

COUNTY OF PENOBSCOT, MAINE

UNORGANIZED TERRITORIES

FINANCIAL STATEMENTS

JUNE 30, 2024

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To the County Commissioners of the  
Unorganized Territories of Penobscot County, Maine

### INDEPENDENT AUDITORS' REPORT

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Penobscot, Maine – Unorganized Territories, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County of Penobscot, Maine – Unorganized Territories' basic financial statements as listed in the table of contents.

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 Penobscot, Maine – Unorganized Territories, as of June 30, 2024, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Penobscot, Maine – Unorganized Territories and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Penobscot, Maine – Unorganized Territories' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County of Penobscot, Maine – Unorganized Territories' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Penobscot, Maine – Unorganized Territories' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Penobscot, Maine – Unorganized Territories’ basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund 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 December 16, 2025, on our consideration of the County of Penobscot, Maine – Unorganized Territories’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Penobscot, Maine – Unorganized Territories’ 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 Penobscot, Maine – Unorganized Territories’ internal control over financial reporting and compliance.

*Chester M. Kearney*

Presque Isle, Maine  
December 16, 2025

BASIC FINANCIAL STATEMENTS

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

STATEMENT OF NET POSITION

JUNE 30, 2024

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,088,564
Accounts receivable	111,792
Total current assets	<u>4,200,356</u>
Noncurrent assets	
Capital assets	
Buildings and vehicles, net of accumulated depreciation	<u>339,831</u>
Total noncurrent assets	<u>339,831</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,540,187</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	<u>\$ 170,358</u>
Total current liabilities	<u>170,358</u>
<b>TOTAL LIABILITIES</b>	<u>170,358</u>
<b>NET POSITION</b>	
Net investment in capital assets	339,831
Restricted: General Fund	52,388
Restricted: TIF Fund	2,246,704
Restricted: Permanent Fund	71,373
Unrestricted	<u>1,659,533</u>
<b>TOTAL NET POSITION</b>	<u><u>4,369,829</u></u>

See notes to financial statements

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Administration	\$ 109,085	\$ -	\$ -	\$ -	\$ (109,085)
Audit/bank charges/fees	10,250	-	-	-	(10,250)
Polling places	2,344	-	-	-	(2,344)
Ambulance services	57,156	-	-	-	(57,156)
Animal control	6,086	-	-	-	(6,086)
E-911 addressing	817	-	-	-	(817)
Fire protection	76,654	-	-	-	(76,654)
Contracted law enforcement	218,000	-	-	-	(218,000)
Solid waste	277,255	-	44,501	-	(232,754)
Snow removal	1,104,246	-	-	-	(1,104,246)
Snowmobile trails	2,000	-	-	-	(2,000)
Cemeteries	33,403	-	-	-	(33,403)
TIF	668,345	-	-	-	(668,345)
Unallocated depreciation	52,216	-	-	-	(52,216)
Capital outlays	316,363	-	143,576	-	(172,787)
Total governmental activities	<u>\$ 2,934,220</u>	<u>\$ -</u>	<u>\$ 188,077</u>	<u>\$ -</u>	<u>\$ (2,746,143)</u>
General revenues:					
Property taxes					1,868,069
Excise taxes					432,169
Grants and contributions not restricted to specific programs					38,708
TIF revenues					767,064
Miscellaneous					284,118
Total general revenues					<u>3,390,128</u>
Change in net position					643,985
Net position - July 1, 2023					<u>3,725,844</u>
Net position - June 30, 2024					<u>\$ 4,369,829</u>

