

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2013*

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2013**

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*COUNTY OF KNOX
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2012*

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INDEPENDENT AUDITOR'S REPORT

June 25, 2014
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, 2013, 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 statement 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, 2013, 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 30 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 June 25, 2014, 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, 2013

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, 2013. 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, 2013 by \$27,285,478 (presented as “net position”). Of this amount, \$2,501,780 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 \$340,690 (a 1.2 % decrease) for the fiscal year ended December 31, 2013.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2013; the County's governmental funds reported a combined ending fund balance of \$2,906,953 with \$1,506,680 being general, jail, airport, and dispatch unassigned fund balance. This unassigned fund balance represents approximately 16% of the total general, jail, airport and dispatch funds expenditures for the year. \$1,100,859 general fund balance represents 24% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$170,000 (6.8%) 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 25-26 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 15-29 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 30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

90% 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.

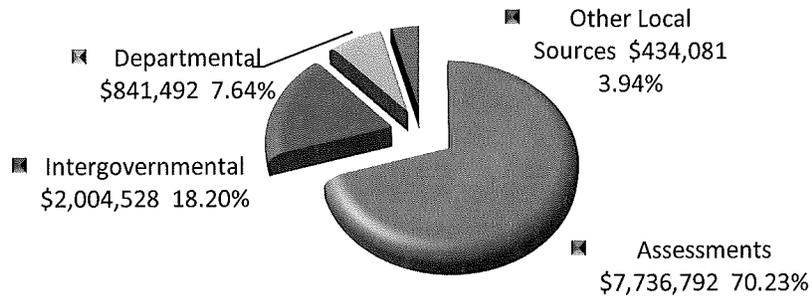
	Total 2013	Total 2012
Current Assets	3,284,928	4,331,202
Capital Assets	27,068,907	26,516,662
Total Assets	30,353,835	30,847,864
Current Liabilities	908,357	844,473
Other Liabilities	2,160,000	2,377,223
Total Liabilities	3,068,357	3,221,696
Net Position:		
Net Investment in Capital Assets	24,691,684	23,923,823
Restricted	92,014	49,390
Unrestricted	2,501,780	3,652,955
Total Net Position	27,285,478	27,626,168
Total Liabilities and Net Position	30,353,835	30,847,864

Changes in Net position

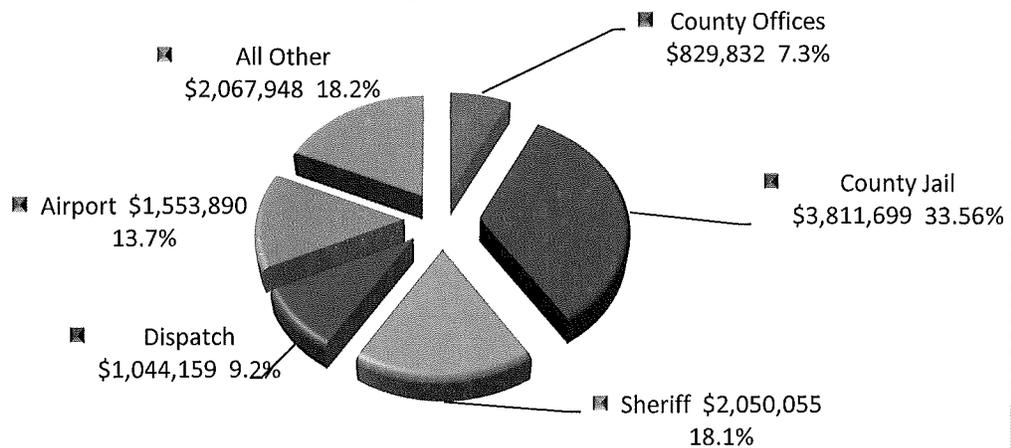
Approximately 70 percent of the County's total revenue came from assessments, approximately 18 percent came from State subsidies and grants, and approximately 12 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$981,526 of the total expenditures for the fiscal year.

	Total 2013	Total 2012
Revenues:		
District Assessments	7,736,792	7,482,820
Intergovernmental Revenues	2,004,528	1,893,892
Departmental Revenues	841,492	898,012
Other Local Sources	424,140	483,774
Bond Premium		62,847
Gain on Sale of Assets	9,941	4,266
Total	11,016,893	10,825,611
Expenses:		
Emergency Management Agency	305,049	343,816
District Attorney	447,490	444,443
Administration & Information Tech.	558,016	520,822
County Finance	271,816	255,783
Building Maintenance	304,287	312,311
Building Maintenance - 301 Park St.	53,112	6,200
Debt Service	72,785	2,880
County Jail	3,811,699	3,858,840
Registry of Deeds	275,087	267,402
Probate Court	227,356	191,301
Sheriff's Patrol	2,050,055	1,927,987
Dispatch	1,044,159	702,968
Capital Outlay	180,373	304,432
Airport	1,553,890	1,356,865
All Other	202,409	188,629
	11,357,583	10,684,679
Changes in Net Position	(340,690)	140,932

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 \$2,906,953 a decrease of \$1,039,309 in comparison with the prior year. 52% 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:

- \$53,559 positive variance in registry of deeds. The higher revenue is due to more deeds recorded.
- \$6,292 and \$3,794 negative variances in building maintenance and building maintenance 301 Park St. The variance is due to snow removal from site due to accumulation which was not budgeted, the heating fuel higher than budgeted, and cleaning bids higher than budgeted.
- \$37,843 positive variance in sheriff capital outlay account. This is due to a delay in delivery of a vehicle. This amount was transferred to the reserve.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$35,249,168 net of accumulated depreciation of \$8,180,261 leaving a net book value of \$27,068,907.

