

*County of Washington, Maine*  
*Unorganized Territories*

Audited Financial Statements

June 30, 2020

*Stephen T. Hopkins, CPA, PC*

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Auditing, Accounting, and Consulting Services

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**County of Washington, Maine - Unorganized Territories**  
 June 30, 2020  
 Contents

<b>Financial Section:</b>	<b>Page</b>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 7
Basic Financial Statements:	
Government -Wide Financial Statements	
Statement A - Statement of Net Position	8
Statement B - Statement of Activities	9
Fund Financial Statements	
Statement C - Balance Sheet - Governmental Funds and the Reconciliation of Statement C to Statement A for all Governmental Funds and Activities	10 - 11
Statement D - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds and the Reconciliation of Statement D to Statement B for all Governmental Funds and Activities	12 - 13
Notes to the Financial Statements	14 - 29
<b>Required Supplementary Information:</b>	
General Fund	
RSI-1 - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis	30 - 31
<b>Other Information:</b>	
Schedule A- Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Reserves Fund	32 - 33
<b>Internal Control and Compliance Section:</b>	
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 <i>Government Auditing Standards</i>	34 - 35
Schedule of Findings and Questioned Costs	36 - 41



# *Stephen T. Hopkins, CPA, PC*

## Auditing, Accounting, and Consulting Services

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### Independent Auditors' Report

County Commissioners  
County of Washington, Maine  
Unorganized Territories

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the County of Washington, Maine - Unorganized Territories (Unorganized Territories), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Unorganized Territories'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 8 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 Government Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Unorganized Territories, as of June 30, 2020, 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 of the Unorganized Territories, as of June 30, 2020, and the respective changes in financial position thereof 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 budgetary comparison information, 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 Unorganized Territories’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 June 3, 2024, on our consideration of the Unorganized Territories’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 Unorganized Territories’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 Unorganized Territories’s internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC



Scarborough, Maine  
June 3, 2024

**County of Washington, Maine - Unorganized Territories**  
**Management's Discussion and Analysis**  
June 30, 2020

Our discussion and analysis of the Unorganized Territories financial performance provides an overview of the Unorganized Territories financial activities for the fiscal year ended June 30, 2020. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements and required supplementary information of the Unorganized Territories. 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 Unorganized Territories as found in the government-wide financial statements.

**Financial Highlights - Government-Wide Financial Statements**

- The Unorganized Territories unrestricted cash balance as of the end of the current fiscal year was \$2,210,899. This compares to \$1,885,170 as of the end of the prior fiscal year. This represents an increase of \$325,729 or approximately 17.28%. The Unorganized Territories did not have any restricted cash balances as of the end of the current or prior fiscal years.
- The Unorganized Territories total assets exceeded its total liabilities by \$2,840,805 (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 \$2,610,468. This represents an increase of \$230,337 or approximately 8.82%.
- The Unorganized Territories 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. A portion of the annual state appropriation to the Unorganized Territories relates to different reserve funds which are to be set aside from the operating portion of the annual state appropriation and used specifically for the purposes outlined in the annual budget as submitted to the State of Maine. These reserve funds consist of funds for the public works garage, highway capital projects, bridge projects, equipment maintenance, vehicle replacement and shellfish special projects. This expendable component of the total restricted net position balance of the Unorganized Territories was \$501,076 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$401,253. This represents an increase of \$99,823 or approximately 24.88%. This increase is due entirely to the current fiscal year change in fund balance for these reserve funds. The balance of the TIF fund is also considered an expendable portion of restricted net position as it relates to the legislative parameters which restrict the use of the funds collected to be used for economic development within the Unorganized Territories. This expendable component of the total restricted net position balance of the Unorganized Territories was \$2,327,912 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$2,129,948. This represents an increase of \$197,964 or approximately 9.29%.
- The second component of the Unorganized Territories 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 Unorganized Territories was \$1,649 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$240. This represents an increase of \$1,409 and is due entirely to the change in the amount of recorded prepaid expense items which is the only non-expendable item the Unorganized Territories currently has recorded.
- The Unorganized Territories 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 or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Unorganized Territories was \$10,168 as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$79,027. This represents a decrease of (\$68,859) or approximately 87.13% and relates in large part to the current fiscal year change in the general fund operations of the Unorganized Territories.
- The Unorganized Territories total revenues for its governmental activities were \$1,959,588 for the current fiscal year. This compares to \$2,009,081 for the prior fiscal year. This represents a decrease of (\$49,493) or approximately 2.46%. This decrease 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 Unorganized Territories total expenses for its governmental activities were \$1,729,251 for the current fiscal year. This compares to \$1,734,049 for the prior fiscal year. This represents a decrease of (\$4,798) or approximately .27%. This decrease is due to a number of smaller changes in expenses 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 - Unorganized Territories**  
Management's Discussion and Analysis  
June 30, 2020

**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 8 and 9 and which provide information about the activities of the Unorganized Territories as a whole and present a longer-view of the Unorganized Territories 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 10 and 12 and tell how the services of the Unorganized Territories were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Unorganized Territories operations in more detail than the government-wide financial statements by providing information about the Unorganized Territories most significant funds.

**Reporting the Unorganized Territories as a Whole**

Our analysis of the Unorganized Territories as a whole begins on page 8 with the statement of net position. One of the most important questions asked about the Unorganized Territories finances is, "Is the Unorganized Territories 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 Unorganized Territories 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 and liabilities of the Unorganized Territories 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 Unorganized Territories 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 Unorganized Territories. The net position balance is made up of the difference between the assets and liabilities of the Unorganized Territories. Over time, increases and decreases in the Unorganized Territories 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 Unorganized Territories such as changes in the amount of state appropriations, the conditions of the capital assets of the Unorganized Territories 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 Unorganized Territories activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Unorganized Territories basic services are reported here, including general government activities such as general administration and election services, public works activities such as summer and winter highway maintenance, public safety activities such as ambulance and fire protection services, health and sanitation activities such as solid waste and septage land site services and conservation activities such as shellfish conservation programs. State appropriations, excise tax revenues, charges for services, state operating grants, loan interest income and account interest income finance these activities in whole or in part.

**Reporting the Unorganized Territories Most Significant Funds**

Our analysis of the Unorganized Territories major funds begins on page 10 with the balance sheet. The fund financial statements provide detailed information about the most significant funds of the Unorganized Territories but not a combined picture of the Unorganized Territories 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 and the Supervisor of the Unorganized Territories have the authority to establish funds which it may use to help control and manage the funds of the Unorganized Territories for particular purposes or to show that it is meeting any legal responsibilities for using certain taxes, grants, or other funds granted to the Unorganized Territories. The Unorganized Territories uses governmental funds which are characterized as follows:

- Governmental funds - All of the Unorganized Territories 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 Unorganized Territories 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 Unorganized Territories programs and activities.



**County of Washington, Maine - Unorganized Territories**  
**Management's Discussion and Analysis**  
June 30, 2020

**The Unorganized Territories as a Whole - Assets, Liabilities and Net Position**

The information provided below represents government-wide information for the governmental activities of the Unorganized Territories for the current fiscal year as compared to the prior fiscal year. The current ratio compares the current assets of the Unorganized Territories to its current and other liabilities and gives an indication of the Unorganized Territories ability to pay current obligations. As of the end of the current fiscal year, the current ratio of the Unorganized Territories was 23.23 to 1 compared to the end of the prior fiscal year when the current ratio was 44.14 to 1. This represents a decrease of approximately 47.37%. Another indication of the Unorganized Territories 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 Unorganized Territories working capital balance was a positive \$2,366,864. This compares to the prior fiscal year balance of a positive \$2,039,831. This represents an increase of approximately 16.03%.

	Governmental Activities		Percentage of Total	
	2020	2019	2020	2019
Current assets	\$ 2,473,354	\$ 2,087,116	83.40%	78.03%
Other assets	492,379	587,600	16.60%	21.97%
Total assets	<u>2,965,733</u>	<u>2,674,716</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	106,490	47,285	85.24%	73.60%
Other liabilities	18,438	16,963	14.76%	26.40%
Total liabilities	<u>124,928</u>	<u>64,248</u>	<u>100.00%</u>	<u>100.00%</u>
Net position:				
Restricted	2,830,637	2,531,441	99.64%	96.97%
Unrestricted	10,168	79,027	0.36%	3.03%
Total net position	<u>\$ 2,840,805</u>	<u>\$ 2,610,468</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net position:				
Expendable:				
TIF fund	\$ 2,327,912	\$ 2,129,948		
Reserves fund	501,076	401,253		
	<u>2,828,988</u>	<u>2,531,201</u>		
Non-expendable:				
Prepaid items	1,649	240		
	<u>\$ 2,830,637</u>	<u>\$ 2,531,441</u>		

**Capital Assets and Debt Administration**

The capital assets of the Unorganized Territories may include land and improvements, buildings and 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 Unorganized Territories 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 Unorganized Territories can be found in note 11 on page 18. The Unorganized Territories does not currently have any outstanding debt relating to long-term bonds, notes or capital leases payable, or any other type of long-term debt obligation. The Unorganized Territories does currently have an other long-term liability as it relates to accrued compensated absences. The balance of these accrued compensated absences as of the end of the current fiscal year was \$18,438. This compares to \$16,963 as of the end of the prior fiscal year. This represents an increase of \$1,475 or approximately 8.70%. More detailed information on the accrued compensated absences of the Unorganized Territories can be found in note 4 on page 25.

