

Audited Financial Statements
and Other Financial Information

County of Franklin, Maine
Unorganized Territory

June 30, 2018



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COUNTY OF FRANKLIN, MAINE – UNORGANIZED TERRITORY

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JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
County of Franklin, Maine - Unorganized Territory
Farmington, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the County of Franklin, Maine - Unorganized Territory, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Unorganized Territory'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 principle 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 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 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 financial statement presentation.

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

The financial statements referred to above do not include a management discussion and analysis, capital assets, depreciation on capital assets, and other disclosures required to be in compliance with Governmental Accounting Standards Boards Statement No. 34. The effect on the financial statements cannot be determined.

Opinions

In our opinion, except for the items mentioned in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the County of Franklin, Maine - Unorganized Territory as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Franklin, Maine - Unorganized Territory's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining financial statements are 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 November 7, 2018 on our consideration of County of Franklin, Maine - Unorganized Territory'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 the 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 County of Franklin, Maine - Unorganized Territory's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
November 7, 2018

STATEMENT A

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

COMBINED BALANCE SHEET - ALL FUND TYPES
JUNE 30, 2018

	Governmental Fund Types		Totals (Memorandum Only)	
	General	TIF	2018	2017
ASSETS				
Cash and cash equivalents	\$ 1,321,155	\$ 2,758,779	\$ 4,079,934	\$ 4,214,299
Due from other governments	36,613	-	36,613	27,287
TOTAL ASSETS	<u>\$ 1,357,768</u>	<u>\$ 2,758,779</u>	<u>\$ 4,116,547</u>	<u>\$ 4,241,586</u>
LIABILITIES				
Accounts payable	\$ 10	\$ -	\$ 10	\$ 1,001
Due to other governments	-	6,173	6,173	7,563
TOTAL LIABILITIES	<u>10</u>	<u>6,173</u>	<u>6,183</u>	<u>8,564</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	2,752,606	2,752,606	2,844,250
Committed	-	-	-	-
Assigned	1,404,588	-	1,404,588	1,285,988
Unassigned	(46,830)	-	(46,830)	102,784
TOTAL FUND BALANCES	<u>1,357,758</u>	<u>2,752,606</u>	<u>4,110,364</u>	<u>4,233,022</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,357,768</u>	<u>\$ 2,758,779</u>	<u>\$ 4,116,547</u>	<u>\$ 4,241,586</u>

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

STATEMENT B

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Fund Type		Total
	General	TIF	
REVENUES			
Property taxes	\$ 905,200	\$ 943,590	\$ 1,848,790
Excise taxes	183,540	-	183,540
Intergovernmental revenues:			
Local road assistance	41,572	-	41,572
Snowmobile reimbursement	166	-	166
Interest revenue	7,917	-	7,917
Miscellaneous revenue	2,520	3,000	5,520
TOTAL REVENUES	<u>1,140,915</u>	<u>946,590</u>	<u>2,087,505</u>
EXPENDITURES			
Current:			
Administration	54,351	-	54,351
Public safety	167,397	-	167,397
Public works	561,173	-	561,173
Solid waste	109,075	-	109,075
TIF expenditures	-	1,038,234	1,038,234
Unclassified	279,933	-	279,933
TOTAL EXPENDITURES	<u>1,171,929</u>	<u>1,038,234</u>	<u>2,210,163</u>
NET CHANGE IN FUND BALANCES	(31,014)	(91,644)	(122,658)
FUND BALANCES - JULY 1	<u>1,388,772</u>	<u>2,844,250</u>	<u>4,233,022</u>
FUND BALANCES - JUNE 30	<u>\$ 1,357,758</u>	<u>\$ 2,752,606</u>	<u>\$ 4,110,364</u>