See notes to financial statements

Chester M. Kearney, Certified Public Accountants

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2024

	MAJOR FUNDS		NON-MAJOR FUNDS	TOTAL
	GENERAL FUND	TIF FUND	PERMANENT FUNDS	GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 1,771,762	\$ 2,316,802	\$ -	\$ 4,088,564
Accounts receivable	111,792	-	-	111,792
Due from other funds	-	-	71,373	71,373
TOTAL ASSETS	<u>\$ 1,883,554</u>	<u>\$ 2,316,802</u>	<u>\$ 71,373</u>	<u>\$ 4,271,729</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 100,260	\$ 70,098	\$ -	\$ 170,358
Due to other funds	71,373	-	-	71,373
TOTAL LIABILITIES	<u>171,633</u>	<u>70,098</u>	<u>-</u>	<u>241,731</u>
FUND BALANCES				
Restricted	52,388	2,246,704	71,373	2,370,465
Assigned	1,125,710	-	-	1,125,710
Unassigned	533,823	-	-	533,823
TOTAL FUND BALANCES	<u>1,711,921</u>	<u>2,246,704</u>	<u>71,373</u>	<u>4,029,998</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,883,554</u>	<u>\$ 2,316,802</u>	<u>\$ 71,373</u>	<u>\$ 4,271,729</u>

See notes to financial statements

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES  
RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

JUNE 30, 2024

Total fund balances for governmental funds	\$ 4,029,998
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>339,831</u>
Total net position of governmental activities	<u>\$ 4,369,829</u>

See notes to financial statements

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

	MAJOR FUNDS		NON-MAJOR FUNDS	TOTAL
	GENERAL FUND	TIF FUND	PERMANENT FUNDS	GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Property taxes	\$ 1,868,069			\$ 1,868,069
Excise taxes	432,169			432,169
PILT	570			570
Intergovernmental revenue				
Local road assistance	143,576			143,576
Solid waste/snowplowing	44,501			44,501
Road salt/sand reimbursement	14,914			14,914
Municipal reimbursement	23,794			23,794
Investment income	34,275	98,717	1,986	134,978
TIF Revenue	-	767,064		767,064
Other revenue	148,570	-		148,570
<b>TOTAL REVENUES</b>	<b>2,710,438</b>	<b>865,781</b>	<b>1,986</b>	<b>3,578,205</b>
<b>EXPENDITURES</b>				
Current				
Administration	109,085	24,668		133,753
Audit/bank charges/fees	10,250			10,250
Polling places	2,344			2,344
Ambulance services	57,156			57,156
Animal control	6,086			6,086
E-911 addressing	817			817
Fire protection	76,654			76,654
Contracted law enforcement	218,000			218,000
Solid waste	277,255			277,255
Snow removal	1,104,246			1,104,246
Snowmobile trails	2,000			2,000
Cemeteries	33,403			33,403
Grants to communities	-	783,677		783,677
Capital outlays				
Sand/salt maintenance	9,907			9,907
Capital road construction	24,210			24,210
Road paving	176,280			176,280
Road maintenance	105,966			105,966
Sand/salt capital improvements	56,300			56,300
<b>TOTAL EXPENDITURES</b>	<b>2,269,959</b>	<b>808,345</b>	<b>-</b>	<b>3,078,304</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>440,479</b>	<b>57,436</b>	<b>1,986</b>	<b>499,901</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>440,479</b>	<b>57,436</b>	<b>1,986</b>	<b>499,901</b>
<b>FUND BALANCES - JULY 1, 2023</b>	<b>1,271,442</b>	<b>2,189,268</b>	<b>69,387</b>	<b>3,530,097</b>
<b>FUND BALANCES - JUNE 30, 2024</b>	<b>\$ 1,711,921</b>	<b>\$ 2,246,704</b>	<b>\$ 71,373</b>	<b>\$ 4,029,998</b>

See notes to financial statements

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2024

Net change in fund balances - total governmental funds \$ 499,901

The change in net assets reported for governmental activities in the statement of activities is different because:

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 and reported as depreciation expense. Capital asset additions and depreciation expense is recorded as follows.

Capital asset additions	196,300
Depreciation expense	<u>(52,216)</u>

Change in net assets of governmental activities \$ 643,985

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of Activities*

The Unorganized Territories of Penobscot County (the Unorganized Territories), is governed by the State of Maine and Penobscot County officials. The Unorganized Territories 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 and reporting policies of the Unorganized Territories relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments, except for the omission of the Management's Discussion and Analysis. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governments* and by the Financial Accounting Standards Board (when applicable). The more significant of the government's accounting policies are described below.

