,522	
Net pension liability	-1,309,988	
Net OPEB liability - Life insurance	-63,430	
Total OPEB liability - Health insurance	-569,705	-2,376,645
4 Inter fund receivable and payable balances between governmental funds are reported in the fund financial statements but are eliminated in the government-wide financial statements:		
Inter fund receivables	192,199	
Inter fund payables	-192,199	-
Net position of governmental activities as shown on Statement A		<u>\$ 261,315</u>

See the accompanying notes to the basic financial statements.

County of Washington, Maine

Statement of revenues, expenditures, and changes in fund balances - Governmental funds

For the year ended December 31, 2019

	General fund	Non-major governmental funds	Total governmental funds
Revenues			
Tax assessments	\$ 6,234,461	\$ -	\$ 6,234,461
Intergovernmental	750,095	96,246	846,341
Charges for services	528,335	20,762	549,097
Interest income	34,493	3,947	38,440
Miscellaneous revenues	75,643	-	75,643
Total revenues	7,623,027	120,955	7,743,982
Expenditures			
Current:			
General government			
Administration	218,424	-	218,424
Finance	127,465	-	127,465
Buildings	307,271	-	307,271
Court costs	73,373	-	73,373
District attorney	253,358	-	253,358
Registry of deeds	181,061	84,035	265,096
Registry of probate	161,487	-	161,487
Employee benefits	1,328,185	-	1,328,185
Benefit reserves	44,137	-	44,137
Insurances	155,354	-	155,354
Third party requests	40,350	-	40,350
Contingency	12,560	-	12,560
Public safety			
Emergency management agency	56,448	22,454	78,902
Regional communications center	654,431	-	654,431
Sheriffs department	1,390,826	-	1,390,826
County jail	2,695,209	-	2,695,209
Capital outlay	-	73,792	73,792
Debt service			
Tan Interest expense	15,911	-	15,911
Total expenditures	7,715,850	180,281	7,896,131
Change in fund balances	-92,823	-59,326	-152,149
Fund balances - January 1	2,649,394	-	2,649,394
Prior period adjustments - Note 14	-189,945	332,603	142,658
Fund balances - January 1 - Restated	2,459,449	332,603	2,792,052
Fund balances - December 31	<u>\$ 2,366,626</u>	<u>\$ 273,277</u>	<u>\$ 2,639,903</u>

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Reconciliation of Statement D and Statement B
for all governmental funds and activities
For the year ended December 31, 2019

Net changes in governmental fund balances as shown on Statement D \$ -152,149

Amounts reported for governmental activities in the government-wide financial statements (Statement B) differ from the amounts reported in the fund financial statements (Statement D):

1 The basis of presentation and revenue recognition is different from the fund financial statements to the government-wide financial statements. This difference in revenue recognition policies results in certain revenue amounts being recognized in the fund financial statements and deferred in the government-wide financial statements and therefore must be adjusted as follows:		
Prior year unearned revenue amounts to be recognized	3,041	
Current year revenue amounts to be recorded as unearned	-3,095	-54
2 Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to future periods, therefore it will not be recognized as an expenditure or revenue until then, and therefore, they are not reported in the fund financial statements but they are recorded in the government-wide financial statements:		
Amortization of and changes in deferred outflows for pensions	-1,426	
Amortization of and changes in deferred inflows for pensions	-22,173	
Amortization of and changes in deferred outflows for OPEB	-4,969	
Amortization of and changes in deferred inflows for OPEB	-50,285	-78,853
3 Current year employer pension contributions represent a use of current financial resources and are recorded as expenditures in the fund financial statements. These contributions are reported as deferred outflows of resources in the government-wide financial statements and therefore they must be added back in. Some expenses reported in the government-wide financial statements do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund financial statements:		
Prior fiscal year employer pension contributions	-131,684	
Current fiscal year employer pension contributions	114,607	
Prior fiscal year employer OPEB contributions - Life insurance	-	
Current fiscal year employer OPEB contributions - Life insurance	748	
Prior fiscal year employer OPEB contributions - Health insurance	-5,828	
Current fiscal year employer OPEB contributions - Health insurance	5,703	-16,454
4 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as increases or decreases in liability accounts in the government-wide financial statements and therefore must be adjusted accordingly:		
Accrued compensated balances increase	-20,877	
Net pension liability increase	-146,358	
Net OPEB liability increase - Life insurance	-5,115	
Total OPEB liability decrease - Health insurance	17,559	-154,791
Change in net position of governmental activities as shown on Statement B	<u>\$</u>	<u>-402,301</u>

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Statement of revenues, expenditures, and changes in fund balance
Budget and actual - Budgetary basis - General fund
for the year ended December 31, 2019

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Tax assessments	\$ 6,234,460	\$ -	\$ 6,234,460	\$ 6,234,461	\$ 1
Intergovernmental					
State court cost reimbursements	45,635	-	45,635	139,772	94,137
Victim witness advocacy grant	55,000	-	55,000	27,500	-27,500
Emergency manage performance grant	42,000	-	42,000	37,522	-4,478
MDEA cost reimbursements	76,500	-	76,500	115,803	39,303
State Bureau of Corrections funds	378,961	-	378,961	429,498	50,537
	598,096	-	598,096	750,095	151,999
Charges for services					
Registry of deeds	326,500	-	326,500	357,559	31,059
Registry of probate	53,500	-	53,500	52,822	-678
Sheriff process, details and patrols	55,000	-	55,000	95,554	40,554
Other	29,600	-	29,600	22,400	-7,200
	464,600	-	464,600	528,335	63,735
Interest income	5,425	-	5,425	34,493	29,068
Miscellaneous revenues	69,018	-	69,018	75,643	6,625
Total revenues	7,371,599	-	7,371,599	7,623,027	251,428
Expenditures					
General government:					
Administration					
Wages	131,617	-	131,617	131,761	-144
Travel	8,500	2,848	11,348	5,564	5,784
Office costs	15,300	3,300	18,600	16,699	1,901
Contract services	30,700	-	30,700	17,695	13,005
Utilities and fuel	9,701	-	9,701	10,043	-342
Repairs and maintenance	500	-	500	958	-458
Upgrades and maintenance	1,500	338	1,838	1,486	352
Miscellaneous	1,100	1,355	2,455	1,605	850
Capital reserve accounts	33,300	1,752	35,052	32,613	2,439
	232,218	9,593	241,811	218,424	23,387
Finance					
Wages	97,272	-	97,272	100,793	-3,521
Travel	1,050	-	1,050	431	619
Office costs	3,900	801	4,701	3,348	1,353
Contract services	9,400	-	9,400	13,584	-4,184
Utilities and fuel	1,076	-	1,076	1,178	-102
Upgrades and maintenance	5,600	2,367	7,967	6,183	1,784
Miscellaneous	500	500	1,000	82	918
Capital reserve accounts	1,200	1,200	2,400	1,866	534
	119,998	4,868	124,866	127,465	-2,599
Buildings					
Wages	133,475	500	133,975	133,899	76
Travel	1,100	-	1,100	43	1,057
Office costs	150	-	150	144	6
Contract services	1,800	-	1,800	1,900	-100
Utilities and fuel	69,565	-	69,565	56,488	13,077

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Statement of revenues, expenditures, and changes in fund balance
Budget and actual - Budgetary basis - General fund
for the year ended December 31, 2019

	Original budget	Budget revisions	Final budget	Actual	Variance
Buildings (continued)					
Grounds maintenance	\$ 9,500	\$ -	\$ 9,500	\$ 8,594	\$ 906
Repairs and maintenance	30,750	37,201	67,951	22,543	45,408
Miscellaneous	650	250	900	351	549
Capital reserve accounts	54,500	107,148	161,648	83,309	78,339
	301,490	145,099	446,589	307,271	139,318
Court costs					
Employee benefits	-	-	-	7,367	-7,367
Utilities and fuel	-	-	-	53,929	-53,929
Grounds maintenance	-	-	-	3,879	-3,879
Repairs and maintenance	-	-	-	7,059	-7,059
Capital reserve accounts	-	-	-	1,139	-1,139
	-	-	-	73,373	-73,373
District attorney					
Wages	187,687	-	187,687	190,148	-2,461
Travel	9,500	-	9,500	9,069	431
Office costs	15,843	-	15,843	14,206	1,637
Insurances	504	-	504	950	-446
Victim witness costs	33,745	3,843	37,588	2,431	35,157
Utilities and fuel	9,828	428	10,256	8,370	1,886
Upgrades and maintenance	28,085	3,624	31,709	22,453	9,256
Miscellaneous	5,564	6,306	11,870	4,113	7,757
Capital reserve accounts	6,441	19,067	25,508	1,618	23,890
	297,197	33,268	330,465	253,358	77,107
Registry of deeds					
Wages	120,343	-	120,343	120,763	-420
Travel	1,400	330	1,730	-	1,730
Office costs	2,950	3,015	5,965	2,306	3,659
Scanning and imaging	55,000	-	55,000	53,986	1,014
Utilities and fuel	1,250	416	1,666	1,108	558
Repairs and maintenance	-	-	-	52	-52
Upgrades and maintenance	100	-	100	-	100
Miscellaneous	150	-	150	-	150
Capital reserve accounts	2,000	3,000	5,000	2,846	2,154
	183,193	6,761	189,954	181,061	8,893
Registry of probate					
Wages	137,263	-	137,263	133,690	3,573
Travel	2,100	602	2,702	2,005	697
Office costs	11,885	-	11,885	11,716	169
Contract services	8,000	-	8,000	6,498	1,502
Utilities and fuel	1,451	-	1,451	1,400	51
Repairs and maintenance	100	-	100	-	100
Upgrades and maintenance	-	-	-	180	-180
Miscellaneous	1,500	-	1,500	1,081	419
Capital reserve accounts	2,940	1,700	4,640	4,917	-277
	165,239	2,302	167,541	161,487	6,054
Employee benefits					
Health insurance	1,587,179	42,270	1,629,449	992,561	636,888
Retirement	287,747	13,621	301,368	161,709	139,659
Payroll taxes	279,000	21,891	300,891	173,915	126,976
	2,153,926	77,782	2,231,708	1,328,185	903,523

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Statement of revenues, expenditures, and changes in fund balance
Budget and actual - Budgetary basis - General fund
for the year ended December 31, 2019

	Original budget	Budget revisions	Final budget	Actual	Variance
Benefit reserves	\$ 25,000	\$ 134,193	\$ 159,193	\$ 44,137	\$ 115,056
Insurances					
Liability insurance	60,500	8,542	69,042	52,329	16,713
Workers compensation insurance	115,000	38,133	153,133	103,025	50,108
	175,500	46,675	222,175	155,354	66,821
Third party requests					
Governmental requests	28,000	-	28,000	28,000	-
Other requests	12,350	-	12,350	12,350	-
	40,350	-	40,350	40,350	-
Contingency	50,000	4,846	54,846	12,560	42,286
Public safety:					
Emergency management agency					
Wages	58,620	-	58,620	49,838	8,782
Travel	4,000	-	4,000	3,037	963
Office costs	1,175	-	1,175	894	281
Utilities and fuel	1,901	-	1,901	1,770	131
Repairs and maintenance	700	-	700	804	-104
Miscellaneous	500	-	500	79	421
Capital reserve accounts	3,600	10,403	14,003	26	13,977
	70,496	10,403	80,899	56,448	24,451
Regional communications center					
Wages	591,573	-	591,573	581,774	9,799
Travel	3,500	760	4,260	911	3,349
Office costs	3,954	-	3,954	3,310	644
Insurance	3,100	-	3,100	3,640	-540
Contract services	6,738	-	6,738	3,221	3,517
Utilities and fuel	14,701	2,045	16,746	15,612	1,134
Lease agreements	1,200	1,200	2,400	-	2,400
Repairs and maintenance	24,500	-	24,500	27,593	-3,093
Miscellaneous	3,000	1,362	4,362	2,154	2,208
Capital reserve accounts	20,000	50,341	70,341	16,216	54,125
	672,266	55,708	727,974	654,431	73,543
Sheriffs department					
Wages	991,144	-	991,144	1,041,822	-50,678
Employee benefits	-	-	-	20,916	-20,916
Travel	6,000	506	6,506	5,386	1,120
Office costs	12,600	1,589	14,189	11,687	2,502
Contract services	13,611	8,588	22,199	14,377	7,822
Utilities and fuel	87,401	-	87,401	97,854	-10,453
Repairs and maintenance	57,300	624	57,924	40,564	17,360
Upgrades and maintenance	12,000	2,154	14,154	15,275	-1,121
Miscellaneous	42,093	42,109	84,202	47,996	36,206
Capital reserve accounts	246,690	29,248	275,938	94,949	180,989
	1,468,839	84,818	1,553,657	1,390,826	162,831

