

COUNTY OF KNOX

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2014*

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2014**

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**COUNTY OF KNOX
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

August 21, 2015
County Commissioners
County of Knox
Rockland, ME 04841

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Knox, Maine as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes 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 procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox, Maine as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 32 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statement, 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Knox, Maine's basic financial statements. The introductory section and 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2015, on our consideration of the County of Knox, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Knox, Maine's internal control over financial reporting and compliance.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

County of Knox
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014

Management of County of Knox provides this *Management's Discussion and Analysis* of the County's financial performance for readers of the County's financial statements. This narrative overview and analysis of the financial activities of the County is for the fiscal year ended December 31, 2014. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of County of Knox (the County) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net position – The assets of the County exceeded its liabilities at fiscal year ending December 31, 2014 by \$26,047,411 (presented as “net position”). Of this amount, \$1,753,100 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the County's ongoing obligations to citizens and creditors.

Changes in Net position – The County's total net position decreased by \$979,305 (a 3.6 % decrease) for the fiscal year ended December 31, 2014.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2014; the County's governmental funds reported a combined ending fund balance of \$2,500,362 with \$1,369,546 being general, jail, airport, and dispatch unassigned fund balance. This unassigned fund balance represents approximately 14% of the total general, jail, airport and dispatch funds expenditures for the year. \$929,085 general fund balance represents 22% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$170,000 (7.3%) during the current fiscal year. Existing debt obligations were paid according to schedule. Additional information on the County's debt can be found in Note 3F of the notes to the financial statements on page 25 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

Government-wide Financial Statements

The Government-wide financial statements present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using

the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the County's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

The fiduciary fund financial statements can be found on page 14 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 15-31 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

Required supplementary information can be found on page 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

93% of the County's net position reflects its investment in capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that are still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

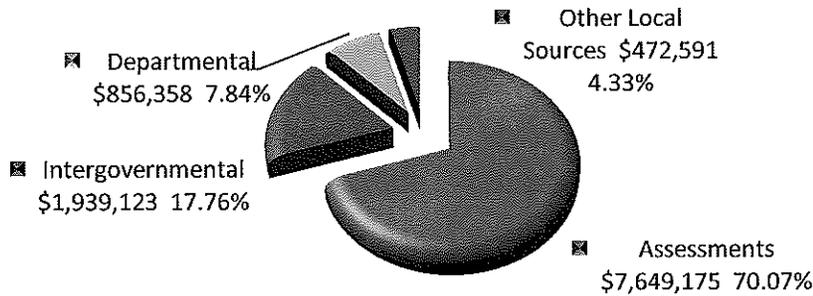
	<u>Total 2014</u>	<u>Total 2013</u>
Current Assets	2,908,792	3,284,928
Capital Assets	26,347,811	27,068,907
Total Assets	<u>29,256,603</u>	<u>30,353,835</u>
Current Liabilities	1,219,192	1,167,119
Other Liabilities	1,990,000	2,160,000
Total Liabilities	<u>3,209,192</u>	<u>3,327,119</u>
Net Position:		
Net Investment in Capital Assets	24,187,811	24,691,684
Restricted	106,500	92,014
Unrestricted	1,753,100	2,243,018
Total Net Position	<u>26,047,411</u>	<u>27,026,716</u>
Total Liabilities and Net Position	<u>29,256,603</u>	<u>30,353,835</u>

Changes in Net position

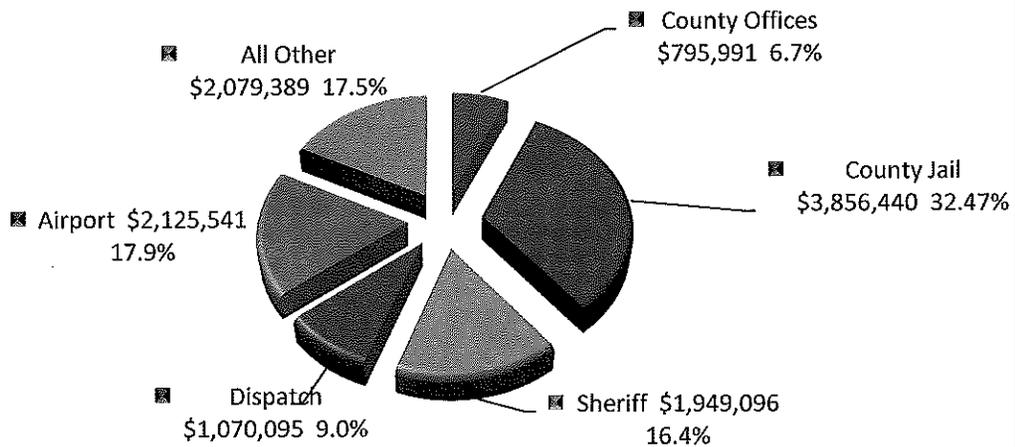
Approximately 70 percent of the County's total revenue came from assessments, approximately 18 percent came from State subsidies and grants, and approximately 12 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$973,790 of the total expenditures for the fiscal year.

	<u>Total 2014</u>	<u>Total 2013</u>
Revenues:		
District Assessments	7,649,175	7,736,792
Intergovernmental Revenues	1,939,123	2,004,528
Departmental Revenues	836,358	841,492
Other Local Sources	459,910	424,140
Gain on Sale of Assets	12,681	9,941
Total	<u>10,897,247</u>	<u>11,016,893</u>
Expenses:		
Emergency Management Agency	356,932	305,049
District Attorney	454,476	447,490
Administration & Information Tech.	519,632	558,016
County Finance	276,359	271,816
Building Maintenance	327,898	304,287
Building Maintenance - 301 Park St.	62,002	53,112
Debt Service	55,563	72,785
County Jail	3,856,440	3,811,699
Registry of Deeds	261,601	275,087
Probate Court	231,154	227,356
Sheriff's Patrol	1,949,096	2,050,055
Dispatch	1,070,095	1,044,159
Capital Outlay	-	180,373
Airport	2,125,541	1,553,890
Annual OPEB Cost	60,244	84,730
All Other	269,519	202,409
	<u>11,876,552</u>	<u>11,442,313</u>
Changes in Net Position	<u>(979,305)</u>	<u>(425,420)</u>

Revenues By Source - Governmental Activities



Expenditures By Source - Governmental Activities



FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported ending fund balances of \$2,500,362 a decrease of \$406,591 in comparison with the prior year. 55% percent of this total amount constitutes unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$26,146 negative variance in registry of deeds. The lower revenue is due to less deeds recorded.
- \$69,344 negative variance in sheriff revenue and \$36,972 positive variance in sheriff personal and contractual services. The variances are due to open positions.
- \$17,443 positive variance in administration and IT contractual services. The variance is due to legal fees less than budgeted, workers compensation dividend higher than budgeted, and internet and computer repairs less than budgeted due to change in billing, usage, reduction in software, and change in consulting.
- \$27,241 negative variance in building maintenance commodities. The variance is due to electricity and heating fuel higher than budgeted.
- \$9,802 negative variance in building maintenance 301 Park St. The variance is due to electricity heating fuel higher than budgeted. Repairs and maintenance higher due to unexpected repairs.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$35,339,672 net of accumulated depreciation of \$8,991,861 leaving a net book value of \$26,347,811.

Additional information on the County's capital assets can be found in Note 3D of the notes to the financial statements on page 24 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: County of Knox, 62 Union St., Rockland, ME 04841.

