

Audited Financial Statements and  
Other Information

County of Somerset, Maine  
Unorganized Territories

June 30, 2017



*Proven Expertise and Integrity*

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

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JUNE 30, 2017

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*Proven Expertise and Integrity*

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
County of Somerset, Maine - Unorganized Territories  
Skowhegan, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the County of Somerset, Maine - Unorganized Territories, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Unorganized Territories' 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 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 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.

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 major funds of the County of Somerset, Maine - Unorganized Territories as of June 30, 2017, 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.

### Report on Comparative Financial Statements

We have previously audited the County of Somerset, Maine - Unorganized Territories' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2016. In our opinion, the comparative financial statements presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Somerset, Maine - Unorganized Territories' 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 August 31, 2017, on our consideration of County of Somerset, Maine - Unorganized Territories' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 County of Somerset, Maine - Unorganized Territories' internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
August 31, 2017

## COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30,

	Governmental Funds					Total	
	General	Bingham Wind TIF Revenue	TIF Community Benefit Fund	Roads	Other Governmental Funds	2017	2016
<b>ASSETS</b>							
Cash and cash equivalents	\$ 643,020	\$ 189,337	\$ 288,050	\$ -	\$ -	\$ 1,120,407	\$ 552,927
Accounts receivable (net of allowance for doubtful accounts)	-	-	-	-	-	-	5,100
Due from other funds	-	-	-	46,280	183,362	229,642	306,847
<b>Total assets</b>	<u>\$ 643,020</u>	<u>\$ 189,337</u>	<u>\$ 288,050</u>	<u>\$ 46,280</u>	<u>\$ 183,362</u>	<u>\$ 1,350,049</u>	<u>\$ 864,874</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 106,135	\$ 1,003	\$ -	\$ 23,426	\$ -	\$ 130,564	\$ 139,524
Accrued payroll	902	-	-	-	-	902	2,388
Due to other governments	51,550	-	-	-	-	51,550	2,435
Due to other funds	229,642	-	-	-	-	229,642	306,847
<b>Total liabilities</b>	<u>388,229</u>	<u>1,003</u>	<u>-</u>	<u>23,426</u>	<u>-</u>	<u>412,658</u>	<u>451,194</u>
<b>Fund balances:</b>							
Restricted	25,000	188,334	288,050	-	-	501,384	25,000
Assigned	-	-	-	22,854	183,362	206,216	275,399
Unassigned	229,791	-	-	-	-	229,791	113,281
<b>Total fund balances</b>	<u>254,791</u>	<u>188,334</u>	<u>288,050</u>	<u>22,854</u>	<u>183,362</u>	<u>937,391</u>	<u>413,680</u>
<b>Total liabilities and fund balances</b>	<u>\$ 643,020</u>	<u>\$ 189,337</u>	<u>\$ 288,050</u>	<u>\$ 46,280</u>	<u>\$ 183,362</u>	<u>\$ 1,350,049</u>	<u>\$ 864,874</u>

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

## COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Bingham Wind TIF Revenue	TIF Community Benefit Fund	Roads	Other Governmental Funds	Total
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 1,679,712	\$ -	\$ -	\$ -	\$ -	\$ 1,679,712
Excise taxes	208,103	-	-	-	-	208,103
Intergovernmental revenue:						
Roads	65,648	-	-	-	-	65,648
Dept of interior	13,599	-	-	-	-	13,599
Carrabassett Valley	13,630	-	-	-	-	13,630
Charges for services	3,246	-	-	-	-	3,246
Investment income	5,086	1,199	-	-	-	6,285
Rafting revenue	6,752	-	-	-	-	6,752
Other revenue	10,116	459,502	288,050	-	161,287	918,955
Total revenue	<u>2,005,892</u>	<u>460,701</u>	<u>288,050</u>	<u>-</u>	<u>161,287</u>	<u>2,915,930</u>
<b>EXPENDITURES</b>						
Current:						
Roads and bridges	168,577	-	-	-	-	168,577
Snow removal	488,351	-	-	-	-	488,351
Dumps	198,742	-	-	-	-	198,742
Fire protection	125,790	-	-	-	-	125,790
Cemeteries	3,600	-	-	-	-	3,600
Ambulance services	60,924	-	-	-	-	60,924
Street lights	5,178	-	-	-	-	5,178
Snowmobile trails	25,282	-	-	-	-	25,282
Polling places	225	-	-	-	-	225
Community building - Rockwood	2,985	-	-	-	-	2,985
Program services / donations	166,800	252,726	-	-	164,505	584,031
Animal control	1,782	-	-	-	-	1,782
E-911	18,522	-	-	-	-	18,522
Administration	145,143	19,641	-	-	-	164,784
Capital outlay	-	-	-	318,883	224,563	543,446
Total expenditures	<u>1,411,901</u>	<u>272,367</u>	<u>-</u>	<u>318,883</u>	<u>389,068</u>	<u>2,392,219</u>
Excess of revenues over (under) expenditures	<u>593,991</u>	<u>188,334</u>	<u>288,050</u>	<u>(318,883)</u>	<u>(227,781)</u>	<u>523,711</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	340,481	139,218	479,699
Transfers (out)	(477,481)	-	-	-	(2,218)	(479,699)
Total other financing sources (uses)	<u>(477,481)</u>	<u>-</u>	<u>-</u>	<u>340,481</u>	<u>137,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	116,510	188,334	288,050	21,598	(90,781)	523,711
FUND BALANCES - JULY 1	138,281	-	-	1,256	274,143	413,680
FUND BALANCES - JUNE 30	<u>\$ 254,791</u>	<u>\$ 188,334</u>	<u>\$ 288,050</u>	<u>\$ 22,854</u>	<u>\$ 183,362</u>	<u>\$ 937,391</u>