**County of Washington, Maine - Unorganized Territories**  
**Management's Discussion and Analysis**  
**June 30, 2020**

**The Unorganized Territories as a Whole - Revenues, Expenses and Changes in Net Position**

The information provided below represents government-wide information for the governmental activities of the Unorganized Territories for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Unorganized Territories specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Unorganized Territories expenses 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 Unorganized Territories 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 Unorganized Territories spending by department and as a percentage of total spending.

	Governmental Activities		Percentage of Total	
	2020	2019	2020	2019
Program revenues				
Charges for services	\$ 8,924	\$ 11,764	0.46%	0.59%
Operating grants	614,504	650,285	31.36%	32.37%
Capital grants	-	-	-	-
General revenues				
State appropriation	1,032,529	1,032,764	52.69%	51.40%
State other	40,703	14,334	2.08%	0.71%
Excise tax revenues	213,478	257,585	10.89%	12.82%
Loans interest income	10,805	11,566	0.55%	0.57%
Account interest income	38,452	30,700	1.96%	1.53%
Miscellaneous	193	83	0.01%	0.01%
Total revenues	1,959,588	2,009,081	100.00%	100.00%
Expenses				
General government	37,819	36,679	2.19%	2.12%
Public works	954,881	891,834	55.22%	51.43%
Public safety	127,025	127,404	7.35%	7.35%
Health and sanitation	106,366	100,577	6.15%	5.80%
Conservation	14,066	20,795	0.81%	1.20%
Cemeteries	4,708	2,410	0.27%	0.14%
Third party requests	13,000	13,000	0.75%	0.75%
Community projects	3,613	13,571	0.21%	0.78%
Capital outlay	89,049	96,897	5.15%	5.59%
TIF economic development	-	20,000	-	1.15%
TIF capital projects	-	10,000	-	0.58%
TIF management expense	55,701	55,000	3.22%	3.17%
TIF developer rebate	323,023	345,882	18.68%	19.94%
Total expenses	1,729,251	1,734,049	100.00%	100.00%
Change in net position	230,337	275,032		
Net position - July 1	2,610,468	2,335,436		
Net position - June 30	\$ 2,840,805	\$ 2,610,468		
Expenses financed by general revenues:				
Total expenses	\$ 1,729,251	\$ 1,734,049		
Less program revenues	-623,428	-662,049		
	\$ 1,105,823	\$ 1,072,000	63.95%	61.82%

**County of Washington, Maine - Unorganized Territories**  
Management's Discussion and Analysis  
June 30, 2020

**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 as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements. The following financial highlights, however, do relate to the balances and results of the activities of the Unorganized Territories individual funds as found in the fund financial statements. Detailed current year information on the Unorganized Territories individual funds can be found on the balance sheet on page 10, the statement of revenues, expenditures and changes in fund balances on page 12 and the budget to actual statement required supplementary information for the general fund on pages 30 and 31.

- The total assets of the Unorganized Territories governmental funds exceeded the total liabilities by \$2,859,243 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$2,627,431 an increase of \$231,812 or approximately 8.82%. This increase is due to the negative results of the general fund of (\$67,384), the positive results of the reserves fund of \$99,823 and the positive results of the TIF fund of \$199,373.
- The Unorganized Territories total revenues for its governmental funds were \$1,959,588 for the current fiscal year. This compares to \$2,009,081 for the prior fiscal year. This represents a decrease of (\$49,493) or approximately 2.46%. This is due to a number of increases and decreases in revenue categories such as state appropriation revenues which decreased by (\$38,332), excise tax revenues which decreased by (\$44,107) and account interest income which increased by \$7,752. The Unorganized Territories total expenditures for its governmental funds were \$1,727,776 for the current fiscal year. This compares to \$1,734,492 for the prior fiscal year. This represents a decrease of (\$6,716) or approximately .39%. General fund expenditures increased by \$47,727 with this change relating to a number of increases and decreases within individual departments. The largest departmental increase within the general fund was public works which increased by \$59,774. Reserves fund expenditures decreased by (\$2,285) which was due in part to a decrease in highway capital projects. TIF fund expenditures decreased by (\$52,158) which was due in part to a decrease in economic development and capital project grants given by the TIF fund and a decrease in the annual TIF rebate which was due to a decrease in related state revenues.
- The actual revenues received in the Unorganized Territories general fund were (\$90,071) lower than the budgeted revenues for the current fiscal year which is an unfavorable variance. This deficit of actual revenues in comparison to budgeted revenues is due in large part to excise tax revenues under the budgeted amount by (\$116,260), other state revenues exceeding the budgeted amount by \$15,946 and account interest income was \$9,725 for which an amount was not budgeted. The actual program expenditures in the Unorganized Territories general fund were \$25,484 lower than the budgeted expenditures for the current fiscal year which is a favorable variance. These under expenditures were due in large part to a number of individual expenditure accounts that were either over or under expended. The winter highway maintenance expenditures were under expended by \$7,255 while the summer highway maintenance expenditures were over expended by (\$23,223), solid waste services were under expended by \$3,327 while septage land site expenditures were \$5,696 for which an amount was not budgeted, ambulance services were under expended by \$14,330 while animal control services were under expended by \$7,615. See the budget to actual required supplementary information shown on pages 30 and 31 for more detailed information on actual revenues and expenditures in comparison to the budgeted amounts.

**Economic Factors and Next Year's Budgets and Rates**

The Unorganized Territories 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 as allowed by the State of Maine. The Unorganized Territories 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 Unorganized Territories believes may effect the financial position or results of the operations of the Unorganized Territories in the future. The Unorganized Territories receives 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 Unorganized Territories will receive during future fiscal years.

**Contacting the Unorganized Territories Financial Management**

This financial report is designed to provide a general overview of the Unorganized Territories finances, comply with finance-related laws and regulations and demonstrate the Unorganized Territories commitment to public accountability. If you have questions about this report or need additional financial information, contact the Supervisor of the Unorganized Territories at 28 Center Street, Machias, Maine 04654 or the County Treasurers office at 85 Court Street, Machias, Maine 04654.

**County of Washington, Maine - Unorganized Territories**  
**Statement of Net Position**  
**June 30, 2020**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,210,899
Receivables, net:	
Intergovernmental	99,741
Other	28,029
Prepaid items	1,649
Current portion of loans receivable	133,036
Total current assets	<u>2,473,354</u>
Other assets:	
Long-term portion of loans receivable	<u>492,379</u>
Total assets	<u>2,965,733</u>
 <b>Liabilities</b>	
Accounts payable	72,241
Due to other governments	34,249
Accrued compensated absences	18,438
Total liabilities	<u>124,928</u>
 <b>Net position</b>	
Restricted	
Expendable	2,828,988
Non-expendable	1,649
Unrestricted	10,168
Total net position	<u>\$ 2,840,805</u>

See the accompanying notes to the financial statements.



**County of Washington, Maine - Unorganized Territories**  
**Balance Sheet - Governmental Funds**  
June 30, 2020

	General fund	Reserves fund	TIF fund	Total governmental funds
<b>Assets</b>				
Cash and cash equivalents	\$ 536,431	\$ -	\$ 1,674,468	\$ 2,210,899
Receivables (net of allowance)				
Intergovernmental	99,741	-	-	99,741
Other	-	-	28,029	28,029
Prepaid items	240	-	1,409	1,649
Loans receivable	-	-	625,415	625,415
Due from other governments	-	-	-	-
Due from other funds	-	503,363	-	503,363
Total assets	<u>\$ 636,412</u>	<u>\$ 503,363</u>	<u>\$ 2,329,321</u>	<u>\$ 3,469,096</u>
<b>Liabilities</b>				
Accounts payable	\$ 69,954	\$ 2,287	\$ -	\$ 72,241
Due to other governments	34,249	-	-	34,249
Due to other funds	503,363	-	-	503,363
Total liabilities	<u>607,566</u>	<u>2,287</u>	<u>-</u>	<u>609,853</u>
<b>Fund balances</b>				
Nonspendable	240	-	1,409	1,649
Restricted	-	501,076	2,327,912	2,828,988
Committed	-	-	-	-
Assigned	65,864	-	-	65,864
Unassigned	-37,258	-	-	-37,258
Total fund balances	<u>28,846</u>	<u>501,076</u>	<u>2,329,321</u>	<u>2,859,243</u>
Total liabilities and fund balances	<u>\$ 636,412</u>	<u>\$ 503,363</u>	<u>\$ 2,329,321</u>	<u>\$ 3,469,096</u>

See the accompanying notes to the financial statements.