**COUNTY OF KNOX
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>
Cash and Equivalents	1,630,576
Investments	734,151
Accounts Receivable	232,151
Prepaid Expenditures	
Due from Other Governments	311,914
Capital Assets:	
Land	2,780,344
Construction Work in Progress	
Other Capital Assets, Net of Depreciation	<u>23,567,467</u>
Total Assets	<u><u>29,256,603</u></u>
 <i>Liabilities and Net Position</i>	
Liabilities	
Accounts Payable	27,172
Retainage Payable	31,341
Accrued Salaries	194,108
Compensated Absences	477,565
Net OPEB Obligation	319,006
Long-term Liabilities:	
Due Within One Year	170,000
Due in More Than One Year	<u>1,990,000</u>
Total Liabilities	<u>3,209,192</u>
 Net Position	
Net Investment in Capital Assets	24,187,811
Restricted Net Position	106,500
Unrestricted	<u>1,753,100</u>
Total Net Position	<u>26,047,411</u>
Total Liabilities and Net Position	<u><u>29,256,603</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

COUNTY OF KNOX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Revenue and Changes in Net Position</u>
<u>Primary Government</u>				<u>Total</u>
<u>Governmental Activities</u>				<u>Governmental Activities</u>
Emergency Management Agency	356,932	4,092	70,638	(282,202)
District Attorney	454,476	19,249	42,000	(393,227)
Administration and IT	519,632			(519,632)
County Treasurer	276,359	5,855		(270,504)
Building Maintenance	327,898	107,903		(219,995)
Building Maintenance - 301 Park St.	62,002			(62,002)
Debt Service	55,563			(55,563)
County Jail	3,856,440	50,568	538,498	(3,267,374)
Registry of Deeds	261,601			(261,601)
Probate Court	231,154	97,448		(133,706)
Sheriff's Patrol	1,949,096	174,542	16,787	(1,757,767)
Dispatch	1,070,095			(1,070,095)
Annual OPEB Costs	60,244			(60,244)
Airport	2,125,541	310,318	54,228	(1,760,995)
All Other	269,519			(269,519)
<u>Total Governmental Activities</u>	<u>11,876,552</u>	<u>769,975</u>	<u>722,151</u>	<u>(10,384,426)</u>
<u>Total Primary Government</u>	<u>11,876,552</u>	<u>769,975</u>	<u>722,151</u>	<u>(10,384,426)</u>
<u>General Revenues:</u>				
Assessments				7,649,175
Registry of Deeds Fees				453,265
Airport Federal and State Grants for Capital Assets & Infrastructure				1,057,988
Emergency Management Federal Grant for Capital Assets				167,780
Other Local Sources				64,232
Gain on Sale of Assets				12,681
<u>Total Revenues, Special Items and Transfers</u>				<u>9,405,121</u>
<u>Changes in Net Position</u>				<u>(979,305)</u>
<u>Net Position - Beginning</u>				<u>27,026,716</u>
<u>Net Position - Ending</u>				<u>26,047,411</u>

The accompanying notes to the financial statements are an integral part of this statement.

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>Airport Eminent Domain</i>	<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total</i>
Cash and Equivalents	1,358,304		111,512	160,760	1,630,576
Investments	511,116		221,332	1,703	734,151
Accounts Receivable	226,209		2,020	3,922	232,151
Due from Other Funds	381,831			3,196	385,027
Due from Other Governments		144,459		167,455	311,914
Total Assets	2,477,460	144,459	334,864	337,036	3,293,819
<i>Liabilities</i>					
Accounts Payable	27,172				27,172
Retainage Payable				31,341	31,341
Accrued Salaries	194,108				194,108
Due to Other Funds	33,195	144,459	4,143	203,230	385,027
Total Liabilities	254,475	144,459	4,143	234,571	637,648
<i>Deferred Inflows of Resources:</i>					
Unearned Revenues	155,809				155,809
Total Deferred Inflows of Resources	155,809	-	-	-	155,809
<i>Fund Balances</i>					
Restricted				106,500	106,500
Committed	512,113		330,721	-	842,834
Assigned	185,517				185,517
Unassigned	1,369,546	-		(4,035)	1,365,511
Total Fund Balances	2,067,176	-	330,721	102,465	2,500,362
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,477,460	144,459	334,864	337,036	3,293,819

The accompanying notes to the financial statements are and integral part of these statements.

**COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance	2,500,362
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,991,861	<u>26,347,811</u>
	<u>26,347,811</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Bonds Payable	(2,160,000)
Unearned Revenues - Other	155,809
	<u>(2,004,191)</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Net OPEB Obligation	(319,006)
Accrued Compensated Absences	(477,565)
	<u>(796,571)</u>
Net Position of Governmental Activities	<u><u>26,047,411</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

COUNTY OF KNOX
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>Airport Eminent Domain</i>	<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
Assessments	7,649,175				7,649,175
Intergovernmental Revenues	654,568	38,778		1,245,777	1,939,123
Departmental Revenues	825,101				825,101
Other Local Sources	431,221		34,415	6,955	472,591
Total Revenues	9,560,065	38,778	34,415	1,252,732	10,885,990
Expenditures					
Emergency Management Agency	143,059			133,925	276,984
District Attorney	299,029			155,922	454,951
Administration and IT	487,337				487,337
County Treasurer	275,843				275,843
Building Maintenance	305,513		121,754		427,267
Building Maintenance - 301 Park St.	62,002				62,002
Debt Service	225,563				225,563
County Jail	3,728,111				3,728,111
Registry of Deeds	261,320				261,320
Probate Court	230,123				230,123
Sheriff's Patrol	1,845,475		96,146	7,440	1,949,061
Dispatch	1,016,078			9,068	1,025,146
Airport	524,647	42,866	8,503	1,043,338	1,619,354
All Other	267,312			2,207	269,519
Total Expenditures	9,671,412	42,866	226,403	1,351,900	11,292,581
Excess of Revenues Over (Under) Expenditures	(111,347)	(4,088)	(191,988)	(99,168)	(406,591)
Other Financing Sources (Uses)					
Transfers from Other Funds	-	10,647	7,059	176,544	194,250
Transfers to Other Funds	(116,164)	(6,559)	(7,082)	(64,445)	(194,250)
Total Other Financing Sources (Uses)	(116,164)	4,088	(23)	112,099	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(227,511)	-	(192,011)	12,931	(406,591)
Fund Balance - January 1	2,294,687		522,732	89,534	2,906,953
Fund Balance - December 31	2,067,176	-	330,721	102,465	2,500,362

(Continued)

The notes to financial statements are an integral part of this statement.

**COUNTY OF KNOX
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds (406,591)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	260,783
Depreciation expense	(973,790)
Disposed capital assets	(8,089)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Unearned Revenues	11,257
-------------------	--------

Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Bond principal payments	170,000
Capital lease principal payments	47,223

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Annual OPEB Cost	(60,244)
Accrued compensated absences	(19,854)

Change in net position of governmental activities	<u>(979,305)</u>
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COUNTY OF KNOX
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 DECEMBER 31, 2014

Exhibit E

	Agency Fund		Totals
	Inmate Fund	DA Restitution	
Assets			
Cash and Equivalents	20,291	13,838	34,129
Total Assets	20,291	13,838	34,129
Liabilities			
Due to Victims			
Due to Inmates	20,291	13,838	34,129
Total Liabilities	20,291	13,838	34,129

The notes to financial statements are an integral part of this statement.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Knox have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The County of Knox operates under an elected Board of Commissioners form of government. The County's major operations include airport, jail, sheriff, and general administrative services.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County. Fiduciary activities, whose resources are not available to finance the County's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and various intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both 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. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, interdepartmental charges and intergovernmental revenues are considered susceptible to accrual. Special assessments are recorded as revenues in the year the assessment become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The General Fund is used to account for all or most of the County's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

The airport wildlife fence accounts for all expenditures relating to the airport wildlife fence project.