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, 2013**

Exhibit A

<i>Assets</i>	<u><i>Governmental Activities</i></u>
Cash and Equivalents	1,525,784
Investments	968,258
Accounts Receivable	180,172
Prepaid Expenditures	
Due from Other Governments	610,714
Capital Assets:	
Land	2,780,344
Construction Work in Progress	
Other Capital Assets, Net of Depreciation	<u>24,288,563</u>
Total Assets	<u><u>30,353,835</u></u>
 <i>Liabilities and Net Position</i>	
Liabilities	
Accounts Payable	32,313
Retainage Payable	45,677
Accrued Salaries	155,433
Compensated Absences	457,711
Long-term Liabilities:	
Due Within One Year	217,223
Due in More Than One Year	<u>2,160,000</u>
Total Liabilities	<u>3,068,357</u>
Net Position	
Net Investment in Capital Assets	24,691,684
Restricted Net Position	92,014
Unrestricted	<u>2,501,780</u>
Total Net Position	<u>27,285,478</u>
Total Liabilities and Net Position	<u><u>30,353,835</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, 2013

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</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 Governmental Activities</u>
<u>Governmental Activities</u>				
Emergency Management Agency	305,049	5,282	67,146	(232,621)
District Attorney	447,490	20,337	45,407	(381,746)
County Commissioners	558,016			(558,016)
County Treasurer	271,816	3,633		(268,183)
Building Maintenance	304,287	108,483		(195,804)
Building Maintenance - 301 Park St.	53,112			(53,112)
Debt Service	72,785			(72,785)
County Jail	3,811,699	48,683	408,600	(3,354,416)
Registry of Deeds	275,087			(275,087)
Probate Court	227,356	98,938		(128,418)
Sheriff's Patrol	2,050,055	246,504	15,327	(1,788,224)
Dispatch	1,044,159			(1,044,159)
Capital Outlay	180,373		5,000	(175,373)
Airport	1,553,890	305,908	53,656	(1,194,326)
All Other	202,409			(202,409)
<u>Total Governmental Activities</u>	<u>11,357,583</u>	<u>837,768</u>	<u>595,136</u>	<u>(9,924,679)</u>
<u>Total Primary Government</u>	<u>11,357,583</u>	<u>837,768</u>	<u>595,136</u>	<u>(9,924,679)</u>
<u>General Revenues:</u>				
Assessments				7,736,792
Registry of Deeds Fees				455,498
Airport Federal and State Grants for Capital Assets & Infrastructure				1,284,126
Emergency Management Federal Grant for Capital Assets				86,915
Other Local Sources				10,717
Gain on Sale of Assets				9,941
<u>Total Revenues, Special Items and Transfers</u>				<u>9,583,989</u>
<u>Changes in Net Position</u>				<u>(340,690)</u>
<u>Net Position - Beginning</u>				<u>27,626,168</u>
<u>Net Position - Ending</u>				<u>27,285,478</u>

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>Airport Wildlife Fence</i>	<i>Airport Eminent Domain</i>	<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total</i>
Cash and Equivalents	1,471,326				54,458	1,525,784
Investments	555,998			372,963	39,297	968,258
Accounts Receivable	166,699			8,368	5,105	180,172
Due from Other Funds	625,974			143,500		769,474
Due from Other Governments		298,046	105,682		206,986	610,714
Total Assets	2,819,997	298,046	105,682	524,831	305,846	4,054,402
<i>Liabilities</i>						
Accounts Payable	32,313					32,313
Retainage Payable		45,677				45,677
Accrued Salaries	155,433					155,433
Due to Other Funds	193,012	252,369	105,682	2,099	216,312	769,474
Total Liabilities	380,758	298,046	105,682	2,099	216,312	1,002,897
<i>Deferred Inflows of Resources:</i>						
Deferred Revenues	144,552					144,552
Total Deferred Inflows of Resources	144,552	-	-	-	-	144,552
<i>Fund Balances</i>						
Restricted					92,014	92,014
Committed	581,448			522,732	-	1,104,180
Assigned	206,559					206,559
Unassigned	1,506,680				(2,480)	1,504,200
Total Fund Balances	2,294,687	-	-	522,732	89,534	2,906,953
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,819,997	298,046	105,682	524,831	305,846	4,054,402

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Exhibit C
Page 2 of 2

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

Total Fund Balance	2,906,953
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,18,0261	<u>27,068,907</u> <u>27,068,907</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Capital Leases	(47,223)
Bonds Payable	(2,330,000)
Deferred Revenues - Other	<u>144,552</u> <u>(2,232,671)</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	<u>(457,711)</u> <u>(457,711)</u>
Net Position of Governmental Activities	<u><u>27,285,478</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, 2013**

