

**County of Aroostook, Maine**

**Independent Auditors' Reports  
and  
Management's Financial Statements**

**December 31, 2016**

**Ron L. Beaulieu & Company**

**CERTIFIED PUBLIC ACCOUNTANTS**

COUNTY OF AROOSTOOK, MAINE

DECEMBER 31, 2016

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# Ron L. Beaulieu & Company

## CERTIFIED PUBLIC ACCOUNTANTS

[www.rlbco.com](http://www.rlbco.com)  
[accting@rlbco.com](mailto:accting@rlbco.com)

41 Bates Street  
Portland, Maine 04103

Tel: (207) 775-1717  
Fax: (207) 775-7103

### INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of  
County of Aroostook, Maine  
Caribou, ME

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Aroostook, Maine, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County of Aroostook, Maine's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, 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 control 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 control. 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Aroostook, Maine, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance 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 on pages 3.1 through 3.5, pension schedules on pages 30 and 31, schedule of funding progress on page 32, and budgetary comparison information on pages 29 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of the County of Aroostook, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Aroostook, Maine's internal control over financial reporting and compliance.

*Ron L. Beaulieu & Co.*

Portland, Maine  
January 12, 2018

County of Aroostook, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2016

UNAUDITED

The following narrative is an overview of the County of Aroostook's financial performance designed to assist the reader in focusing on significant financial issues. This discussion and analysis should be read in conjunction with the attached financial statements together with the related notes.

**USING THIS ANNUAL REPORT**

In accordance with generally accepted accounting principles, the basic financial statements are presented in two formats. Each format presents information by a different measurement focus. The first of these formats is called the government-wide statements which presents the County of Aroostook as a whole and presents a longer-term view of the County's finances. The second format uses fund accounting and the focus is on current resources available for current obligations.

Reporting the County as a Whole

The government-wide statements are designed to present the County as a whole similar to the way a business presents financial statements. The Statement of Net Position (Statement A) combines the assets and liabilities as presented in the governmental funds with the County's capital assets and long-term obligations. In the Statement of Activities (Statement B) the focus is on both the gross and net cost of the various activities (or departments) which are funded by various general revenues including tax assessment and intergovernmental revenues. Revenues are recognized when earned regardless of when they are collected and expenses are recognized when the liability becomes due. Since capital asset purchases are not considered an expense under this measurement focus, annual charges for depreciation are recognized to indicate the use of these assets over time.

Fund Financial Statements

In the preparation of these statements, fund accounting is used which is described more fully in the notes to the financial statements. The focus under GASB 34 is on "major funds" which presents a separate column for only the most significant funds of the County. These statements (Statements B, C, & D) present the County's financial position and results of operations using a shorter-term view and show how money flows into and out of funds and the balances left at year-end that are available for spending. These funds report using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The County also has custody and maintains funds for the operation of the county jail for the State of Maine Department of Corrections. These funds are included in the Statement of Net Position and Activities discussed above.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

County of Aroostook, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2016

UNAUDITED

Table 1  
Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$3,205,744	\$2,110,708
Capital assets, net	<u>3,566,879</u>	<u>1,346,499</u>
Total assets	6,772,623	3,457,207
Deferred outflows of resources	2,183,726	1,172,638
Current liabilities	174,338	191,670
Noncurrent liabilities	<u>5,374,978</u>	<u>3,335,466</u>
Total liabilities	5,549,316	3,527,136
Deferred inflows of resources	850,745	1,190,515
Net position		
Net investment in capital assets	3,566,879	1,346,499
Restricted	990,050	50,203
Unrestricted	<u>(2,000,641)</u>	<u>(1,484,508)</u>
Total net position (deficit)	<u>2,556,288</u>	<u>(87,806)</u>

County of Aroostook, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2016

**Table 2**  
**Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,242,137	\$1,363,139
Operating grants	<u>205,719</u>	<u>508,712</u>
	1,447,856	1,871,851
General revenues:		
Municipal tax	5,937,094	3,170,294
State of Maine appropriation	1,233,699	—
Excise Tax	346,336	—
Intergovernmental revenue	1,476,259	—
Investment income	16,039	5,217
Other revenue	<u>14,401</u>	<u>121,246</u>
	9,023,828	3,296,757
Total Revenues	<u>10,471,684</u>	<u>5,168,608</u>
<b>Expenses:</b>		
Program expenses:		
Emergency management	827,728	460,721
Roads	110,568	—
Administration	879,324	828,358
Public safety	90,545	206,632
Ambulance	52,243	—
Public works	104,591	—
Snow Removal	374,347	—
Solid waste disposal	119,817	—
Operation of courts	861,134	897,849
Registry operations	698,488	632,140
Drug and law enforcement	1,815,273	1,988,182
Fire Marshal	8,365	9,460
Fire Protection	151,220	—
Other	53,869	—
Outside requests	394,081	242,737
Capital outlays	90,564	119,018
County jail	3,253,151	—
Grant expenditures	278,343	—
Unallocated depreciation	296,226	135,965
Other	<u>—</u>	<u>64,012</u>
Total Expenses	10,459,877	5,585,074