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



STATEMENT C

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
State of Maine assessment	\$ 1,679,712	\$ 1,679,712	\$ 1,679,712	\$ -
Excise taxes	190,000	190,000	208,103	18,103
Intergovernmental revenue:				
Roads	63,996	63,996	65,648	1,652
Carrabassett Valley	14,230	14,230	13,630	(600)
Dept of Interior	12,037	12,037	13,599	1,562
Charges for services	3,200	3,200	3,246	46
Investment income	600	600	5,086	4,486
Rafting revenue	8,000	8,000	6,752	(1,248)
Other revenue	5,000	5,000	10,116	5,116
Total revenues	<u>1,976,775</u>	<u>1,976,775</u>	<u>2,005,892</u>	<u>29,117</u>
<b>EXPENDITURES</b>				
Current:				
Summer roads	225,185	225,185	168,577	56,608
Winter roads	498,215	498,215	488,351	9,864
Waste management	200,600	200,600	198,742	1,858
Fire protection	130,900	130,900	125,790	5,110
Cemeteries	4,000	4,000	3,600	400
Ambulance services	61,475	61,475	60,924	551
Street lights	5,300	5,300	5,178	122
Snowmobile trails	24,860	24,860	25,282	(422)
Polling places	600	600	225	375
Community building - Rockwood	5,700	5,700	2,985	2,715
Program services / donations	166,804	166,804	166,800	4
Animal control	3,833	3,833	1,782	2,051
Road consultant	18,522	18,522	18,522	-
Administration	153,300	153,300	145,143	8,157
Total expenditures	<u>1,499,294</u>	<u>1,499,294</u>	<u>1,411,901</u>	<u>87,393</u>
Excess of revenues over (under) expenditures	<u>477,481</u>	<u>477,481</u>	<u>593,991</u>	<u>116,510</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
Capital projects	(477,481)	(477,481)	(477,481)	-
Total other financing sources (uses)	<u>(477,481)</u>	<u>(477,481)</u>	<u>(477,481)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	116,510	<u>\$ 116,510</u>
FUND BALANCE - JULY 1			<u>138,281</u>	
FUND BALANCE - JUNE 30			<u>\$ 254,791</u>	

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

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Unorganized Territories of Somerset County are governed by the State of Maine and Somerset County officials. The Unorganized Territories encompass townships and various other tracts of land. The following services are provided: road and bridge maintenance, contracting for snow removal and cemetery care, maintenance of the dumps and other administrative activities.

The Unorganized Territories of Somerset County is the basic level of government, which has financial accountability, and control over all activities related to the Unorganized Territories of Somerset County. The Unorganized Territories of Somerset 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 Territories of Somerset County's reporting entity.

The accounting policies of the County of Somerset, Maine - Unorganized Territories 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 Territories of Somerset County applies all other relevant *Governmental Accounting Standards Board* (GASB) pronouncements. The following is a summary of the more significant of these policies.

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

**Implementation of New Accounting Standards**

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

**Principles Determining Scope of Reporting Entity**

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

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

Based on the aforementioned criteria, the Unorganized Territories of Somerset County has no component units.