The airport eminent domain accounts for all expenditures relating to the eminent domain project.

The capital improvements account for all the County funds designated for a capital purchases.

Additionally, the County reports the following fund types:

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's own programs.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net position or Fund Equity

1. Deposits and Investments

The 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. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

The County may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Maine Statute 5705 Title 30-A and as provided in the authorized investment guidelines of the Maine Statutes 5711 through 5719 in effect on the date the investment is made.

Investments in the Pension Trust Fund are carried at fair value. Investments in other funds are carried at fair value, except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

2. Receivables and Payables

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded:

- a. Certain grants received from other governments require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made.
- b. Various service charges are recorded as revenue for the period when service was provided. The receivables for such services are shown on the balance sheet.

3. Inventories

Inventories are valued at cost, using the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased, however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in the government funds are equally offset by a fund balance reserve which indicates that the assets are not available for appropriation even though they are a component of reported assets.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued.)

4. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-100
Infrastructure	30-50
Equipment	5-30

5. Compensated Absences

County employees generally earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for all accumulated vacation time upon complying with county policies.

Employees earn sick leave proportionate to regularly scheduled hours for a maximum of 8 hours, accumulative to a maximum of 120 working days. Upon retirement or resignation, an employee in good standing is entitled to payment for one-half of accrued sick leave of not more than 90 days accumulation.

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method. For current and advance refunding of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

D. Assets, Liabilities and Net position or Fund Equity (continued)

6. Long-term Obligations (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

7. Fund Balances/Net position

Fund Balances

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through County commissioner voting and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the County Treasurer.

Unassigned – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The County considers restricted, committed, assigned, and unassigned amounts to be spent in that order when expenditures for which any of those amounts are available.

The County follows the fund balance policy pursuant to Maine Statute Title 30-A.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

D. Assets, Liabilities and Net position or Fund Equity (continued)

7. Fund Balances/Net position (continued)

Fund Balances

The County has identified December 31, 2014 fund balances on the balance sheet as follows:

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Improvements</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
<u>Restricted</u>				
Wellness Grant			675	675
Victim/Witness Advocate Grant			2,242	2,242
Local Emergency Planning Committee			92,132	92,132
Pen Bay YMCA Party Patrols			279	279
Airport Passenger Facility			11,172	11,172
<u>Committed</u>				
General Reserves	512,113			512,113
Capital Improvements		330,721		330,721
<u>Assigned</u>				
Inmate Fund	185,517			185,517
<u>Unassigned</u>				
General Fund	929,085			929,085
Jail Fund	246,006			246,006
Airport Fund	5,811			5,811
Dispatch Fund	188,644			188,644
Airport Snow Removal Equipment			(392)	(392)
Airport Wildlife Fence			(240)	(240)
Airport Obstruction Analysis			(351)	(351)
Airport Snow Removal Truck			(514)	(514)
Airport Misc. Proj. Roads			(248)	(248)
Airport Miscellaneous Improvements			(687)	(687)
Airport Design & Permitting			(1,008)	(1,008)
Airport Terminal Study Bus. Plan			(104)	(104)
Airport Master Plan Update			(99)	(99)
Airport Snow Removal Truck & Trailer			(379)	(379)
Airport Miscellaneous Improvements			(13)	(13)
<u>Total Fund Balance</u>	<u>2,067,176</u>	<u>330,721</u>	<u>102,465</u>	<u>2,500,362</u>

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

D. Assets, Liabilities and Net position or Fund Equity (continued)

7. Fund Balances/Net position (continued)

Net position

Net position are required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the County’s operations. The County Commissioners submit an itemized budget estimate to the budget committee no later than 60 days before the end of the County’s fiscal year. The budget committee (made up of elected officials from various Countys/cities) reviews the proposed itemized budget prepared by the County Commissioners, together with any supplementary material prepared by the head of each County department or provided by any independent board or institution or another governmental agency. The budget committee may increase, decrease, or alter the proposed budget. The budget committee then holds a public hearing in the County on the proposed budget before the end of the County’s fiscal year and before the final adoption of the budget.

After the public hearing is completed, the budget committee adopts a final budget and transmits that budget to the county commissioners. The county commissioners may not further increase, decrease, alter, and revise the budget as adopted by the budget committee, except by unanimous vote of the county commissioners. If the adopted budget is changed by the county commissioners, the budget committee may reject that change by a 2/3 vote of its membership. Those actions are final and are not subject to further action by either the county commissioners or the budget committee.

The budget as adopted and changed is the final authorization for the assessment of county taxes. The approved final budget is sent to the county commissioners and the county tax authorized is apportioned and collected.

All annual appropriations lapse at the year-end except for capital appropriations, which are encumbered if approved by the County Commissioners.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Budget/GAAP Reconciliation

The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Exhibit F) reconciles financial data on a budgetary basis for the government's general fund to the data shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D). The major difference is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

C. Reserved For Contingency - General Fund

Title 30-A, Section 922, Maine Revised Statutes Annotated of 1964 states that at the end of each fiscal year, there must be transferred from unencumbered county funds an amount sufficient to restore the established county contingent account.

At December 31, the County's contingency account remained at its established balance.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the County Treasurer in the amount of the County's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance County (FDIC).

One or more of the financial institutions holding the County's cash accounts are participating in the FDIC Transaction Account Guarantee Program. For all accounts, the County's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the County and thus no custodial risk exists.

At year-end, the carrying value of the County's deposits was \$1,664,705 and the bank balance was \$2,383,815. Of the bank balance, \$466,669 was covered by federal depository insurance. \$1,654,455 was collateralized with Machias Savings Bank, and \$262,691 was uncollateralized.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Investments

At December 31, 2014, the County had the following investments, maturities, and credit ratings:

<i>Type</i>	<i>Fair Value</i>	<i>Maturities in Years</i>				<i>Credit Rating</i>	
		<i>< 1</i>	<i>1-5</i>	<i>6-10</i>	<i>> 10</i>	<i>S&P</i>	<i>Moody's</i>
<i>All Funds</i>							
U.S. Treasury Securities	734,151	110,012	512,726	111,413		AAA	AAA
	734,151	110,012	512,726	111,413	-		

Investment Policies

Generally, the County's investing activities are managed under the custody of the County Treasurer. Investing is performed in accordance with the investment policy adopted by the County Commissioners complying with state statutes. The County may invest in securities permitted under 30-A MRSA 5712, 5713, 5714, 5715, and 5716. Upon approval of the County Commissioners, the treasurer of the trustee(s) of a trust fund of the County, may enter into safekeeping and investment management agreements and/or investment advisory agreements in accordance with 30-A MRSA 5706(4) and the investment funds pursuant to any such agreements shall be governed by the rule prudence as set forth in 18-A MRSA 7-302.