**Exhibit D
 Page 1 of 2**

	<i>General Fund</i>	<i>Airport Wildlife Fence</i>	<i>Airport Eminent Domain</i>	<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues						
Assessments	7,736,792					7,736,792
Intergovernmental Revenues	567,753	522,898	105,681		808,196	2,004,528
Departmental Revenues	877,630					877,630
Other Local Sources	403,111			13,780	17,190	434,081
Total Revenues	<u>9,585,286</u>	<u>522,898</u>	<u>105,681</u>	<u>13,780</u>	<u>825,386</u>	<u>11,053,031</u>
Expenditures						
Emergency Management Agency	135,408				73,780	209,188
District Attorney	354,874				90,886	445,760
County Commissioners	524,671					524,671
County Treasurer	269,397					269,397
Building Maintenance	304,287			92,655		396,942
Building Maintenance - 301 Park St.	53,112					53,112
Debt Service	242,785					242,785
County Jail	3,665,127					3,665,127
Registry of Deeds	275,596					275,596
Probate Court	232,582					232,582
Sheriff's Patrol	1,912,720			32,956	9,217	1,954,893
Dispatch	990,065				9,695	999,760
Airport	466,230	550,419	111,243	1,179	673,976	1,803,047
Capital Outlay					817,071	817,071
All Other	197,392				5,017	202,409
Total Expenditures	<u>9,624,246</u>	<u>550,419</u>	<u>111,243</u>	<u>126,790</u>	<u>1,679,642</u>	<u>12,092,340</u>
Excesss of Revenues Over (Under) Expenditures	<u>(38,960)</u>	<u>(27,521)</u>	<u>(5,562)</u>	<u>(113,010)</u>	<u>(854,256)</u>	<u>(1,039,309)</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	-	27,521	5,562	421,030	274,714	728,827
Transfers to Other Funds	(226,397)			(479,592)	(22,838)	(728,827)
Total Other Financing Sources (Uses)	<u>(226,397)</u>	<u>27,521</u>	<u>5,562</u>	<u>(58,562)</u>	<u>251,876</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(265,357)</u>	<u>-</u>	<u>-</u>	<u>(171,572)</u>	<u>(602,380)</u>	<u>(1,039,309)</u>
Fund Balance - January 1	<u>2,560,044</u>			<u>694,304</u>	<u>691,914</u>	<u>3,946,262</u>
Fund Balance - December 31	<u>2,294,687</u>	<u>-</u>	<u>-</u>	<u>522,732</u>	<u>89,534</u>	<u>2,906,953</u>

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

(Continued)

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, 2013

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	(1,039,309)
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	1,547,175
Depreciation expense	(981,526)
Disposed capital assets	(13,404)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues	(36,138)
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	45,616
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:	
Accrued compensated absences	(33,104)
Change in net position of governmental activities	<u>(340,690)</u>

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

COUNTY OF KNOX
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 DECEMBER 31, 2013

Exhibit E

	Agency Fund		Totals
	Inmate Fund	DA Restitution	
Assets			
Cash and Equivalents	15,314	16,726	32,040
Total Assets	15,314	16,726	32,040
Liabilities			
Due to Victims			
Due to Inmates	15,314	16,726	32,040
Total Liabilities	15,314	16,726	32,040

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013*

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, 2013**

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, 2013**

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, 2013

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 does not have a formal minimum fund balance policy.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

7. Fund Balances/Net position (continued)

Fund Balances

The County has identified December 31, 2013 fund balances on the balance sheet as follows:

	<i>General</i>	<i>Capital</i>	<i>Other</i>	
	<i>Fund</i>	<i>Improvements</i>	<i>Governmental</i>	<i>Total</i>
			<i>Funds</i>	
<u>Restricted</u>				
Wellness Grant			940	940
Local Emergency Planning Committee			54,185	54,185
Airport Passenger Facility			36,889	36,889
<u>Committed</u>				
General Reserves	581,448			581,448
Capital Improvements		522,732		522,732
<u>Assigned</u>				
Inmate Fund	206,559			206,559
<u>Unassigned</u>				
General Fund	1,100,859			1,100,859
Jail Fund	186,529			186,529
Airport Fund	34,735			34,735
Dispatch Fund	184,557			184,557
Airport Snow Removal Equipment			(392)	(392)
Airport Obstruction Analysis			(351)	(351)
Airport Snow Removal Truck			(68)	(68)
Airport Obstruction Removal			(499)	(499)
Airport Miscellaneous Improvements			(687)	(687)
Airport Terminal Study Bus. Plan			(104)	(104)
Airport Snow Removal Truck & Trailer			(379)	(379)
<u>Total Fund Balance</u>	<u>2,294,687</u>	<u>522,732</u>	<u>89,534</u>	<u>2,906,953</u>

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 – invested in capital assets, net of related debt; 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 invested in capital assets, net of related debt.

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 towns/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, 2013**

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 \$1,557,824 and the bank balance was \$2,117,345. Of the bank balance, \$2,117,345 was covered by federal depository insurance.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

B. Investments

At December 31, 2013, 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	968,258	122,133	704,196	141,929		AAA	AAA
	968,258	122,133	704,196	141,929	-		

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, 2013, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,317,100,000
Unorganized territories	19,250,000
	<hr/>
Total assessed valuation	7,336,350,000
Tax rate	<hr/> 0.0009199
Current tax commitment	<hr/> <hr/> \$ 6,748,451
Appropriations	9,552,123
Overlay	99,731
	<hr/> 9,651,854
Less:	
Estimated revenues	<hr/> (2,903,403)
Current tax commitment	<hr/> <hr/> \$ 6,748,451

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

D. Capital Assets

Capital asset activity for the year ended December 31, 2013 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	2,621,553	158,791		2,780,344
CWIP	1,333,094	72,779	(1,405,873)	-
<i>Capital assets being depreciated</i>				
Buildings	9,960,229	1,498,527		11,458,756
Equipment	4,637,375	1,117,107	(90,813)	5,663,669
Infrastructure	15,240,555	105,844		15,346,399
<i>Total capital assets being depreciated</i>	29,838,159	2,721,478	(90,813)	32,468,824
<i>Less accumulated depreciation for</i>				
Buildings	2,802,730	233,911		3,036,641
Equipment	1,827,681	411,115	(77,409)	2,161,387
Infrastructure	2,645,733	336,500		2,982,233
<i>Total accumulated depreciation</i>	7,276,144	981,526	(77,409)	8,180,261
<i>Net capital assets being depreciated</i>	22,562,015	1,739,952	(13,404)	24,288,563
Governmental Activities Capital Assets, net	26,516,662	1,971,522	(1,419,277)	27,068,907