**County of Washington, Maine - Unorganized Territories**  
**Reconciliation of Statement C to Statement A**  
**for all Governmental Funds and Activities**  
**June 30, 2020**

Fund balances of governmental funds as shown on Statement C	\$	2,859,243
<p>Amounts reported for the governmental funds in the fund financial statements (Statement C) differ from the amounts reported for the governmental activities in the government-wide financial statements (Statement A):</p>		
<p>1 Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and therefore they must be subtracted out:</p>		
Accrued compensated absences		-18,438
<p>2 Interfund receivable and payable balances between governmental funds are reported in the fund financial statements but are eliminated in the government-wide financial statements:</p>		
Interfund receivables	503,363	
Interfund payables	-503,363	-
	503,363	-
Net position of governmental activities as shown on Statement A	\$	2,840,805

See the accompanying notes to the financial statements.

**County of Washington, Maine - Unorganized Territories**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
For the year ended June 30, 2020

	General fund	Reserves fund	TIF fund	Total governmental funds
<b>Revenues</b>				
State appropriation	\$ 1,032,529	\$ -	\$ 538,372	\$ 1,570,901
State local road assistance	76,132	-	-	76,132
State other	40,703	-	-	40,703
Excise tax revenues	213,478	-	-	213,478
Charges for services	8,774	150	-	8,924
Loans interest income	-	-	10,805	10,805
Accounts interest income	9,725	-	28,727	38,452
Miscellaneous	-	-	193	193
Total revenues	<u>1,381,341</u>	<u>150</u>	<u>578,097</u>	<u>1,959,588</u>
<b>Expenditures</b>				
Current:				
General government	36,344	-	-	36,344
Public works	947,596	7,285	-	954,881
Public safety	127,025	-	-	127,025
Health and sanitation	106,366	-	-	106,366
Conservation	11,776	2,290	-	14,066
Cemeteries	4,708	-	-	4,708
Third party requests	13,000	-	-	13,000
Community projects	3,613	-	-	3,613
Capital outlay	-	89,049	-	89,049
TIF economic development	-	-	-	-
TIF capital projects	-	-	-	-
TIF management expense	-	-	55,701	55,701
TIF developer rebate	-	-	323,023	323,023
Total expenditures	<u>1,250,428</u>	<u>98,624</u>	<u>378,724</u>	<u>1,727,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>130,913</u>	<u>-98,474</u>	<u>199,373</u>	<u>231,812</u>
Other financing sources (uses)				
Transfers in	-	198,297	-	198,297
Transfers out	-198,297	-	-	-198,297
Total other financing sources (uses)	<u>-198,297</u>	<u>198,297</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-67,384	99,823	199,373	231,812
Fund balances - July 1	<u>96,230</u>	<u>401,253</u>	<u>2,129,948</u>	<u>2,627,431</u>
Fund balances - June 30	<u>\$ 28,846</u>	<u>\$ 501,076</u>	<u>\$ 2,329,321</u>	<u>\$ 2,859,243</u>

See the accompanying notes to the financial statements.



**County of Washington, Maine - Unorganized Territories**  
**Reconciliation of Statement D and Statement B**  
**for all Governmental Funds and Activities**  
**For the year ended June 30, 2020**

Net changes in governmental fund balances as shown on Statement D		\$	231,812
<p>Amounts reported for governmental activities in the fund financial statements (Statement D) differ from the amounts reported in the government-wide financial statements (Statement B):</p>			
<p>1 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:</p>			
Accrued compensated absences increase			-1,475
<p>2 Interfund transfers between governmental funds are reported in the fund financial statements but must be eliminated in the government-wide financial statements:</p>			
Operating transfers in	198,297		
Operating transfers out	-198,297		-
Change in net position of governmental activities as shown on Statement B		\$	230,337

See the accompanying notes to the financial statements.

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

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 Unorganized Territory (the UT) is the 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 government, with the Maine legislature serving as the "local governing body" for the UT, as it annually reviews and approves the various budgets from the state agencies and county government. The UT consists of 429 townships plus many coastal islands that do not lie within municipal bounds. The UT land area is slightly over one half of the entire State of Maine. The County of Washington, Maine - Unorganized Territories (the Unorganized Territories) is made up of 34 townships for which the following services are provided: general government activities such as administration and election services, public works activities such as summer and winter road maintenance services, public safety activities such as ambulance, fire protection and animal control services, health and sanitation activities such as solid waste and septage land site services, conservation activities such as shellfish conservation services and cemetery maintenance services. These activities and services are overseen by the Supervisor of the Unorganized Territories who is overseen by the County Commissioners of the County of Washington, Maine.

The County acts in a fiduciary capacity in relation to the Unorganized Territories as the cash accounts of the Unorganized Territories are under the identification number of the County. The finance office of the County performs the accounting function for the Unorganized Territories as they process and record all of the revenues and expenditures of the Unorganized Territories within the trial balance for an annually budgeted amount. The wages of employees who are charged to the Unorganized Territories are in effect employees of the County as it relates to insurance, taxes, retirement and other benefits. These per pay period amounts as well as other related expenditures are posted to the trial balance of the County and then reimbursed by the Unorganized Territories.

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Unorganized Territories 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 Unorganized Territories 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 Unorganized Territories.

**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. 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 Unorganized Territories currently 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 Unorganized Territories 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 (when present) of the Unorganized Territories. These statements do not include information about the fiduciary activities and funds of the Unorganized Territories or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Unorganized Territories in a trustee or agency capacity and which cannot be used to support the activities and programs of the Unorganized Territories.

## County of Washington, Maine - Unorganized Territories

### Notes to the Financial Statements

June 30, 2020

The statement of net position presents the financial position of the governmental and business-type activities (when present) of the primary government of the Unorganized Territories 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 Unorganized Territories. 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 Unorganized Territories. 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 Unorganized Territories 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 interfund 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 Unorganized Territories would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business-type activities (when present) of the primary government of the Unorganized Territories for the fiscal year. The operations of the Unorganized Territories are shown in a format which reports the net (expense) revenue of the individual functions (sometimes referred to as departments) of the Unorganized Territories. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Unorganized Territories functions on the state appropriation 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 state appropriations 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 Unorganized Territories. Indirect expenses which benefit the Unorganized Territories as a whole are not required to be allocated among the other functions of the Unorganized Territories and therefore they are not allocated. Depreciation expense (when present) is allocated to the specific functions of the Unorganized Territories 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 Unorganized Territories, 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 Unorganized Territories 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 (when present) of the primary government of the Unorganized Territories. 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 Unorganized Territories 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 Unorganized Territories consist of a Balance Sheet with a reconciliation to the government-wide statement of net position (when differences exist) and a Statement of Revenues, Expenditures, and Changes in Fund Balances with a reconciliation to the government-wide statement of activities (when differences exist). 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

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Unorganized Territories are governmental 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 Unorganized Territories. The governmental funds used by the Unorganized Territories include the general fund, and other major and 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 major or 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 Unorganized Territories and accounts for all revenues and expenditures of the Unorganized Territories with the exception of those required to be accounted for in another fund. All general state appropriation revenues and other receipts that (a) are not allocated by law, contractual agreement, governing body motion or Unorganized Territories meeting to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the general fund.
- 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. The TIF fund of the Unorganized Territories is considered to be a major special revenue fund as it is accounting for the proceeds of specific revenue sources as it relates to the legislative parameters which restrict the use of the funds collected to be used for economic development within the Unorganized Territories.
- 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 reserves fund of the Unorganized Territories is considered to be a major capital project fund as it is generally accounting for the accumulation of funds for the acquisition or construction of capital assets.
- 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 Unorganized Territories programs and in effect the benefit of the Unorganized Territories or citizens within the Unorganized Territories. The Unorganized Territories 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 (when present). 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 1N starting on page 21. 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 Unorganized Territories as shown on the government-wide statement of net position (when differences exist).

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 (when present). Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments, operations and activities of the Unorganized Territories. 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 Unorganized Territories as shown on the government-wide statement of activities (when differences exist).

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and cannot be used to support the programs of the Unorganized Territories. Fiduciary funds can be classified as pension or other employee benefit trust funds, investment trust funds, private purpose trust funds and custodial funds. The Unorganized Territories currently does not have any fiduciary activities or funds.

Budgetary comparison information is required supplementary information which is presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. The Unorganized Territories includes this required supplementary information for the general fund as shown in the table of contents. This budgetary comparison information shows the original budget as voted on and appropriated and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

## **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 Unorganized Territories. 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. 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 Unorganized Territories 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. Deposits and Investments**

Cash and cash equivalents include cash on hand as well as amounts in demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Unorganized Territories value investments at their fair value based on quoted market prices. Some of the types of investments that are 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 Unorganized Territories may vote to accept investments other than those authorized by the State of Maine when they have been donated to the Unorganized Territories. During and as of the end of the current fiscal year, the Unorganized Territories did not have any investments.