C. Assessments

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. For the year-ended December 31, 2014, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,181,900,000
Unorganized territories	19,300,000
Total assessed valuation	7,201,200,000
Tax rate	0.0009078
Current tax commitment	\$ 6,537,284
Appropriations	9,472,619
Overlay	98,059
	9,570,678
Less:	
Estimated revenues	(3,033,394)
Current tax commitment	\$ 6,537,284

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental Activities;				
<i>Capital assets not being depreciated</i>				
Land	2,780,344			2,780,344
<i>Capital assets being depreciated</i>				
Buildings	11,458,756	99,369		11,558,125
Equipment	5,663,669	161,414	(170,279)	5,654,804
Infrastructure	15,346,399			15,346,399
<i>Total capital assets being depreciated</i>	32,468,824	260,783	(170,279)	32,559,328
<i>Less accumulated depreciation for</i>				
Buildings	3,036,641	234,905		3,271,546
Equipment	2,161,387	402,384	(162,190)	2,401,581
Infrastructure	2,982,233	336,501		3,318,734
<i>Total accumulated depreciation</i>	8,180,261	973,790	(162,190)	8,991,861
<i>Net capital assets being depreciated</i>	24,288,563	(713,007)	(8,089)	23,567,467
Governmental Activities Capital Assets, net	27,068,907	(713,007)	(8,089)	26,347,811

Depreciation expense was charged to functions/programs of the primary government as follows;

Governmental Activities

Emergency Management	80,982
District Attorney	518
County Commissioners	30,774
County Treasurer	106
County Jail	140,027
Probate Court	767
Sheriff's Patrol	122,949
Dispatch	88,389
Airport	509,278
Total Depreciation Expense - Governmental Activities	<u>973,790</u>

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Debt

1. General Obligation Bonds and Notes.

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

<i>General Obligation</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
2013 301 Park St. Building	11/15/2027	2.25-4%	<u>2,160,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$328,329 are as follows:

<i>Year Ended December 31,</i>	<i>General Obligation Debt</i>
2015	217,531
2016	214,131
2017	210,731
2018	202,331
2019	197,381
2020-2024	929,155
2025-2027	517,069
Total	<u>2,488,329</u>

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the County of Knox for the fiscal year ended December 31, 2014:

<i>Long-term Debt payable January 1, 2014</i>	2,330,000
Debt Issued	
Debt Retired	<u>(170,000)</u>
<i>Long-term Debt payable December 31, 2014</i>	<u>2,160,000</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2014, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	381,831	33,195
Special Revenue Funds		
Wellness Grant	675	
Victim/Witness Advocate Grant	2,242	
Local Emergency Planning Committee		27,151
Pen Bay YMCA Party Patrols	279	
Capital Project Funds		
Airport Snow Removal Equipment		392
Airport Wildlife Fence		240
Airport Obstruction Analysis		351
Airport Snow Removal Truck		514
Airport Misc. Proj. Roads		248
Airport Snow Removal Equip. Bld.		8,330
Airport Eminent Domain		144,459
Airport Obstruction Removal		24,448
Airport Misc. Improvements		687
Airport Design & Permitting		20,691
Airport Terminal Study Bus. Plan		104
Airport Master Plan Update		20,353
Airport Snow Removal Truck & Trailer		379
Airport Aviation Easements		18,248
Airport Passenger Facility		62,273
Misc. Airport Imp.		18,821
Capital Improvements		4,143
Totals	<u>385,027</u>	<u>385,027</u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. The amount due to the capital project funds represents airport projects appropriations and grant receivables and will be repaid upon receipts and use of the funds for these projects. The remainder of the above balances will be repaid during the next year.

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Interfund Receivables and Payables (continued)

Transfers To/From Other Funds at December 31, 2014, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund		116,164
Special Revenue Funds		
Victim/Witness Advocate Grant	116,164	
Capital Projects		
Airport Eminent Domain	10,647	6,559
Airport Wildlife Fence	12,758	
Airport Snow Removal Truck	23	
Airport Misc. Proj. Roads	140	
Airport Snow Removal Equip. Bld.	5,992	
Airport Obstruction Removal	21,106	
Airport Design & Permitting	3,013	
Airport Master Plan Update	3,312	
Airport Aviation Easements	6,933	8,503
Airport Passenger Facility		55,942
Airport Misc. Imp.	7,103	
Capital Improvements	7,059	7,082
Totals	194,250	194,250

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) transfer funds to general fund to cover expenditures voted on per County Commissioners.

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any to be immaterial.

There are various claims and suits pending against the County which arise in the normal course of the County's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect in the financial position of the County.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans

The County has contributed for certain employees, to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefits pension plan. The County withdrew from participation for new employees on June 30, 1981, but must continue to fund the benefits of current retirees and vested inactive members. The County is required to contribute an annual fee based on an actuarial valuation of the entire State plan. There was and an unfunded liability of \$66,422 for 2012, an unfunded liability of \$72,991 for 2013, and an unfunded liability of \$0 for 2014.

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to full time county employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by an independent company, and the County remits all compensation deferred to this administrator for investment as requested by the participant employees. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

The County has adopted a 401 Qualified Plan for which an independent company is the plan administrator.

The County contributes 7% of earnings on behalf of each participant for the plan year. Each participant is required to contribute 3% of earnings for the plan year as a condition of participation. All full-time, salaried management, public safety, and elected officials are eligible to participate. Normal retirement age shall be 55.

Participants vesting requirements are fulfilled at 5 years of service. The County has contributed \$253,186 and the participants have contributed \$109,962 for the year-ended December 31, 2014.

A participant may direct the investment without restriction among various options available under the trust. Loans are permitted through the plan.

Effective January 1, 2002, the County implemented a cafeteria benefit plan pursuant to section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the employees, into any combination of the following benefit categories:

1. Health Care Reimbursement Plan;
2. Dependent Care Assistance Account;

Eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Assistance Account and \$2,500 for health care.

All regular full-time employees who are eligible to join the County's major medical plan are eligible to participate in this plan. Seasonal employees are not eligible. The plan year adopted by the County begins on January 1 and ends on December 31.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans (Continued)

To obtain reimbursement of expenses incurred within a plan year within the spending accounts, employees must submit claims within 30 days of the end of the plan year or separation from the County, whichever comes first. Funds unclaimed after 30 days of the close of the plan year are then remitted to the County.

C. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the County participated in public entity risk pools.

The County is a member of the Maine Municipal Association - Worker Compensation Fund ("Fund"). The Fund was created to formulate, develop, and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage, and develop a comprehensive loss control program. The County pays an annual premium to the Fund for its worker's compensation coverage. The County's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts, for members with claims in excess of \$400,000 with a limit of \$2,000,000.

The County is also a member of the County Commissioners Association Self-Funded Risk Management Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower costs for its members. The County pays an annual premium for its property and liability coverage.

Under the property portion of the Pool, coverage is provided, after the deductible is met, to \$10,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

D. Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The County is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The County is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the County's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in August 2014.

Plan Descriptions – In addition to providing pension benefits, the County provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (continued)

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The County currently plans to fund these benefits on a pay-as-you-go basis primarily from the general fund. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

Net OPEB Obligation

The table below shows the development of the Net OPEB Obligation for the fiscal year ending December 31, 2013 and projects the Net OPEB Obligation for the fiscal years ending December 31, 2014, December 31, 2015 and December 31, 2016. The employer contributions for the fiscal years ending December 31, 2014, December 31, 2015, and December 31, 2016 are assumed to be the Knox County’s portion of actual premium payments for the retirees reported. Actual payments may vary.

Table V-1
 Development of Net OPEB Obligation

	Projected 12/31/2016	Projected 12/31/2015	12/31/2014	12/31/2013
Net OPEB Obligation, beginning of year	\$ 378,176	\$ 319,006	\$ 258,762	\$ 174,102
Annual required contribution	\$ 64,858	\$ 64,858	\$ 64,858	\$ 87,834
Interest on Net OPEB Obligation	\$ 15,127	\$ 12,760	\$ 10,350	\$ 6,964
Less: Adj. to Annual Required Contributions	\$ (21,870)	\$ (18,448)	\$ (14,964)	\$ (10,068)
Annual OPEB Cost	\$ 58,115	\$ 59,170	\$ 60,244	\$ 84,730
Less: Employer Contributions - Explicit premiums				\$ (70)

**2013 results are projected from the Knox County's certified financial reports and the 2011 actuarial reports. Estimated figures shown in italics*

Note: The employer contribution amount above is net of any participant premiums. The amount above is an estimate and subject to update and change.