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

<u>Governmental Activities</u>	
Emergency Management	95,376
District Attorney	518
County Commissioners	29,781
County Treasurer	106
County Jail	138,596
Probate Court	767
Sheriff's Patrol	118,716
Dispatch	88,389
Airport	509,277
Total Depreciation Expense - Governmental Activities	<u>981,526</u>

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013**

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

E. Capital Leases

The District is obligated under certain leases accounted for as capital leases. Obligations under capital leases have been recorded in the general long-term debt account group in the accompanying financial statements at the present value of future minimum lease payments. Future minimum lease payments under these capital leases and the net present value of the future minimum lease payments are as follows:

<i>Year Ended December 31</i>	<i>Minimum Lease Payment</i>
2015	48,886
Total Minimum Lease Payments	<u>48,886</u>
Less: Amount Representing Interest	<u>1,663</u>
Present Value of Future Minimum Lease Payments	<u><u>47,223</u></u>

F. 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><u>2,330,000</u></u>

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$379,260 are as follows:

<i>Year Ended December 31,</i>	<i>General Obligation Debt</i>
2014	220,931
2015	217,531
2016	214,131
2017	210,731
2018	202,331
2019-2023	947,305
2024-2027	<u>696,300</u>
Total	<u><u>2,709,260</u></u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

F. Long-Term Debt (continued)

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, 2013:

Long-term Debt payable January 1, 2013	2,500,000
Debt Issued	
Debt Retired	(170,000)
Long-term Debt payable December 31, 2013	<u>2,330,000</u>

G. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2013, were as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	625,974	193,012
Special Revenue Funds		
Drive Sober Grant		279
Wellness Grant		583
Local Emergency Planning Committee		30,763
Capital Project Funds		
Airport Wildlife Fence		252,369
Airport Obstruction Analysis		351
Airport Snow Removal Equipment		392
Airport Snow Removal Truck		2,285
Airport Misc. Proj. Roads		16,018
Airport Eminent Domain		105,682
Airport Obstruction Removal		499
Airport Misc. Improvements		687
Airport Design & Permitting		21,674
Airport Terminal Study Bus. Plan		104
Airport Master Plan Update		53,578
Airport Snow Removal Truck & Trailer		379
Airport Aviation Easements		83,009
Airport Passenger Facility		5,711
Capital Improvements	<u>143,500</u>	<u>2,099</u>
Totals	<u>769,474</u>	<u>769,474</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, 2013

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, 2013, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund		226,397
Special Revenue Funds		
Victim/Witness Advocate Grant	45,479	
Capital Projects		
Airport Snow Removal Truck	2,221	
Airport Misc. Proj. Roads	8,090	
Airport Obstruction Analysis	316	
Airport Snow Removal Equipment	10	
Airport Wildlife Fence	27,521	
Airport Eminent Domain	5,562	
Airport Obstruction Removal	26	
Airport Miscellaneous Improvements	34	
Airport Design & Permitting	9,496	
Airport Master Plan Update	10,179	
Airport Snow Removal Truck & Trailer	19	
Airport Aviation Easements	8,070	
Airport Passenger Facility		22,838
301 Park Street Building	190,774	
Capital Improvements	421,030	479,592
Totals	<u>728,827</u>	<u>728,827</u>

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, 2013

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 \$45,448 for 2011, an unfunded liability of \$66,422 for 2012, and an unfunded liability of \$72,991 for 2013.

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 \$103,183 and the participants have contributed \$240,766 for the year-ended December 31, 2013.

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, 2013**

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.

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

Exhibit F

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,490,597	3,490,597	3,492,305	1,708
Intergovernmental Revenues	68,154	68,154	69,359	1,205
Departmental Revenues	845,653	845,653	877,630	31,977
Other Local Sources	14,900	14,900	15,648	748
Total Revenues	4,419,304	4,419,304	4,454,942	35,638
Expenditures				
Emergency Management Agency	136,309	136,309	135,408	901
District Attorney	362,759	362,759	354,874	7,885
County Commissioners	450,425	450,425	433,428	16,997
County Treasurer	273,919	273,919	269,397	4,522
Building Maintenance	297,995	297,995	304,287	(6,292)
Building Maintenance - 301 Park Street	49,318	49,318	53,112	(3,794)
Debt Service	247,354	247,354	242,785	4,569
Registry of Deeds	249,206	249,206	243,580	5,626
Probate Court	227,355	227,355	227,669	(314)
Sheriff's Patrol	1,966,836	1,966,836	1,899,792	67,044
All Other	287,467	287,467	183,284	104,183
Total Expenditures	4,548,943	4,548,943	4,347,616	201,327
Excess Revenues Over Expenditures	(129,639)	(129,639)	107,326	236,965
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(45,361)	(45,361)	(233,772)	(188,411)
Total Other Financing Sources (Uses)	(45,361)	(45,361)	(233,772)	(188,411)
Excess of Revenues and Other Sources Over (Under) Expenditures	(175,000)	(175,000)	(126,446)	48,554
Unassigned Fund Balance - January 1			1,227,305	
Unassigned Fund Balance - December 31			1,100,859	