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Statement of revenues, expenditures, and changes in fund balance
Budget and actual - Budgetary basis - General fund
for the year ended December 31, 2019

	Original budget	Budget revisions	Final budget	Actual	Variance
County jail					
Wages	\$ 1,253,568	\$ -	\$ 1,253,568	\$ 1,333,147	\$ -79,579
Employee benefits	-	4,887	4,887	806,447	-801,560
Travel	4,915	1,608	6,523	3,200	3,323
Supplies	19,000	-	19,000	21,703	-2,703
Food	80,000	-	80,000	77,287	2,713
Inmate services and supplies	137,220	19,464	156,684	159,937	-3,253
Office costs	5,100	1,831	6,931	5,539	1,392
Insurances	45,000	-	45,000	44,502	498
Contract services	5,800	-	5,800	5,897	-97
Utilities and fuel	87,700	8,914	96,614	88,606	8,008
Repairs and maintenance	31,800	10,462	42,262	34,918	7,344
Upgrades and maintenance	5,000	4,559	9,559	1,741	7,818
Miscellaneous	18,600	6,282	24,882	10,323	14,559
Capital reserve accounts	5,000	9,279	14,279	99,962	-85,683
Tan interest expense	2,000	-	2,000	2,000	-
	<u>1,700,703</u>	<u>67,286</u>	<u>1,767,989</u>	<u>2,695,209</u>	<u>-927,220</u>
Debt service					
Tan interest expense	6,000	1,082	7,082	15,911	-8,829
Total expenditures	<u>7,662,415</u>	<u>684,684</u>	<u>8,347,099</u>	<u>7,715,850</u>	<u>631,249</u>
Excess of revenues over (under) expenditures	<u>-290,816</u>	<u>-684,684</u>	<u>-975,500</u>	<u>-92,823</u>	<u>882,677</u>
Other financing sources (uses)					
Utilization of unassigned fund balance	<u>321,833</u>	<u>684,684</u>	<u>1,006,517</u>	<u>-</u>	<u>-1,006,517</u>
Change in fund balance	31,017	-	31,017	-92,823	-123,840
Fund balances - January 1				<u>2,459,449</u>	
Fund Balance - December 31				<u><u>\$ 2,366,626</u></u>	

See the accompanying notes to the basic financial statements.

County of Washington, Maine
Statement of fiduciary assets and liabilities
Agency funds
as of December 31, 2019

Assets

Cash and cash equivalents	\$ 2,165,778
Investments	-
Receivables (net of allowance)	-
Due from other funds	-

Total assets	<u>\$ 2,165,778</u>
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Liabilities

Due to individuals	\$ 32,737
Due to other groups	-
Due to other governments	2,103,479
Due to other funds	29,562

Total liabilities	<u>\$ 2,165,778</u>
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See the accompanying notes to the basic financial statements.

County of Washington, Maine
Notes to the basic financial statements
December 31, 2019

The County of Washington, Maine (the County) was incorporated as a County on June 25, 1789 and is located in the eastern section of Maine. The County was organized under the Board of Commissioners form of government and provides services to its citizens through the following departments: administration, finance, buildings, court costs, the district attorneys office, the registry of deeds and probate, employee benefits, benefit reserves, insurances, third part requests, contingency, emergency management agency, the regional communications center, the sheriffs department and the county jail.

Note 1 - Summary of significant accounting policies

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. The basic financial statements of the County consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the County.

A. Reporting entity

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. The determination of whether an entity should be included as a component unit of the primary government includes not only the application of the aforementioned criteria but a consideration as to whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, it has been determined that the County has no component units.

B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the County as a whole without displaying individual funds or fund types. These statements distinguish between the primary government as well as the governmental and business-type activities of the County as may be applicable. These statements do not include information about the fiduciary activities and funds of the County or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the County in a trustee or agency capacity and which cannot be used to support the activities and programs of the County.

The statement of net position presents the financial position of the governmental and business-type activities (when present) of the primary government of the County at the end of the fiscal year. This statement reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the County. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the County. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the County consists of the net investment in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets - when present), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business-type activities (when present) are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities (when present) of the County would be shown as an internal balance and disclosed separately.

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The statement of activities presents the operations of the governmental and business-type activities (when present) of the primary government of the County for the fiscal year. The operations of the County are shown in a format which reports the net (expense) revenue of the individual functions (sometimes referred to as departments) of the County. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the County's functions on the tax assessment base. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All tax assessments are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different functions of the County. Indirect expenses which benefit the County as a whole are not required to be allocated among the other functions of the County and therefore they are not allocated. Depreciation expense (when present) is allocated to the specific functions of the County based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the County, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business-type activities (when present) are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business-type activities. The County currently does not have any business-type activities.

2. Measurement focus and basis of accounting

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business-type activities of the primary government of the County. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The County does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

C. Fund financial statements

1. Basis of presentation

The fund financial statements of the County consist of a balance sheet with a reconciliation to the government-wide statement of net position, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net position. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the County are governmental funds and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the County. The governmental funds used by the County include the general fund, and other non-major governmental fund types which may include special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the general operating fund of the County and accounts for all revenues and expenditures of the County with the exception of those required to be accounted for in another fund. All general tax assessment revenues and other receipts that (a) are not allocated by law, contractual agreement, governing body motion or County meeting to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the general fund.

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- b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources such as investment income and transfers from other funds may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.
- c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets or for the accumulation of funds for these purposes. The County currently does not have any capital project funds.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs and in effect the benefit of the County or citizens within the County. The County currently does not have any permanent funds.

The balance sheet is used to report information about the current financial resources (assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet in the aggregate but are broken out into the required detail in note 1S starting on page 29. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the County as shown on the government-wide statement of net position.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for all non-major governmental funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the County. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net position of the governmental activities of the County as shown on the government-wide statement of activities.

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and approved, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the County. The fiduciary funds of the County consist of only agency funds which are used to report resources held by the County in a purely custodial capacity. The statement of fiduciary net position shows information in regard to the assets and liabilities of the fiduciary funds of the County (agency funds). The statement of changes in fiduciary net position shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net position. Given the type of the fiduciary funds of the County (agency funds), this statement of changes in fiduciary net position is not applicable for the current fiscal year.

County agency funds consist of County jail inmate account balances, district attorney restitution funds which have been collected but not yet paid out as directed in the specific court order, estate funds which have been deposited with the County until the specific court proceedings have directed the payment of such funds to a beneficiary or other designee and the funds of the Unorganized Territories of Washington County. The unorganized territory (UT) of Maine is that area of Maine having no local, incorporated municipal government. Duties related to providing services and property tax administration in the UT is shared among various state agencies and county governments. The Maine Legislature serves as the "local governing body" for the UT, as it annually reviews and approves the various budgets from state agencies and county governments necessary to provide services and property tax administration in the UT. The Unorganized Territories of Washington County are not considered a component unit of the County given that the Maine Legislature serves as the local governing body and given that the County is not financially accountable for the entity. The County acts in a purely trustee or custodial capacity in relation to all of these agency funds which are not accessible or available to support County programs.

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2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt (when present) are not recorded as assets or liabilities on the balance sheet of the County. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Tax assessment revenues are recognized when they become available. Available includes those tax assessment receivables which are expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The County generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest payments which are recognized when due.

D. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired. The County may classify money market accounts, certificates of deposit accounts and other higher yielding accounts as investments regardless of maturity when they are used to gain a higher interest rate in order to more accurately reflect how the County's cash balances are being used for the benefit of the County.

E. Investments

The County's policy is to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Maine include certificates of deposit, obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency and repurchase agreements. The County may vote to accept investments other than those authorized by the State of Maine in situations where they have been donated to the County. During and as of the end of the current fiscal year, the County did not have any investments nor did it classify any cash and cash equivalents as investments.

F. Receivables & allowance for doubtful accounts

All tax assessment, intergovernmental and other receivables are reported net of any allowance for doubtful accounts. The current year fund financial statement accounts receivable balances include intergovernmental receivables of \$115,806 and other receivable amounts of \$3,348. The intergovernmental receivables within the general fund total \$73,794 and are made up of drug enforcement agency reimbursement payments due from the State of Maine in the amount of \$25,372, court cost reimbursements due from the State of Maine in the amount of \$20,263, victim advocacy grant payments due from the State of Maine in the amount of \$13,750, emergency management performance grant payments due from the State of Maine in the amount of \$10,669 and sheriffs department patrol payments due from participating municipalities in the amount of \$3,740. The intergovernmental receivables within the non-major special revenue funds total \$42,012 and are made up of Federal Emergency Management Agency homeland security grant payments due from the State of Maine in the amount of \$34,317, Federal Emergency Management Agency operation stone garden grant payments due from the State of Maine in the amount of \$7,299 and Maine Emergency Management Agency operating grant payments due from the State of Maine in the amount of \$396. The other receivable amounts within the general fund total \$3,348 and are made up of miscellaneous amounts due from employees relating to insurances paid during employee leaves in the amount of \$1,926 and gym memberships paid for by the County and reimbursed by the employees in the amount of \$1,422. The current year government-wide financial statements include all of the above mentioned receivable types. The County will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The County considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

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G. Prepaid items

Payments made to vendors for goods and services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the goods or services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The County generally considers relatively minor in nature to include aggregated similar items not exceeding \$2,500. Payments made to vendors for goods and services that will only benefit periods beyond the end of the fiscal year generally are recorded as prepaid items regardless of the dollar amount.

H. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used. The County currently has no material and reported inventory amounts.

I. Inter fund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the County. These activities include but are not limited to transfers which were not physically made but need to be recorded to keep track of the individual fund balances and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. Expenditures for one fund paid for out of another fund are also included in these balances. The inter fund balances and related activities of the governmental funds have been eliminated in the government-wide statement of net position and the statement of activities, however, the inter fund balances and related activity between the governmental and fiduciary fund activities of the County are not eliminated on these statements. The current fiscal year due from fiduciary funds amount of \$29,562 is made up of amounts due from the Unorganized Territories of Washington County which is considered a fiduciary fund of the County.

J. Capital assets

The County does not presently record capital assets on the government-wide financial statements. This is not in accordance with generally accepted accounting principles and therefore the audit report has been modified for this omission. The County does plan to record these capital assets at some future date and accordingly this description is being included to describe how the capital assets of the County will be accounted for. Capital assets of the County include land, land improvements, buildings, building improvements, vehicles, equipment and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The County does not have any infrastructure assets. All capital assets of the County are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but other direct costs associated with placing the asset into its intended location and its intended use. The County maintains a capitalization threshold of \$5,000 for all capital assets. Donated capital assets are reported at their estimated fair value at the time of acquisition. Additions and improvements that significantly extend the useful lives of assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land and land improvements are not depreciated. All other individual capital assets of the County are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles and 30 - 50 years for buildings and building improvements. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the County based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. Depreciation on capital assets which benefit all of the functions of the County would be shown as a separate line item.