**Basis of Presentation**

The accounts of the Unorganized Territories of Somerset 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, deferred outflows of resources,

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liabilities, deferred inflows of resources, fund balance, 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 Territories of Somerset County are financed. The acquisition, use and balances of the Unorganized Territories of Somerset County expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental funds.

**Major Funds:**

- a. The General fund is the general operating fund of the Unorganized Territories of Somerset County and accounts for all revenues and expenditures of the Unorganized Territories of Somerset County not encompassed within other funds.
- b. The Bingham Wind TIF Revenue fund is used to account for the revenues and expenditures used to reimburse the Company Tract of the TIF District.
- c. The TIF Community Benefit fund is used to account for the revenues from the County Tract of the TIF District and expenditures for the Unorganized Territory programs and projects.
- d. The Roads fund is a capital projects fund used to account for road improvement projects within the Unorganized Territories of Somerset County.

**Nonmajor Funds:**

- e. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- f. The Capital Projects fund is used to account for all capital projects within the Unorganized Territories of Somerset County.

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental 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.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

**Deposits and Investments**

The Unorganized Territories of Somerset County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Unorganized Territories of Somerset County's policy to value investments at fair value. None of the Unorganized Territories of Somerset County's investments are reported at amortized cost. For purposes of the statement of cash flows, the proprietary fund type and similar trust funds consider all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Unorganized Territories of Somerset County Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Unorganized Territories of Somerset County's investment policy follows that of Somerset County and does not conflict with the State of Maine Statutes. The policy is comprehensive and is applicable to all Unorganized Territories of Somerset County funds.

**Encumbrance Accounting**

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

**Budgets and Budgetary Accounting**

The Unorganized Territories of Somerset County utilize a formal budgetary accounting system to control revenues and expenditures accounted for in the Unorganized Territories of Somerset 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 Territories of Somerset County's operations.

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. The County Commissioners, prior to November 7<sup>th</sup> of each year, prepare estimates of the amounts needed for appropriations for the coming year.
2. A public hearing is held by the County Commissioners on these estimates prior to December 31.
3. On or before January 1, the budget is transmitted to the State Tax Assessor and Fiscal Administrator of the Unorganized Territories of Somerset County to be presented to the State of Maine Legislature for final approval.

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 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

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Unorganized Territories are bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.



COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the Unorganized Territories.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Unorganized Territories investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Unorganized Territories will not be able to recover its deposits. The Unorganized Territories does not have a policy covering custodial credit risk for deposits. However, the Unorganized Territories maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2017, the Unorganized Territories cash balances of \$1,120,407 were comprised of bank deposits of \$1,173,618. All of these bank deposits were fully insured by federal depository insurance or collateralized with securities held in the entity's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 288,050
Repurchase agreements	885,568
	<u>\$ 1,173,618</u>

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Unorganized Territories will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Unorganized Territories does not have a policy for custodial credit risk for investments.

At June 30, 2017, the Unorganized Territories had \$0 of investments.

Credit risk – Statutes for the State of Maine authorize the Unorganized Territories to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Unorganized Territories does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Unorganized Territories does not have a policy related to interest rate risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivable and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 229,642
Roads	46,280	-
Nonmajor Capital Projects	183,362	-
Total	<u>\$ 229,642</u>	<u>\$ 229,642</u>

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 4 - ASSIGNED FUND BALANCES

At June 30, 2017, the Unorganized Territories had the following assigned fund balances:

Roads	\$ 22,854
Nonmajor Special Revenue Funds (Schedule C)	-
Nonmajor Capital Projects Funds (Schedule E)	183,362
	<u>\$ 206,216</u>

NOTE 5 - RESTRICTED FUND BALANCES

At June 30, 2017, the Unorganized Territories had the following restricted fund balances:

General Fund:	
Contingency	\$ 25,000
Bingham Wind TIF Revenue	188,334
TIF Community Benefit Fund	288,050
	<u>\$ 501,384</u>

NOTE 6 - RISK MANAGEMENT

The County of Somerset - Unorganized Territories is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Unorganized Territory either carries commercial insurance or is effectively self-insured.