### **E. Receivables & Allowance for Doubtful Accounts**

All intergovernmental and other receivables are reported net of any allowance for doubtful accounts. In the government-wide financial statements and the fund financial statements, the current fiscal year accounts receivable balance includes intergovernmental receivables of \$99,741 relating to fourth quarter excise tax revenues collected by the State of Maine but not remitted to the Unorganized Territories by the end of the current fiscal year and other receivables of \$28,029 relating to fourth quarter loan principal and interest amounts and accumulated cash account earned interest collected by a loan processing entity but not yet remitted to the Unorganized Territories by the end of the current fiscal year.

The Unorganized Territories 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 fiscal year allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The Unorganized Territories 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.

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

**F. 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 Unorganized Territories 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.

**G. 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 Unorganized Territories currently does not have any material and reported inventory amounts.

**H. Interfund Receivables and Payables**

Interfund receivables and payables represent the balance of activity between the different funds of the Unorganized Territories. 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 interfund 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 interfund balances and related activity between the governmental, business-type and fiduciary fund activities of the Unorganized Territories are not eliminated on these statements when present.

**I. Capital Assets**

The Unorganized Territories 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 Independent Auditors' Report has been modified for this omission. The Unorganized Territories 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 Unorganized Territories will be accounted for. Capital assets of the Unorganized Territories may include land and improvements, buildings and 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 Unorganized Territories does not have any infrastructure assets. All capital assets of the Unorganized Territories 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 Unorganized Territories 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 is not depreciated. All other individual capital assets of the Unorganized Territories would be 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 Unorganized Territories 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 Unorganized Territories would be shown as a separate line item.

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

**J. 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 or recognized are recorded as unearned revenue in accordance with the accrual basis of accounting. In the fund financial statements, revenues are recognized when they are both measurable and available to pay current liabilities in accordance with the modified accrual basis of accounting. In the fund financial statements, for government-mandated non-exchange transactions as well as voluntary non-exchange transactions which would include certain governmental grants received by the Unorganized Territories, revenues are recognized in the period when all applicable eligibility requirements have been met and when the resources are available. For grant agreements, once the Unorganized Territories has received the funds and is within the allowable spending period all applicable eligibility requirements are deemed to have been met at which time the purpose restrictions related to how the grant funds need to be spent become applicable. Any grant revenues which have been recognized because the Unorganized Territories has met all the applicable eligibility requirements but for which they have not yet met all of the purpose restrictions associated with the grant agreement are recorded as restricted fund balance amounts at the end of the fiscal year. The Unorganized Territories does not currently have any unearned revenue balances within the fund financial statements.

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, deferred outflows of resources, 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 of the Unorganized Territories does not currently have any deferred outflows of resources items or amounts recorded on the statement of net position. 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 of the Unorganized Territories does not currently have any deferred inflows of resources items or amounts recorded on the statement of net position.

**K. Accounts Payable and Due to Other Governments**

In the government-wide financial statements and the fund financial statements, the accounts payable balance of the Unorganized Territories 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 due to other governments liability balance of \$34,249 relates to payroll and other related expenditures processed and paid by the County which relate to the employees and activities of the Unorganized Territories which are reimbursed by the Unorganized Territories but which have not yet been reimbursed as of the end of the current fiscal year.

**L. Pensions and Other Post Employment Benefits (OPEB)**

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and related pension and 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 pension information was included in the actuarial report provided to the management of the County by the Maine Public Employees Retirement System.

The wages of employees who are charged to the Unorganized Territories are in effect employees of the County as it relates to insurance, taxes and retirement benefits. These per pay period amounts as well as other related expenditures are posted to the trial balance of the County and then reimbursed by the Unorganized Territories. As a result, the aforementioned net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and related pension and OPEB expense as it relates to the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (the Plan) are reported within the financial statements of the County. A portion of these amounts has not been allocated and reported within the financial statements of the Unorganized Territories as only one individual is part of the Plan and as such the allocated balances for this one individual in relation to the Plan balances as a whole have been determined to be immaterial to the financial statements and related opinion units of the Unorganized Territories.

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

**M. Major Funds**

Within the fund financial statements, the focus of the governmental funds of the Unorganized Territories is on the major funds. The general fund of the Unorganized Territories 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 or expenditures/expenses (excluding extraordinary items) of an individual governmental or enterprise fund are at least 10% of the corresponding totals for all governmental or enterprise funds and
- b. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses (excluding extraordinary items) of an individual governmental or enterprise fund are at least 5% of the corresponding totals for all governmental and enterprise funds combined.
- c. Any other individual governmental or enterprise fund that the Unorganized Territories 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 individual governmental funds have been classified as major. A brief description of these funds and the activities reported within each fund is as follows. Additional financial information on these funds can be found in Schedule A on pages 32 through 33 of the financial statements.

- d. Reserves fund - This fund is used to account for and report the annual state non-operating reserve allocations included in the annual budget for the Unorganized Territories as well as the related expenditures and fiscal year end balances. This fund is made up of the following individual reserve activities:
  1. Public works garage reserve - This reserve fund is designed to account for the accumulation and expenditure of funds related to both the operating and capital improvement costs of the public works garage of the Unorganized Territories.
  2. Highway capital projects reserve - This reserve fund is designed to account for the accumulation and expenditure of funds related to major highway capital improvement projects within the townships of the Unorganized Territories.
  3. Bridge projects reserve - This reserve fund is designed to account for the accumulation and expenditures of funds related to major bridge improvement projects within the townships of the Unorganized Territories.
  4. Equipment maintenance reserve - This reserve fund is designed to account for the accumulation and expenditures of funds related to both operating and capital equipment maintenance and replacement costs of the Unorganized Territories.
  5. Vehicle replacement reserve - This reserve fund is designed to account for the accumulation and expenditures of funds related to the purchase of vehicles used in the operations of the Unorganized Territories.
  6. Shellfish special projects reserve - This reserve fund is designed to account for the accumulation and expenditures of funds related to shellfish special projects. Annual clam license sales revenue is posted to this account.
- e. TIF fund - This fund is used to account for and report the activity of the Washington County Enterprise Development and Tax Increment Financing (TIF) District (the district) and Development Program (the development program). The district relates to the Stetson Mountain Wind Project which will be comprised of approximately 38 turbines within the 5,856 acre district including the Stetson Mountain and Baskahegan land tracts. Aspects of this district and development program were included in the Credit Enhancement Agreement (CEA) as dated October 24, 2007 between the County and Evergreen Wind Power V, LLC (the developer). The term of the district is for twenty years commencing with the tax valuation date of April 1, 2009 and continuing thereafter for the next twenty years to and including March 31, 2029. The State of Maine will bill and collect the property tax assessment associated with the real and personal property located within the district. Once collected, the TIF revenue is paid to the County which deposits the funds into the TIF fund cash account of the Unorganized Territories. Within 15 days of the receipt of this TIF revenue, the Unorganized Territories will pay the developer 60% of the TIF revenue received in accordance with the above mentioned CEA. The current fiscal year represents the 10<sup>th</sup> year of the 20 year capture period of TIF revenues within the district. During the current fiscal year the County received \$538,372 of TIF revenue of which \$323,023 was remitted to the developer. The development program being accounted for within the TIF fund relates to grants and loans which are given to individuals and businesses within the Unorganized Territories pursuant to a specific application and approval process. This application and approval process as well as the loan repayment process is administered by a contracted third party. Principal and interest amounts collected by this contracted third party are remitted to the Unorganized Territories and deposited into the TIF fund on a quarterly basis.