County of Aroostook, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2016

UNAUDITED

**Table 2**  
**Change in Net Position**  
**Cont'd**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Increase in net position	\$ 11,806	\$ (416,466)
Net position – January 1 – original	(90,488)	
Prior period adjustment	<u>2,634,970</u>	
Net position – January 1 –revised	<u>2,556,288</u>	

County of Aroostook, Maine

Management's Discussion and Analysis  
For the Year Ended December 31, 2016

UNAUDITED

In the current fiscal year it was determined that the County of Aroostook, Maine's financial statements should include all operating departments and special revenue funds of the County, including the Jail department and the Unorganized Territory Fund. Recording of the Jail department and the U.T. Fund on the County's financial statements for December 31, 2016, resulted in an increase in beginning Fund Balance of \$33,542 and \$985,359, respectively.

During the year ending December 31, 2016, the total net position increased from \$11,806 to \$2,556,288 at year end, resulting from a prior period adjustment to record a liability for Other Post-Employment Benefits at December 31, 2015. The current recording of this January 1, 2016, liability resulted in an increase in liability of \$247,524 and a corresponding decrease in Net Position.

In the current fiscal year it was discovered that the County was not including the Unorganized Territory net capital assets in its entity-wide statements. The current recording of these U.T. capital assets resulted in an increase in net position by \$1,694,449.

Pension payments made between July 1, 2015 and December 31, 2015, were not recorded as deferred outflows of resources. The current recording of the January 1, 2016 asset resulted in an increase in assets by \$169,144 and a corresponding increase in Net Position.

Additionally, a correction was made to Accrued Payroll. This increased the beginning Accrued Payroll by \$35,544 and decreased beginning Fund Balance by \$35,544.

The net investment in capital assets increased by \$525,931 to \$3,566,879, restricted net position increased by \$50,203 to \$990,050, and unrestricted net position increased by \$516,133 to \$2,000,641.

**CAPITAL ASSET ACTIVITY**

Capital assets, net of depreciation totaled \$3,566,879 as of December 31, 2016, representing a \$2,220,380 increase from the prior year end. This increase is mainly due to Superior Court Building roof replacement, new building improvements for the EMA building expansion, County Jail parking lot paving, U.T. Capital Reserve Infrastructure and the additions of vehicles offset by depreciation of assets. For more detail, please refer to Note 4 to the financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The County took in \$\$36,847 more than anticipated in revenues, primarily due to County Jail revenues, which were included in intergovernmental revenues and the reduction of revenues collected by The Registry of Deeds and Probate. The County also spent \$924,781 less than anticipated, which was primarily in operation of courts, County Jail, Outside requests and capital outlays. This resulted in a net favorable budget variance of approximately \$838,536. For the budgetary comparison, please refer to Schedule A.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is the County Administrator, County of Aroostook, 144 Sweden Street, Suite 1, Caribou, ME 04736.

**COUNTY OF AROOSTOOK, MAINE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**STATEMENT A**

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,973,266
Taxes receivable	-
Accounts receivable	232,478
Total current assets	3,205,744
Noncurrent assets:	
Capital assets (net)	3,566,879
Total noncurrent assets	3,566,879
<b>TOTAL ASSETS</b>	<b>6,772,623</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	2,183,726
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,183,726</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	93,982
Accrued payroll	85,466
Deferred revenues	728
Accrued expenses	(5,838)
Total current liabilities	174,338
Noncurrent liabilities:	
Accrued compensated absences	192,653
Net pension liability	3,883,985
Other post-employment benefits	1,298,340
Total noncurrent liabilities	5,374,978
<b>TOTAL LIABILITIES</b>	<b>5,549,316</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	850,745
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>850,745</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,566,879
Restricted	990,050
Unrestricted	(2,000,641)
<b>TOTAL NET POSITION</b>	<b>\$ 2,556,288</b>

See accompanying independent auditors' report and management's notes to the financial statements.