*Financial Reporting Entity*

The Unorganized Territories of Penobscot County is the basic level of government which has financial accountability and control over all activities related to the Unorganized Territories of Penobscot County. The Unorganized Territories of Penobscot 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 and amended by GASB 39, which are required to be included in the Unorganized Territories of Penobscot County's reporting entity.

The Unorganized Territories of Penobscot County's basic financial statements include the accounts of all of the Unorganized Territories of Penobscot County's operations. The criteria for including organizations as component units within the County of Penobscot, Maine - Unorganized Territories' reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

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

Based on the aforementioned criteria, the Unorganized Territories of Penobscot County has no component units or component units that are fiduciary in nature.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

*Basis of Presentation*

The accounts of the Unorganized Territories of Penobscot 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:

*Government-Wide and Fund Financial Statements*

The Unorganized Territories' basic financial statements include both government-wide (reporting the Unorganized Territories as a whole) and fund financial statements (reporting the Unorganized Territories' major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. All activities of the Unorganized Territories are categorized as governmental.

In the government-wide Statement of Net Position, governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Unorganized Territories' net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Unorganized Territories first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Unorganized Territories' functions and government-type activities (treasurer, registry of deeds, etc.). The functions are also supported by general government revenues (municipal taxes, certain intergovernmental revenues, miscellaneous 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. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Unorganized Territories does not allocate indirect costs. All costs are charged directly to the corresponding department.

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

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

*Governmental Funds*

Government funds are those through which general governmental functions of the Unorganized Territories of Penobscot County are financed. The acquisition, use and balances of the Unorganized Territories 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 Territories and accounts for all revenues and expenditures of the Unorganized Territories of Penobscot County not encompassed within other funds.

Tax Increment Financing (TIF) Fund – The TIF Fund is a special revenue fund that accounts primarily for revenues and expenditures associated with the Unorganized Territories' Passadumkeag Wind Park Omnibus Municipal Tax Increment Financing District and Development Program.

Permanent Funds – Permanent Funds are used to account for assets held by the Unorganized Territories that are legally restricted pursuant to Title 30-A, 5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unorganized Territories or its citizenry. The Unorganized Territories' policy for authorizing and spending investment income follows State statutes.

The General Fund and TIF Fund are considered to be major funds.

*Measurement Focus and 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.

Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Unorganized Territories gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental-fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, interest income and inter-governmental revenues and grants are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

*Encumbrance Accounting*

The Unorganized Territories of Penobscot 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.

*Net Position*

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Territory or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

*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 is 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 due to 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.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the County. The inhabitants of the Unorganized Territories through County meetings are the highest level of decision-making authority of the County. Commitments may be established, modified, or rescinded only through a County meeting vote.

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. The authority for assigning fund balance is expressed by the County Commissioners.

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.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

*Fund Balance (cont'd.)*

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Unorganized Territories consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Unorganized Territories consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless a County Commissioners' vote has provided otherwise in its commitment or assignment actions.

The Unorganized Territories are in the process of adopting a set of financial policies to guide the financial operation. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

*Revenue Recognition - Property Taxes*

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

*Budgets and Budgetary Accounting*

The Unorganized Territories of Penobscot County utilize a formal budgetary accounting system to control revenues and expenditures accounted for in the Unorganized Territories' 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' 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.
2. A public hearing is held by the County Commissioners on these estimates prior to June 30.
3. On or before July 1, the budget is transmitted to the State Tax Assessor and Fiscal Administrator of the Unorganized Territories of Penobscot 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.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

*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.

*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 fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Unorganized Territories. The Unorganized Territories has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 – 50 years
Infrastructure	50 – 100 years
Machinery and equipment	3 – 50 years
Vehicles	3 – 25 years

*Deposits and Investments*

The Unorganized Territories' 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' policy to value investments at fair value. None of the Unorganized Territories investments are reported at amortized cost. The Unorganized Territories Treasurer is authorized by State Statues 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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

*Deposits and Investments (cont'd.)*

The laws of the State of Maine under 30-A M.R.S.A. Sections 5706-5719 limit investment of municipal funds to investments described within that law. The law authorizes the Territories to invest in various financial institutions insured by Federal Deposit Insurance Corporation and the National Credit Union Association.