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K. Unearned revenue and Deferred inflows and outflows of resources

In the government-wide financial statements, revenue amounts which have been received in cash but not yet earned are recorded as unearned revenue. The current fiscal year unearned revenue balance of the governmental activities of the County as shown on the statement of net position totaled \$23,085. This balance is made up of \$3,095 which represents unspent state grant program balances which will be used during upcoming fiscal years and \$19,990 which represents a settlement amount received by the County relating to a prior fiscal year grant award program and a specific prior year grant award recipient. In the fund financial statements, revenues are recognized when they are both measurable and available to pay current liabilities. The current fiscal year unearned revenue balance of the governmental funds of the County as shown on the balance sheet totaled \$19,990 which represents the above mentioned settlement amount received by the County relating to a prior fiscal year grant award program and a specific prior year grant award recipient.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (s) and so will not be recognized as an outflow of resources (expense) until that time. The governmental activities have deferred outflows that relate to the net pension liability, the net OPEB liability for life insurance and the total OPEB liability for health insurance. The deferred outflows include the County's current fiscal year plan contributions made subsequent to the measurement date, which are recognized as a reduction of the plan liability in the subsequent fiscal year and may include differences between expected and actual experience, changes in assumptions and changes in the proportionate share of contributions, which would be deferred and amortized over the average expected remaining service lives of active and inactive members as noted within each plan. They may also include the net difference between projected and actual earnings on plan investments, which would be deferred and amortized over a five-year period as noted within each plan. The current fiscal year deferred outflows of resources balance of the governmental activities of the County as shown on the statement of net position totaled \$402,657. In relation to the pension plan, this balance is made up of current fiscal year contributions made by the County subsequent to the measurement date in the amount of \$114,607 and the actuarial determined differences between expected and actual experience of \$155,107, changes of assumptions of \$66,342 and changes in the proportionate share of \$7,581. In relation to the OPEB life insurance plan, this balance is made up of current fiscal year contributions made by the County subsequent to the measurement date in the amount of \$748 and the actuarial determined differences between expected and actual experience of \$4,042, changes of assumptions of \$5,279 and changes in the proportionate share of \$1,929. In relation to the OPEB health insurance plan, this balance is made up of current fiscal year contributions made by the County subsequent to the measurement date in the amount of \$5,703 and the actuarial determined differences between expected and actual experience of \$1,101 and changes of assumptions of \$40,218.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental activities have deferred inflows that relate to the net pension liability, the net OPEB liability for life insurance and the total OPEB liability for health insurance. The deferred inflows may include differences between expected and actual experience, changes in assumptions and changes in the proportionate share of contributions, which would be deferred and amortized over the average expected remaining service lives of active and inactive members as noted within each plan. They may also include the net difference between projected and actual earnings on plan investments, which would be deferred and amortized over a five-year period as noted within each plan. The current fiscal year deferred outflows of resources balance of the governmental activities of the County as shown on the statement of net position totaled \$401,505. In relation to the pension plan, this balance is made up of the actuarial determined net difference between projected and actual earnings of \$328,120 and changes in the proportionate share of \$4,950. In relation to the OPEB life insurance plan, this balance is made up of the actuarial determined net difference between projected and actual earnings of \$2,837, changes of assumptions of \$8,288 and changes in the proportionate share of \$3,464. In relation to the OPEB health insurance plan, this balance is made up of the actuarial determined changes of assumptions of \$53,846.

L. Accounts payable, accrued payroll and other liabilities

On the government-wide and the fund financial statements, the accounts payable balance of the County is used to account for the expenses or expenditures related to goods and services received during the current fiscal year for which the related invoices have not yet been paid as of the end of the current fiscal year. Under both the accrual and modified accrual basis of accounting expenses and expenditures are recorded when they are incurred. The accrued payroll balances of the County represent amounts earned for hours worked prior to the end of the fiscal year which were not physically paid until after the end of the fiscal year. The other liabilities balance of \$50,418 is made up of payroll withholding related amounts which have either been withheld or accrued as of the end of the current fiscal year which were not physically paid until after the end of the fiscal year.

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M. Long-term obligations and related costs

Long-term debt and other long-term obligations are reported as liabilities on the governmental-wide statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented as a component of bonds payable. Bond issuance costs are reported as expenses when incurred. The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and related pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred. The aforementioned pension information was included in the actuarial report provided to the management of the County by the Maine Public Employees Retirement System.

O. Other post employment benefits (OPEB) - Life insurance

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and related OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred. The aforementioned OPEB information was included in the actuarial report provided to the management of the County by the Maine Public Employees Retirement System.

P. Other post employment benefits (OPEB) - Health insurance

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and related OPEB expense, information about the fiduciary net position of the Maine Municipal Employees Health Trust (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred. The aforementioned OPEB information was included in the actuarial report provided to the management of the County by the Maine Municipal Employees Health Trust.

Q. Budgets

The annual budget is the financial plan for the operation of the County of Washington, Maine for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the government. The budget process for the County is outlined in Title 30-A, Part 1, Chapter 3, Subchapter 1, Article 13 of the Maine State Statutes as follows.

The County Commissioners shall hold one or more public hearings on the budget estimate for the upcoming fiscal year no later than 90 days before the end of the current fiscal year and shall hold an informational meeting, in conjunction with the budget advisory committee, with the Washington County legislative delegation no later than 30 days before the end of the current fiscal year. The County Commissioners shall submit a budget estimate for the upcoming fiscal year to the budget advisory committee no later than 90 days before the end of the current fiscal year. The budget advisory committee shall review the budget estimate and make

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recommendations to the commissioners no later than 45 days before the end of the current fiscal year. The County Commissioners shall act on the budget in a timely manner and, in any event, no later than 15 days before the end of the current fiscal year. If the County Commissioners wish to make changes to the budget recommendations made by the budget advisory committee, the County Commissioners shall schedule one or more meetings with the budget advisory committee no later than 15 days before the end of the current fiscal year for the purpose of negotiating a final budget.

If, following negotiations, a final budget that is acceptable to the budget advisory committee is not approved by the County Commissioners at least 15 days before the end of the current fiscal year, the budget advisory committee shall adopt a final budget and transmit that budget to the County Commissioners. The budget adopted by the budget advisory committee may be changed by a majority vote of the Board of County Commissioners. If the adopted budget is changed by the County Commissioners, the budget advisory committee may reject the changes by a 2/3 vote of its membership. The budget is final and not subject to further action by either the County Commissioners or the budget advisory committee upon failure of the commissioners to recommend changes in the budget transmitted from the budget advisory committee or upon acceptance or rejection of changes to the budget advisory committee. The entire budget approval process must be completed by the last day of the current fiscal year. If the budget is not approved before the start of the new fiscal year, the county shall operate on an interim budget, that may not exceed 80% of the previous fiscal years budget, until a budget is finally adopted. The budget for the current fiscal year was approved by the County Commissioners on December 13, 2018.

R. Major funds

Within the fund financial statements, the focus of the governmental funds of the County is on the major funds. The general fund of the County must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the County believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following selected individual governmental funds have been classified as non-major. A brief description of the fund and the activities reported within the fund is as follows. Only those non-major funds whose purpose is not readily apparent from the description of the fund have been included below.

- d. Deeds surcharge account - This non-major special revenue fund is used to account for the specific surcharge fees collected by the registry of deeds of the County in accordance with enabling legislation Title 30, Chapter 11, Sub-chapter 4, Section § 752 Records preservation surcharge. Surcharge fees collected in accordance with this section must be transferred to the County treasurer and deposited into a separate non-lapsing account within 30 days of their receipt. These funds must be used for the restoration, re-creation and preservation of the records recorded in the office of the register of deeds. These funds may not be used for the initial recording of documents and they may not be used as general revenue of the County. The register of deeds of each county shall report annually to the joint standing committee of the Legislature having jurisdiction over state and local government matters on the amount of surcharge funds raised and expended and the use of those funds.
- e. Probate surcharge account - This non-major special revenue fund is used to account for the specific surcharge fees collected by the registry of probate of the County in accordance with enabling legislation Title 18-C, Article 1, Part 6, Section § 1-607 Surcharge for restoration, storage and preservation of records. Surcharge fees collected in accordance with this section must be transferred to the County treasurer and deposited into a separate non-lapsing account within 30 days of their receipt. These funds must be used for the restoration, storage and preservation of the records filed in the office of the register and in the court.
- f. County grant funds - The County has a number of individual grant award agreements which are accounted for as non-major special revenue funds. Current fiscal year activity in relation to these grant award agreements can be found in the non-major special revenue funds combining schedule as listed in the table of contents. For the current fiscal year the County had four Maine Emergency Management Agency operating, training and other grant awards agreements, a Federal Emergency Management Agency operation stone garden sheriffs department patrol grant award agreement and four Federal Emergency Management Agency homeland security grant award agreements.

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S. Fund balance classification policies and procedures

Within the fund financial statements, the fund balance amounts of the governmental funds of the County as shown on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

- a. **Nonspendable fund balance** - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditure items or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent fund. The nonspendable fund balance amounts as reported by the County consist solely of the corresponding amount of the recorded prepaid expenditure items and inventory when present.
- b. **Restricted fund balances** - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the County would, when present, consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either state, federal or local funding sources or contributions received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreements with the County and cannot be used for any other specified purposes. In addition, both the deeds surcharge account and the probate surcharge account relate to the collection of specific fees for specific purposes as outlined in each applicable State of Maine statute. These mandates are considered a form of enabling legislation imposed by the State of Maine and therefore any remaining funds are classified as restricted fund balance.
- c. **Committed fund balance** - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The County Commissioners are considered to be the highest level of decision making authority within the County for determining committed fund balance amounts. The County Commissioners have the final approval for the annual budget amounts which would in turn include the establishment of any specific special revenue or capital project funds when included in the annual budget. The approval of the annual County budget may occasionally include amounts characterized as specific revenue sources as a portion of either the annual tax assessment or other specific revenue sources contained and voted on within the annual County budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue or capital project fund. The residual fund balance amount within these types of funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved as part of the annual County budget process or during a meeting of the County Commissioners. Current fiscal year remaining balances that have been approved to be carried forward to the next fiscal year and subsequent fiscal year budgeted appropriations of the unassigned general fund balance would be reported as committed fund balance amounts as long as they have been approved prior to the end of the current fiscal year.
- d. **Assigned fund balance** - Assigned fund balance includes amounts that are constrained by the County with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes would be assigned during either the annual County budget process or during a meeting of the County Commissioners. The County Commissioners have the authority to accept funds on behalf of the County which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather than including them within the general fund. If the County utilized encumbrance accounting, annual budgetary encumbrances outstanding at the end of the fiscal year would be classified by the County as assigned amounts within the general or specific special revenue or capital project funds. The County did not have any assigned fund balance amounts as of the end of the current fiscal year.
- e. **Unassigned fund balance** - Unassigned fund balance is the residual classification for the general fund of the County. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. Unassigned fund balance amounts are normally only recorded within the general fund. However, unassigned amounts can be recorded within any fund when they represent the residual deficit fund balances of a particular fund which has no restricted, committed or assigned fund balance amounts which can absorb the deficit.

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The County does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet.

	General fund	Non-major governmental funds	Total governmental funds
Fund balances:			
Nonspendable:			
Prepaid items	\$ 440	\$ -	\$ 440
Restricted:			
Deeds surcharge account	-	229,831	229,831
Probate surcharge account	-	40,351	40,351
Lepc passbook account	-	3,095	3,095
	<u>-</u>	<u>273,277</u>	<u>273,277</u>
Committed:			
Unassigned fund balance approved to be applied against the upcoming budget	<u>890,107</u>	<u>-</u>	<u>890,107</u>
Unassigned:			
Residual general fund balance	<u>1,476,079</u>	<u>-</u>	<u>1,476,079</u>
Total fund balances	<u>\$ 2,366,626</u>	<u>\$ 273,277</u>	<u>\$ 2,639,903</u>

T. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of the materials or services. For budgetary purposes, most appropriations lapse at fiscal year-end. The County does not utilize encumbrance accounting, therefore, an assignment of fund balance is not provided for at December 31, 2019. Accordingly, no difference exists between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

U. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Note 2 - Restricted cash and cash equivalents

Within the government-wide financial statements, the County breaks cash and cash equivalents down between a regular asset and a restricted asset on the statement of net position. The restricted cash and cash equivalents amount is made up of certain cash balances which are restricted for a specific purpose in subsequent fiscal years. The current fiscal year amount shown on the statement of net position can be broken down as follows.

Restricted deeds surcharge account	\$ 229,831
Restricted probate surcharge account	40,351
Unearned state, federal, and other grant program balances	3,095
	<u>\$ 273,277</u>

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Note 3 - Cash

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the County will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the County's deposits was \$5,120,612 which is shown in the financial statements on the balance sheet in the amount of \$2,954,834 for the governmental funds of the County and on the statement of fiduciary assets and liabilities in the amount of \$2,165,778 for the fiduciary agency funds of the County. The corresponding bank balances of accounts at various financial institutions totaled \$5,162,778 with the difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. The main account of the County is an Insured Cash Sweep account in which the financial institution deposits funds with other member financial institutions in amounts not exceeding the FDIC amount of \$250,000 totaling the ending monthly statement balance. Of these bank balances, \$2,550,104 was covered by FDIC with the remaining \$2,612,674 representing balances that were uninsured and collateralized.

Note 4 - Inter fund receivables and payables

The County maintains a cash pool that is available for use by all funds. Within the fund financial statements, each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each fund's position in this cash pool. These balances are not always expected to be repaid due to the fact that they normally represent funds collected or spent by one fund on behalf of another fund. Only the balances for the general fund are being shown due to the fact that all inter fund balances are either due to or due from the general fund.