**COUNTY OF AROOSTOOK, MAINE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental activities:					
Emergency management	\$ 827,728	\$ 145,965	\$ -	\$ -	\$ (681,763)
Roads	110,568	-	-	-	(110,568)
Administration	879,324	93,012	-	-	(786,312)
Public safety	90,545	51,829	-	-	(38,716)
Ambulance service	52,243	-	-	-	(52,243)
Public works	104,591	-	-	-	(104,591)
Snow removal	374,347	-	-	-	(374,347)
Solid waste disposal	119,817	-	-	-	(119,817)
Operation of courts	861,134	149,321	-	-	(711,813)
Registry operations	698,488	747,422	-	-	48,934
Drug and law enforcement	1,815,273	15,165	617,381	-	(1,182,727)
Fire marshal	8,365	-	-	-	(8,365)
Fire protection	151,220	-	-	-	(151,220)
Other	53,869	-	-	-	(53,869)
Outside requests	394,081	-	-	-	(394,081)
Capital outlays	90,564	-	-	-	(90,564)
County jail	3,253,151	39,423	990,692	-	(2,223,036)
Grant expenditures	278,343	-	-	-	(278,343)
Unallocated depreciation	296,226	-	-	-	(296,226)
<b>Total</b>	<b>\$ 10,459,877</b>	<b>\$ 1,242,137</b>	<b>\$ 1,608,073</b>	<b>\$ -</b>	<b>(7,609,667)</b>

## General revenues:

Municipal tax return	5,937,094
State of Maine appropriation	1,233,699
Excise tax	346,336
Intergovernmental revenue	73,904
Interest	16,039
Other revenue	14,401
<b>Total general revenues</b>	<b>7,621,473</b>
Change in net position	11,806
Net position - January 1 - original	(90,488)
Prior period adjustment	2,634,970
Net position - January 1 - revised	2,544,482
Net position - December 31	<b>\$ 2,556,288</b>

See accompanying independent auditors' report and management's notes to the financial statements.

**COUNTY OF AROOSTOOK, MAINE**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	Major	Major	
	General	Unorganized Territory	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,983,020	\$ 990,246	\$ 2,973,266
Accounts receivable	232,479	-	232,479
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,215,499</b>	<b>990,246</b>	<b>\$ 3,205,745</b>
<b>LIABILITIES</b>			
Accounts payable	93,787	196	93,983
Accrued payroll	85,466	-	85,466
Due to other funds	-	-	-
Deferred revenues	728	-	728
Accrued expenses	(5,838)	-	(5,838)
<b>TOTAL LIABILITIES</b>	<b>174,143</b>	<b>196</b>	<b>174,339</b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	990,050	990,050
Committed	-	-	-
Assigned	1,011,325	-	1,011,325
Unassigned	1,030,031	-	1,030,031
<b>TOTAL FUND BALANCES</b>	<b>2,041,356</b>	<b>990,050</b>	<b>3,031,406</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,215,499</b>	<b>\$ 990,246</b>	<b>\$ 3,205,745</b>

See accompanying independent auditors' report and management's notes to the financial statements.

COUNTY OF AROOSTOOK, MAINE  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016

Fund balances - total governmental funds	\$ 3,031,406
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets	3,566,879
Deferred outflows related to pensions	2,183,726
Deferred inflows related to pensions	(850,745)
Accrued compensated absences	(192,653)
Net pension liability	(3,883,985)
Other post-employment benefits	<u>(1,298,340)</u>
Net position of governmental activities	<u>\$ 2,556,288</u>

See accompanying independent auditors' report and management's notes to the financial statements.

**COUNTY OF AROOSTOOK, MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Major	Major	Total
	General	Unorganized Territory	
<b>REVENUES</b>			
Municipal tax return	\$ 5,937,094	\$ -	\$ 5,937,094
State of Maine appropriation	-	1,233,699	1,233,699
Excise tax	-	346,336	346,336
Charges for services	494,715	-	494,715
Federal and state assistance	205,719	-	205,719
Registry of deeds and probate	747,422	-	747,422
Intergovernmental revenue	1,402,355	73,904	1,476,259
Interest	7,370	8,669	16,039
Other revenue	300	15,989	16,289
<b>TOTAL REVENUES</b>	<b>8,794,975</b>	<b>1,678,597</b>	<b>10,473,572</b>
<b>EXPENDITURES</b>			
Emergency management	180,529	-	180,529
Roads	-	110,568	110,568
Administration	796,899	101,214	898,113
Public safety	25,565	64,979	90,544
Ambulance service	-	52,243	52,243
Public works	-	104,591	104,591
Snow removal	-	374,347	374,347
Solid waste disposal	-	119,817	119,817
Operation of courts	861,134	-	861,134
Registry operations	698,488	-	698,488
Drug and law enforcement	1,833,409	-	1,833,409
Fire marshal	8,365	-	8,365
Fire protection	-	151,220	151,220
Other	-	53,869	53,869
Outside requests	394,081	-	394,081
Capital outlays	373,553	541,058	914,611
County jail	3,253,151	-	3,253,151
Grant expenditures	278,343	-	278,343
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,703,517</b>	<b>\$ 1,673,906</b>	<b>\$ 10,377,423</b>