NOTE 7 - EXPENDITURES OVER APPROPRIATIONS

The following expenditures were over appropriations at June 30, 2017:

Snowmobile trails	<u>\$ 422</u>
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COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 8 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS

**Tax Increment Financing District**

The Unorganized Territories has established a tax increment financing district in accordance with Maine statutes to finance economic development programs located in the Township of Mayfield, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

Bingham Wind Power Omnibus Municipal Development and Tax Increment Financing District Development Program

On December 22, 2014, the Somerset County Commissioners, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Unorganized Territory's tax base and improve its economy. The area of the District is approximately 1,903 acres, divided into two separate tracts: the Company tract is a 633 acre site and the County UT tract which is approximately 1,269 acres. That portion of the Bingham Wind Power Project located within the Township of Mayfield in the Somerset County UT (the "Project") is expected to initially create approximately \$128 million in new assessed property value in the TIF District based on the planned project configuration.

During each year of the 30-year term of the TIF District, the Development Program will apply to one hundred percent (100%) of the taxable increased real and personal property value located within the District, including both the Company and County UT Tracts. Under this Development Program, during the 30-year term of the District, the County will "capture" all of the increased (i.e. new) assessed value over the original assessed value and use the tax revenues generated by this captured assessed value in a manner consistent with this Development Program.

The County will enter into a credit enhancement agreement with the Company which will allocate to the Company a specified percentage of the TIF Revenues generated from the captured assessed value resulting from the Company's investment in the Project during each of the remaining years of the District's term. The Company will use such TIF Revenues to offset the high cost of its investment in the Project. Through the Omnibus feature of this TIF District, the County reserves the right in the future to negotiate and execute one or more future credit enhancement agreements for up to the balance of the term of the District with up to 100% reimbursement of the TIF Revenues to a company or developer making investments within areas such as the "Marshall Yard Development Area" or the "Sapling Development Area" of the County UT Tract of the TIF District. Approval of such future credit enhancement

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 8 - TAX INCREMENT FINANCING DISTRICT & ABATEMENTS (CONTINUED)

agreements are at the sole discretion of the Somerset County Board of Commissioners.

**Abatements**

The Unorganized Territory has not made any commitments as part of the Credit Enhancement Agreements other than to reduce taxes. The Unorganized Territory is not subject to any tax abatement agreements entered into by other governmental entities. The Town currently only has one tax abatement agreement, the Bingham Wind Power Omnibus Municipal Development and Tax Increment Financing District, which is summarized below:

*Bingham Wind Power Omnibus Municipal Development and Tax Increment Financing District*

On December 22, 2014, the Unorganized Territory entered into a credit enhancement agreement with Blue Sky West, LLC for the design, construction, operation, maintenance and upgrades of the Company Tract in the District. The agreement is effective for 30 years. The original valuation of the property was \$118,556. For the first 5 years of the tax reimbursement period, 55% of the property taxes to be generated on the improvements within the District will be returned to the developer and 50% will be returned for the next 5 years. For every remaining year of the TIF District term, 45% will be returned to the developer.

For the fiscal year ended June 30, 2017, the Unorganized Territory abated property taxes for the following program:

Tax Abatement Program	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Bingham Wind Power Omnibus Municipal Development and Tax Increment Financing District	0%	\$ -

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Accounts receivable	\$ -	\$ -	\$ -
Due from other funds	-	183,362	183,362
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 183,362</b>	<b>\$ 183,362</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	183,362	183,362
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>183,362</b>	<b>183,362</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 183,362</b>	<b>\$ 183,362</b>

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

## COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
REVENUES			
Other income	\$ 161,287	\$ -	\$ 161,287
Total revenues	<u>161,287</u>	<u>-</u>	<u>161,287</u>
EXPENDITURES			
Capital outlay	-	224,563	224,563
Other	163,505	1,000	164,505
TOTAL EXPENDITURES	<u>163,505</u>	<u>225,563</u>	<u>389,068</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,218)</u>	<u>(225,563)</u>	<u>(227,781)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,218	137,000	139,218
Transfers (out)	-	(2,218)	(2,218)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,218</u>	<u>134,782</u>	<u>137,000</u>
NET CHANGE IN FUND BALANCES	-	(90,781)	(90,781)
FUND BALANCES - JULY 1	<u>-</u>	<u>274,143</u>	<u>274,143</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 183,362</u>	<u>\$ 183,362</u>

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



## Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

	ATV Grant	Snowmobile Grant	Total
<b>ASSETS</b>			
Accounts receivable	\$ -	\$ -	\$ -
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	ATV Grant	Snowmobile Grant	Total
REVENUES			
Intergovernmental revenue	\$ -	\$ -	\$ -
Other income	-	161,287	161,287
Total revenues	<u>-</u>	<u>161,287</u>	<u>161,287</u>
EXPENDITURES			
Other	2,218	161,287	163,505
TOTAL EXPENDITURES	<u>2,218</u>	<u>161,287</u>	<u>163,505</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,218)</u>	<u>-</u>	<u>(2,218)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,218	-	2,218
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,218</u>	<u>-</u>	<u>2,218</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

## Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of capital facilities, equipment or vehicles other than those financed by proprietary or trust funds.