	Receivables due from	Payables due to
General Fund		
Non-major special revenue funds:		
Deeds surcharge account	\$ -	\$ 110,232
Probate surcharge account	-	40,351
Fema operation stone garden grant	7,299	-
Fema homeland security grant	20,502	-
Fema homeland security grant	13,815	-
	<u>41,616</u>	<u>150,583</u>
Fiduciary funds:		
Unorganized Territories of Washington County - general fund	29,562	-
	<u>\$ 71,178</u>	<u>\$ 150,583</u>

Note 5 - Long-term debt and other liabilities

Within the government-wide financial statements, long-term debt and other liabilities are shown on the statement of net position. The long-term debt and other liabilities of the County are made up of the following individual obligations and amounts as of the end of the current fiscal year.

	Balance 01/01/19	Additions	Reductions	Balance 12/31/19	Amount due within one year
Governmental activities:					
Other liabilities					
Accrued compensated absences	\$ 412,645	\$ 20,877	\$ -	\$ 433,522	\$ -
Net pension liability	1,163,630	146,358	-	1,309,988	-
Net OPEB liability - Life insurance	58,315	5,115	-	63,430	-
Total OPEB liability - Health insurance	<u>587,264</u>	<u>-</u>	<u>-17,559</u>	<u>569,705</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,221,854</u>	<u>\$ 172,350</u>	<u>\$ -17,559</u>	<u>\$ 2,376,645</u>	<u>\$ -</u>

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Accrued compensated absences

Employees of the County are allowed to earn paid absences for vacations and sick time as outlined in each of the three applicable union contracts for union covered employees and the personnel policies manual of the County for all non-union covered employees. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. The County anticipates that all employees who either retire or leave the employment of the County will do so in good standing and will therefore be eligible to be paid for all outstanding vacation and sick time balances in accordance with the aforementioned union contracts and personnel policies manual. As a result, the County has recorded a liability within the government-wide financial statements on the statement of net position for the value of these outstanding vacation and sick time balances. As December 31, 2019, the balance of these accumulated vacation and sick time benefits was \$433,522. A current portion of these recorded liabilities has not been estimated as these benefits (accumulated vacation and sick time) may either be used by the employees during the upcoming fiscal year or they may be paid out when the employee either retires or leaves the employment of the County which may or may not occur during the upcoming fiscal year.

Employees of the County are also allowed to earn paid absences for bonus time as outlined in each of the three applicable union contracts for union covered employees and the personnel policies manual of the County for all non-union covered employees. However, the aforementioned union contracts and personnel policies manual do not specifically describe how and when these outstanding balances will be paid to employees who either retire or leave the employment of the County. Therefore, the probability of these accumulated benefits being paid cannot be determined and therefore no liability for these benefits has been recorded within the government-wide financial statements on the statement of net position of the County. As of December 31, 2019, the balance of these accumulated benefits totaled approximately \$19,167. Employees of the County are also allowed to earn compensatory time for hours worked in excess of their normal scheduled hours. The aforementioned union contracts and personnel policies manual do not specifically describe how and when these outstanding balances will be paid to employees who either retire or leave the employment of the County. Therefore, the probability of these accumulated benefits being paid cannot be determined and therefore no liability for these benefits has been recorded within the government-wide financial statements on the statement of net position of the County. As of December 31, 2019, the balance of these accumulated benefits totaled approximately \$13,523.

Note 6 - Short-term debt

The County may authorize short-term debt to fund current operating costs prior to the collection of revenues in the form of a tax anticipation note in accordance with all applicable State statutes. During the current fiscal year, the County entered into a tax anticipation note agreement in the amount of \$1,800,000 as dated March 21, 2019 with a due date of December 31, 2019 at an interest rate of 2.62%. The tax anticipation note agreement was retired on October 18, 2019. Related interest during the year was \$17,911.

Note 7 - Expenditures over appropriations

The annual County budget for the current fiscal year was approved by the County Commissioners on December 13, 2018. The approved budget document shows the amounts to be budgeted in total by department with detailed information also being included showing the individual budgeted line item amounts per department. The following budget revision amounts represent approved carryover amounts remaining from the prior fiscal year which were approved to be carried over by the County Commissioners on June 13, 2019. The following total budgeted department amounts were exceeded by actual expenditures.

Account	Original budget	Budget revisions	Final budget	Actual expenditures	Variance
Finance	\$ 119,998	\$ 4,868	\$ 124,866	\$ -127,465	\$ -2,599
Court costs	-	-	-	-73,373	-73,373
County jail	1,700,703	67,286	1,767,989	-2,695,209	-927,220
Tan interest expense	6,000	1,082	7,082	-15,911	-8,829

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Note 8 - Defined benefit pension plan

Maine Public Employees Retirement System

Plan description - Employees of the County are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Eligible employers (districts) are defined in Maine statute. As of June 30, 2019 there were 307 employers in the plan. Benefit terms are established in Maine statute. An advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that may be obtained by writing to the MPERS, 46 State House Station, Augusta, Maine 04333 or by visiting their website at www.mainebers.org.

Benefits provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with participating employers under applicable statutory provisions. Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.69%.

Contribution requirements - Retirement benefits are funded by contributions from members and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the System's 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. For the current fiscal year the County had members that were part of the regular AC Plan, which is also made up of an age 60 plan and an age 65 plan depending on when the individual member entered the plan, and the special 2C plan. The following represents both the employer and employee required contribution rates during the current fiscal year.

Plan description	Employer contribution rates 01/19 - 06/19	Employer contribution rates 07/19 - 12/19	Employee contribution rates 01/19 - 06/19	Employee contribution rates 07/19 - 12/19
Regular plans:				
AC - Age 60 plan	10.00%	10.00%	8.00%	8.10%
AC - Age 65 plan	10.00%	10.00%	8.00%	7.35%
Special plans:				
2C	10.50%	10.60%	8.00%	8.00%

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At December 31, 2019 the County reported a liability of \$1,309,988 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating local municipalities, actuarially determined. At June 30, 2019, the County's proportion was 0.428573%. This represents an increase of 0.003391% from its proportion measured as of June 30, 2018.

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For the year ended June 30, 2019, the County's actuarial determined total pension expense excluding that attributable to employer paid member contributions was \$432,125. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 155,107	\$ -
Net difference between expected and actual investment earnings	-	-328,120
Changes of assumptions	66,342	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
	7,581	-4,950
	229,030	-333,070
Contributions subsequent to the measurement date	114,607	-
Total	<u>\$ 343,637</u>	<u>\$ -333,070</u>

The \$114,607 of deferred outflows of resources resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the actuarial determined pension expense as follows:

Plan year ended December 31:

2020	\$ 55,213
2021	-139,257
2022	-19,788
2023	-208
2024	-
	<u>\$ -104,040</u>

Actuarial methods - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods, applied to all periods included in the measurement:

Actuarial cost method - The Entry Age Normal cost method is used to develop costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate. The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each employee is the product of his pay and his normal cost rate. The normal cost for the group is the sum of the normal costs for all members. Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset valuation method - The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

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

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Actuarial assumptions - Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 are as follows:

Investment rate of return, compounded annually	6.75%
Inflation	2.75%
Annual salary increases, including inflation	2.75% to 9.00%
Cost of living benefit increases, per annum	1.91%

Mortality rates - For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

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 arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Public equities	30.0%	6.0%
U.S. Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%
Total	100.0%	

Discount rate - The discount rate used to measure the collective total pension liability was 6.75% for 2019. 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.

Sensitivity of the County's proportionate share of the net pension liabilities to changes in the discount rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current discount rate (6.75%)	1% Increase (7.75%)
County's proportionate share of the net pension liability	\$ 2,984,069	\$ 1,309,988	\$ -255,954

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Changes in Net Pension Liability - Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2019 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2019 with the following exceptions.

Differences between expected and actual experience - The differences between expected and actual experience with regard to economic or demographic factors are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2019, this was four years and for 2018, this was three years and prior to 2017, this was four years.

Differences between expected and actual investment earnings - Differences between projected and actual investment earnings are recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in assumptions - Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2019 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in proportion and differences between employer contributions and proportionate share of contributions - Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Financial and Actuarial Information - Additional financial and actuarial information with respect to the Plans can be found in the System's 2019 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

Note 9 - Other Post Employment Benefits - OPEB - Life insurance

Maine Public Employees Retirement System

Plan description - The Group Life Insurance Plan for Retired Participating Local District (PLD) Employees (the PLD Consolidated Plan) is a multiple-employer cost sharing plan. As of June 30, 2019 there were 149 employers participating in the plan. The Plan is administered by the Maine Public Employees Retirement System (the System).

Benefits provided - The Group Life Insurance Plan (the Plan) provide 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 life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions - Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. The County is 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. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

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OPEB liabilities, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB - At December 31, 2019 the County reported a liability of \$63,430 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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 net OPEB liability was based on a projection of the County's long-term share of contributions to the PLD OPEB plan relative to the projected contributions of all participating local municipalities, actuarially determined. At June 30, 2019, the County's proportion was 0.296437%. This represents an increase of 0.007764% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the County's actuarial determined total employer benefits expense excluding that attributable to employer paid member contributions was \$2,899. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 4,042	\$ -
Net difference between expected and actual investment earnings	-	-2,837
Changes of assumptions	5,279	-8,288
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,929	-3,464
	11,250	-14,589
Contributions subsequent to the measurement date	748	-
Total	<u>\$ 11,998</u>	<u>\$ -14,589</u>

The \$748 of deferred outflows of resources resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in actuarial determined OPEB benefits expense as follows:

Plan year ended December 31:

2020	\$ -2,046
2021	-2,046
2022	-1,453
2023	1,482
2024	724
	<u>\$ -3,339</u>

Actuarial methods - The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method - Projections of benefits for financial reporting purposes are based on the provisions of the Plan in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the funding methodologies. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset valuation method - Investments are reported at fair value.

Amortization - The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2019, there were 11 years remaining in the amortization schedule for the PLD Consolidated Plan.

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Actuarial assumptions - The actuarial assumptions used in the June 30, 2018 actuarial valuation was based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Investment rate of return, compounded annually	6.75%
Inflation	2.75%
Annual salary increases, including inflation	2.75% to 9.00%
Participation rate for future retirees	100%
Form of benefit payment	Lump sum

Mortality rates - For active members and non-disabled retirees of the PLD plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Conversion charges - Apply to the cost of active group life insurance, not retiree group life insurance.

Assets of the Plans are pooled for investment purposes and are allocated to each Plan based on each 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 long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Public equities	70%	6.0%
Real estate	5%	5.2%
Traditional credit	15%	3.0%
U.S. Government securities	10%	2.3%
Total	100%	

Discount rate - The discount rate used to measure the total OPEB liability for the Plan was 4.98% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.5%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2019. Projections of the Plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current members beyond 2050. Therefore, the portion of future projected benefit payments after 2050 are discounted at the municipal bond index rate. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

Sensitivity of the County's proportionate share of the net OPEB liabilities to changes in the discount rate - The following presents the County's proportionate share of the net OPEB liability calculated using the discount rate of 4.98%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.98%) or 1 percentage-point higher (5.98%) than the current rate:

	1% Decrease (3.98%)	Current discount rate (4.98%)	1% Increase (5.98%)
County's proportionate share of the net pension liability	\$ 83,765	\$ 63,430	\$ 47,399

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Collective Net OPEB Liability - Each employer's share of the collective net OPEB liability is equal to the liability multiplied by the employer's proportionate share as of June 30, 2019 as shown in the schedules of employer and non-employer entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions.

Differences between expected and actual experience - The differences between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between projected and actual investment earnings - Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in assumptions - Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2019, the blended discount rate used for the PLD Consolidated Plan was reduced from 5.13% to 4.98%

Changes in proportion and differences between employer contributions and proportionate share of contributions - Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2019.

Collective Deferred Outflows (Inflows) of Resources - Differences between expected and actual experience with regard to economic and demographic assumptions are recognized in OPEB expense over a closed period equal to the expected remaining services lives of both active and inactive members, beginning in the period in which the difference arose. Differences between actual and expected investment income is recognized over a closed five year period. Amounts not recognized in the current period are reflected in collective deferred outflows and inflows of resources related to OPEB.

OPEB Plan Financial and Actuarial Information - Additional financial and actuarial information with respect to the Plans can be found in the System's 2019 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

Note 10 - Other Post Employment Benefits - OPEB - Health insurance

Post-Retirement Healthcare Plan

Plan Description - The County sponsors a post retirement benefit plan providing health insurance and other benefits to retiring employees. The plan is a single employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The County Commissioners have 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.