See accompanying independent auditors' report and management's notes to the financial statements.

## STATEMENT E (CONTINUED)

**COUNTY OF AROOSTOOK, MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Major	Major	
	General	Unorganized Territory	Total
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ 91,458	\$ 4,691	\$ 96,149
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	91,458	4,691	96,149
FUND BALANCE - JANUARY 1 - ORIGINAL	1,951,900	-	1,951,900
PRIOR PERIOD ADJUSTMENT	(2,002)	985,359	983,357
FUND BALANCE - JANUARY 1 - REVISED	1,949,898	985,359	2,935,257
FUND BALANCE - DECEMBER 31	\$ 2,041,356	\$ 990,050	\$ 3,031,406

See accompanying independent auditors' report and management's notes to the financial statements.

**COUNTY OF AROOSTOOK, MAINE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds	\$	96,149
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
This is the amount of capital outlays.		824,047
This is the amount of capital deletions.		(1,890)
This is the amount of depreciation expense.		(296,226)
Changes in net pension liability and related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(379,861)
Changes in OPEB do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(248,550)
Expenses for accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		18,137
Change in net position of governmental activities.	\$	<u>11,806</u>

See accompanying independent auditors' report and management's notes to the financial statements.

**COUNTY OF AROOSTOOK, MAINE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

	Agency Funds	Total
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 30,289	\$ 30,289
Investments	-	-
<b>TOTAL ASSETS</b>	<u>30,289</u>	<u>30,289</u>
<b>LIABILITIES</b>		
Due to specific individuals	(30,289)	(30,289)
<b>TOTAL LIABILITIES</b>	<u>\$ (30,289)</u>	<u>\$ (30,289)</u>

See accompanying independent auditors' report and management's notes to the financial statements.

**COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Aroostook, Maine (the County), was incorporated as a County in 1839. The County operates under the authority of a County Charter and State of Maine law. Under this form of a government, the County Commissioners set the policy for the organization and the County Administrator is in charge of implementing that policy.

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. REPORTING ENTITY**

These financial statements present the County (the primary government) and its component units, if any. As defined by GASB No. 14, component units are legally separate entities that are included in the County's reporting entity because of the significance of the operating or financial relationships with the County.

**B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, certain intergovernmental revenues, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net cost (by function or business-type activity) are normally covered by general revenue (property, intergovernmental revenues, interest income, etc).

The County does not allocate indirect costs.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**1. Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The County reports these major governmental funds and fund types:

- a. The general fund is the County's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.
- b. The Unorganized Territory fund is a special revenue fund that accounts for the municipal services provided to the unorganized territories within the County.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

**2. Fiduciary Funds:**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

**COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The County fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual:**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

**2. Modified accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. FINANCIAL STATEMENTS ACCOUNTS**

**1. Cash:**

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

**2. Inventories:**

Inventories in the general fund consist of expendable supplies held for the County's use and are carried at cost using the first-in, first-out method.

**3. Receivables:**

All receivables are reported net of estimated uncollectible amounts.

**4. Capital assets:**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The County reports all major general infrastructure assets constructed or acquired in fiscal years ending after June 30, 1980, or that received major renovations, restorations, or improvements during that period. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	7-40 years
Machinery and Equipment	5-20 years
Vehicles	5-15 years
Infrastructure	40 years

**5. Deferred Outflows of Resources:**

The County reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources reported in this year's financial statements include (1) Deferred outflows related to pensions. No deferred outflows of resources affect the governmental funds financial statements in the current year.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6. Deferred Inflows of Resources:**

The County reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred inflows of resources reported in this year's financial statements include (1) Deferred inflows related to pensions. Deferred inflows of resources that affect the governmental funds financial statements in the current year include (1) Deferred revenues.