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	3,490,597	3,492,305	1,708
Intergovernmental Revenues			
Federal			
Emergency Management Agency	68,154	67,146	(1,008)
Wildlife Refuge Fees		2,097	2,097
State			
Fuel Reimbursement		116	116
	68,154	69,359	1,205
Departmental Revenue			
Treasurer - Investment Income	400	3,633	3,233
District Attorney	16,750	20,337	3,587
Building Maintenance	102,053	108,483	6,430
Registry of Deeds	388,000	426,485	38,485
Probate Court	85,500	95,533	10,033
Sheriff	252,950	223,159	(29,791)
	845,653	877,630	31,977
Other Local Sources			
Miscellaneous	14,900	15,648	748
	14,900	15,648	748
Operating Transfers In			
Transfers from Grants			-
Transfers from Reserves			-
	-	-	-
Total Revenues and Transfers	4,419,304	<u>4,454,942</u>	<u>35,638</u>
Fund Balance Used to Calculate Assessments	<u>175,000</u>		
Total	<u><u>4,594,304</u></u>		

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

Exhibit A-2
Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personal Services	123,209	123,846	(637)
Contractual Services	9,390	8,309	1,081
Commodities	3,710	3,253	457
	<hr/> 136,309	<hr/> 135,408	<hr/> 901
District Attorney			
Personal Services	306,731	304,482	2,249
Contractual Services	43,164	39,051	4,113
Commodities	9,905	8,478	1,427
Capital Outlay	2,959	2,863	96
	<hr/> 362,759	<hr/> 354,874	<hr/> 7,885
County Executive			
Personal Services	255,292	253,896	1,396
Contractual Services	190,133	176,375	13,758
Commodities	5,000	3,157	1,843
Capital Outlay			-
	<hr/> 450,425	<hr/> 433,428	<hr/> 16,997
Finance			
Personal Services	220,449	220,905	(456)
Contractual Services	47,277	42,316	4,961
Commodities	6,193	6,176	17
	<hr/> 273,919	<hr/> 269,397	<hr/> 4,522
Building Maintenance			
Contractual Services	202,574	204,679	(2,105)
Commodities	95,421	99,608	(4,187)
Capital Outlay			-
	<hr/> 297,995	<hr/> 304,287	<hr/> (6,292)
Building Maintenance 301 Park St.			
Contractual Services	39,048	40,520	(1,472)
Commodities	10,270	12,592	(2,322)
	<hr/> 49,318	<hr/> 53,112	<hr/> (3,794)
Debt Service			
Jail Bond Principal	170,000	170,000	-
Jail Bond Interest	67,354	67,353	1
Interest - Tax Anticipation Note	10,000	5,432	4,568
	<hr/> 247,354	<hr/> 242,785	<hr/> 4,569

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

Exhibit A-2
Page 2 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Registry of Deeds			
Personal Services	169,637	164,980	4,657
Contractual Services	76,501	75,538	963
Commodities	3,068	3,062	6
	<hr/> 249,206	<hr/> 243,580	<hr/> 5,626
Probate Court			
Personal Services	203,958	204,556	(598)
Contractual Services	19,103	19,069	34
Commodities	4,294	4,044	250
	<hr/> 227,355	<hr/> 227,669	<hr/> (314)
Sheriff's Patrol			
Personal Services	1,651,369	1,633,590	17,779
Contractual Services	168,221	161,738	6,483
Commodities	67,246	62,307	4,939
Capital Outlay	80,000	42,157	37,843
	<hr/> 1,966,836	<hr/> 1,899,792	<hr/> 67,044
Other			
Knox-Lincoln Extension Service	55,662	55,662	-
Knox-Lincoln Soil & Water	25,143	25,143	-
Eastern Maine Development	14,245	14,245	-
Mid Coast Regional Planning	2,500	2,500	-
Insurance	91,894	85,734	6,160
Overlay	98,023		98,023
	<hr/> 287,467	<hr/> 183,284	<hr/> 104,183
Transfers Out			
DA Grant	45,361	45,479	(118)
Reserves		188,293	(188,293)
	<hr/> 45,361	<hr/> 233,772	<hr/> (188,411)
Total Appropriations	<hr/> <hr/> 4,594,304	<hr/> <hr/> 4,581,388	<hr/> <hr/> 12,916

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

Exhibit A-3

Unassigned Fund Balance January 1, 2013	1,227,305	
Unassigned Fund Balance December 31, 2013	<u>1,100,859</u>	
Increase (Decrease)		<u><u>(126,446)</u></u>
Analysis of Change		
Budget Surplus (Deficit) Revenue Surplus (Exhibit A-1)	35,638	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>12,916</u>	
Budget Surplus (Deficit)		<u>48,554</u>
Deductions Fund Balance Used to Calculate Assessments		<u>(175,000)</u>
Increase (Decrease)		<u><u>(126,446)</u></u>

COUNTY OF KNOX
 ALL GENERAL RESERVES
 BALANCE SHEET
 DECEMBER 31, 2013

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				206,559		206,559
Investments	555,998					555,998
Accounts Receivable	14,236	3,574	74,339		492	92,641
Due from Other Funds	25,450	411,028			202,528	639,006
Total Assets	595,684	414,602	74,339	206,559	203,020	1,494,204
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Accrued Salaries		62,637	7,104		18,463	88,204
Accounts Payable		20,884				20,884
Due to Other Funds	14,236		32,500			46,736
Deferred Revenues		144,552				144,552
Total Liabilities	14,236	228,073	39,604	-	18,463	300,376
Fund Balances						
Committed	581,448					581,448
Assigned				206,559		206,559
Unassigned		186,529	34,735		184,557	405,821
Total Fund Balances	581,448	186,529	34,735	206,559	184,557	1,193,828
Total Liabilities and Fund Balances	595,684	414,602	74,339	206,559	203,020	1,494,204