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (continued)

Table V-2
 Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll c	(UAAL) as Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ -	\$ 406,606	\$ 406,606	0%	\$ -	N/A
12/31/2013	\$ -	\$ 473,488	\$ 473,488	0%	\$ -	N/A
12/31/2012	\$ -	\$ 473,488	\$ 473,488	0%	\$ -	N/A
12/31/2011	\$ -	\$ 473,488	\$ 473,488	0%	\$ -	N/A
12/31/2010	\$ -	\$ -	\$ -	N/A	\$ -	N/A

Schedule of Employer Contributions

The schedule of employer contributions shows whether the employer has made contributions that are consistent with the parameters established by GASB for calculating the ARC and the annual OPEB expense.

Table V-3
 Schedule of Employer Contributions

Fiscal Year Ending	Annual OBEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
12/31/2014	\$ 60,244	To be determined	To be determined
12/31/2013	\$ 84,730	0.1%	\$ 258,762
12/31/2012	\$ 86,268	0.0%	\$ 174,102
12/31/2011	\$ 87,834	0.0%	\$ 87,834
12/31/2010	N/A	N/A	N/A
12/31/2009	N/A	N/A	N/A

Table V-4
 Note to Required Supplemental Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	January 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Open
Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	4.00%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.60%

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

Exhibit F

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,316,056	3,316,056	3,316,056	-
Intergovernmental Revenues	71,905	71,905	73,099	1,194
Departmental Revenues	911,481	911,481	825,101	(86,380)
Other Local Sources	13,100	13,100	24,386	11,286
Total Revenues	4,312,542	4,312,542	4,238,642	(73,900)
Expenditures				
Emergency Management Agency	143,495	143,495	141,879	1,616
District Attorney	296,081	296,081	299,029	(2,948)
County Commissioners	505,707	505,707	487,337	18,370
County Treasurer	277,352	277,352	275,843	1,509
Building Maintenance	282,650	282,650	305,513	(22,863)
Building Maintenance - 301 Park Street	52,200	52,200	62,002	(9,802)
Debt Service	230,932	230,932	225,563	5,369
Registry of Deeds	236,800	236,800	229,175	7,625
Probate Court	230,626	230,626	230,123	503
Sheriff's Patrol	1,865,868	1,865,868	1,830,788	35,080
All Other	304,667	304,667	207,000	97,667
Total Expenditures	4,426,378	4,426,378	4,294,252	132,126
Excess Revenues Over Expenditures	(113,836)	(113,836)	(55,610)	58,226
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(116,164)	(116,164)	(116,164)	-
Total Other Financing Sources (Uses)	(116,164)	(116,164)	(116,164)	-
Excess of Revenues and Other Sources Over (Under) Expenditures	(230,000)	(230,000)	(171,774)	58,226
Unassigned Fund Balance - January 1			1,100,859	
Unassigned Fund Balance - December 31			929,085	

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	3,316,056	3,316,056	-
Intergovernmental Revenues			
Federal			
Emergency Management Agency	71,748	70,638	(1,110)
Wildlife Refuge Fees		2,461	2,461
State			
Fuel Reimbursement	157		(157)
	<u>71,905</u>	<u>73,099</u>	<u>1,194</u>
Departmental Revenue			
Treasurer - Investment Income	2,300	5,855	3,555
District Attorney	18,600	19,249	649
Building Maintenance	106,455	107,903	1,448
Registry of Deeds	455,000	428,854	(26,146)
Probate Court	91,000	94,458	3,458
Sheriff	238,126	168,782	(69,344)
	<u>911,481</u>	<u>825,101</u>	<u>(86,380)</u>
Other Local Sources			
Miscellaneous	13,100	24,386	11,286
	<u>13,100</u>	<u>24,386</u>	<u>11,286</u>
Operating Transfers In			
Transfers from Grants			-
Transfers from Reserves			-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	4,312,542	<u><u>4,238,642</u></u>	<u><u>(73,900)</u></u>
Fund Balance Used to Calculate Assessments	<u>230,000</u>		
Total	<u><u>4,542,542</u></u>		

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

Exhibit A-2
Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personal Services	127,130	127,841	(711)
Contractual Services	12,280	10,515	1,765
Commodities	4,085	3,523	562
	<u>143,495</u>	<u>141,879</u>	<u>1,616</u>
District Attorney			
Personal Services	242,122	247,008	(4,886)
Contractual Services	41,084	39,683	1,401
Commodities	9,575	9,971	(396)
Capital Outlay	3,300	2,367	933
	<u>296,081</u>	<u>299,029</u>	<u>(2,948)</u>
Administration and IT			
Personal Services	265,075	265,045	30
Contractual Services	236,282	218,839	17,443
Commodities	4,350	3,453	897
Capital Outlay			-
	<u>505,707</u>	<u>487,337</u>	<u>18,370</u>
Finance			
Personal Services	227,799	228,261	(462)
Contractual Services	47,553	45,769	1,784
Commodities	2,000	1,813	187
	<u>277,352</u>	<u>275,843</u>	<u>1,509</u>
Building Maintenance			
Contractual Services	190,950	186,572	4,378
Commodities	91,700	118,941	(27,241)
Capital Outlay			-
	<u>282,650</u>	<u>305,513</u>	<u>(22,863)</u>
Building Maintenance 301 Park St.			
Contractual Services	43,200	51,042	(7,842)
Commodities	9,000	10,960	(1,960)
	<u>52,200</u>	<u>62,002</u>	<u>(9,802)</u>
Debt Service			
Jail Bond Principal	170,000	170,000	-
Jail Bond Interest	50,932	50,931	1
Interest - Tax Anticipation Note	10,000	4,632	5,368
	<u>230,932</u>	<u>225,563</u>	<u>5,369</u>

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Registry of Deeds			
Personal Services	170,495	170,323	172
Contractual Services	63,805	56,813	6,992
Commodities	2,500	2,039	461
	<u>236,800</u>	<u>229,175</u>	<u>7,625</u>
Probate Court			
Personal Services	208,774	207,793	981
Contractual Services	18,450	17,281	1,169
Commodities	3,402	5,049	(1,647)
	<u>230,626</u>	<u>230,123</u>	<u>503</u>
Sheriff's Patrol			
Personal Services	1,619,198	1,565,186	54,012
Contractual Services	135,720	152,760	(17,040)
Commodities	50,950	56,429	(5,479)
Capital Outlay	60,000	56,413	3,587
	<u>1,865,868</u>	<u>1,830,788</u>	<u>35,080</u>
Other			
Knox-Lincoln Extension Service	57,042	57,042	-
Knox-Lincoln Soil & Water	25,897	25,897	-
Eastern Maine Development	28,491	28,491	-
Mid Coast Regional Planning	2,500	2,500	-
Insurance	92,678	93,070	(392)
Overlay	98,059		98,059
	<u>304,667</u>	<u>207,000</u>	<u>97,667</u>
Transfers Out			
DA Grant	116,164	116,164	-
Reserves			-
	<u>116,164</u>	<u>116,164</u>	<u>-</u>
Total Appropriations	<u><u>4,542,542</u></u>	<u><u>4,410,416</u></u>	<u><u>132,126</u></u>