**7. Property Tax Calendar and Revenues:**

Taxes from Cities and Towns are committed on or around March 1<sup>st</sup> of each year. Taxes are due on or near September 1<sup>st</sup>. If the taxes are not paid by the City or Town on or before the due date, they will be charged interest of 7% A.P.R. beginning November 1<sup>st</sup>.

**8. Compensated Absences:**

The County accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

**9. Government-wide and Proprietary Fund Net Position:**

Government-wide and proprietary fund net positions are divided into three components:

- Net investments in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (though restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the County's parks endowment less related liabilities and deferred inflows of resources).
- Unrestricted – all other net position is reported in this category.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**10. Governmental Fund Balances:**

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of the County Charter, the County Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action by vote of the County Commissioners.
- **Assigned** – Amounts that are designated by the County Administrator for a particular purpose.
- **Unassigned** – All amounts not included in other spendable classifications.

**11. Use of Restricted Resources:**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the County's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the County's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

**12. Interfund Activity:**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 2 - CASH AND INVESTMENTS**

The total amount of the County's cash consists of the following at December 31, 2016:

Cash	\$ 2,973,266
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The total amount of the County's deposits in financial institutions, per the bank statements, at December 31, 2016 was \$425,720 of which \$250,000 was covered by federal depository insurance. The remaining deposits of \$175,720 were collateralized by a bank.

**NOTE 3 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The allowance for uncollectible accounts receivable at December 31, 2016 is estimated to be:

General Fund	\$ -
Governmental Activities	<u>\$ -</u>

The allowance for uncollectible accounts due from other governments at December 31, 2016 is estimated to be:

General Fund	\$ -
Governmental Activities	<u>\$ -</u>

**COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in capital assets:

**GOVERNMENTAL ACTIVITIES**

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16
Capital assets (non-depreciable):				
Land	\$ 93,300	\$ -	\$ -	\$ 93,300
Total capital assets (non-depreciable)	<u>93,300</u>	<u>-</u>	<u>-</u>	<u>93,300</u>
Capital assets (depreciable):				
Buildings & Improvements	13,365,977	220,673	-	13,586,650
Vehicles	1,066,449	98,325	(103,559)	1,061,215
Equipment	1,782,306	26,787	-	1,809,093
Land Improvements	262,710	27,143	-	289,853
Infrastructure	1,433,628	451,119	-	1,884,747
Total capital assets (depreciable)	<u>17,911,070</u>	<u>824,047</u>	<u>(103,559)</u>	<u>18,631,558</u>
Less accum. depreciation for:				
Buildings & Improvements	(12,448,386)	(60,840)	-	(12,509,226)
Vehicles	(773,152)	(95,759)	101,669	(767,242)
Equipment	(1,368,086)	(84,438)	-	(1,452,524)
Land Improvements	(131,388)	(13,207)	-	(144,594)
Infrastructure	(242,411)	(41,983)	-	(284,394)
Total accum. depreciation	<u>(14,963,422)</u>	<u>(296,226)</u>	<u>101,669</u>	<u>(15,157,980)</u>
Net capital assets	<u>\$ 3,040,948</u>	<u>\$ 527,821</u>	<u>\$ (1,890)</u>	<u>\$ 3,566,879</u>

Depreciation was charged to governmental functions as follows:

Unallocated	<u>\$ 296,226</u>
Total	<u>\$ 296,226</u>

**COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 5 - SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the fiscal year ended December 31, 2016, is as follows:

Type	Purpose	Rate	Due Date	Balance at 01/01/16	Issued	Retired	Balance at 12/31/16
TAN	Cash flow	0.00%	12/31/2016	\$ -	\$ -	\$ -	\$ -
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 6 - ACCRUED COMPENSATED ABSENCES**

Summarized below are the accrued vacation and sick leave liabilities at December 31, 2016:

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16	Current Portion
Accrued compensated absences	\$ 210,789	\$ -	\$ (18,136)	\$ 192,653	\$ -
Totals	<u>\$ 210,789</u>	<u>\$ -</u>	<u>\$ (18,136)</u>	<u>\$ 192,653</u>	<u>\$ -</u>

**COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 7 - COMPONENTS OF FUND BALANCE**

At December 31, 2016, the components of fund balances consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund				
Capital Balance Carry forward from FY16	\$ -	\$ -	\$ -	\$ 505,114
Registry of Deeds Reserve	-	-	-	148,447
Registry of Probate Reserve	-	-	-	11,950
Contingency	-	-	-	60,532
Welcome to Aroostook Signs	-	-	-	1,841
Part-time Officers	-	-	-	-
Sheriff's Equipment	-	-	-	-
Unemployment	-	-	-	3,000
Radion Maintenance - Law Enforcement	-	-	-	10,000
Equipment Maintenance - Houlton Building	-	-	-	1,300
EMAWellness Grants	-	-	-	18,819
Compensation study	-	-	-	-
Sick and Vacation Fund	-	-	-	30,064
Retiree / Administrator Medical	-	-	-	25,000
Contingency	-	-	-	39,468
Technology Upgrade	-	-	-	25,000
Applied to 2017 Budget	-	-	-	130,314
Capital cleanup	-	-	-	476
Unorganized Territory	-	990,050	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 990,050</b>	<b>\$ -</b>	<b>\$ 1,011,325</b>

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 8 - EMPLOYEE BENEFIT PLANS**

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

A. Plan Description

County employees contribute to the Maine Public Employees Retirement System (MEPERS), a cost-sharing multiple-employer contributory defined benefit public employee pension plan (The Plan) that acts as a common investment and administrator for its participants.

The MEPERS provides retirement, annual cost-of-living adjustments, and death and disability benefits to members and beneficiaries. These benefit provisions and all other requirements are established by state statute. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine, 04333-0046.

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the state statute. This year, members contributed 7.5% of gross earnings. The County is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by the statute.

The Plan's fiduciary net position uses the same basis as the plan. The Plan uses the accrual basis of accounting, and benefits and refunds are recognized when due and payable. Plan investments are measured at fair value.

Net Pension Liability assumptions:

- 1) Investment rate of return 6.875%
- 2) Price inflation 2.75%
- 3) Salary increases 2.75% - 9.0%
- 4) Mortality source was the RP-2014 mortality table
- 5) Experience studies were from 2012-2015

**COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8 - EMPLOYEE BENEFIT PLANS (CONTINUED)**

Discount rate assumptions:

- 1) Rate equals investment rate of return
- 2) Projected cash flows assume required contributions
- 3) Long-term expected rate of return equals investment rate of return and is applied to all periods
- 4) Asset allocation is as follows: 30% domestic equity, 20% international equity, 25% fixed income, and 25% real assets

Net Pension Liability Sensitivity:

- 1) Discount rate 1% higher: \$1,471,266
- 2) Discount rate 1% lower: \$6,446,715

The proportion of total liability was determined by taking the County's actual contributions divided by the Plan's actual contributions. The proportion increased by 0.003% from the prior measurement date of June 30, 2015 to the current measurement date of June 30, 2016. The actuarial valuation date is June 30, 2016.

Pension expense recognized during December 31, 2016 was \$741,663.

The following is the composition of deferred outflows related to pension:

Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Contributions to Plan Subsequent to Measurement	Total Deferred Outflows Related to Pension
\$47,083	\$1,435,260	\$416,373	\$97,077	\$187,933	\$2,183,726
Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows Related to Pension	
(\$249,814)	(\$597,336)	\$-	(\$3,595)	(\$850,745)	

COUNTY OF AROOSTOOK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

**NOTE 8 - EMPLOYEE BENEFIT PLANS (CONTINUED)**

The following is a 5 year schedule of changes in Deferred Outflows and Deferred Inflows related to pensions:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Deferred Outflows and (Inflows)	\$266,462	\$173,217	\$481,519	\$223,852	\$-

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

The County, in accordance with its current health insurance company agreement, provides optional health and other benefits to eligible retirees. Benefit provisions for contractual employees are established and amended through negotiations between the County Commissioners and the respective unions. For all other employees, benefit provisions are established and amended by the County Commissioners.

Funding policy – The County currently funds claims and administrative costs for postemployment benefits through its health insurance company or through current year expenditures.

Active members	78
Retirees	<u>2</u>
Total	80

**Annual OPEB Cost and Net OPEB Obligations**

The County of Aroostook’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation (asset):

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

	2016
Annual required contribution (ARC)	\$ 276,997
Interest on net OPEB obligation	41,992
Adjustment to annual required contribution	(60,709)
Annual OPEB cost	258,280
Contributions made	(9,730)
Increase in net OPEB obligation	248,550
Net OPEB obligation, beginning of year	1,049,790
 Net OPEB obligation, end of year	 \$ 1,298,340

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended December 31, 2012 through 2016 is presented below:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Employer Contributions	Percentage Of AOC Contributed	Net OPEB Obligation
12/31/12	186,474	-	0.0%	376,334
12/31/13	183,150	5,018	2.7%	554,466
12/31/14	267,111	19,311	7.2%	802,266
12/31/15	236,769	15,169	6.4%	1,049,790
12/31/16	233,916	9,730	4.2%	1,298,340

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

An annual healthcare cost blended trend rate of 8.9% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.6% for 2029 and later. The remaining amortization period at December 31, 2016 was 30 years. As of January 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$2,260,078, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$2,260,078.