Repurchase agreements are allowed to the extent secured by the obligations of the United States Government, as defined in Section 5712, Subsection 1, provided that the market value of the underlying obligation is equal to or greater than the amount of the municipality's investment and that the municipality's security interest is perfected.

Investment in mutual funds is limited to bonds and other direct obligations of the United States Government or repurchase agreements secured by bonds and other direct obligations of the United States Government.

For other securities, including the above-mentioned investment vehicles, minimum security quality grade requirements are mandated in conjunction with percentage limitations of reserve amounts or portfolio balances, depending upon the type of the applicable securities purchased.

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 maintain 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.

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, 2024, the Unorganized Territories had \$0 in 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 formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported accounts and disclosures. Accordingly, actual results could differ from those estimates.

*Tax uncertainties*

The Unorganized Territories are not subject to income tax and does not have employees; therefore, it is not subject to payroll tax. As a result, it does not have tax returns subject to examination and have not made any provision for tax uncertainties.

*Subsequent events*

Management has evaluated for subsequent events through December 16, 2025, the date the financial statements were available to be issued. No subsequent events have occurred and none have been disclosed.

*Other General Items*

The Unorganized Territories is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; and natural disasters for which the Unorganized Territories carries commercial insurance. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage.

*Leases*

The Unorganized Territories' follow the provisions of Statement No. 87 of the Governmental Accounting Standards Board (GASB) Accounting Board – Leases. GASB 87 expands required reporting of long-term lease commitments.

(2) CASH AND INVESTMENTS

The Unorganized Territories' deposits at year end were fully covered by Federal Depository Insurance Corporation (FDIC).

The Unorganized Territories' cash is categorized to give an indication of the level of risk assumed by the Unorganized Territories at year end. These categories are defined as follows:

- Category #1 - Insured or collateralized with securities held by the Unorganized Territories or by its agent in the Unorganized Territories' name.
- Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Unorganized Territories' name.
- Category #3 - Uncollateralized, which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Unorganized Territories' name.

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) CASH AND INVESTMENTS (cont'd)

At June 30, 2024, the Unorganized Territories' cash balances amounting to \$4,088,564 were comprised of deposits of \$4,107,509. Of these bank deposits, \$4,107,509 were fully insured by an irrevocable letter of credit with Machias Savings Bank (Category #1) and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 1,775,238
TIF Checking	<u>2,332,271</u>
	<u>\$ 4,107,509</u>

(3) INTERFUND RECEIVABLES/PAYABLES

Interfund balances as of June 30, 2024, consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 0	\$71,373
Permanent Fund	<u>71,373</u>	<u>0</u>
	<u>\$71,373</u>	<u>\$71,373</u>

(4) CAPITAL ASSETS

As of June 30, 2024, capital assets consisted of the following:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>
<i>Non-depreciable assets</i>				
Land	\$ 0			\$ 0
<i>Depreciable assets</i>				
Buildings	1,547,432	56,300		1,603,732
Vehicles	<u>28,380</u>	<u>140,000</u>		<u>168,380</u>
	<u>1,575,812</u>	<u>196,300</u>		<u>1,772,112</u>
<i>Accumulated depreciation</i>				
Buildings	1,365,875	33,486		1,399,361
Vehicles	<u>14,190</u>	<u>18,730</u>		<u>32,920</u>
	<u>1,380,065</u>	<u>52,216</u>		<u>1,432,281</u>
<i>Net Book Value</i>	\$ <u>195,747</u>	\$ <u>144,084</u>		\$ <u>339,831</u>

Depreciation expense was charged to governmental activities as follows:

Unallocated	\$ <u>52,216</u>
Total depreciation expense	\$ <u>52,216</u>

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(5) RELATED-PARTY TRANSACTIONS

The County of Penobscot administers, for the State of Maine, the day-to-day operations of the Unorganized Territories of Penobscot County, Maine. The County oversees the maintenance of roads and bridges, snow removal, solid waste disposal, fire and ambulance protection and other needs of the residents of the Unorganized Territories. The County also maintains the accounting records for the Unorganized Territories. The Unorganized Territories pays the County an annual administration fee for these services. For the year ended June 30, 2024, the Unorganized Territories paid the County of Penobscot \$109,085 for these services.