Benefits Provided - The Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The medical benefits under the plan are provided for the life of the retiree and the surviving spouse. The plan also provides an automatic \$2,000 life insurance benefit 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 the \$2,000 life insurance benefit as well.

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To be eligible to receive post retirement benefits under the plan, employees must meet the minimum requirement of age 55 with at least 5 years of service at retirement. The retiree must enroll when first eligible and continue coverage without interruption thereafter. Any retiree who does not enroll when first eligible for coverage or who terminates coverage for any reason shall not be eligible for subsequent enrollment. The retiree pays the premium equivalent rate for the coverage elected. Retirees and spouses must contribute 100% of the pre-medicare and medicare premium amounts.

Employees covered by benefit terms - The following employees were covered by the benefit terms of the Plan. Since this is a roll forward valuation year, the data provided below is the same as that provided as of January 1, 2018.

	Members with an implicit benefit
Active plan members	72
Retirees under 65	0
Retirees over 65	2
Spouses under 65	0
Spouses over 65	0
	<u>74</u>

Actuarial assumptions and other inputs - The total OPEB liability as of December 31, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement date	January 1, 2019
Asset valuation method	Not applicable as this is an unfunded plan
Actuarial cost method	Entry age normal (level percentage of pay)
Actuarial assumptions	
Discount rate	4.10%
Rate of compensation increase	2.75%
Administrative claims expense	3.00% per annum
Healthcare cost trend rates	
Pre-medicare medical	8.20% applied in FYE 2018 grading over 14 years to 4.00% per annum.
Pre-medicare drug	9.60% applied in FYE 2018 grading over 14 years to 4.00% per annum.
Medicare medical	4.93% applied in FYE 2018 grading over 14 years to 4.00% per annum.
Medicare drug	9.60% applied in FYE 2018 grading over 14 years to 4.00% per annum.
Mortality rates	Based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of .85% for ages 20/85 grading down to an ultimate rate of 0% for ages 111-120, and convergence to the ultimate rate in the year 2020. As prescribed by the Trust, mortality rates were taken from the assumptions of the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2016.

Per the actuarial valuation for reporting through June 30, 2019, the demographic actuarial assumptions are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015.

County of Washington, Maine
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December 31, 2019

Total OPEB liability and Changes in the total OPEB liability - The County's total OPEB liability was \$569,705 as of December 31, 2019 and was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date. The changes in the total OPEB liability of the Plan are made up of the following items as of December 31, 2019:

	Total OPEB liability
Balance as of December 31, 2018	\$ 587,264
Changes for the year:	
Service cost	34,200
Interest	21,184
Differences between expected and actual experience	-
Changes of benefit terms	-
Changes of assumptions	-61,538
Benefit payments	-11,405
Net changes	-17,559
Balance as of December 31, 2019	\$ 569,705

Discount rate - Since the plan is pay as you go and is not funded, the discount rate is based on a 20-year, tax exempt general obligation municipal bond index. Using the Bond Buyer 20-Bond GO Index, the discount rate as of June 30, 2019 is based upon an earlier measurement date, as of December 28, 2017, and is 3.44% per annum. The discount rate used as of June 30, 2019 is based upon an earlier measurement date, as of December 27, 2018, and is 4.10% per annum. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current discount rate:

	1% Decrease (3.10%)	Current discount rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ 666,721	\$ 569,705	\$ 491,999

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare cost trend rates	1% Increase
Total OPEB liability	\$ 510,677	\$ 569,705	\$ 645,340

County of Washington, Maine
Notes to the basic financial statements
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OPEB expense and deferred outflows and inflows of resources related to OPEB - For the year ended June 30, 2019, the County's actuarial determined OPEB expense was \$54,578. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 1,101	\$ -
Net difference between expected and actual investment earnings	-	-
Changes of assumptions	40,218	-53,846
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
	41,319	-53,846
Contributions subsequent to the measurement date	5,703	-
Total	<u>\$ 47,022</u>	<u>\$ -53,846</u>

The \$5,703 of deferred outflows of resources resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in actuarial determined OPEB benefits expense as follows:

Plan year ended December 31:

2020	\$ -806
2021	-806
2022	-806
2023	-806
2024	-806
Thereafter	-8,497
	<u>\$ -12,527</u>

Note 11 - Risk management, commitments and contingencies

The County is at risk of loss due to items such as lawsuits, automobile claims, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. As of December 31, 2019, the County either carries commercial insurance or participates in a self-insured risk pool sponsored by the Maine County Commissioners Association. The Maine County Commissioners Association Group Risk Pool is a state-chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists as of December 31, 2019. The County participates in the Maine Municipal Association - Worker Compensation Trust Fund ("Fund") public entity risk pool. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The County pays an annual premium to the fund for its worker's compensation coverage. The County's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies' reinsurance contracts, coverage for claims in excess of \$1,000,000. The County believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The County has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years.

County of Washington, Maine
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The County leases a number of copiers under a lease agreement which is classified as an operating lease. This lease agreement is for a period of six years through December of 2025 with an annual payment of \$7,998. The County has entered into a number of maintenance and service agreements prior to the end of the current fiscal year which extend beyond the end of the current fiscal year. The County entered into a winter snow plowing and salt and sand services agreement for the 2019 - 2020 winter season. The total contracted amount for snow plowing is \$9,300 with the contract including additional snow removal equipment rates for snow relocation. The County entered into a three year special services contract for economic development activities on-behalf of the County through February of 2020. The annual amount for this contract is \$24,000 to be paid in four equal quarterly installments.

The County participates in numerous federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through December 31, 2019 may be impaired. In the opinion of the management of the County, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the County occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the County. However, in the opinion of the management of the County there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the County as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

Note 12 - Financial statement modifications

The financial statements of the County do not include the value and classification of the County's capital assets which must be present for the statements to be in accordance with accounting principles generally accepted in the United States of America. At present, the County does not have a detailed, accurate, and reliable record of its capital assets. An accurate estimate of the value of this omission cannot be made as of December 31, 2019. When an inventory is done, the capital assets of the County in addition to any related accumulated depreciation will be added to the basic financial statements in accordance with accounting principles generally accepted in the United States of America. The management of the County has stated that this inventory will be completed for a subsequent fiscal year as time allows.

Note 13 - Recently issued accounting standards not yet effective

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for fiscal years beginning after December 15, 2019 which is the County's fiscal year beginning January 1, 2020. The County has not yet determined the impact that this statement might have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for fiscal years beginning after June 15, 2021 which is the County's fiscal year beginning January 1, 2022. The County has not yet determined the impact that this statement might have on its financial statements.

County of Washington, Maine
Notes to the basic financial statements
December 31, 2019

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020 which is the County's fiscal year beginning January 1, 2021. The County does not expect this statement to have a material effect on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019 which is the County's fiscal year beginning January 1, 2020. The County does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for reporting periods beginning after December 15, 2021 which is the County's fiscal year beginning January 1, 2022. The County does not expect this statement to have a material effect on its financial statements.

Note 14 - Reclassifications, restatements and prior period adjustments

A number of reclassifications, restatements and prior period adjustments have been applied to the County's ending financial statement balances as of December 31, 2018. In the prior fiscal years fund financial statements, the ending general fund balance was \$2,649,394. A number of adjustments were applied to this balance. They included decreasing the amount of recorded accrued payroll to match the provided backup documentation which increased the general fund balance in the amount of \$41,217, a receivable was removed from the general fund which was no longer valid as it related to an intergovernmental agreement which the County had during a previous fiscal year which had ended and for which the receivable amount would not be repaid which decreased the general fund balance in amount of (\$30,000), the removal of 28 individual payroll withholding account balances for which there was no actual backup documentation which increased the general fund balance in the amount of \$15,274, the removal of a sheriff's patrol accounts receivable amount for which there was no backup documentation and for which no subsequent receipt could be located which decreased the general fund balance in the amount of (\$4,819), the addition of two accounts receivables for state court cost reimbursements and emergency management grant revenue which were not recorded but which were for the 2018 fiscal year which increased the general fund balance in the amount of \$14,953 and \$11,743, the removal of a special revenue fund grant balance which was recorded within the general fund which decreased the general fund balance in the amount of (\$3,041), the removal and adjustment of the deeds surcharge account special revenue fund which was recorded within the general fund which decreased the general fund balance in the amount of (\$292,200), the removal and adjustment of the probate surcharge account special revenue fund which was recorded within the general fund which decreased the general fund balance in the amount of (\$37,362), the addition of a cash account which had been previously included as a fiduciary fund cash account within the financial statements though the funds did not belong to the indicated individuals and was therefore a cash account of the County which increased the general fund balance in the amount of \$129,199 and to remove the adjustments that had been made to the deeds and probate checking accounts for amounts that were remitted to the general fund during January of 2019 as these amounts had already been recorded by the County as deposits in transit within the general fund so the adjustments had in effect double recorded the amounts which decreased the general fund balance in the amount of (\$29,777). In addition, a number of smaller adjustments were applied which decreased the general fund balance in the net amount of (\$5,132). The net amount of these prior period adjustments is a decrease in the amount of (\$189,945) when applied to the prior fiscal year ending general fund balance amount of \$2,649,394 equals the adjusted ending general fund balance amount of \$2,459,449.

In the prior fiscal year fund financial statements, the Unorganized Territories of Washington County general fund and TIF fund were included as major funds of the County in the amounts of \$377,024 and \$2,112,861 respectively. During the current fiscal year the County made the determination that the Unorganized Territories of Washington County were not County funds and therefore should not be included as major funds nor did they meet the criteria for inclusion as a component unit of the County and therefore these amounts were removed. The County has determined that they act in a trustee or custodial capacity in relation to the funds of the Unorganized Territories of Washington County and as such the cash balances have been included as agency funds.

County of Washington, Maine
Notes to the basic financial statements
December 31, 2019

In the prior fiscal year fund financial statements, there were no non-major special revenue funds included. As noted above in the general fund section of this note, a special revenue fund grant balance in the amount of \$3,041, the deeds surcharge account special revenue fund in the amount of \$292,200 and the probate surcharge account special revenue fund in the amount of \$37,362 were recorded within the general fund. These three amounts were reclassified as non-major special revenue funds as of December 31, 2018 in the total amount of \$332,603.

In the prior fiscal years government-wide financial statements, the ending governmental activities net position balance was \$4,518,392. The above adjustments were applied to this balance. In addition, the recorded net capital assets balance was removed from the financial statements as of December 31, 2018 as the County does not have a detailed, accurate, and reliable record of its capital assets. This removal of net capital assets decreased the ending governmental activities net position balance in the amount of (\$1,556,940). The recorded accrued compensated balances amount as of December 31, 2018 was reduced to match the provided backup documentation as it relates to the payout parameters outlined in the various union contracts and the personnel policies manual. This adjustment increased the ending governmental activities net position balance in the amount of \$52,432. The above special revenue fund grant balance was deferred as of December 31, 2018 to reflect that the grant funds had not yet been earned and therefore would not be included in net position in accordance with the accrual basis of accounting. This adjustment decreased the ending governmental activities net position balance in the amount of (\$3,041). The net amount of the aforementioned prior period adjustments is a decrease in the amount of (\$3,854,776) when applied to the prior fiscal year ending governmental activities net position balance amount of \$4,518,392 equals the adjusted ending governmental activities net position balance amount of \$663,616.

Note 15 - Subsequent events

The County has evaluated subsequent events through October 28, 2022, the date to which the financial statements were available to be issued. There were no recognized subsequent events that would require adjustments to the financial statements. The County entered into a tax anticipation note agreement on March 19, 2020 in the amount of \$2,350,000 with a due date of December 31, 2020 at an interest rate of 1.77%. This tax anticipation note agreement was retired on November 27, 2020. Related interest during the year was \$16,702. The County entered into a tax anticipation note agreement on March 17, 2021 in the amount of \$2,350,000 with a due date of December 31, 2021 at an interest rate of .80%. This tax anticipation note agreement was retired on November 5, 2021. Related interest during the year was \$8,788. The County entered into a tax anticipation note agreement on February 28, 2022 in the amount of \$3,266,290 with a due date of December 31, 2022 at an interest rate of 1.75%. This tax anticipation note agreement has not yet been retired.