COUNTY OF KNOX
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

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	67,446		988,341	4,244,487
Intergovernmental Revenues						
Federal		9,583	53,656			63,239
State		435,155				435,155
Interest	16,359	18				16,377
Fair Value Increase (Decrease)	(26,502)					(26,502)
Other Local Sources	42,337	13,903	305,908	34,780	660	397,588
Total Revenues	32,194	3,647,359	427,010	34,780	989,001	5,130,344
Expenditures						
Personnel Services		2,545,609	335,438		762,068	3,643,115
Contract Services		899,952	112,974		151,173	1,164,099
Commodities		163,664	17,234		8,855	189,753
Capital Outlay		371		11,018	48,886	60,275
Maintenance and Supplies				36,513		36,513
Reserve Funds	182,875					182,875
Total Expenditures	182,875	3,609,596	465,646	47,531	970,982	5,276,630
Excess of Revenues Over (Under) Expenditures	(150,681)	37,763	(38,636)	(12,751)	18,019	(146,286)
Other Financing Sources (Uses)						
Transfers from Other Funds	412,861					412,861
Transfers to Other Funds	(399,986)				(5,500)	(405,486)
Total Other Financing Sources (Uses)	12,875	-	-	-	(5,500)	7,375
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(137,806)	37,763	(38,636)	(12,751)	12,519	(138,911)
Fund Balance - January 1	719,254	148,766	73,371	219,310	172,038	1,332,739
Fund Balance - December 31	581,448	186,529	34,735	206,559	184,557	1,193,828

COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2013

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	14,136			314	(665)		(584)	13,201
Contingency	105,580		111,600	2,638	(3,848)	(100,000)		115,970
Courthouse Computer	27,224		101,761	1,387	(2,018)	(59,000)	(3,847)	65,507
Courthouse Furniture/Fixtures	12,610			3	(38)	(12,575)		-
DARE Program	7,410			162	(261)		(1,564)	5,747
Deeds Surcharge	74,736	29,013	68,000	1,978	(3,030)	(68,000)	(32,016)	70,681
Dispatch Computer	7,546			177	(366)		(150)	7,207
Dispatch Miscellaneous	21,284	200		74	(156)		(18,933)	2,469
Dispatch Professional Services	-		5,500					5,500
EMA Disaster Fund	20,511			488	(1,051)			19,948
Forfeiture Money - State	74,446			1,761	(3,602)		(643)	71,962
Generator Reserve	13,877	9,719		301	(764)			23,133
Health Insurance	36,144			476	(731)	(21,229)		14,660
Jail Computer	15,280			222	(361)		(8,000)	7,141
Jail Professional Services	37,630		24,000	926	(1,533)	(24,000)		37,023
Jail Training	8,133			193	(408)			7,918
Legal	112,069		50,000	2,439	(3,312)	(50,000)	(91,243)	19,953
Matching Grant Funds	20,535			491	(764)			20,262
Orthoimagery	12,404			62	(206)		(8,697)	3,563
Probate Surcharge	24,669	3,405	20,000	651	(989)	(20,000)	(4,913)	22,823
Resignation Benefits	12,524		11,000	363	(460)	(11,000)		12,427
Safety	13,216			3	(37)	(13,182)		-
Security Deposit	840			20	(39)			821
Sheriff's Computer	23,462		21,000	682	(780)	(21,000)	(12,285)	11,079
Unemployment	22,988			548	(1,083)			22,453
Total	719,254	42,337	412,861	16,359	(26,502)	(399,986)	(182,875)	581,448

COUNTY OF KNOX
 GRANT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2013

Exhibit B-1

<i>Assets</i>	<i>Wellness Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Drive Sober Grant</i>	<i>Totals</i>
Cash and Equivalents		54,458		54,458
Accounts Receivable	1,523		279	1,802
Due from Other Governments		30,490		30,490
Due from Other Funds				-
Total Assets	1,523	84,948	279	86,750
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Due to Other Funds	583	30,763	279	31,625
Total Liabilities	583	30,763	279	31,625
Fund Balances				
Restricted	940	54,185		55,125
Unassigned				
Total Fund Balances	940	54,185	-	55,125
Total Liabilities and Fund Balances	1,523	84,948	279	86,750

*COUNTY OF KNOX
 ALL SPECIAL REVENUE FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2013*

*Exhibit B-2
 Page 1 of 2*

	<i>Byrne JAG Grant</i>	<i>2,010 Homeland Security</i>	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Donation</i>
Revenues						
Intergovernmental Revenues						
Federal	3,632	5,000		45,407	86,915	
State						
Local Sources			5,403		5,204	475
Fair Value Increase (Decrease)						
Interest					78	
Total Revenues	<u>3,632</u>	<u>5,000</u>	<u>5,403</u>	<u>45,407</u>	<u>92,197</u>	<u>475</u>
Expenditures						
Personnel Services				63,504	4,390	
Contract Services				866	745	
Commodities						
Capital Outlay		5,000				
Other	3,632		4,732	26,516	68,645	475
Total Expenditures	<u>3,632</u>	<u>5,000</u>	<u>4,732</u>	<u>90,886</u>	<u>73,780</u>	<u>475</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>671</u>	<u>(45,479)</u>	<u>18,417</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers from Other Funds				45,479		
Transfers to Other funds						
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,479</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>671</u>	<u>-</u>	<u>18,417</u>	<u>-</u>
Fund Balance - January 1			269		35,768	-
Fund Balance - December 31	<u>-</u>	<u>-</u>	<u>940</u>	<u>-</u>	<u>54,185</u>	<u>-</u>