**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

**N. Fund Balance Classification Policies and Procedures**

Within the fund financial statements, the fund balance amounts of the governmental funds of the Unorganized Territories 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 includes 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 Unorganized Territories consist solely of the corresponding amount of the recorded prepaid expenditure items and inventory when present.
- b. **Restricted fund balances** - Restricted fund balance includes 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. Restricted fund balance amounts of the Unorganized Territories would, when present, consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants or allocations received from either state, federal or local funding sources or contributions received to be spent for specific purposes. These amounts would be restricted to be expended on the items outlined within the funding agreements with the Unorganized Territories and therefore could not be used for any other specified purposes. The restricted fund balance amounts as reported by the Unorganized Territories represent the residual fund balance of the reserves major fund and the TIF major fund. The reserves major fund relates to the annual state non-operating reserve allocations included in the annual budget for the Unorganized Territories which are required to be set aside and expended for the intended purpose of each individual reserve fund. The TIF major fund relates to amounts accumulated and expended in accordance with a credit enhancement agreement pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes which is considered a form of enabling legislation by the Unorganized Territories.
- c. **Committed fund balance** - Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Unorganized Territories's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Unorganized Territories removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Maine legislature serves as the "local governing body" for the Unorganized Territories, as it annually reviews and approves the various budgets from the state agencies and county government. As such, the Maine Legislature would be considered to be the highest level of decision making authority within the Unorganized Territories for determining committed fund balance amounts. The Unorganized Territories currently does not have any committed fund balance amounts as of the end of the current fiscal year.
- d. **Assigned fund balance** - Assigned fund balance includes amounts that are constrained by the Unorganized Territories 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 either by the Supervisor of the Unorganized Territories or the County Commissioners. The following assigned fund balance amounts are included within the general fund as they don't meet the definition of a special revenue or capital project fund.
  1. **Septage land spreading site** - The septage land spreading site assigned fund balance amount represents the residual of revenues collected and related expenditures for a land site utilized by the Unorganized Territories for companies to spread the waste from septic systems that can't be transported to a treatment facility. Companies are charged a certain amount per gallon spread on the site throughout the fiscal year which represents the revenues collected while upkeep and maintenance costs of the site represent the related expenditures. The Unorganized Territories have assigned the residual of these funds for either the closure of the septage land spreading site should future regulations require its closure or for the expansion of the site based on potential increased future needs.
  2. **Shellfish special projects** - The shellfish special projects assigned fund balance amount represents the residual of revenues collected and related expenditures for shellfish projects within the Unorganized Territories. The sale of clam licenses represents the revenues collected while costs for items such as seed clams and other related items represent the expenditures. The Unorganized Territories have assigned the residual of these funds for the continuation of similar shellfish related projects. The balance of these funds was transferred to the shellfish special projects reserve during the current fiscal year.
  3. **Recycling reserve** - The recycling reserve assigned fund balance amount represents the residual of prior fiscal year recycling contributions and fees collected and related expenditures. The Unorganized Territories have assigned the residual of these funds to develop a regional recycling program

**County of Washington, Maine - Unorganized Territories**  
**Notes to the Financial Statements**  
**June 30, 2020**

e. Unassigned fund balance - Unassigned fund balance is the residual classification for the general fund of the Unorganized Territories. 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.

The Unorganized Territories 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.

Fund balances:	General fund	Reserves fund	TIF fund	Total governmental funds
Nonspendable:				
Prepaid items	\$ 240	\$ -	\$ 1,409	\$ 1,649
Restricted:				
Public works garage reserve	-	31,942	-	31,942
Highway capital projects reserve	-	436,136	-	436,136
Bridge projects reserve	-	1,425	-	1,425
Equipment maintenance reserve	-	3,065	-	3,065
Vehicle replacement reserve	-	22,851	-	22,851
Shellfish special projects reserve	-	5,657	-	5,657
TIF fund	-	-	2,327,912	2,327,912
	-	501,076	2,327,912	2,828,988
Committed:	-	-	-	-
Assigned:				
Septage land spreading site	44,442	-	-	44,442
Recycling reserve	21,422	-	-	21,422
	65,864	-	-	65,864
Unassigned:				
Residual general fund balance	-37,258	-	-	-37,258
Total fund balances	\$ 28,846	\$ 501,076	\$ 2,329,321	\$ 2,859,243

**O. 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.

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

**P. Budgets**

The annual budget is the financial plan for the operations of the general fund of the Unorganized Territories for the ensuing fiscal year. 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 position of the government. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the line item level within each general function or department of the Unorganized Territories. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

- a. After careful consideration of the services to be provided the townships within the Unorganized Territories during the upcoming fiscal year, the Supervisor of the Unorganized Territories will prepare and submit a preliminary draft copy of the budget to the Fiscal Administrator of the UT at the State of Maine. The Fiscal Administrator's primary responsibilities include the review, analysis, and investigation of the budgets and expenditures of all county and state agencies requesting funds from the UT.
- b. Once this preliminary review has been completed by the Fiscal Administrator, the Supervisor of the Unorganized Territories will then prepare and submit a final draft copy of the budget to the County Commissioners prior to the public hearing which is usually scheduled for early December. At this time, a draft copy of the budget is also forwarded to the legislative delegation in accordance with state statutes.
- c. The County Commissioners will review the final draft copy of the budget at the public hearing and either recommend changes to the budget or approve the budget. The approval of the budget must occur on or prior to January 1st.
- d. Once the final draft copy of the budget has been approved by the County Commissioners, it is forwarded to the Fiscal Administrator for final review, analysis and investigation. At this time, a copy of the approved budget is also forwarded to the Unorganized Territory Property Tax Supervisor. The current fiscal year budget for the Unorganized Territories was approved by the County Commissioners on December 13, 2018.
- e. The approved budget, as part of the municipal cost components legislation, is submitted to the Joint Standing Committee on Taxation by the Fiscal Administrator.
- f. Once approved by the Committee, the budget must then receive a vote of two-thirds of both houses of the legislature. The Maine Legislature may make any changes to the budget as deemed necessary prior to the final approval. The current fiscal year budget for the Unorganized Territories was approved by the Maine Legislature on June 6, 2019.

**Q. 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 Unorganized Territories does not utilize encumbrance accounting, therefore, an assignment of fund balance is not provided for at June 30, 2020. Accordingly, no difference exists between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**Note 2 - Cash and Cash Equivalents**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Unorganized Territories 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 Unorganized Territories does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. The bank accounts of the Unorganized Territories are covered by FDIC insurance up to \$250,000 in demand deposit accounts and up to \$250,000 in time deposit accounts per financial institution. At fiscal year end, the carrying amount of the Unorganized Territories deposits was \$2,210,899 with the corresponding bank balances of these accounts at the financial institution utilized by the Unorganized Territories totaling \$2,237,048 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand.

The County acts in a fiduciary capacity in relation to the Unorganized Territories as the cash accounts of the Unorganized Territories are under the identification number of the County. As of June 30, 2020, the County had a certificate of liability insurance commercial bond with the insured being the financial institution that includes the accounts of the Unorganized Territories in the amount of \$4,000,000 which represents deposit insurance exceeding the FDIC limit of \$250,000. As a result, all of the cash balances of the Unorganized Territories were insured as of the end of the current fiscal year.

**County of Washington, Maine - Unorganized Territories**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 3 - Interfund Receivables, Payables and Transfers**

**Interfund receivables and payables** - The Unorganized Territories maintains a cash pool that is available for use by all funds. 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. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents interfund receivables and payables by individual major fund. The following fund financial statement interfund balances are eliminated in the government-wide financial statements.

	Receivables due from	Payables due to
<b>General Fund</b>		
Reserves Fund:		
Public works garage reserve	\$ -	\$ 31,942
Highway capital projects reserve	-	436,136
Bridge projects reserve	-	3,712
Equipment maintenance reserve	-	3,065
Vehicle replacement reserve	-	22,851
Shellfish special projects reserve	-	5,657
	\$ -	\$ 503,363
<b>Reserves Fund</b>		
General Fund:		
Public works garage reserve	\$ 31,942	\$ -
Highway capital projects reserve	436,136	-
Bridge projects reserve	3,712	-
Equipment maintenance reserve	3,065	-
Vehicle replacement reserve	22,851	-
Shellfish special projects reserve	5,657	-
	\$ 503,363	\$ -

**Interfund transfers** - Transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances. There were no transfers made by the Unorganized Territories during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents interfund transfers by individual major fund. The general fund transfers to the reserves fund relate to amounts included in the annual budget.

	Transfers in	Transfers out
<b>General Fund</b>		
Reserves Fund:		
Public works garage reserve	\$ -	\$ -7,500
Highway capital projects reserve	-	-140,000
Bridge projects reserve	-	-25,000
Equipment maintenance reserve	-	-8,000
Vehicle replacement reserve	-	-10,000
Shellfish special projects reserve	-	-7,797
	\$ -	\$ -198,297
<b>Reserves Fund</b>		
General Fund:		
Public works garage reserve	\$ 7,500	\$ -
Highway capital projects reserve	140,000	-
Bridge projects reserve	25,000	-
Equipment maintenance reserve	8,000	-
Vehicle replacement reserve	10,000	-
Shellfish special projects reserve	7,797	-
	\$ 198,297	\$ -

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

**Note 4 - 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 Unorganized Territories is made up of the following individual obligation and amount as of the end of the current fiscal year.