Occasionally, the Unorganized Territories and County of Penobscot loan monies to one another. As of June 30, 2024, a net amount of \$100,790 was due to the Unorganized Territories from the County of Penobscot.

(6) EXPENDITURES OVER GENERAL FUND APPROPRIATIONS

The following expenditures exceeded appropriations:

	<u>Excess</u>
Audit/bank charges/fees	6,250
Ambulance services	19,256
E-911 addressing	817
Solid waste	27,634
Cemeteries	1,039
Sand/salt capital improvement	36,300

(7) ASSIGNED FUND BALANCES

SUBSEQUENT YEARS' EXPENDITURES

Title 30-A, Section 923, Maine Revised Statutes Annotated of 1964, provides that any unexpended balance of capital expenditures shall not lapse, but shall be carried forward to next year or until the purpose for which said account was established and has been completed.

At June 30, 2024, assigned fund balance consisted of the following:

Sand/salt capital	\$ 150,745
Capital road construction	251,763
Bridge maintenance	105,324
Road paving	374,752
Snow removal bond	70,465
Solid waste	144,046
Vehicle replacement escrow	<u>28,615</u>
	<u>\$1,125,710</u>

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) RESTRICTED FUND BALANCES

At June 30, 2024, restricted fund balance consisted of the following:

Contingency	\$ 25,000
E911 Addressing	<u>27,388</u>
Total General fund	52,388
TIF Fund	2,246,704
Permanent funds	<u>71,373</u>
	<u>\$ 2,370,465</u>

(9) TAX INCREMENT FINANCING DISTRICT

The Unorganized Territories has established a tax increment financing district under the terms of applicable state laws, which is accounting for in the TIF Fund.

The Unorganized Territories established the Passadumkeag Wind Park Omnibus Municipal Tax Increment Financing District on July 1, 2016. The TIF has been designated for thirty years or until the project costs are expended. Revenue allocation is currently projected at \$9.15 million, all of which may facilitate funding for an estimated \$15 million in public costs and associated debt. The TIF will be funded through the capture of property taxes of a designated district of 2,145 acres with an assessed value of \$1,386,590.

(10) LEASES

The Unorganized Territories has follows the requirements of GASB #87 with respect to leases. The Unorganized Territories assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Unorganized Territories assesses whether; the contract involves the use of an identified asset, if the Unorganized Territories has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use and if the Unorganized Territories has the right to direct the use of the asset. The Unorganized Territories recognizes a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those for property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Unorganized Territories' incremental borrowing rate. Generally, the Unorganized Territories will use the incremental borrowing rate as the discount rate. The Unorganized Territories has elected not to separate non-lease components of the contract and account for the lease and non-lease components as a single lease component.

(10) LEASES (cont'd.)

When the Unorganized Territories acts as a lessor, it determines at lease inception whether each lease is classified as a short-term lease, a contract that transfers ownership, or all other leases. Under GASB #87 a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. If the underlying asset transfers ownership to the lessee by the end of the contract, the transaction should be reported as a financed purchase of the underlying asset by the lessee, or sale of the asset by the lessor. GASB #87 requires the recognition of lease payments received under short-term financing leases as income on a straight-line basis over the lease term.

A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to extend that the lessee is reasonably certain to exercise. Under GASB #87 lease transactions of buildings and equipment that have a lease term of 12 months or less are recognized in the statement of activities as an expense on a straight-line basis over the lease term in the period in which the obligation for those payments has occurred.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2024