COUNTY OF KNOX
 ALL SPECIAL REVENUE FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2013

Exhibit B-2
 Page 2 of 2

	<i>Drive Sober Grant</i>	<i>Pen Bay YMCA Party Patrols</i>	<i>Underage Drinking Grant</i>	<i>MMA Safety Grant</i>	<i>Buckle-Up No Excuses</i>	<i>Totals</i>
Revenues						
Intergovernmental Revenues						
Federal	9,695				2,000	152,649
State						-
Local Sources		1,767		285		13,134
Fair Value Increase (Decrease)						-
Interest						78
Total Revenues	9,695	1,767	-	285	2,000	165,861
Expenditures						
Personnel Services	9,695	1,767	1,343		2,000	82,699
Contract Services						1,611
Commodities						-
Capital Outlay						5,000
Other				285		104,285
Total Expenditures	9,695	1,767	1,343	285	2,000	193,595
Excess of Revenues Over (Under) Expenditures	-	-	(1,343)	-	-	(27,734)
Other Financing Sources (Uses)						
Transfers from Other Funds						45,479
Transfers to Other Funds						-
Total Other Financing Sources (Uses)	-	-	-	-	-	45,479
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(1,343)	-	-	17,745
Fund Balance - January 1			1,343			37,380
Fund Balance - December 31	-	-	-	-	-	55,125

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2013

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		298,046		2,217	16,018
Total Assets	-	298,046	-	2,217	16,018
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable		45,677			
Due to Other Funds	392	252,369	351	2,285	16,018
Total Liabilities	392	298,046	351	2,285	16,018
Fund Balances					
Restricted					
Committed					
Unassigned	(392)		(351)	(68)	
Total Fund Balances	(392)	-	(351)	(68)	-
Total Liabilities and Fund Balances	-	298,046	-	2,217	16,018

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2013

Exhibit C-1
 Page 2 of 3

<i>Assets</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	105,682			21,674	
Total Assets	105,682	-	-	21,674	-
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					
Due to Other Funds	105,682	499	687	21,674	104
Total Liabilities	105,682	499	687	21,674	104
Fund Balances					
Restricted					
Committed					
Unassigned		(499)	(687)		(104)
Total Fund Balances	-	(499)	(687)	-	(104)
Total Liabilities and Fund Balances	105,682	-	-	21,674	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2013

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>Capital Improvements</i>	<i>Totals</i>
Cash and Equivalents					372,963	372,963
Investments				39,297		39,297
Accounts Receivable				3,303	8,368	11,671
Due from Other Funds					143,500	143,500
Due from Other Governments	53,578		83,009			580,224
Total Assets	53,578	-	83,009	42,600	524,831	1,147,655
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable						45,677
Due to Other Funds	53,578	379	83,009	5,711	2,099	544,837
Total Liabilities	53,578	379	83,009	5,711	2,099	590,514
 Fund Balances						
Restricted				36,889		36,889
Committed					522,732	522,732
Unassigned		(379)				(2,480)
Total Fund Balances	-	(379)	-	36,889	522,732	557,141
Total Liabilities and Fund Balances	53,578	-	83,009	42,600	524,831	1,147,655

*COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2013*

*Exhibit C-2
 Page 1 of 3*

	<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>
Revenues					
Intergovernmental Revenues					
Federal		495,377		39,907	145,628
State		27,521		2,217	8,091
Local Sources					
Total Revenues	-	522,898	-	42,124	153,719
Expenditures					
Engineering Services		54,019	12,298	1,620	55,089
Construction		456,769			105,844
Equipment				42,708	
Land Purchase					
Professional Services		38,038	341		
All Other	384	1,593	19	85	876
Total Expenditures	384	550,419	12,658	44,413	161,809
Excess of Revenues Over (Under) Expenditures	(384)	(27,521)	(12,658)	(2,289)	(8,090)
Other Financing Sources (Uses)					
Transfers from Other Funds	10	27,521	316	2,221	8,090
Transfers to Other Funds					
Total Other Financing Sources (Uses)	10	27,521	316	2,221	8,090
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(374)	-	(12,342)	(68)	-
Fund Balance - January 1	(18)		11,991		-
Fund Balance - December 31	(392)	-	(351)	(68)	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<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>	<i>Airport Master Plan Update</i>
Revenues						
Intergovernmental Revenues						
Federal	100,119			170,901		91,614
State	5,562			9,495		
Local Sources						
Total Revenues	105,681	-	-	180,396	-	91,614
Expenditures						
Engineering Services	43,838			187,452		101,310
Construction	52,437			880		
Equipment						
Land Purchase						
Professional Services	13,436		696	444		483
All Other	1,532	525		1,135		
Total Expenditures	111,243	525	696	189,911	-	101,793
Excess of Revenues Over (Under) Expenditures	(5,562)	(525)	(696)	(9,515)	-	(10,179)
Other Financing Sources (Uses)						
Transfers from Other Funds	5,562	26	34	9,496		10,179
Transfers to Other Funds						
Total Other Financing Sources (Uses)	5,562	26	34	9,496	-	10,179
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(499)	(662)	(19)	-	-
Fund Balance - January 1	-	-	(25)	19	(104)	-
Fund Balance - December 31	-	(499)	(687)	-	(104)	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2013