The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

These numbers are based on information that was presented on January 1, 2014 for December 31, 2016. The amortization method that was used to calculate the numbers is presented below.

	2016
Discount rate	4.0%
Payroll growth assumption	3.0%
Accrued liability	\$2,260,078
Value of assets	-
Unfunded liability	2,260,078
Normal cost	140,669
Amortization of unfunded	125,674
Interest	10,654
Annual required contribution	\$276,997

**COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 10 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County, along with numerous other municipalities in the State, is a member of three public entity risk pools in the State currently operating as a common risk management and insurance program for which all political subdivisions in the State of Maine are eligible to participate. The pools provide coverage for worker's compensation, unemployment and property liability insurance. As a member of the pools, the County shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. There were no deductible claims for the fiscal year.

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

The County participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2016 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE 12 - PRIOR PERIOD ADJUSTMENT**

Statement of Activities

In the current fiscal year it was determined that the County of Aroostook, Maine's financial statements should include all operating departments of the County, including the Jail department. Recording of the Jail department on the County's financial statements for December 31, 2016 resulted in an increase in beginning net position of \$33,542.

In the current fiscal year it was determined that the County of Aroostook, Maine's financial statements should include all special revenue funds of the County, including the Unorganized Territory Fund. Recording of the U.T. fund on the County's financial statements for December 31, 2016 resulted in an increase in beginning net position of \$985,359.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 12 - PRIOR PERIOD ADJUSTMENT (CONTINUED)**

In the current fiscal year it was discovered that the County was not including the Unorganized Territory net capital assets in its entity-wide statements. The current recording of these U.T. capital assets resulted in an increase in net position by \$1,694,449.

In the current fiscal year, it was discovered that there should have been a recorded liability for Other Post Employment Benefits at December 31, 2015. The current recording of this January 1, 2016, liability resulted in an increase in liability of \$247,524 and a corresponding decrease in Net Position.

Additionally, in the current fiscal year, it was discovered that Pension payments made between July 1, 2015 and December 31, 2015, were not recorded as deferred outflows of resources. The current recording of the January 1, 2016 asset resulted in an increase in assets by \$169,144 and a corresponding increase in Net Position.

Statement of Revenues, Expenditures, and Changes in Fund Balances

In the current fiscal year it was determined that the County of Aroostook, Maine's financial statements should include all operating departments of the County, including the Jail department. Recording of the Jail department on the County's financial statements for December 31, 2016 resulted in an increase in beginning Fund Balance of \$33,542.

In the current fiscal year it was determined that the County of Aroostook, Maine's financial statements should include all special revenue funds of the County, including the Unorganized Territory fund. Recording of the U.T. fund on the County's financial statements for December 31, 2016 resulted in an increase in beginning Fund Balance of \$985,359.

A correction was made to Accrued Payroll. This increased the beginning Accrued Payroll by \$35,544 and decreased beginning Fund Balance by \$35,544.

**NOTE 13 - MANAGEMENT REVIEW**

Management has reviewed subsequent events as of January 12, 2018, the date the financial statements were available to be issued. At that time, there were no material subsequent events.