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit A-3

Unassigned Fund Balance January 1	1,100,859	
Unassigned Fund Balance December 31	<u>929,085</u>	
Increase (Decrease)		<u><u>(171,774)</u></u>
Analysis of Change		
Budget Surplus (Deficit) Revenue Deficit (Exhibit A-1)	(73,900)	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>132,126</u>	
Budget Surplus (Deficit)		<u>58,226</u>
Deductions Fund Balance Used to Calculate Assessments		<u>(230,000)</u>
Increase (Decrease)		<u><u>(171,774)</u></u>

COUNTY OF KNOX
 ALL GENERAL RESERVES
 BALANCE SHEET
 DECEMBER 31, 2014

Exhibit A-4

<i>Assets</i>	<i>General Reserves</i>	<i>Jail Fund</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Dispatch Fund</i>	<i>Totals</i>
Cash and Equivalents		53,462		185,517		238,979
Investments	511,116					511,116
Accounts Receivable	3,869	733	75,340		1,991	81,933
Due from Other Funds		424,514			207,326	631,840
Total Assets	514,985	478,709	75,340	185,517	209,317	1,463,868
<i>Liabilities and Fund Balances</i>						
Liabilities						
Accrued Salaries		70,068	26,123		20,673	116,864
Accounts Payable		18,083				18,083
Due to Other Funds	2,872		43,406			46,278
Deferred Revenues		144,552				144,552
Total Liabilities	2,872	232,703	69,529	-	20,673	325,777
Fund Balances						
Committed	512,113					512,113
Assigned				185,517		185,517
Unassigned		246,006	5,811		188,644	440,461
Total Fund Balances	512,113	246,006	5,811	185,517	188,644	1,138,091
Total Liabilities and Fund Balances	514,985	478,709	75,340	185,517	209,317	1,463,868

**COUNTY OF KNOX
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit A-5

	<i>General Reserves</i>	<i>Jail Fund</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Dispatch Fund</i>	<i>Totals</i>
Revenues						
Assessments		3,188,700	130,587		1,013,832	4,333,119
Intergovernmental Revenues						
Federal		6,600	54,228			60,828
State		520,641				520,641
Interest	13,894	37				13,931
Fair Value Increase (Decrease)	(7,001)					(7,001)
Other Local Sources	38,195	10,679	310,318	39,889	824	399,905
Total Revenues	45,088	3,726,657	495,133	39,889	1,014,656	5,321,423
Expenditures						
Personnel Services		2,579,256	362,619		800,177	3,742,052
Contract Services		910,980	123,116		133,298	1,167,394
Commodities		176,944	28,322		8,328	213,594
Capital Outlay			10,000		68,766	78,766
Maintenance and Supplies				60,931		60,931
Reserve Funds	114,423					114,423
Total Expenditures	114,423	3,667,180	524,057	60,931	1,010,569	5,377,160
Excess of Revenues Over (Under) Expenditures	(69,335)	59,477	(28,924)	(21,042)	4,087	(55,737)
Other Financing Sources (Uses)						
Transfers from Other Funds	-					-
Transfers to Other Funds	-					-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(69,335)	59,477	(28,924)	(21,042)	4,087	(55,737)
Fund Balance - January 1	581,448	186,529	34,735	206,559	184,557	1,193,828
Fund Balance - December 31	512,113	246,006	5,811	185,517	188,644	1,138,091

**COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit A-6

<i>Reserve Fund</i>	<i>Fund Balance January 1</i>	<i>New Funds</i>	<i>Transfers From Other Funds</i>	<i>Interest</i>	<i>Increase (Decrease) in Fair Value</i>	<i>Transfers To Other Funds</i>	<i>Expenditures</i>	<i>Fund Balance December 31</i>
Airport Computer	13,201			340	(190)		(590)	12,761
Contingency	115,970			2,897	(1,793)			117,074
Courthouse Computer	65,507			627	234		(56,053)	10,315
DARE Program	5,747	80		107	(24)		(4,069)	1,841
Deeds Surcharge	70,681	24,411		2,013	(1,010)		(32,145)	63,950
Dispatch Computer	7,207			171	(85)		(1,346)	5,947
Dispatch Miscellaneous	2,469			63	(30)		(563)	1,939
Dispatch Professional Services	5,500			21	(30)		(3,600)	1,891
EMA Disaster Fund	19,948			528	(289)		(1,180)	19,007
Forfeiture Money - State	71,962	594		1,830	(1,012)		(4,720)	68,654
Generator Reserve	23,133	9,120		574	(441)			32,386
Health Insurance	14,660			390	(226)			14,824
Jail Computer	7,141			190	(110)			7,221
Jail Professional Services	37,023			984	(571)			37,436
Jail Training	7,918			210	(122)			8,006
Legal	19,953			579	(18)			20,514
Matching Grant Funds	20,262			538	(312)			20,488
Orthoimagery	3,563			93	(52)		(190)	3,414
Probate Surcharge	22,823	2,990		633	(404)			26,042
Resignation Benefits	12,427	1,000		330	(192)			13,565
Security Deposit	821			22	(13)			830
Sheriff's Computer	11,079			157	35		(9,967)	1,304
Unemployment	22,453			597	(346)			22,704
Total	581,448	38,195	-	13,894	(7,001)	-	(114,423)	512,113

COUNTY OF KNOX
 GRANT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2014

Exhibit B-1

<i>Assets</i>	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Pen Bay YMCA Party Patrols</i>	<i>Totals</i>
Cash and Equivalents			92,940		92,940
Due from Other Governments			26,343		26,343
Due from Other Funds	675	2,242		279	3,196
Total Assets	675	2,242	119,283	279	122,479
 <i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Due to Other Funds			27,151		27,151
Total Liabilities	-	-	27,151	-	27,151
 <i>Fund Balances</i>					
Restricted	675	2,242	92,132	279	95,328
Unassigned					
Total Fund Balances	675	2,242	92,132	279	95,328
Total Liabilities and Fund Balances	675	2,242	119,283	279	122,479

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Drive Sober Grant</i>
Revenues				
Intergovernmental Revenues				
Federal		42,000	167,780	9,068
State				
Local Sources	1,942		3,964	
Interest			128	
Total Revenues	1,942	42,000	171,872	9,068
Expenditures				
Personnel Services			4,588	9,068
Contract Services		155,041	758	
Commodities		881		
Other	2,207		128,579	
Total Expenditures	2,207	155,922	133,925	9,068
Excess of Revenues Over (Under) Expenditures	(265)	(113,922)	37,947	-
Other Financing Sources (Uses)				
Transfers from Other Funds		116,164		
Transfers to Other funds				
Total Other Financing Sources (Uses)	-	116,164	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(265)	2,242	37,947	-
Fund Balance - January 1	940		54,185	
Fund Balance - December 31	675	2,242	92,132	-

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<i>Pen Bay YMCA Party Patrols</i>	<i>Underage Drinking Grant</i>	<i>Buckle-Up No Excuses</i>	<i>Totals</i>
Revenues				
Intergovernmental Revenues				
Federal	1,581	3,348	2,790	226,567
State				-
Local Sources				5,906
Interest				128
Total Revenues	1,581	3,348	2,790	232,601
Expenditures				
Personnel Services	1,302	3,348	2,790	21,096
Contract Services				155,799
Commodities				881
Other				130,786
Total Expenditures	1,302	3,348	2,790	308,562
Excess of Revenues Over (Under) Expenditures	279	-	-	(75,961)
Other Financing Sources (Uses)				
Transfers from Other Funds				116,164
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	-	-	-	116,164
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	279	-	-	40,203
Fund Balance - January 1				55,125
Fund Balance - December 31	279	-	-	95,328