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2017

	Rockwood Comm Building	Vehicle	Fire Equipment	Capital Expense	Computers & Software
<b>ASSETS</b>					
Due from other funds	\$ 3,476	\$ 11,099	\$ 42,500	\$ 32,556	\$ 1,000
<b>TOTAL ASSETS</b>	<b>\$ 3,476</b>	<b>\$ 11,099</b>	<b>\$ 42,500</b>	<b>\$ 32,556</b>	<b>\$ 1,000</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	3,476	11,099	42,500	32,556	1,000
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,476</b>	<b>11,099</b>	<b>42,500</b>	<b>32,556</b>	<b>1,000</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,476</b>	<b>\$ 11,099</b>	<b>\$ 42,500</b>	<b>\$ 32,556</b>	<b>\$ 1,000</b>

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2017

	Rockwood Fire Station	Bridge Reserve	ATV / Snowmobiles	Equipment Reserve	Salt Shed	Total
<b>ASSETS</b>						
Due from other funds	\$ 24,042	\$ 3,338	\$ -	\$ 9,800	\$ 55,551	\$ 183,362
<b>TOTAL ASSETS</b>	<b>\$ 24,042</b>	<b>\$ 3,338</b>	<b>\$ -</b>	<b>\$ 9,800</b>	<b>\$ 55,551</b>	<b>\$ 183,362</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	24,042	3,338	-	9,800	55,551	183,362
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>24,042</b>	<b>3,338</b>	<b>-</b>	<b>9,800</b>	<b>55,551</b>	<b>183,362</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 24,042</b>	<b>\$ 3,338</b>	<b>\$ -</b>	<b>\$ 9,800</b>	<b>\$ 55,551</b>	<b>\$ 183,362</b>

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

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Rockwood Comm Building	Vehicle	Fire Equipment	Capital Expense	Computer & Software
<b>REVENUES</b>					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Capital outlay	-	27,901	-	-	-
Other	1,000	-	-	-	-
TOTAL EXPENDITURES	<u>1,000</u>	<u>27,901</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,000)</u>	<u>(27,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,000	24,000	5,000	-	1,000
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>24,000</u>	<u>5,000</u>	<u>-</u>	<u>1,000</u>
NET CHANGE IN FUND BALANCES	1,000	(3,901)	5,000	-	1,000
FUND BALANCES - JULY 1	<u>2,476</u>	<u>15,000</u>	<u>37,500</u>	<u>32,556</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ 3,476</u>	<u>\$ 11,099</u>	<u>\$ 42,500</u>	<u>\$ 32,556</u>	<u>\$ 1,000</u>

COUNTY OF SOMERSET, MAINE - UNORGANIZED TERRITORIES

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Rockwood Fire Station	Bridge Reserve	ATV / Snowmobiles	Equipment Reserve	Salt Shed	Total
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-	-
EXPENDITURES						
Capital outlay	-	196,662	-	-	-	224,563
Other	-	-	-	-	-	1,000
TOTAL EXPENDITURES	-	196,662	-	-	-	225,563
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(196,662)	-	-	-	(225,563)
OTHER FINANCING SOURCES (USES)						
Transfers in	5,000	100,000	-	-	-	137,000
Transfers (out)	-	-	(2,218)	-	-	(2,218)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	100,000	(2,218)	-	-	134,782
NET CHANGE IN FUND BALANCES	5,000	(96,662)	(2,218)	-	-	(90,781)
FUND BALANCES - JULY 1	19,042	100,000	2,218	9,800	55,551	274,143
FUND BALANCES - JUNE 30	\$ 24,042	\$ 3,338	\$ -	\$ 9,800	\$ 55,551	\$ 183,362

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





*Proven Expertise and Integrity*

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 Somerset, Maine - Unorganized Territories  
Skowhegan, 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 Somerset, Maine – Unorganized Territories as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Somerset, Maine's basic financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Somerset, Maine - 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Somerset, Maine - Unorganized Territories' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Somerset, Maine - Unorganized Territories' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Somerset, Maine - 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
August 31, 2017