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 1,868,069	\$ 1,868,069	\$ 1,868,069	\$ -
Excise taxes	230,000	230,000	432,169	202,169
PILT	-	-	570	570
Intergovernmental revenue				
Local road assistance	90,000	90,000	143,576	53,576
Solid waste/snowplowing	61,616	61,616	44,501	(17,115)
Fire/rescue reimbursements	1,000	1,000	-	(1,000)
Road salt/sand reimbursement	13,279	13,279	14,914	1,635
Municipal reimbursements	-	-	23,794	23,794
Investment income	7,500	7,500	34,275	26,775
Other revenue	900	900	148,570	147,670
TOTAL REVENUES	<u>2,272,364</u>	<u>2,272,364</u>	<u>2,710,438</u>	<u>438,074</u>
EXPENDITURES				
Current				
Administration	109,085	109,085	109,085	-
Audit/bank charges/fees	4,000	4,000	10,250	(6,250)
Polling places	3,500	3,500	2,344	1,156
Ambulance services	37,900	37,900	57,156	(19,256)
Animal control	6,300	6,300	6,086	214
E-911 addressing	-	-	817	(817)
Fire protection	86,844	86,844	76,654	10,190
Contracted law enforcement	218,000	218,000	218,000	-
Solid waste	249,621	249,621	277,255	(27,634)
Snow removal	1,130,037	1,130,037	1,104,246	25,791
Snowmobile trails	2,000	2,000	2,000	-
Cemeteries	32,364	32,364	33,403	(1,039)
Capital outlays				
Sand/salt maintenance	11,289	11,289	9,907	1,382
Capital road construction	50,000	50,000	24,210	25,790
Road paving	210,000	210,000	176,280	33,720
Road maintenance	111,850	111,850	105,966	5,884
Sand/salt capital improvement	20,000	20,000	56,300	(36,300)
Vehicle replacement	8,000	8,000	-	8,000
TOTAL EXPENDITURES	<u>2,290,790</u>	<u>2,290,790</u>	<u>2,269,959</u>	<u>20,831</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (18,426)</u>	<u>\$ (18,426)</u>	440,479	<u>\$ 458,905</u>
FUND BALANCES - JULY 1, 2023			<u>1,271,442</u>	
FUND BALANCES - JUNE 30, 2024			<u>\$ 1,711,921</u>	
Utilization of unassigned fund balance	\$ (18,426)	\$ (18,426)	\$ 490,697	\$ 509,123
Utilization of restricted fund balance	-	-	(53)	(53)
Utilization of assigned fund balance	-	-	(50,165)	(50,165)
	<u>\$ (18,426)</u>	<u>\$ (18,426)</u>	<u>\$ 440,479</u>	<u>\$ 458,905</u>

See notes to financial statements

SUPPLEMENTARY INFORMATION

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

COMBINING BALANCE SHEET

PERMANENT FUNDS

JUNE 30, 2024

	KINGMAN CEMETERY TRUST	PRENTISS PLANTATION TRUST	GREENFIELD CEMETERY TRUST	ARGYLE CEMETERY TRUST	KINGMAN CEMETERY ASSOCIATION	KINGMAN HOUSE PROJECT	ARGYLE PERPETUAL CARE ASSOC.	THOMPSON CEMETARY TRUST	TOTAL
<b>ASSETS</b>									
Due from other funds	\$ 17,721	\$ 2,816	\$ 915	\$ 1,825	\$ 99	\$ 31,129	\$ 11,522	\$ 5,346	\$ 71,373
<b>TOTAL ASSETS</b>	<u>\$ 17,721</u>	<u>\$ 2,816</u>	<u>\$ 915</u>	<u>\$ 1,825</u>	<u>\$ 99</u>	<u>\$ 31,129</u>	<u>\$ 11,522</u>	<u>\$ 5,346</u>	<u>\$ 71,373</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>									
Restricted	17,721	2,816	915	1,825	99	31,129	11,522	5,346	71,373
<b>TOTAL FUND BALANCES</b>	<u>17,721</u>	<u>2,816</u>	<u>915</u>	<u>1,825</u>	<u>99</u>	<u>31,129</u>	<u>11,522</u>	<u>5,346</u>	<u>71,373</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 17,721</u>	<u>\$ 2,816</u>	<u>\$ 915</u>	<u>\$ 1,825</u>	<u>\$ 99</u>	<u>\$ 31,129</u>	<u>\$ 11,522</u>	<u>\$ 5,346</u>	<u>\$ 71,373</u>