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2014

Exhibit C-1
 Page 1 of 3

<i>Assets</i>	<i>Airport Snow Removal Equipment</i>	<i>Airport Wildlife Fence</i>	<i>Airport Obstruction Analysis</i>	<i>Airport Snow Removal Truck</i>	<i>Airport Misc. Proj. Roads</i>
Cash and Equivalents					
Investments					
Accounts Receivable					
Due from Other Funds					
Due from Other Governments					
Total Assets	-	-	-	-	-
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					
Due to Other Funds	392	240	351	514	248
Total Liabilities	392	240	351	514	248
Fund Balances					
Restricted					
Committed					
Unassigned	(392)	(240)	(351)	(514)	(248)
Total Fund Balances	(392)	(240)	(351)	(514)	(248)
Total Liabilities and Fund Balances	-	-	-	-	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2014

Exhibit C-1
 Page 2 of 3

<i>Assets</i>	<i>Snow Removal Equipment Building</i>	<i>Airport Eminent Domain</i>	<i>Airport Obstruction Removal</i>	<i>Airport Miscellaneous Improvements</i>	<i>Airport Design & Permitting</i>	<i>Airport Terminal Study Bus. Plan</i>
Cash and Equivalents						
Investments						
Accounts Receivable						
Due from Other Funds						
Due from Other Governments	8,330	144,459	55,789		19,683	
Total Assets	8,330	144,459	55,789	-	19,683	-
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable			31,341			
Due to Other Funds	8,330	144,459	24,448	687	20,691	104
Total Liabilities	8,330	144,459	55,789	687	20,691	104
Fund Balances						
Restricted						
Committed						
Unassigned				(687)	(1,008)	(104)
Total Fund Balances	-	-	-	(687)	(1,008)	(104)
Total Liabilities and Fund Balances	8,330	144,459	55,789	-	19,683	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2014

Exhibit C-1
 Page 3 of 3

<i>Assets</i>	<i>Airport Master Plan Update</i>	<i>Airport Snow Removal Truck & Trailer</i>	<i>Airport Aviation Easements</i>	<i>Airport Passenger Facility</i>	<i>Miscellaneous Airport Improvement</i>	<i>Capital Improvements</i>	<i>Totals</i>
Cash and Equivalents				67,820		111,512	179,332
Investments				1,703		221,332	223,035
Accounts Receivable				3,922		2,020	5,942
Due from Other Funds							-
Due from Other Governments	20,254		18,248		18,808		285,571
Total Assets	20,254	-	18,248	73,445	18,808	334,864	693,880
<i>Liabilities and Fund Balances</i>							
Liabilities							
Retainage Payable							31,341
Due to Other Funds	20,353	379	18,248	62,273	18,821	4,143	324,681
Total Liabilities	20,353	379	18,248	62,273	18,821	4,143	356,022
Fund Balances							
Restricted				11,172			11,172
Committed						330,721	330,721
Unassigned	(99)	(379)			(13)		(4,035)
Total Fund Balances	(99)	(379)	-	11,172	(13)	330,721	337,858
Total Liabilities and Fund Balances	20,254	-	18,248	73,445	18,808	334,864	693,880

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

Exhibit C-2
Page 1 of 3

	<i>Airport Snow Removal Equipment</i>	<i>Airport Eminent Domain</i>	<i>Airport Wildlife Fence</i>	<i>Airport Obstruction Analysis</i>	<i>Airport Snow Removal Truck</i>	<i>Airport Misc. Proj. Roads</i>
Revenues						
Intergovernmental Revenues						
Federal		36,737	229,421			2,279
State		2,041	12,746			126
Local Sources						
Total Revenues	-	38,778	242,167	-	-	2,405
Expenditures						
Engineering Services		10,355	43,467			2,271
Construction			211,176			
Land Purchase		18,500				
Professional Services		13,882	469		469	469
All Other		129	53			53
Total Expenditures	-	42,866	255,165	-	469	2,793
Excess of Revenues Over (Under)						
Expenditures	-	(4,088)	(12,998)	-	(469)	(388)
Other Financing Sources (Uses)						
Transfers from Other Funds		10,647	12,758		23	140
Transfers to Other Funds		(6,559)				
Total Other Financing Sources (Uses)	-	4,088	12,758	-	23	140
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(240)	-	(446)	(248)
Fund Balance - January 1	(392)			(351)	(68)	-
Fund Balance - December 31	(392)	-	(240)	(351)	(514)	(248)

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

Exhibit C-2
Page 2 of 3

	<i>Snow Removal Equipment Building</i>	<i>Airport Obstruction Removal</i>	<i>Airport Miscellaneous Improvements</i>	<i>Airport Design & Permitting</i>	<i>Airport Terminal Study Bus. Plan</i>	<i>Airport Master Plan Update</i>
Revenues						
Intergovernmental Revenues						
Federal	107,850	380,386		53,240		29,712
State	5,991	21,133		3,012		
Local Sources						
Total Revenues	113,841	401,519	-	56,252	-	29,712
Expenditures						
Engineering Services	114,962	105,536		60,245		32,544
Construction		313,407				
Land Purchase						
Professional Services	4,206	233				469
All Other	665	2,950		28		110
Total Expenditures	119,833	422,126	-	60,273	-	33,123
Excess of Revenues Over (Under)						
Expenditures	(5,992)	(20,607)	-	(4,021)	-	(3,411)
Other Financing Sources (Uses)						
Transfers from Other Funds	5,992	21,106		3,013		3,312
Transfers to Other Funds						
Total Other Financing Sources (Uses)	5,992	21,106	-	3,013	-	3,312
Excess of Revenues and Other Sources Over (Under)						
Expenditures and Other Uses	-	499	-	(1,008)	-	(99)
Fund Balance - January 1	-	(499)	(687)	-	(104)	-
Fund Balance - December 31	-	-	(687)	(1,008)	(104)	(99)

**COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2014**

**Exhibit C-2
 Page 3 of 3**

	<i>Airport Snow Removal Truck & Trailer</i>	<i>Airport Aviation Easements</i>	<i>Airport Passenger Facility</i>	<i>Miscellaneous Airport Improvement</i>	<i>Capital Improvements</i>	<i>Totals</i>
Revenues						
Intergovernmental Revenues						
Federal		8,593	29,304	127,838		1,005,360
State		477		7,102		52,628
Local Sources			921		34,415	35,336
Total Revenues	-	9,070	30,225	134,940	34,415	1,093,324
Expenditures						
Engineering Services				48,425		417,805
Construction				93,552		618,135
Easement Purchase		7,500				26,000
Professional Services						20,197
All Other				79	226,403	230,470
Total Expenditures	-	7,500	-	142,056	226,403	1,312,607
Excess of Revenues Over (Under) Expenditures	-	1,570	30,225	(7,116)	(191,988)	(219,283)
Other Financing Sources (Uses)						
Transfers from Other Funds		6,933		7,103	7,059	78,086
Transfers to Other Funds		(8,503)	(55,942)		(7,082)	(78,086)
Total Other Financing Sources (Uses)	-	(1,570)	(55,942)	7,103	(23)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(25,717)	(13)	(192,011)	(219,283)
Fund Balance - January 1	(379)	-	36,889	-	522,732	557,141
Fund Balance - December 31	(379)	-	11,172	(13)	330,721	337,858