	Balance 07/01/19	Additions	Reductions	Balance 06/30/20	Amount due within one year
<b>Governmental activities:</b>					
Other liabilities					
Accrued compensated absences	\$ 16,963	\$ 1,475	\$ -	\$ 18,438	\$ -

**Accrued Compensated Absences**

The County acts in a fiduciary capacity in relation to the Unorganized Territories as the cash accounts of the Unorganized Territories are under the identification number of the County. The finance office of the County performs the accounting function for the Unorganized Territories as they process and record all of the revenues and expenditures of the Unorganized Territories within the trial balance for an annually budgeted amount. The wages of employees who are charged to the Unorganized Territories are in effect employees of the County as it relates to insurance, taxes, retirement and other benefits. These per pay period amounts as well as other related expenditures are posted to the trial balance of the County and then reimbursed by the Unorganized Territories. In addition, full-time employees whose wages are charged to the Unorganized Territories are allowed to earn paid absences for vacations, sick time, bonus time and compensatory time. These paid balances are accumulated, paid out and accounted for as described in the following paragraphs. Though these full-time employees are in effect employees of the County, any accumulated absences balances paid to full-time employees whose wages are charged to the Unorganized Territories would be posted to the trial balance of the County and then reimbursed by the Unorganized Territories.

Full-time employees of the County whose wages are charged to the Unorganized Territories are allowed to earn paid absences for vacations and sick time as outlined in the personnel policies manual of the County of Washington, Maine 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 Unorganized Territories anticipates that all employees who either retire or leave the employment of the Unorganized Territories 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 personnel policies manual. As a result, the Unorganized Territories 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 June 30, 2020, the balance of these accumulated vacation and sick time benefits was \$18,438. 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 Unorganized Territories which may or may not occur during the upcoming fiscal year.

Full-time employees of the County whose wages are charged to the Unorganized Territories are also allowed to earn paid absences for bonus time as outlined in the personnel policies manual of the County of Washington, Maine for all non-union covered employees. However, the aforementioned personnel policies manual does not specifically describe how and when these outstanding balances will be paid to employees who either retire or leave the employment of the Unorganized Territories. 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 Unorganized Territories. As of June 30, 2020, the balance of these accumulated benefits totaled \$246.

Full-time employees of the County whose wages are charged to the Unorganized Territories are also allowed to earn compensatory time for hours worked in excess of their normal scheduled hours. The aforementioned personnel policies manual does not specifically describe how and when these outstanding balances will be paid to employees who either retire or leave the employment of the Unorganized Territories. 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 Unorganized Territories. As of June 30, 2020, the balance of these accumulated benefits totaled \$0.

**County of Washington, Maine - Unorganized Territories**  
**Notes to the Financial Statements**  
June 30, 2020

**Note 5 - Expenditures over Appropriations**

The following individual budgeted expenditures were exceeded by actual expenditures. The balance shown in the column labeled budgeted expenditures is equal to both the current year budgeted expenditures plus any prior year approved carried balances.

Account	Budgeted expenditures	Actual expenditures	Excess	Related revenues	Balance
General government:					
Administration	\$ 34,486	\$ -34,638	\$ -152	\$ -	\$ -152
Public works:					
Summer highway maintenance	412,990	-436,213	-23,223	36,541	13,318
Public works crew	24,000	-24,607	-607	-	-607
Equipment operation	13,000	-13,515	-515	-	-515
Public safety:					
Fire protection services	50,998	-51,760	-762	-	-762
Health and sanitation:					
Septage land site	-	-5,696	-5,696	6,942	1,246
Cemeteries:					
Maintenance	3,450	-4,708	-1,258	-	-1,258
Operating transfers out:					
Shellfish special projects reserve	5,000	-7,797	-2,797	-	-2,797
	<u>\$ 543,924</u>	<u>\$ -578,934</u>	<u>\$ -35,010</u>	<u>\$ 43,483</u>	<u>\$ 8,473</u>

**Note 6 - Risk Management, Commitments and Contingencies**

The County acts in a fiduciary capacity in relation to the Unorganized Territories as the cash accounts of the Unorganized Territories are under the identification number of the County. The finance office of the County performs the accounting function for the Unorganized Territories as they process and record all of the revenues and expenditures of the Unorganized Territories within the trial balance for an annually budgeted amount. The wages of employees who are charged to the Unorganized Territories are in effect employees of the County as it relates to insurance, taxes, retirement and other benefits. These per pay period amounts as well as other related expenditures are posted to the trial balance of the County and then reimbursed by the Unorganized Territories. In addition, the activities and assets of the Unorganized Territories are included within the insurance coverages of the County.

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 June 30, 2020, 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 June 30, 2020. 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 - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

The Unorganized Territories contracts with vendors to provide services such as snow removal, fire protection, ambulance services and transfer station services. These contracts may either be based on one year contract periods or multi-year contract periods. As of the end of the current fiscal year and through the date of these financial statements, the Unorganized Territories has entered into 11 snow removal contracts which include amounts committed for subsequent fiscal years. Amounts committed total \$390,203 for the fiscal year ended June 30, 2021, \$329,170 for the fiscal year ended June 30, 2022, \$297,873 for the fiscal year ended June 30, 2023 and \$297,873 for the fiscal year ended June 30, 2024. As of the end of the current fiscal year and through the date of these financial statements, the Unorganized Territories has entered into 11 fire protection services contracts which include amounts committed for subsequent fiscal years. Amounts committed total \$36,700 for the fiscal year ended June 30, 2021, \$36,700 for the fiscal year ended June 30, 2022, \$30,300 for the fiscal year ended June 30, 2023, \$30,300 for the fiscal year ended June 30, 2024 and \$27,500 for the fiscal year ended June 30, 2025. As of the end of the current fiscal year and through the date of these financial statements, the Unorganized Territories has entered into 3 transfer station services contracts which include amounts committed for subsequent fiscal years. Amounts committed total \$25,328 for the fiscal year ended June 30, 2021, \$23,082 for the fiscal year ended June 30, 2022, \$23,082 for the fiscal year ended June 30, 2023 and \$4,800 for the fiscal year ended June 30, 2024.

**Note 7 - Tax Increment Financing Districts**

Washington County Enterprise Development and Tax Increment Financing (TIF) District and Development Program

The County of Washington, Maine (the County) has established the Washington County Enterprise Development and Tax Increment Financing (TIF) District (the district) and Development Program (the development program). The district relates to the Stetson Mountain Wind Project which will be comprised of approximately 38 turbines within the 5,856 acre district including the Stetson Mountain and Baskahegan land tracts. Aspects of this district and development program were included in the Credit Enhancement Agreement (CEA) as dated October 24, 2007 between the County and Evergreen Wind Power V, LLC (the developer). The Maine Department of Economic and Community Development reviewed and approved the district and CEA as dated November 15, 2007. The term of the district is for twenty years commencing with the tax valuation date of April 1, 2009 and continuing thereafter for the next twenty years to and including March 31, 2029. The development program provides that the County will "capture" 100% of the tax increment from all real and personal property within the district for the twenty year district term while reimbursing the developer 60% of the TIF revenues to support the projects development costs through the aforementioned CEA, as set forth in the development program. The balance of the TIF revenues during the twenty year district term will support the Unorganized Territories economic development programs, as set forth in the development program. The State of Maine will bill and collect the property tax assessment associated with the real and personal property located within the district. Once collected, the TIF revenue is paid to the County which deposits the funds into the TIF fund cash account of the Unorganized Territories. Within 15 days of the receipt of this TIF revenue, the Unorganized Territories will pay the developer 60% of the TIF revenue received in accordance with the above mentioned CEA. The current fiscal year represents the 10<sup>th</sup> year of the 20 year capture period of TIF revenues within the district. During the current fiscal year the County received \$538,372 of TIF revenue of which \$323,023 was remitted to the developer. Through the 10<sup>th</sup> year of the 20 year capture period of TIF revenues within the district, the County has received \$10,322,924 of TIF revenue of which \$6,193,754 has been remitted to the developer.

Bowers Wind Project Municipal Tax Increment Financing (TIF) District and Development Program

The County of Washington, Maine (the County) has established the Bowers Wind Project Tax Increment Financing (TIF) District (the district) and Development Program (the development program). The district relates to the Bowers Wind Project which will be comprised of approximately 27 turbines with 8 of those turbines to be located within the 52 acre district located in the Township of Kossuth in the Unorganized Territories. Aspects of this district and development program were included in the Credit Enhancement Agreement (CEA) as dated September 8, 2011 between the County and Chaplain Wind, LLC (the developer). The Maine Department of Economic and Community Development reviewed and approved the district and CEA as dated March 15, 2013. The term of the district is for thirty years through March 14, 2043. This development program provides that the County will "capture" 60% of the assessed value above the original assessed value of the district property beginning on April 1<sup>st</sup> of the tax year of the triggering event. The original assessed value of the 52 acre district was \$5,551 as of March 31, 2012 (April 1, 2011) with the triggering event being defined as the first tax year when the increased assessed value first equals at least \$10,000,000. The County will capture 0% of the value of improvements made within the district up until the triggering event is reached. Upon reaching the triggering event, the County will capture the above mentioned 60% of the value of improvements made within the district for a period of 20 years permitting the captured TIF revenues to be used to finance the project through the above mentioned CEA. At the end of the 20 year period of property tax reimbursements following the triggering event, the TIF District will terminate automatically. As of the current fiscal year end, this wind project has not yet begun as the necessary permits have not yet been received. As such, they have not received any TIF revenue and as such has not remitted any revenue to the developer.