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See notes to financial statements

COUNTY OF PENOBSCOT, MAINE - UNORGANIZED TERRITORIES

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

PERMANENT FUNDS

YEAR ENDED JUNE 30, 2024

	KINGMAN CEMETERY TRUST	PRENTISS PLANTATION TRUST	GREENFIELD CEMETERY TRUST	ARGYLE CEMETERY TRUST	KINGMAN CEMETERY ASSOCIATION	KINGMAN HOUSE PROJECT	ARGYLE PERPETUAL CARE ASSOC.	THOMPSON CEMETARY TRUST	TOTAL
REVENUES									
Interest income	\$ 493	\$ 78	\$ 25	\$ 371	\$ 3	\$ 867	\$ -	\$ 149	\$ 1,986
Other	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>\$ 493</u>	<u>\$ 78</u>	<u>\$ 25</u>	<u>\$ 371</u>	<u>\$ 3</u>	<u>\$ 867</u>	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ 1,986</u>
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers In (Out)	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	493	78	25	371	3	867	-	149	1,986
FUND BALANCES - JULY 1, 2023	<u>17,228</u>	<u>2,738</u>	<u>890</u>	<u>1,454</u>	<u>96</u>	<u>30,262</u>	<u>11,522</u>	<u>5,197</u>	<u>69,387</u>
FUND BALANCES - JUNE 30, 2024	<u>\$ 17,721</u>	<u>\$ 2,816</u>	<u>\$ 915</u>	<u>\$ 1,825</u>	<u>\$ 99</u>	<u>\$ 31,129</u>	<u>\$ 11,522</u>	<u>\$ 5,346</u>	<u>\$ 71,373</u>

See notes to financial statements

COUNTY OF PENOBSCOT, MAINE -- UNORGANIZED TERRITORIES

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION IV -- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**2023-001 Material Weakness – Bank Reconciliations**

Condition: Bank reconciliations are not accurate.

Criteria and effect: Bank reconciliations are an essential control for numerous reasons, including but not limited to; to detect items not entered and errors in the cash book, to ensure that the cash book entries are complete, to ensure cash is adequate to meet financial obligations, to discover bank errors, to discover dishonored checks, to monitor “stale” checks and deposits and to monitor and deter fraud and embezzlement.

Cause: Reconciliations were not completed accurately due to lack of a policy and oversight to ensure accuracy.

Recommendation: We recommended that management assign an individual to be responsible for reconciling the bank statements for every bank account on a monthly basis by the 15<sup>th</sup> of each month. Upon completion, the reconciliations should be reviewed and approved by the supervisor of the individual performing the reconciliations.

**2023-002 Material Weakness – Bookkeeping**

Condition: Controls are not in place to ensure that all balance sheet accounts are properly reconciled.

Criteria and effect: It is essential to have a system in place to record all assets and liabilities as they are incurred and to clear the assets and liabilities from the general ledger as they are receipted or paid. Lack of controls may cause assets to be unreceipted and liabilities to be unpaid resulting in late fees and financial statement errors.

Cause: Controls not in place.

Recommendation: We recommended that management assign an individual to be responsible for inputting all assets and liabilities as they are incurred and the payment or invoice received. Management should review all balance sheet accounts on a monthly basis to ensure proper recording.

ADDITIONAL REPORT



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550  
207-764-3171 Fax 207-764-6362

Barbara E. McGuire, CPA, CGMA  
Timothy P. Poitras, CPA, CGMA

To the County Commissioners of the  
Unorganized Territories of Penobscot County, Maine

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

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, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Penobscot, Maine – Unorganized Territories, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County of Penobscot, Maine – Unorganized Territories basic financial statements, and have issued our report thereon dated December 16, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the County of Penobscot, Maine - Unorganized Territories' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Penobscot, Maine - Unorganized Territories' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Penobscot, Maine - Unorganized Territories' internal control.

*A deficiency in internal control* exists when the design of 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 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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County of Penobscot, Maine - Unorganized Territories' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

*Chester M. Kearney*

Presque Isle, Maine  
December 16, 2025