County of Washington, Maine
Schedule of the County's proportionate share of the net pension liability
Maine Public Employees Retirement System Consolidated Plan (PLD Plan)
Last ten fiscal years (for all years available)

	2019	2018	2017	2016	2015	2014	2013
County's proportion of the net pension liability	<u>0.428573%</u>	<u>0.425182%</u>	<u>0.428845%</u>	<u>0.397031%</u>	<u>0.404722%</u>	<u>0.370656%</u>	<u>0.355369%</u>
County's proportionate share of the net pension liability	<u>\$ 1,309,988</u>	<u>\$ 1,163,630</u>	<u>\$ 1,755,850</u>	<u>\$ 2,109,548</u>	<u>\$ 1,291,252</u>	<u>\$ 570,370</u>	<u>\$ 1,095,458</u>
County's covered-employee payroll	<u>\$ 2,696,216</u>	<u>\$ 2,567,825</u>	<u>\$ 2,320,576</u>	<u>\$ 2,093,312</u>	<u>\$ 2,120,974</u>	<u>\$ 2,014,925</u>	<u>\$ 1,914,179</u>
County's proportion share of the net pension liability as a percentage of its covered-employee payroll	<u>48.59%</u>	<u>45.32%</u>	<u>75.66%</u>	<u>100.78%</u>	<u>60.88%</u>	<u>28.31%</u>	<u>57.23%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>90.62%</u>	<u>91.14%</u>	<u>86.43%</u>	<u>81.61%</u>	<u>88.27%</u>	<u>94.10%</u>	<u>87.50%</u>

Notes to schedule

The pension information within this schedule is being included in the financial statements of the County for the fiscal year ended December 31st of the years noted above. The measurement date of this information is as of June 30th of the years noted above and was determined by an actuarial valuation as of that date.

County of Washington, Maine
Schedule of County pension contributions
Maine Public Employees Retirement System Consolidated Plan (PLD Plan)
Last ten fiscal years (for all years available)

	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 262,166	\$ 236,029	\$ 219,802	\$ 186,305	\$ 165,436	\$ 128,493	\$ 104,723
Contributions in relation to the contractually required contributions	-262,166	-236,029	-219,802	-186,305	-165,436	-128,493	-104,723
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	<u>\$ 2,696,216</u>	<u>\$ 2,567,825</u>	<u>\$ 2,320,576</u>	<u>\$ 2,093,312</u>	<u>\$ 2,120,974</u>	<u>\$ 2,014,925</u>	<u>\$ 1,914,179</u>
Contributions as a percentage of covered-employee payroll	<u>9.72%</u>	<u>9.19%</u>	<u>9.47%</u>	<u>8.90%</u>	<u>7.80%</u>	<u>6.38%</u>	<u>5.47%</u>

Notes to schedule

The pension information within this schedule is being included in the financial statements of the County for the fiscal year ended December 31st of the years noted above. The measurement date of this information is as of June 30th of the years noted above and was determined by an actuarial valuation as of that date.

County of Washington, Maine
Schedule of the County's proportionate share of the net OPEB liability
Maine Public Employees Retirement System Consolidated Plan (PLD Plan) - Life insurance
Last ten fiscal years (for all years available)

	2019	2018	2017
County's proportion of the net OPEB liability	<u>0.296437%</u>	<u>0.288673%</u>	<u>0.312094%</u>
County's proportionate share of the net OPEB liability	<u>\$ 63,430</u>	<u>\$ 58,315</u>	<u>\$ 52,187</u>
County's covered-employee payroll	<u>\$ 970,132</u>	<u>\$ 923,936</u>	<u>\$ 897,025</u>
County's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	<u>6.54%</u>	<u>6.31%</u>	<u>5.82%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>43.18%</u>	<u>43.92%</u>	<u>47.42%</u>

Notes to schedule

The OPEB information within this schedule is being included in the financial statements of the County for the fiscal year ended December 31st of the years noted above. The measurement date of this information is as of June 30th of the years noted above and was determined by an actuarial valuation as of that date.

County of Washington, Maine
Schedule of County OPEB contributions
Maine Public Employees Retirement System Consolidated Plan (PLD Plan) - Life insurance
Last ten fiscal years (for all years available)

	2019	2018	2017
Contractually required contributions	\$ 3,262	\$ 3,088	\$ 3,237
Contributions in relation to the contractually required contributions	<u>-3,262</u>	<u>-3,088</u>	<u>-3,237</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	<u>\$ 970,132</u>	<u>\$ 923,936</u>	<u>\$ 897,025</u>
Contributions as a percentage of covered-employee payroll	<u>0.34%</u>	<u>0.33%</u>	<u>0.36%</u>

Notes to schedule

The OPEB information within this schedule is being included in the financial statements of the County for the fiscal year ended December 31st of the years noted above. The measurement date of this information is as of June 30th of the years noted above and was determined by an actuarial valuation as of that date.

County of Washington, Maine
Schedule of changes in total OPEB liability
Maine Municipal Employees Health Trust - Health insurance
Last ten fiscal years (for all years available)

	2019	2018
<u>Total OPEB liability</u>		
Service cost	\$ 34,200	\$ 26,988
Interest	21,184	19,598
Changes in benefit terms	-	-
Differences between expected and actual experience	-	1,467
Changes of assumptions	-61,538	53,624
Benefit payments	-11,405	-11,655
Net change in total OPEB liability	-17,559	90,022
Total OPEB liability - beginning	587,264	497,242
Total OPEB liability - ending	<u>\$ 569,705</u>	<u>\$ 587,264</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 11,405	\$ 11,655
Contributions - member	-	-
Net investment income	-	-
Benefit payments	-11,405	-11,655
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability ending	<u>\$ 569,705</u>	<u>\$ 587,264</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>
Covered payroll	<u>\$ 2,757,879</u>	<u>\$ 2,757,879</u>
Total OPEB liability as a percentage of covered payroll	<u>20.66%</u>	<u>21.29%</u>

Notes to schedule

The OPEB information within this schedule is being included in the financial statements of the County for the fiscal year ended December 31st of the years noted above. The reporting date of this information is as of June 30th of the years noted above while the measurement date of this information is as of January 1st of the years noted above.

County of Washington, Maine
Schedule of County OPEB contributions
Maine Municipal Employees Health Trust - Health insurance
Last ten fiscal years (for all years available)

	<u>2019</u>	<u>2018</u>
Employer contributions	\$ 11,405	\$ 11,655
Benefit payments	<u>-11,405</u>	<u>-11,655</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 2,757,879</u>	<u>\$ 2,757,879</u>
Contributions as a percentage of covered payroll	<u>0.41%</u>	<u>0.42%</u>

Notes to schedule

The OPEB information within this schedule is being included in the financial statements of the County for the fiscal year ended December 31st of the years noted above. The reporting date of this information is as of June 30th of the years noted above while the measurement date of this information is as of January 1st of the years noted above.

County of Washington, Maine
Combining Balance sheet and Combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended December 31, 2019

	Deeds surcharge account	Probate surcharge account	MEMA Lepc operating grant 07/18 - 06/19	MEMA Lepc training grant 07/18 - 06/19
Assets				
Cash and cash equivalents	\$ 202,002	\$ -	\$ -	\$ -
Intergovernmental receivables	-	-	-	-
Due from other funds	110,232	40,351	-	-
Total assets	312,234	40,351	-	-
Liabilities				
Accounts payable	82,403	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	82,403	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	229,831	40,351	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	229,831	40,351	-	-
Total liabilities and fund balances	\$ 312,234	\$ 40,351	\$ -	\$ -
Revenues				
Intergovernmental	\$ -	\$ -	\$ 5,331	\$ 5,595
Charges for services	18,162	2,600	-	-
Interest income	3,504	389	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	21,666	2,989	5,331	5,595
Expenditures				
Salaries and wages	-	-	2,504	-
Operating	84,035	-	2,827	5,595
Capital outlay	-	-	-	-
Total expenditures	84,035	-	5,331	5,595
Excess (deficiency) of revenues over (under) expenditures	-62,369	2,989	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-62,369	2,989	-	-
Fund balances - January 1	292,200	37,362	-	-
Fund balances - December 31	\$ 229,831	\$ 40,351	\$ -	\$ -

County of Washington, Maine
Combining Balance sheet and Combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended December 31, 2019

	MEMA Lepc operating grant 07/19 - 06/20	MEMA Lepc passbook account 01/19 - 12/19	FEMA Stonegarden grant 10/19 - 08/22	FEMA Homeland security grant 09/16 - 08/19
Assets				
Cash and cash equivalents	\$ -	\$ 3,095	\$ -	\$ -
Intergovernmental receivables	396	-	7,299	-
Due from other funds	-	-	-	-
Total assets	396	3,095	7,299	-
Liabilities				
Accounts payable	396	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	7,299	-
Total liabilities	396	-	7,299	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	3,095	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	-	3,095	-	-
Total liabilities and fund balances	\$ 396	\$ 3,095	\$ 7,299	\$ -
Revenues				
Intergovernmental	\$ 396	\$ -	\$ 9,780	\$ 2,778
Charges for services	-	-	-	-
Interest income	-	54	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	396	54	9,780	2,778
Expenditures				
Salaries and wages	-	-	9,780	-
Operating	396	-	-	-
Capital outlay	-	-	-	2,778
Total expenditures	396	-	9,780	2,778
Excess (deficiency) of revenues over (under) expenditures	-	54	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	54	-	-
Fund balances - January 1	-	3,041	-	-
Fund balances - December 31	\$ -	\$ 3,095	\$ -	\$ -

County of Washington, Maine
Combining Balance sheet and Combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended December 31, 2019

	FEMA Homeland security grant 09/17 - 08/20	FEMA Homeland security grant 09/18 - 08/21	FEMA Homeland security grant 09/19 - 08/22	Totals
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 205,097
Intergovernmental receivables	-	20,502	13,815	42,012
Due from other funds	-	-	-	150,583
Total assets	-	20,502	13,815	397,692
Liabilities				
Accounts payable	-	-	-	82,799
Accrued payroll	-	-	-	-
Due to other funds	-	20,502	13,815	41,616
Total liabilities	-	20,502	13,815	124,415
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	273,277
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	-	-	-	273,277
Total liabilities and fund balances	\$ -	\$ 20,502	\$ 13,815	\$ 397,692
Revenues				
Intergovernmental	\$ 26,670	\$ 31,881	\$ 13,815	\$ 96,246
Charges for services	-	-	-	20,762
Interest income	-	-	-	3,947
Miscellaneous revenues	-	-	-	-
Total revenues	26,670	31,881	13,815	120,955
Expenditures				
Salaries and wages	-	-	-	12,284
Operating	-	1,352	-	94,205
Capital outlay	26,670	30,529	13,815	73,792
Total expenditures	26,670	31,881	13,815	180,281
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-59,326
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-59,326
Fund balances - January 1	-	-	-	332,603
Fund balances - December 31	\$ -	\$ -	\$ -	\$ 273,277

County of Washington, Maine
Combining Statement of fiduciary assets and liabilities
Agency funds
as of December 31, 2019

	District attorney restitution account	Inmate funds account	Estate of Saunders account
Assets			
Cash and cash equivalents	\$ 13,126	\$ 14,973	\$ 4,638
Investments	-	-	-
Receivables (net of allowance)	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 13,126</u>	<u>\$ 14,973</u>	<u>\$ 4,638</u>
Liabilities			
Due to individuals	\$ 13,126	\$ 14,973	\$ 4,638
Due to other groups	-	-	-
Due to other governments	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>\$ 13,126</u>	<u>\$ 14,973</u>	<u>\$ 4,638</u>

County of Washington, Maine
Combining Statement of fiduciary assets and liabilities
Agency funds
as of December 31, 2019

	Unorganized territories general fund	Unorganized territories TIF fund	Totals
Assets			
Cash and cash equivalents	\$ 474,667	\$ 1,658,374	\$ 2,165,778
Investments	-	-	-
Receivables (net of allowance)	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 474,667</u>	<u>\$ 1,658,374</u>	<u>\$ 2,165,778</u>
Liabilities			
Due to individuals	\$ -	\$ -	\$ 32,737
Due to other groups	-	-	-
Due to other governments	445,105	1,658,374	2,103,479
Due to other funds	29,562	-	29,562
Total liabilities	<u>\$ 474,667</u>	<u>\$ 1,658,374</u>	<u>\$ 2,165,778</u>

Stephen T. Hopkins, CPA, PC

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Independent Auditors' 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

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 the County of Washington, Maine, as of and for the year ended December 31, 2019, 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 October 28, 2022, which contained unmodified opinions on each major fund and the aggregate remaining fund information. An adverse opinion was issued on the governmental activities of the County of Washington, Maine as it relates to the government-wide financial statement exclusion of capital assets. This modified opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements and note 12 on page 42 of the financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County of Washington, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Washington, Maine's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item number 2019-01, that we consider to be a material weakness. In addition, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs and labeled as item numbers 2019-02 through 2019-07, that we consider to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County of Washington, Maine's Responses to Findings

The County of Washington, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County of Washington, Maine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the County of Washington, Maine's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
October 28, 2022

County of Washington, Maine
Schedule of findings and questioned costs
December 31, 2019

2019-01 - Non-cash account reconciliations and reviews

Criteria:

The management of the County is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the County are being safeguarded.