**COUNTY OF AROOSTOOK, MAINE**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Municipal tax return	\$ 5,895,655	\$ 5,895,655	\$ 5,937,094	\$ 41,439
Charges for services	466,068	466,068	494,715	28,647
Federal and state assistance	-	-	-	-
Registry of deeds and probate	874,150	874,150	747,422	(126,728)
Intergovernmental revenue	1,311,236	1,311,236	1,402,355	91,119
Interest	5,000	5,000	7,370	2,370
Other revenue	300	300	300	-
<b>TOTAL REVENUES</b>	<b>8,552,409</b>	<b>8,552,409</b>	<b>8,589,256</b>	<b>36,847</b>
<b>EXPENDITURES</b>				
Current:				
Emergency management	169,055	169,055	180,529	(11,474)
Administration	767,353	774,407	796,899	(22,492)
Public safety	29,793	29,793	25,565	4,228
Operation of courts	970,253	970,253	861,134	109,119
Registry operations	721,101	731,101	698,488	32,613
Drug and law enforcement	1,749,246	1,763,246	1,833,409	(70,163)
Fire marshal	8,748	8,748	8,365	383
Outside requests	393,647	493,647	394,081	99,566
County jail	3,382,902	3,382,902	3,253,151	129,751
Capital outlays	391,855	1,026,803	373,553	653,250
<b>TOTAL EXPENDITURES</b>	<b>8,583,953</b>	<b>9,349,955</b>	<b>8,425,174</b>	<b>924,781</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES BEFORE OTHER</b>				
<b>FINANCING SOURCES (USES)</b>	<b>(31,544)</b>	<b>(797,546)</b>	<b>164,082</b>	<b>961,628</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Utilization of unassigned fund balance	123,092	123,092	-	(123,092)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>123,092</b>	<b>123,092</b>	<b>-</b>	<b>(123,092)</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AFTER OTHER</b>				
<b>FINANCING SOURCES (USES)</b>	<b>\$ 91,548</b>	<b>\$ (674,454)</b>	<b>\$ 164,082</b>	<b>\$ 838,536</b>

See accompanying independent auditors' report and management's notes to required supplementary information.

**COUNTY OF AROOSTOOK, MAINE  
SCHEDULE OF PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
YEAR ENDED DECEMBER 31, 2016**

	2016	2015	2014	2013	2012
Proportion of the net pension liability	0.731%	0.728%	*	*	*
Proportionate share of net pension liability	\$ 1,291,252	\$ 2,322,411	*	*	*
Covered-employee payroll	\$ 3,854,101	\$ 3,745,557	*	*	*
Proportionate share of the net pension liability as a percentage of covered-employee payroll	33.5%	62.0%	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.30%	*	*	*
	2011	2010	2009	2008	2007
Proportion of the net pension liability	*	*	*	*	*
Proportionate share of net pension liability	*	*	*	*	*
Covered-employee payroll	*	*	*	*	*
Proportionate share of the net pension liability as a percentage of covered-employee payroll	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	*	*	*	*	*

\* - Information not available.

See accompanying independent auditors' report and management's notes to required supplementary information.

COUNTY OF AROOSTOOK, MAINE  
 SCHEDULE OF CONTRIBUTIONS  
 YEAR ENDED DECEMBER 31, 2016

	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 343,015	\$ 271,693	*	*	*
Contributions in relation to the actuarially determined contribution	(343,015)	(271,693)	*	*	*
Contribution deficiency (excess)	\$ -	\$ -	*	*	*
Covered-employee payroll	\$ 3,854,101	\$ 3,745,557	*	*	*
Contributions as a percentage of covered-employee payroll	8.9%	7.25%	*	*	*

	2011	2010	2009	2008	2007
Actuarially determined contribution	*	*	*	*	*
Contributions in relation to the actuarially determined contribution	*	*	*	*	*
Contribution deficiency (excess)	*	*	*	*	*
Covered-employee payroll	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	*	*	*	*	*

\* - Information not available.

See accompanying independent auditors' report and management's notes to required supplementary information.

COUNTY OF AROOSTOOK, MAINE  
 SCHEDULE OF FUNDING PROGRESS  
 YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
1/1/2009	-	\$ 1,946,129	\$ 1,946,129	0.0%	\$ -	N/A
1/1/2011	-	\$ 1,797,432	\$ 1,797,432	0.0%	\$ -	N/A
1/1/2014	-	\$ 2,260,078	\$ 2,260,078	0.0%	\$ -	N/A

See accompanying independent auditors' report and management's notes to required supplementary information.

COUNTY OF AROOSTOOK, MAINE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General

The County is required to have a budget for the General Fund.

Basis of Accounting

The modified accrual basis of accounting is used in preparing budgets except when non-cash items are involved. In that case, the non-cash items are omitted from the budget.

**NOTE 2 – ACTUAL (BUDGET BASIS) TO GAAP BASIS RECONCILIATION**

Revenues:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 8,589,256
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Differences - budget to GAAP:

Grant revenues are not predictable and are not budgeted as a revenue, but are recorded as revenues for GAAP.	<u>205,719</u>
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 8,794,975</u></u>
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Expenditures:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 8,425,174
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Differences - budget to GAAP:

Expenditures related to grant revenues are not predictable and are not budgeted as expenditures, but are recorded as expenditures for GAAP.	<u>278,343</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 8,703,517</u></u>
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**NOTE 3 – OVERSPENT APPROPRIATIONS**

The following are materially overspent appropriations:

None.