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

STATEMENT C

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 888,252	\$ 888,252	\$ 905,200	\$ 16,948
Excise taxes	130,000	130,000	183,540	53,540
Intergovernmental revenues:				
Local road assistance	41,140	41,140	41,572	432
Snowmobile reimbursement	150	150	166	16
Interest income	750	750	7,917	7,167
Other revenue	500	500	2,520	2,020
TOTAL REVENUES	1,060,792	1,060,792	1,140,915	80,123
EXPENDITURES				
Current:				
General government	157,777	157,777	54,351	103,426
Public safety	162,216	162,216	167,397	(5,181)
Public works	606,764	606,764	561,173	45,591
Solid waste	127,535	127,535	109,075	18,460
Reserves	106,500	106,500	279,933	(173,433)
TOTAL EXPENDITURES	1,160,792	1,160,792	1,171,929	(11,137)
Use of Unassigned Fund Balance	100,000	100,000	-	(100,000)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	(31,014)	\$ 68,986
FUND BALANCE - JULY 1			1,388,772	
FUND BALANCE - JUNE 30			\$ 1,357,758	

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

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unorganized Territory of Franklin County is governed by the State of Maine and Franklin County officials. The Unorganized Territory encompasses townships and various other tracts of land. The following services are provided: road and bridge maintenance, contracting for snow removal, fire protection, landfill and cemetery care, and other administrative activities.

The accounting policies of the County of Franklin, Maine – Unorganized Territory conform to accounting principles generally accepted in the United States of America applicable to governmental units, except for the implementation of *Government Accounting Standards Board Statement Number 34*. The Unorganized Territory of Franklin County applies all other relevant *Governmental Accounting Standards Board* (GASB) pronouncements. The following is a summary of the more significant of these policies.

Principles Determining Scope of Reporting Entity

The financial statements of the Unorganized Territory of Franklin County consist only of the funds and account groups of the Unorganized Territory of Franklin County. The criteria for including organizations as component units within the Unorganized Territory of Franklin County's reporting entity, as set forth in GAAP include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Unorganized Territory of Franklin County holds the corporate powers of the organization.
- The Unorganized Territory of Franklin County appoints a voting majority of the organization's board.
- The Unorganized Territory of Franklin County is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Unorganized Territory of Franklin County.
- There is fiscal dependency by the organization of the Unorganized Territory of Franklin County.

Based on the aforementioned criteria, the Unorganized Territory of Franklin County has no component units.

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accounts of the Unorganized Territory of Franklin County are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balances, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are allocated to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

Governmental funds are those through which general governmental functions of the Unorganized Territory of Franklin County are financed. The acquisition, use and balances of the Unorganized Territory of Franklin County expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental funds.

General Fund – The general fund is the general operating fund of the Unorganized Territory of Franklin County and accounts for all revenues and expenditures of the Unorganized Territory of Franklin County not encompassed within other funds.

TIF Fund – The TIF fund is used to account revenues from the TIF District and expenditures for the Unorganized Territory programs and projects.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenues and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Reporting Entity

The Unorganized Territory of Franklin County is the basic level of government, which has financial accountability, and control over all activities related to the Unorganized Territory of Franklin County. The Unorganized Territory of Franklin County is not included in any other governmental "reporting entity" as defined by GASB 14. In addition, there are no component units as defined in GASB 14, which are required to be included in the Unorganized Territory of Franklin County's reporting entity.

Encumbrance Accounting

The Unorganized Territory of Franklin County does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations.

Revenue Recognition – Property Taxes

The Unorganized Territory's property tax assessment is levied and recognized annually on the assessment values for each municipality located in the Unorganized Territory by the State. Assessment values are established for each municipality by the State.

Budgets and Budgetary Accounting

The Unorganized Territory of Franklin County utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the Unorganized Territory of Franklin County's general fund. The budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles. The budget is established in accordance with various laws, which govern the Unorganized Territory of Franklin County's operations.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. The County Commissioners prepare estimates of the amounts needed for appropriations for the coming year.

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A public hearing is held by the County Commissioners on these estimates prior to June 30 where they then vote on these estimates.

Appropriations for the general fund generally lapse at the end of the fiscal year, except for certain designated balances.