Condition and context:

For the current fiscal year there did not appear to be an adequate system of internal controls in place to ensure that all of the non-cash asset and liability accounts on the general ledger of the County were reconciled and that revenue and expenditure accounts were being reviewed to determine if any transactions had been mis-posted and therefore needed to be corrected. Without an adequate system of internal controls in place to ensure that all non-cash asset and liability accounts are being reconciled and that all revenue and expenditure accounts are being reviewed and more specifically that these reconciliations and reviews are being adequately documented, there is no way to ensure that items that may need to be corrected will be prevented or even detected and corrected in a timely manner. We do consider these conditions to represent material weaknesses in internal control over financial reporting during the current fiscal year.

The cash accounts of the County were reconciled on a monthly basis and the reconciliations were documented. However, no reconciliations were provided for the non-cash asset and liability accounts included on the general ledger of the County. As part of the audit, backup documentation was provided in relation to intergovernmental billings which showed the amounts being billed, the period that the billing was for and the date of the receipt of the billing amount. It would appear that this billing documentation was not reconciled to the general ledger as certain amounts that should have been recorded as accounts receivable were not and certain amounts that had been received during the current fiscal year actually related to prior fiscal year accounts receivable. The prior year amounts were at times posted to the current fiscal year revenue accounts which would seem to indicate that periodic reviews of these revenue accounts were not performed as well.

The County also had intergovernmental billings in relation to a federal grant received through the Maine Emergency Management Agency. This grant relates to sheriffs department patrols and enhanced border security for the County. The billings for this grant were prepared and submitted by the sheriffs department and the receipt of the payments in relation to these billings were received and deposited by the treasurers office. As part of the audit, an attempt was made to match the billing revenue received in relation to this grant to the program expenditures as posted to the applicable grant expenditure accounts. We were unable to match the total of these receipts with the total expenditures. It would appear that a reconciliation of the amounts being billed in relation to this grant was either not provided by the sheriffs department to the treasurers office or not requested by the treasurers office.

As part of the audit, backup documentation was provided in relation to accrued payroll balances as well as payroll withholding liability accounts included on the general ledger of the County. The recorded accrued payroll amount from the prior fiscal year had not been reversed during the current fiscal year and the current fiscal year accrued payroll amount had not been recorded. The general ledger of the County included 27 payroll withholding accounts with balances for which backup documentation as to the nature of the balance could not be provided. All 27 of these payroll withholding accounts needed to be adjusted to correct the recorded balances. Payroll withholding accounts are credited for amounts which are being withheld from employees or amounts being accrued for employer portions when payrolls are processed. When the amounts are remitted to the applicable vendors these payroll withholding accounts are debited with the payroll and payables process in effect creating in out accounts which should zero out as the withholdings and remittances are processed throughout the fiscal year. The payroll withholding account for Maine State Retirement System payments include credits for amounts withheld from employees and amounts due for employer contributions. During the current fiscal year amounts were withheld from certain employees though these employees were not included on the monthly remittance to the State and in turn the County employer contributions were not remitted to the State. The County was notified by the State regarding some of these amounts in October of 2020 and then again in April of 2021. Had monthly reconciliations been performed on all of these payroll withholding accounts, any differences between the amounts being withheld or accrued and the amounts being remitted could have been noted and corrected in a more timely manner.

The general ledger of the County as provided for the audit included reserve accounts for a number of items such as the jail, community corrections, unemployment, capital outlay and contingency. Backup documentation could not be provided for any of these accounts showing the original source of the funds, the intended use of the funds and the actual external restriction or internal governing body motion creating the reserve accounts. Reconciliations on reserve accounts such as this would include maintaining this type of information to ensure that any expenditures which may have been posted to the accounts were in accordance with the parameters in which they were established.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-01 - Non-cash account reconciliations and reviews (continued)

Condition and context (continued):

The County acts in a fiduciary capacity in relation to restitution funds received by the district attorneys office and then distributed as outlined in the applicable court orders. The district attorneys office uses a separate accounting software program to account for these receipts and disbursements which is outside of the accounting software program used by the County for its every day operations. As part of the audit, a request was made to determine whether the district attorneys office could provide a listing of the individuals and amounts which made up the balance of this fiduciary cash account in order to test transaction receipts, disbursements and balances back to original court orders. A listing could not be provided seemingly based on the limitations of the accounting software program in addition to the manner in which the transactions had been entered. Without this type of information, a reconciliation of the individual amounts to the balance of this fiduciary cash account seemingly would not be able to be performed. As such, a determination as to whether or not amounts remain in this fiduciary cash account that either should still be disbursed or that still need to be received does not seem possible.

The majority of the non-cash asset and liability accounts included on the general ledger of the County as provided for the audit needed to be adjusted to match the provided backup documentation. In addition, a number of the revenue and expenditure accounts needed to be adjusted for mis-postings. A total of 160 adjusting journal entries were proposed as part of the annual audit to ensure that the financial statement balances were materially in balance with the provided supporting documentation and in turn that the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The debits and credits of these proposed adjustments totaled \$3,426,300. Though not all of these adjustments related to items which would have been found had documented reviews or reconciliations been completed, based on the nature of the proposed adjustments it does seem that a large number of them would have been found.

Effect:

Without account reconciliations being prepared for all non-cash asset and liability accounts as well as periodic documented reviews of the transactions recorded in the revenue and expenditure accounts, it is difficult to have an accurate financial picture of the County during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the County's specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the accounting function of the County. This would appear to make it difficult to apportion the time needed to effectively reconcile all of the non-cash asset and liability accounts included on the general ledger and to perform and document the reviews of the transactions recorded in the revenue and expenditure accounts. In addition, the County does not have an accounting policies and procedures manual outlining specific procedures to be followed in order to accurately complete and document these reconciliations and account reviews.

Recommendation:

We recommend that the County develop a set of adequate internal controls to ensure that all asset and liability accounts be reconciled and that adequate controls are in place to document the revenue and expenditure account reviews and that these reviews are completed and documented at least on a quarterly basis if not a monthly basis.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand its importance, however, such a system has yet to be implemented. The County is currently in the process of developing an accounting policies and procedures manual, as time allows, and intends to cover the reconciling of all asset and liability accounts as well as the performance and documentation of the reviews of all revenue and expenditure accounts in a timely manner. Once an adequate policy and procedure has been developed and is being followed, management believes that this material weakness will be eliminated.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-02 - Cash account reconciliations and reviews

Criteria:

The management of the County is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the County are being safeguarded.

Condition:

The County has a number of cash accounts for which monthly reconciliations are prepared. As part of the reconciliation process, a reconciliation page is prepared which compares the general ledger balance for the cash accounts of the County to the actual balances shown on the monthly bank statements. These bank reconciliation pages include a space to indicate the individual preparing the reconciliation and the individual reviewing the reconciliation. The name of the individual preparing the bank reconciliation is typed into the reconciliation page rather than having the individual sign the reconciliation page. As such we were unable to determine from the reconciliations whether or not the individual who is typed in as preparing the reconciliation was the individual who actually prepared the reconciliation. This information is important in determining whether there is adequate segregation of duties within the reconciliation process. In addition, bank reconciliations should be dated by the individual who is preparing them to determine that they were prepared in a timely manner. None of the provided bank reconciliation pages were dated by the individual preparing them but a review of the accompanying general ledger detail printed out as part of the reconciliation backup documentation showed that it did appear that they were being prepared in a timely manner. Once the reconciliations are signed and dated by the individual preparing them they should then be signed and dated by the individual reviewing them. All of the reviewed reconciliation pages did include the initials of the individual reviewing them but none of the reconciliation pages included the date for which the review was performed. As such, we were unable to determine whether the reviews were being performed in a timely manner. We do consider these conditions to have represented a significant deficiency in internal controls over financial reporting during the current fiscal year.

Context:

One of the main reasons for preparing bank account reconciliations is to make sure that the accounting transactions which are included on the general ledger are the same as those that show up on the actual corresponding bank account statements. Items which do not match up between the general ledger and the bank statement are referred to as reconciling items. The purpose of performing these reconciliations and reviews in a timely manner is so that any of these reconciling items that are found as part of the process can be researched and adjustments prepared as soon as possible so that an accurate financial picture is present as shown on the general ledger at any reasonable point in time. If the bank reconciliations are not being prepared and reviewed in a timely manner then any adjustments that may be necessary in order to correct balances included on the general ledger may also not be made in a timely manner and thus the financial picture shown on the general ledger may not be accurate for long periods of time.

Effect, cause and recommendation:

Without monthly bank reconciliations and more specifically reviews being prepared in a timely manner, it is difficult to provide that a reasonable level of assurance was present that an accurate financial picture of the assets of the County was available at all times during the current fiscal year. Without an accurate financial picture, there can be no reasonable level of assurance present that the County's specific objectives are being achieved or that its' specific assets are being safeguarded. We were unable to determine why the name of the individual preparing the bank reconciliations was typed into the reconciliation page rather than being signed or why the preparer was not specifically dating the reconciliations page. We were also unable to determine the reason why the reconciliations were not being dated when they were reviewed.

We recommend that an emphasis be placed on preparing all applicable bank reconciliations in a timely manner and that all completed bank reconciliations be signed and dated by the individual preparing them and then signed and dated by the individual reviewing them in a timely manner.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with the recommendations as described above. We believe that a more timely and complete process will be implemented during the upcoming fiscal year.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-03 - Cash transaction posting dates

Criteria:

The management of the County is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the County are being safeguarded.

Condition:

During the current fiscal years audit, a number of different procedures were applied to the ending balances and individual transactions contained within the general ledger, revenue and expenditure reports of the County. Reviews of deposits, checks and payrolls were made in part to determine whether both the cash portion of the entries and the revenue or expenditure portion of the entries had been posted to the correct period and a review of the fiscal year ending bank reconciliations was made to determine that the outstanding items contained in each reconciliation were appropriate and correctly posted. There did not appear to be an adequate system of internal controls in place to ensure that cash transactions and the related adjusting journal entries were being correctly posted back to December 31, 2019. We do consider this condition to represent a significant deficiency in internal control over financial reporting during the current fiscal year.

Context:

During our review of the general ledger and the bank reconciliation report for the period ended December 31, 2019 for the main deposit account of the County, we found that there was an individual deposit in the amount of \$4,923 which had been posted as a cash transaction in December even though it was actually deposited during the month of January. Cash deposits should always be posted as of the date that the actual deposit was made. In reviewing the items making up this deposit it was determined that the activity did belong in the current fiscal year but that they were actually either cash on hand amounts or accounts receivable amounts and should have been recorded as such. During our review of the general ledger and bank reconciliation report for the period ended December 31, 2019 for the main checking account of the County, we found that accounts payable checks processed in January for warrant number 50 in the amount of \$39,506, warrant number 51 in the amount of \$265,098 and warrant number 52 in the amount of \$32,170 were posted as cash transactions as of December 31, 2019. Once again, checks should always be posted as cash transactions as of the date that the actual check was written. In reviewing these expenditure items it was determined that a portion of the items were expenditures for the current fiscal year which were correctly posted as of December 31, 2019. However, a portion of the items were expenditures for the upcoming fiscal year which were classified on the general ledger as prepaid expenditures. Though the expenditures for these items were correctly not included in the current fiscal year, the classification of these items as prepaid expenditures was incorrect as the items were not physically paid until January and thus they were not prepaid items as of December 31, 2019.

Effect and cause:

Without an adequate system of controls in place to ensure that transactions are posted to the correct and appropriate periods and to the correct accounts within those periods, the County can have no reasonable level of assurance that the decisions it is making based on this information is correct. We was unable to determine the exact cause of the aforementioned posting items.

Recommendation:

We recommend that the County post the cash portion of transactions including deposits, checks and payrolls to the period and date in which the actual cash transactions occur.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the importance of the items noted above relating to the posting of certain transactions throughout the fiscal year and more specifically at the end of the fiscal year. We anticipate that through the development of additional policies and procedures which will be contained within our financial accounting policies and procedures manual that the majority of the items noted above will be addressed.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-04 - Cash disbursements

Criteria:

The management of the County is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the County are being safeguarded.