**County of Washington, Maine - Unorganized Territories**  
Notes to the Financial Statements  
June 30, 2020

**Note 8 - Financial Statement Modifications**

The financial statements of the Unorganized Territories do not include the value and classification of the Unorganized Territories 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 Unorganized Territories 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 June 30, 2020. When an inventory is done, the capital assets of the Unorganized Territories 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 Unorganized Territories has stated that this inventory will be completed for a subsequent fiscal year as time allows.

**Note 9 - 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 the Unorganized Territories reporting period beginning July 1, 2019. Because of the COVID-19 pandemic, in May 2020 the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which delayed the effective date of this statement by one year. The Unorganized Territories 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 the Unorganized Territories reporting period beginning July 1, 2020. Because of the COVID-19 pandemic, in May 2020 the GASB issued Statement No. 95 which delayed the effective date of this statement by one and a half years. The Unorganized Territories has not yet determined the impact that this statement might have on its financial statements.

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 the Unorganized Territories reporting period beginning July 1, 2020. Because of the COVID-19 pandemic, in May 2020 the GASB issued Statement No. 95 which delayed the effective date of this statement by one year. The Unorganized Territories 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' majority equity interest in a legally separate organization and to improve the relevance of financial statement component unit information. The requirements of this statement are effective for the Unorganized Territories reporting period beginning July 1, 2019. Because of the COVID-19 pandemic, in May 2020 the GASB issued Statement No. 95 which delayed the effective date of this statement by one year. The Unorganized Territories 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 by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the Unorganized Territories reporting period beginning July 1, 2021. Because of the COVID-19 pandemic, in May 2020 the GASB issued Statement No. 95 which delayed the effective date of this statement by one year. The Unorganized Territories does not expect this statement to have a material effect on its financial statements.



**County of Washington, Maine - Unorganized Territories**  
**Notes to the Financial Statements**  
**June 30, 2020**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, each with a different effective date ranging from being effective on issuance to being for the Unorganized Territories reporting period beginning July 1, 2020. Because of the COVID-19 pandemic, in May 2020 the GASB issued Statement No. 95 which delayed each of the effective dates of this statement by one year. The Unorganized Territories does not expect this statement to have a material effect on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for the Unorganized Territories reporting period beginning July 1, 2020. Because of the COVID-19 pandemic, in May 2020 the GASB issued Statement No. which delayed the effective date of this statement by one year. The Unorganized Territories does not expect this statement to have a material effect on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for the Unorganized Territories reporting period beginning July 1, 2022. The Unorganized Territories does not expect this statement to have a material effect on its financial statements.

**Note 10 - Subsequent Events**

The Unorganized Territories has evaluated subsequent events through June 3, 2024, 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 and there were no non-recognized subsequent events that would require disclosure in the notes to the financial statements.

**County of Washington, Maine - Unorganized Territories**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis - General Fund**  
**for the year ended June 30, 2020**

	Original budget	Final budget	Actual	Variance
<b>Revenues:</b>				
State appropriation	\$ 1,032,529	\$ 1,032,529	\$ 1,032,529	\$ -
State local road assistance	75,560	75,560	76,132	572
State other	24,757	24,757	40,703	15,946
Excise tax revenues	329,738	329,738	213,478	-116,260
Charges for services	8,828	8,828	8,774	-54
Account interest income	-	-	9,725	9,725
Total revenues	<u>1,471,412</u>	<u>1,471,412</u>	<u>1,381,341</u>	<u>-90,071</u>
<b>Expenditures:</b>				
<b>General government</b>				
Administration	34,486	34,486	34,638	-152
Election services	2,800	2,800	1,706	1,094
	<u>37,286</u>	<u>37,286</u>	<u>36,344</u>	<u>942</u>
<b>Public works</b>				
Winter highway maintenance	479,890	479,890	472,635	7,255
Summer highway maintenance	412,990	412,990	436,213	-23,223
Public works crew	24,000	24,000	24,607	-607
Equipment operation	13,000	13,000	13,515	-515
Electricity	950	950	626	324
	<u>930,830</u>	<u>930,830</u>	<u>947,596</u>	<u>-16,766</u>
<b>Public safety</b>				
Ambulance services	80,999	80,999	66,669	14,330
Fire protection services	50,998	50,998	51,760	-762
Animal control	16,211	16,211	8,596	7,615
E-911	500	500	-	500
	<u>148,708</u>	<u>148,708</u>	<u>127,025</u>	<u>21,683</u>
<b>Health and sanitation</b>				
Solid waste services	103,997	103,997	100,670	3,327
Septage land site	-	-	5,696	-5,696
	<u>103,997</u>	<u>103,997</u>	<u>106,366</u>	<u>-2,369</u>
<b>Conservation</b>				
Shellfish conservation program	19,991	19,991	11,776	8,215
<b>Cemeteries</b>				
Maintenance	3,450	3,450	4,708	-1,258
Third party requests	13,000	13,000	13,000	-
Community projects	18,650	18,650	3,613	15,037
Total expenditures	<u>1,275,912</u>	<u>1,275,912</u>	<u>1,250,428</u>	<u>25,484</u>

**County of Washington, Maine - Unorganized Territories**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis - General Fund**  
**for the year ended June 30, 2020**

	Original budget	Final budget	Actual	Variance
Excess (deficiency) of revenues over (under) expenditures	\$ 195,500	\$ 195,500	\$ 130,913	\$ -64,587
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-195,500	-195,500	-198,297	-2,797
Total other financing sources (uses)	-195,500	-195,500	-198,297	-2,797
Net change in fund balances	-	-	-67,384	-67,384
Fund balances - July 1			96,230	
Fund balances - June 30			<u>\$ 28,846</u>	

**County of Washington, Maine - Unorganized Territories**  
**Combining Balance Sheet and Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances - Reserves Fund**  
**As of and for the year ended June 30, 2020**

	Public works garage reserve	Highway capital projects reserve	Bridge projects reserve	Equipment maintenance reserve
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables	-	-	-	-
Due from other funds	31,942	436,136	3,712	3,065
Total assets	<u>31,942</u>	<u>436,136</u>	<u>3,712</u>	<u>3,065</u>
<b>Liabilities</b>				
Accounts payable	-	-	2,287	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>2,287</u>	<u>-</u>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	31,942	436,136	1,425	3,065
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>31,942</u>	<u>436,136</u>	<u>1,425</u>	<u>3,065</u>
Total liabilities and fund balances	<u>\$ 31,942</u>	<u>\$ 436,136</u>	<u>\$ 3,712</u>	<u>\$ 3,065</u>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Account interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Salaries and wages	-	-	-	-
Operating	6,264	-	-	1,021
Capital outlay	-	34,488	43,575	10,986
Total expenditures	<u>6,264</u>	<u>34,488</u>	<u>43,575</u>	<u>12,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-6,264</u>	<u>-34,488</u>	<u>-43,575</u>	<u>-12,007</u>
<b>Other financing sources (uses)</b>				
Transfers in	7,500	140,000	25,000	8,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>7,500</u>	<u>140,000</u>	<u>25,000</u>	<u>8,000</u>
Net change in fund balances	1,236	105,512	-18,575	-4,007
Fund balances - July 1	<u>30,706</u>	<u>330,624</u>	<u>20,000</u>	<u>7,072</u>
Fund balances - June 30	<u>\$ 31,942</u>	<u>\$ 436,136</u>	<u>\$ 1,425</u>	<u>\$ 3,065</u>

**County of Washington, Maine - Unorganized Territories**  
**Combining Balance Sheet and Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances - Reserves Fund**  
**As of and for the year ended June 30, 2020**

	Vehicle replacement reserve	Shellfish special projects reserve	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables	-	-	-
Due from other funds	22,851	5,657	503,363
<b>Total assets</b>	<u>22,851</u>	<u>5,657</u>	<u>503,363</u>
<b>Liabilities</b>			
Accounts payable	-	-	2,287
Due to other governments	-	-	-
Due to other funds	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>2,287</u>
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	22,851	5,657	501,076
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<u>22,851</u>	<u>5,657</u>	<u>501,076</u>
<b>Total liabilities and fund balances</b>	<u>\$ 22,851</u>	<u>\$ 5,657</u>	<u>\$ 503,363</u>
<b>Revenues</b>			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	150	150
Account interest income	-	-	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>150</u>	<u>150</u>
<b>Expenditures</b>			
Salaries and wages	-	-	-
Operating	-	2,290	9,575
Capital outlay	-	-	89,049
<b>Total expenditures</b>	<u>-</u>	<u>2,290</u>	<u>98,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-2,140</u>	<u>-98,474</u>
<b>Other financing sources (uses)</b>			
Transfers in	10,000	7,797	198,297
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>10,000</u>	<u>7,797</u>	<u>198,297</u>
Net change in fund balances	10,000	5,657	99,823
<b>Fund balances - July 1</b>	<u>12,851</u>	<u>-</u>	<u>401,253</u>
<b>Fund balances - June 30</b>	<u>\$ 22,851</u>	<u>\$ 5,657</u>	<u>\$ 501,076</u>

# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

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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  
Unorganized Territories

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 and each major fund of the County of Washington, Maine - Unorganized Territories (Unorganized Territories), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Unorganized Territories basic financial statements, and have issued our report thereon dated June 3, 2024, which contained unmodified opinions on each major fund. An adverse opinion was issued on the governmental activities of the Unorganized Territories 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 8 on page 28 of the financial statements.

#### Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We do consider the deficiency described in the accompanying schedule of findings and questioned costs and labeled as item number 2020-01 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We do consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. These significant deficiencies are noted in the aforementioned schedule as item numbers 2020-02 through 2020-05.

## Compliance and Other Matters

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

## The Unorganized Territories Responses to Findings

The Unorganized Territories responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Unorganized Territories 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 result of that testing, and not to provide an opinion on the effectiveness of the Unorganized Territories internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Unorganized Territories internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen T. Hopkins, CPA, PC



Scarborough, Maine  
June 3, 2024

**County of Washington, Maine - Unorganized Territories**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2020**

**2020-01 - Non-Cash Account Reconciliations and Reviews**

Criteria:

The management of the Unorganized Territories 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 Unorganized Territories are being safeguarded.

Condition:

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 Unorganized Territories 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.

Context:

The cash accounts of the Unorganized Territories 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 Unorganized Territories. As part of the audit, excel spreadsheets were provided as backup documentation in relation to carried restricted reserves fund balance accounts as well as carried assigned fund balance accounts. These excel spreadsheets were designed to show revenues being received and expenditures for goods and services being applied to these accounts. It would appear that this carried balance documentation was not reconciled to the general ledger. Though the beginning balances for these accounts were included in the general ledger in relation to the prior fiscal year, the current fiscal year account activity needed to be adjusted to the correct accounts.

As part of the audit, excel spreadsheets as well as bank payment history reports were provided as backup documentation in relation to the outstanding loans receivable of the TIF fund. These excel spreadsheets and bank payment history reports were designed to show the original amounts of each outstanding loan, any additional advances received for each outstanding loan and the payment dates and principal and interest allocations for each outstanding loan payment made during the fiscal year. It would appear that this outstanding loan documentation was not reconciled to the general ledger. Though a beginning balance for these outstanding loans was included on the general ledger in relation to the prior fiscal year, the current fiscal year principal amounts received on these loans were recorded as revenues rather than being recorded as a reduction of the outstanding loan balances.

The majority of the non-cash asset and liability accounts included on the general ledger of the Unorganized Territories 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 38 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 backup 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 \$1,168,427. Though not all of these adjustments related to items which would have been found had documented reconciliations or reviews 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 Unorganized Territories during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Unorganized Territories specific objectives are being achieved or that its' assets are being safeguarded.



**County of Washington, Maine - Unorganized Territories**  
**Schedule of Findings and Questioned Costs (continued)**  
June 30, 2020

**2020-01 - Non-Cash Account Reconciliations and Reviews (continued)**

Cause:

The finance office of the County of Washington, Maine performs the accounting function for the Unorganized Territories as they process and record all of the revenues and expenditures of the Unorganized Territories within the general ledger. The reason for this condition would appear to be a lack of available time and available resources within the accounting function of the Unorganized Territories. 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, neither the finance office of the County of Washington, Maine or the Unorganized Territories have an accounting policies and procedures manual outlining specific procedures to be followed in order to accurately complete and document these reconciliations and reviews.

Recommendation:

We recommend that the Unorganized Territories 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 finance office of the County of Washington, Maine 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 by the finance office of the County of Washington, Maine and has been applied and is being followed in relation to the accounts and activity of the Unorganized Territories, management believes that this material weakness will be eliminated.

**County of Washington, Maine - Unorganized Territories**  
**Schedule of Findings and Questioned Costs (continued)**  
June 30, 2020

**2020-02 - Cash Account Reconciliations and Reviews**

Criteria:

The management of the Unorganized Territories 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 Unorganized Territories are being safeguarded.

Condition and context:

The Unorganized Territories has two 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 Unorganized Territories 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.

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 Unorganized Territories 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 Unorganized Territories specific objectives are being achieved or that its' specific assets are being safeguarded. The finance office of the County of Washington, Maine performs the accounting function for the Unorganized Territories as they process and record all of the revenues and expenditures of the Unorganized Territories within the general ledger. 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 - Unorganized Territories  
Schedule of Findings and Questioned Costs (continued)  
June 30, 2020

2020-03 - Cash Disbursements

Criteria:

The management of the Unorganized Territories 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 Unorganized Territories 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 Unorganized Territories 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 Unorganized Territories 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 Unorganized Territories 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 Unorganized Territories without an appropriate approving signature or initials on the invoice approving the expenditure. The Unorganized Territories 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 - Unorganized Territories**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2020**

**2020-04 - Controls Relating to Expenditures over Appropriations**

Criteria:

The management of the Unorganized Territories 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 Unorganized Territories are being safeguarded.

Condition:

In accordance with the applicable State of Maine statutes, the Supervisor of the Unorganized Territories prepares an annual operating budget for the general fund which is submitted to the County Commissioners for approval which is then ultimately submitted to the Maine State Legislature for approval. The finance office of the County of Washington, Maine performs the accounting function for the Unorganized Territories as they process and record all of the revenues and expenditures of the Unorganized Territories within the general ledger. The accounting system utilized by the County allows the approved revenue and expenditure amounts to be entered into the budgetary portion of the accounting module 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, there did not appear to be an adequate system of controls in place to ensure that individual budgetary expenditure line items were not over expended as 8 of the 18 approved individual line items were over expended by a total of (\$35,010). We do consider this condition to represent a significant deficiency in internal control over financial reporting during the current fiscal year.

Context:

The Unorganized Territories does utilize an expenditure approval cover sheet which does include approving initials or signatures in addition to the statement, "This voucher has been examined and certified that the amount indicated constitutes a legal expenditure and the amount charged to this account, together with previous charges, does not exceed the total of the item in the July 1, 2019 - June 30, 2020 budget". Though the expenditure approval cover sheet does include a statement that in effect budgetary line items will not be exceeded, approved individual line items were over expended during the current fiscal year as described above. This type of internal control system is used to provide reasonable assurance that the assets of the Unorganized Territories are being safeguarded and that only expenditures which fall within the amounts approved as described above are being incurred.

Effect:

Without an adequate system of controls in place to prevent the over expenditure of budgeted line items, there can be no reasonable assurance present that the Unorganized Territories specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

We were unable to determine the cause for the current fiscal year over expenditures mentioned above.

Recommendation:

We recommend that the Unorganized Territories more closely monitor the budget to actual amounts during the fiscal year to ensure that actual expenditures do not exceed the amounts included in the annual approved budget and that the budgetary statement included on the expenditure cover sheet does not contradict the actual budget to actual results of individual budgetary expenditure line items.

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 on more closely monitoring the budget during the upcoming fiscal year.

**County of Washington, Maine - Unorganized Territories**  
**Schedule of Findings and Questioned Costs (continued)**  
**June 30, 2020**

**2020-05 - Accounting Policies and Procedures Manual**

Criteria:

The management of the Unorganized Territories 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 Unorganized Territories are being safeguarded.

Condition:

The Unorganized Territories 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:

The finance office of the County of Washington, Maine performs the accounting function for the Unorganized Territories as they process and record all of the revenues and expenditures of the Unorganized Territories within the general ledger. The County does not currently have an accurate and in-depth accounting policies and procedures manual which would document the policies and procedures which they following in performing the accounting function for the Unorganized Territories. 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 Unorganized Territories. 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 and cause:

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

The reason for this condition would appear to be a lack of available time and available resources within the accounting function of the County as it relates to creating such an accounting policies and procedures manual which would be applicable to the activities of the Unorganized Territories.

Recommendation:

The Supervisor of the Unorganized Territories and the County Commissioners should be involved with the development of a written policies and procedures manual that addresses the financial operations of the Unorganized Territories and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Unorganized Territories. This manual, drafted by the finance office of the County, should address the general accounting functions and the overall financial policies of the Unorganized Territories as well as any other specific area (s) as so requested by the County Commissioners or other members of management. The final draft should be presented to the County Commissioners for approval. The finance office of the County 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.

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 that would be applicable to the activities of the Unorganized Territories, as time allows. Once an adequate manual has been developed, implemented and is being followed, management believes that this significant deficiency will be eliminated.