Total Columns on Combined Financial Statements

The total columns presented in the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidating entries or other eliminations were made in the aggregation of the totals, thus, they do not present consolidated information and do not purport to present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

NOTE 2 - RESTRICTED FUND BALANCE

The Territory has the following restricted fund balance at June 30, 2018:

TIF	<u>\$ 2,752,606</u>
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NOTE 3 - ASSIGNED FUND BALANCES

The Territory has the following assigned fund balances at June 30, 2018:

Paving reserve	\$ 324,223
Fire truck	17,500
Perambulation	9,598
Lovejoy Road	9,444
E-911 reserve	27,875
Center Road, Madrid	8,681
Beech Hill Bridge	16,812
Reed Mills Road	20,115
Hatchery Road	8,521
GPS	533
Gilkey Hill Road	22,454
Viles Road	7,600
Small community grant	12,100
Calvin Grey bridge	15,000
Meadowbrook bridge	10,800
Capital reserve	868,332
Contingency	25,000
	<u>\$ 1,404,588</u>

COUNTY OF FRANKLIN, MAINE - UNORGANIZED TERRITORY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - EXPENDITUES OVER APPROPRIATIONS

The Territory had the following expenditures over appropriations at June 30, 2018:

Public safety	\$ 5,181
Reserves	<u>173,433</u>
	<u>\$ 178,614</u>

NOTE 5 - GASB #34

The financial statements referred to above are not presented in accordance with Governmental Accounting Standards Board Statement #34. Therefore, all related disclosures have been omitted. This practice is in accordance with practices accepted by the State of Maine for audits of Maine unorganized territories.

COUNTY OF FRANKLIN, MAINE – UNORGANIZED TERRITORY

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
Administration	\$ 50,251	\$ -	\$ 50,251	\$ 52,351	\$ (2,100)
10% retainage - State	105,526	-	105,526	-	105,526
Audit	2,000	-	2,000	2,000	-
	<u>157,777</u>	<u>-</u>	<u>157,777</u>	<u>54,351</u>	<u>103,426</u>
Public Safety -					
Fire protection	110,297	-	110,297	110,297	-
Ambulance services	40,819	-	40,819	40,819	-
E-911	10,000	-	10,000	15,767	(5,767)
Animal control	500	-	500	-	500
Street lights	600	-	600	514	86
	<u>162,216</u>	<u>-</u>	<u>162,216</u>	<u>167,397</u>	<u>(5,181)</u>
Public Works -					
Roads and bridges	194,261	-	194,261	136,799	57,462
Snow removal	407,266	-	407,266	418,967	(11,701)
Cemeteries	5,237	-	5,237	5,407	(170)
	<u>606,764</u>	<u>-</u>	<u>606,764</u>	<u>561,173</u>	<u>45,591</u>

COUNTY OF FRANKLIN, MAINE – UNORGANIZED TERRITORY

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Solid Waste	127,535	-	127,535	109,075	18,460
Reserves:					
Paving reserve	100,000	-	100,000	226,434	(126,434)
Roads/bridges reserve	-	-	-	38,600	(38,600)
Small community grant	-	-	-	1,720	(1,720)
Cemetery reserve	-	-	-	4,293	(4,293)
E-911 reserve	5,000	-	5,000	886	4,114
Madrid salt shed	-	-	-	8,000	(8,000)
Fire truck and equip	1,500	-	1,500	-	1,500
	<u>106,500</u>	<u>-</u>	<u>106,500</u>	<u>279,933</u>	<u>(173,433)</u>
 TOTAL DEPARTMENTAL OPERATIONS	 <u>\$ 1,160,792</u>	 <u>\$ -</u>	 <u>\$ 1,160,792</u>	 <u>\$ 1,171,929</u>	 <u>\$ (11,137)</u>

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



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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

Board of Commissioners
County of Franklin, Maine - Unorganized Territory
Farmington, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Franklin, Maine - Unorganized Territory, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Franklin, Maine - Unorganized Territory's basic financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

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control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
November 7, 2018