Condition:

During the current fiscal year audit, a number of expenditures were selected for testing within the current fiscal year and as subsequent events during the beginning of the upcoming fiscal year. The invoices or backup documentation relating to these expenditures were requested to be pulled for the review of a number of items such as the correct accounting period, the correct amount being paid, items being paid from actual invoices, and whether or not individual invoices or backup documentation are initialed as being reviewed and approved. There did not appear to be an adequate system of internal controls in place to ensure that only invoices and backup documentation containing the initials or signature of the individual approving the expenditure were being processed on a consistent basis. The County does utilize an expenditure approval cover sheet which does include approving initials or signatures though there was no way to determine that the actual invoices or backup documentation had been reviewed by the individuals approving the cover sheets. We do consider this condition to represent a significant deficiency in internal control over financial reporting during the current fiscal year.

Context:

Sampling techniques are used to select items for testing which means that not all transactions are reviewed or tested during this process. As a result, there could be other expenditure items being processed for payment without the initials or signature of the individual approving the payment on the actual invoices or backup documentation.

Effect:

Without the initials or signature of the individual approving the payment of expenditure items actually being included on the invoice or backup documentation, there can be no assurance that the goods or services being purchased were actually received and creates doubt as to whether the assets of the County are being adequately safeguarded.

Cause:

It would appear that the main reason that certain expenditure items did not contain the initials or signature of the individual approving the payment on the actual invoice or backup documentation was simply because the practice of processing expenditure items by the County is to include an expenditure approval on the cover sheet.

Recommendation:

We recommend that invoices should never be paid or even entered into the accounting system of the County without an appropriate approving signature or initials on the invoice approving the expenditure. The County should establish a listing of the individuals who would be considered the appropriate signer for each type of departmental expenditures.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the importance of an adequate expenditure item approval process. We intend to more closely review invoices during the payable process to ensure that only invoices containing the appropriate approving signatures or initials are processed for payment. Any invoices not containing the appropriate approving signatures or initials will be returned to the appropriate individual for the appropriate approval before being processed.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-05 - Controls relating to expenditures over appropriations

Criteria:

The management of the County is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the County are being safeguarded.

Condition:

In accordance with the applicable State of Maine statutes, the County Commissioners approve an annual budget including certain revenues and expenditures by either department or activity to be received and incurred during the fiscal year. The accounting system utilized by the County allows these approved amounts to be entered into the budgetary portion of the revenue and expenditure modules so that budget to actual reports can be printed at any time during the fiscal year to determine how close actual revenues are to budgeted revenues and to ensure that the actual expenditures incurred to date are in compliance with the amounts approved as part of the annual budget. During the current fiscal year, approved budgeted revenue and expenditure amounts were entered into the budgetary modules of the accounting system. The difference between these budgeted revenues and expenditures should match the budgeted overlay amount determined during the annual budget process. For the current fiscal year, the budgeted overlay was a positive \$31,017. However, the difference between the budgeted revenues and expenditures entered into the accounting system was a negative (\$6,525,276). The approved annual budget includes summary amounts by department in addition to individual amounts within each department. During the current fiscal year 116 of the approved individual line items were over expended by a total of (\$1,459,115). Transfers of current fiscal year expenditure amounts were entered into the accounting module for some accounts which were over expended. Any transfers such as this should have been done in the form of budget transfers so that the actual expenditures were reflected in the actual expenditure account. These expenditure transfers were not approved by the County Commissioners nor were any related budget transfer amounts. In addition, during the current fiscal year the County Commissioners approved the carryover of the remaining budget to actual amounts of certain expenditure accounts from the 2018 fiscal year into the 2019 fiscal year. These same amounts were then included as a reduction in the amount to be raised by taxation calculation for the 2020 fiscal year. We do consider these conditions to represent significant deficiencies in internal control over financial reporting during the current fiscal year.

Context:

The budgeted revenues that were not recorded included the amount for the annual tax assessments of \$6,203,443, the amount for the annual use of unassigned fund balance to reduce the tax assessments of \$271,833 and the amount for the annual use of unassigned fund balance for contingency of \$50,000. Of the 116 approved individual line items that were over expended, 18 of them in the amount of \$73,373 related to court costs which are reimbursed for which no actual budgeted amount is included, 7 of them in the amount of \$158,875 related to sheriffs department billable wage accounts for which no actual budgeted amount is included and 4 of them in the amount of \$801,560 related to county jail benefit amounts for which no current amount was budgeted and only an immaterial prior period remaining amount was approved to be carried forward. In addition, the unapproved expenditures transfers described above were reversed as part of the proposed audit adjustments. This type of internal control system is used to provide reasonable assurance that the assets of the County are being safeguarded and that only the activities approved by the County Commissioners in content and amount are being incurred by the County.

When the County Commissioners approved the carryover of the remaining budget to actual amounts of certain expenditure accounts from the 2018 fiscal year into the 2019 fiscal year they were in effect approving the use of unassigned fund balance as these remaining budget to actual amounts had flowed down to unassigned fund balance as of the end of the 2018 fiscal year. Approving the use of unassigned fund balance is in effect the same as budgeting for a loss due to the fact that prior fiscal year accumulated balances cannot be shown as current year revenues. In addition, by approving the carryover of these remaining budget to actual amounts these amounts were being approved to be expended during the 2019 fiscal year. If the total of these approved carryover amounts were expended during the 2019 fiscal year then they would have flowed down to unassigned fund balance as a loss and therefore the amount would not be available to be used as a reduction in the amount to be raised by taxation calculation for the 2020 fiscal year. If this carryover amount had been expended as approved during the 2019 fiscal year and as such not been available for the 2020 fiscal year then the amount to be raised by taxation calculation would have been too low. By approving the expenditure of carryover balances in one fiscal year and then using them as a reduction in the amount to be raised by taxation calculation for the following fiscal year, the County is in effect budgeting to use funds that may not be available.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-05 - Controls relating to expenditures over appropriations (continued)

Effect:

Without an adequate system of controls in place to ensure that complete revenue and expenditure budgets are being entered into the accounting system and to prevent the over expenditure of budgeted line items, there can be no reasonable assurance present that the County's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

We were unable to determine why the revenue amounts entered into the budgetary module of the accounting system did not match the above listed budgetary resources nor were we able to determine the cause for the current fiscal year over expenditures mentioned above. We were also unable to determine the reason that carryover amounts were being approved to expended in one fiscal year and then were being used as a reduction in the amount to be raised by taxation calculation for the following fiscal year.

Recommendation:

We recommend that the County enter the annual approved revenue and expenditure amounts into the budgetary portion of the revenue and expenditure modules as soon as they are approved to ensure that the budget being entered is complete and accurate. We recommend that the County consider creating a budgetary transfer process whereby individual expenditure budget line item amounts that have been over expended during the fiscal year have budget amounts transferred in from individual budget line items that are not currently over expended to ensure overall budgetary compliance. We also recommend that the County review its policy regarding the expenditure of approved carryover amounts and the subsequent use of these approved carryover amounts in the amount to be raised by taxation calculation.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the importance of having adequate budgetary controls in place to ensure that individual expenditure budget line item amounts are not over expended during the fiscal year and that if they are over expended there is a process to identify and transfer under expended budget line item amounts as deemed necessary. We also intend to review our policy in regard to carryover amounts.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-06 - Accounting policies and procedures manual

Criteria:

The management of the County is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the County are being safeguarded.

Condition:

The County does not currently have an accurate and in-depth accounting policies and procedures manual which would document the system of internal controls necessary to allow the prevention or detection and correction of misstatements on a timely basis. Without a documented system of internal control related policies and procedures it cannot be determined that the procedures being followed during the day to day accounting activities are adequate to prevent or detect and correct misstatements on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting during the current fiscal year.

Context:

This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the County. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts and the steps necessary to process payroll.

Effect:

The two main goals of developing and documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the County's specific objectives will be achieved and to set up a system of checks and balances which safeguard the assets of the County. Without this set of policies and procedures there can be no reasonable assurance present that the County's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the accounting function of the County.

Recommendation:

The County Commissioners should be involved with the development of a written policies and procedures manual that addresses the financial operations of the County and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the County. This manual, drafted by the accounting department, should address the general accounting functions of the department and the overall financial policies of the County as well as any other specific area (s) as so requested by the County Commissioners or other members of management of the County. The final draft should be presented to the County Commissioners for approval. The accounting department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the County Commissioners for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the County Commissioners for approval.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the importance of such a set of policies and procedures. The County is currently in the process of developing an accounting policies and procedures manual, as time allows. Once an adequate manual has been developed, implemented and is being followed, management believes that this significant deficiency will be eliminated.

County of Washington, Maine
Schedule of findings and questioned costs (continued)
December 31, 2019

2019-07 - Internal control over and compliance with State Statute Title 33, Chapter 11, Subchapter 4, Section § 752

Criteria:

State Statute Title 33, Chapter 11, Subchapter 4, Section § 752 relates to the Registry of Deeds records preservation surcharge. Subsection 1 of the statute states, "In addition to any other fees required by law, a register of deeds may collect a surcharge of \$3 per document for all records that are recorded in the registry of deeds, except those recorded by agencies of State Government, including quasi-independent state entities and municipalities." Subsection 2 of the statute states in part, "The surcharge imposed in subsection 1 must be transferred to the county treasurer who shall deposit it in a separate nonlapsing account within 30 days of receipt. Interest earned on the account must be credited to the account." Subsection 5 of the statute states in part, "The register of deeds for each county shall report annually to the joint standing committee of the Legislature having jurisdiction over state and local government matters on the amount of the surcharge funds raised and expended and the use of those funds."

Condition and context:

The County does have a separate deeds surcharge cash account though during the current fiscal year the surcharge amounts which were forwarded to the county treasurers office from the registry of deeds were not transferred to this separate deeds surcharge cash account. The deeds surcharge funds were deposited into the general county deposit account and posted to a separate revenue account. A calculation of the portion of the monthly general county deposit account interest earned that was applicable to these deeds surcharge funds was not determined and therefore was not allocated to the deeds surcharge account. Though not specifically mentioned in the statute, it was noted during the current fiscal year that the deeds surcharge amounts being collected by the registry of deeds were not being forwarded to the county treasurers office in a timely manner. The January through March collections were not forwarded until May, the April collections were not forwarded until June, the May and June collections were not forwarded until August, the July through November collections were not forwarded until December and the December collections were not forwarded until after February. In addition, a request was made to the registry of deeds for a copy of the annual report for the current fiscal year which is required under subsection 5 of the statute and no such report was provided or noted as being completed.

The state statute does not specify whether the "separate nonlapsing account" must be a separate cash account as opposed to a separate nonlapsing account within the general ledger of the County. However, the existence of a separate deeds surcharge cash account already opened by the County would seem to indicate that the County had already made the interpretation that the statute is referring to a separate cash account. As such, the collections made during the current fiscal year should have been transferred to this separate cash account within 30 days of their receipt from the registry of deeds. In addition, subsection 5 of the statute seems to indicate very clearly that an annual report of the receipts, distributions and use of funds must be completed in relation to these deeds surcharge funds though no such report was provided for the current fiscal year. We do consider these conditions to represent significant deficiencies in internal control over compliance during the current fiscal year.

Effect, cause and recommendation:

The simple effect is that it would appear that the County is not in compliance with certain subsections of the aforementioned state statute. We are unaware of any ramifications that may result from these apparent instances of non-compliance.

We were unable to determine why the surcharge amounts forwarded to the county treasurers office from the registry of deeds during the current fiscal year were not transferred to the separate cash account which had already been established. We were also unable to determine why the required annual report had apparently not been completed or at least was not provided.

We recommend that the surcharge amounts collected by the registry of deeds and forwarded to the county treasurers office either be transferred to the established separate cash account as they are received in accordance with the specific wording of the aforementioned state statute or that the County transfer the funds received less any funds disbursed during the fiscal year at the end of the fiscal year depending on a more defined interpretation of the state statute. We recommend that the surcharge funds being collected by the registry of deeds be forwarded to the county treasurers office in a more timely manner. We also recommend that internal controls be developed and implemented to ensure that both the fiscal year surcharge activity as well as the required fiscal year reporting be completed in accordance with the aforementioned state statute.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with the recommendations as described above. We plan to include the necessary internal controls in relation to the accounting for these deed surcharge funds in an accounting policies and procedures manual which we are currently in the process of developing, as time allows.