**COUNTY OF KNOX
 CAPITAL IMPROVEMENTS
 STATEMENT OF ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit C-3

	<i>Fund Balance January 1</i>	<i>New Funds</i>	<i>Transfers From Other Funds</i>	<i>Interest</i>	<i>Increase (Decrease) in Fair Value</i>	<i>Transfers To Other Funds</i>	<i>Expenditures</i>	<i>Fund Balance December 31</i>
<i>Reserve Fund</i>								
Courthouse Maintenance	185,395			2,234	(1,100)		(121,754)	64,775
Forfeiture Money - Federal	148,855			1,448	1,885	(7,059)	(33,617)	111,512
Jail Capital	99,814			2,436	(1,548)			100,702
Jail Vehicle	9,257			246	(143)			9,360
Sheriff's Vehicle	51,962	5,760	7,059	68	28		(62,529)	2,348
Airport	27,439			741	(430)			27,750
Airport Miscellaneous Equipment	-	22,170		313	22	(23)	(8,241)	14,241
Airport Projects	10			152	133		(262)	33
Total	522,732	27,930	7,059	7,638	(1,153)	(7,082)	(226,403)	330,721

COUNTY OF KNOX
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

Exhibit D-1

	<i>Balance</i> <i>January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>December 31</i>
<i>Inmates Fund</i>				
<i>Assets</i>				
Cash and Equivalents	15,314	96,746	(91,769)	20,291
<i>Liabilities</i>				
Due to Inmates	15,314	96,746	(91,769)	20,291

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INDEPENDENT AUDITOR'S 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

August 21, 2015

County Commissioners
County of Knox
Rockland, ME 04841

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 Knox, Maine as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County of Knox, Maine's basic financial statements and have issued our report thereon dated August 21, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, 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 County'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Knox, Maine's 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

James W. Wadman

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROLS OVER COMPLIANCE AND REPORT ON SCHEDULE OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

August 21, 2015

County Commissioners
County of Knox
Rockland, ME 04463

Report on Compliance for Each Major Federal Program

We have audited County of Knox, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Knox, Maine's major federal programs for the year ended December 31, 2014. The County of Knox, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Knox, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audits Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Knox, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Knox, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Knox, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the County of Knox, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Knox, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Knox, Maine's internal control over compliance.

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

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the County of Knox, Maine as of and for the year ended December 31, 2014, and have issued our report thereon dated August 21, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted of the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

SCHEDULE I
COUNTY OF KNOX
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2014

2013-01 District Attorney Restitution Account

Condition: During the audit the restitution accounts were reviewed. The client does not have a list of restitution owed to victims that reconciles to the checking account.

Criteria: Internal control over cash receipts and disbursements.

Cause: Due to lack of controls, a listing of money owed to victims that reconciles to the checkbook has not been maintained.

Effect: The checkbook balance may either contain additional funds or not enough funds to cover money owed for restitution.

Recommendation: We recommend reconciling the remainder of the restitution accounts to the checking account. We also recommend the client have a list of restitution owed to victims.

Response: Management concurs with the recommendation. The DA's office has been working on reconciling the restitution accounts.

Current year status: The DA's office has paid the old restitution. Any remaining balances will be sent to the State unclaimed property list. The current year restitution is reconciled.

2013-02 Financial Statement Preparation

Condition: Based on recently implemented auditing standards, inadequate design of internal control over the preparation of the financial statements is deemed to be a material weakness in the internal control structure.

Criteria: Internal control over financial reporting in preparing the financial statements.

Cause: Due to financial and time constraints to effectively prepare and evaluate the audited financial statements and detect material misstatements in those financial statements, the board and management approve the auditors to prepare the financial statements.

Effect: The auditor prepares the financial statements.

Recommendation: The board should continue to understand and take responsibility for the financial statements.

Response: Management concurs with the recommendation and will continue to understand and take responsibility for the financial statements.

Current Year Status: The auditor continues to prepare the financial statements. Management continues to take responsibility for the financial statements.

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the County of Knox, Maine.
2. No reportable conditions relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County of Knox, Maine were disclosed during the audit.
4. No conditions relating to the audit of the major federal award programs are reported in the *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award program for the County of Knox, Maine expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for the County of Knox, Maine are reported in Part C of this schedule.
7. The programs tested as a major programs are :

FAA – Airport Improvements CFDA # 20.106.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County of Knox, Maine was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**COUNTY OF KNOX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

**SCHEDULE III
Page 1 of 2**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Expenditures</i>
U.S. Department of Transportation Passed Through Maine Department of Public Safety				
2014 Drive Sober	20.600	AL 14-014	10,000	9,068
Buckle Up - No Excuses	20.609	OP 14-038	3,000	2,790
			<u>13,000</u>	<u>11,858</u>
Federal Aviation Administration				
Airport Improvements - Wildlife Fence *	20.106		802,800	229,421
Airport Improvements - Snow Removal Equip. Bld. *	20.106		880,200	107,850
Airport Improvements - Misc. Airport Roads *	20.106		153,000	2,279
Airport Improvements - Eminent Domain *	20.106		198,000	36,737
Airport Improvements - Obstruction Removal *	20.106		490,500	380,386
Airport Improvements - Design & Permitting *	20.106		409,500	53,240
Airport Improvements - Misc. Airport Improvements *	20.106		135,000	127,838
Airport Improvements - Master Plan Update *	20.106		142,200	29,712
Airport Improvements - Passenger Facility Fees *	20.106		29,303	29,303
Airport Improvements - Aviation Easement *	20.106		328,500	8,593
Total Federal Aviation Administration			<u>3,569,003</u>	<u>1,005,359</u>
Total U.S. Department of Transportation			<u>3,582,003</u>	<u>1,017,217</u>
U.S. Department of Homeland Security				
Airport Security	97.090	HSTS02-13-HSLR807	53,850	53,850
			<u>53,850</u>	<u>53,850</u>
Passed Through Maine Emergency Management Agency				
EMA Project Reimbursement	97.067	HM8049	133,372	2,831

**COUNTY OF KNOX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

**SCHEDULE III
Page 2 of 2**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Expenditures</i>
Training Equipment	97.067	HM8059	25,704	7,718
2011 Exercise	97.067	HM8060	6,345	2,312
EMA Planning	97.067	HM8061	27,694	19,939
Hazmat	97.067	HM8062	14,385	11,397
Homeland Security	97.067	HM8066	45,746	24,008
2013 Homeland Security	97.067	HM8071	102,895	38,931
2014 Homeland Security	97.067	HM8072	71,440	16,756
			<u>427,581</u>	<u>123,892</u>
Hazard Mit. Rev.	97.039	HM8041		
EOC Project Exterior Video	97.042	HM8070	4,686	4,686
Cert / Ares / Races	97.053	HM8033		
IECGP	97.055	HM8067		
Total U.S. Department of Homeland Security			<u>486,117</u>	<u>182,428</u>
U.S. Department of Justice Passed Through Maine				
Department of Human Services				
Crime Victims Assistance	16.575	CFS-14-2304	42,000	31,500
Crime Victims Assistance	16.575	CFS-15-2304	42,000	10,500
			<u>84,000</u>	<u>42,000</u>
Passed through City of Rockland				
Justice Assistance Grant	16.738	KNX-01-12		
Underage Drinking Grant	16.727		4,750	3,348
			<u>4,750</u>	<u>3,348</u>
Total U.S. Department of Justice			<u>88,750</u>	<u>45,348</u>
Total			<u>4,156,870</u>	<u>1,244,993</u>

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting whereby transactions are presented in the same way as they are included in the financial statements of the County of Knox, Maine in accordance with generally accepted accounting principles.

NOTE B – PASS-THROUGH AWARDS

The County of Knox, Maine receives certain federal awards in the form of pass-through awards from the State of Maine. Such amounts received as pass-through awards are specifically identified on the Schedule.

NOTE C – MAJOR PROGRAMS

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (*) are determined by the independent auditor to be major programs.