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>301 Park Street Building</i>	<i>Capital Improvements</i>	<i>Totals</i>
Revenues						
Intergovernmental Revenues						
Federal		145,263	34,361			1,223,170
State		8,070				60,956
Local Sources			(1,425)	5,403	13,780	17,758
Total Revenues	-	153,333	32,936	5,403	13,780	1,301,884
Expenditures						
Engineering Services				795		456,421
Construction				60,657		676,587
Equipment				732,236		774,944
Easement Purchase		158,791				158,791
Professional Services	384	443		4,402		58,667
All Other		2,169		13,981	126,790	149,089
Total Expenditures	384	161,403	-	812,071	126,790	2,274,499
Excess of Revenues Over (Under) Expenditures	(384)	(8,070)	32,936	(806,668)	(113,010)	(972,615)
Other Financing Sources (Uses)						
Transfers from Other Funds	19	8,070		190,774	421,030	683,348
Transfers to Other Funds			(22,838)		(479,592)	(502,430)
Total Other Financing Sources (Uses)	19	8,070	(22,838)	190,774	(58,562)	180,918
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(365)	-	10,098	(615,894)	(171,572)	(791,697)
Fund Balance - January 1	(14)	-	26,791	615,894	694,304	1,348,838
Fund Balance - December 31	(379)	-	36,889	-	522,732	557,141

COUNTY OF KNOX
 CAPITAL IMPROVEMENTS
 STATEMENT OF ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2013

Exhibit C-3

<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>
Courthouse Maintenance	141,525		289,575	3,086	(4,136)	(152,000)	(92,655)	185,395
Forfeiture Money - Federal	230,227			5,100	(10,657)	(57,454)	(18,361)	148,855
Jail Capital	100,781		84,000	2,166	(3,133)	(84,000)		99,814
Jail Vehicle	9,488			226	(457)			9,257
Knox County Building	133,630			2,573	(2,884)	(133,319)		-
Sheriff's Vehicle	45	23,345	43,343	90	(266)		(14,595)	51,962
Airport	28,289			715	(1,134)	(431)		27,439
Airport Miscellaneous Equipment	27,323		4,112	777	(1,492)	(30,720)		-
Airport Projects	22,996			496	(635)	(21,668)	(1,179)	10
Total	694,304	23,345	421,030	15,229	(24,794)	(479,592)	(126,790)	522,732

COUNTY OF KNOX
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

Exhibit D-1

	<i>Balance January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance December 31</i>
<i>Inmates Fund</i>				
<i>Assets</i>				
Cash and Equivalents	12,664	107,369	(104,719)	15,314
<i>Liabilities</i>				
Due to Inmates	12,664	107,369	(104,719)	15,314

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Wanese L. Lynch, C.P.A.

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

June 25, 2014

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, 2013, 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 June 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 weakness of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2013-01.

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. We did not identify any significant deficiencies.

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*.

County of Knox, Maine’s Response to Findings

County of Knox, Maine’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Knox, Maine’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRULAR A-133

June 25, 2014

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 Mio, Maine's major federal programs for the year ended December 31, 2013. 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, 2013.

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.

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, 2013*

2012-01 District Attorney Restitution Account

Condition: During the audit the restitution accounts were reviewed. The old money received is still not being turned over to the victims.

Criteria: Internal control over cash receipts and disbursements.

Cause: Due to lack of controls, money owed to victims was not being paid on a timely basis.

Effect: A large amount of cash has been sitting in an old checking account, which is due to victims.

Recommendation: We also recommend reconciling the remainder of the restitution accounts and pay victims on a timely basis.

Response: Management concurs with the recommendation. The DA's office will be reconciling the restitution accounts.

Current year status: The DA's office has paid the old restitution. The current year restitution is reconciled.

2012-02 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, 2013

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. Two 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*. The conditions are reported as a material weaknesses.
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

2013-01 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.

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

N/A

COUNTY OF KNOX
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

<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				
2013 Drive Sober	20.600	AL 13-056	9,858	9,416
2014 Drive Sober	20.600	AL 14-014	10,000	279
Buckle Up - No Excuses	20.609	OP 13-059	2,000	2,000
			<hr/>	<hr/>
			21,858	11,695
Federal Aviation Administration				
Airport Improvements - Wildlife Fence *	20.106		802,800	495,377
Airport Improvements - Snow Removal Truck *	20.106		43,200	39,907
Airport Improvements - Misc. Airport Roads *	20.106		153,000	145,628
Airport Improvements - Eminent Domain *	20.106		198,000	100,119
Airport Improvements - Obstruction Removal *	20.106		490,500	473
Airport Improvements - Design & Permitting *	20.106		409,500	170,901
Airport Improvements - Misc. Airport Improvements *	20.106		83,700	696
Airport Improvements - Snow Removal Equipment *	20.106		235,000	384
Airport Improvements - Master Plan Update *	20.106		142,200	91,614
Airport Improvements - Snow Removal Truck *	20.106		59,400	384
Airport Improvements - Obstruction Analysis *	20.106		199,300	12,658
Airport Improvements - Aviation Easement *	20.106		328,500	145,263
			<hr/>	<hr/>
Total Federal Aviation Administration			3,145,100	1,203,404
Total U.S. Department of Transportation			<hr/>	<hr/>
			3,166,958	1,215,099
U.S. Department of Homeland Security				
Airport Security	97.090	HSTS02-12-R-SLR349	332,090	53,656
			<hr/>	<hr/>
			332,090	53,656
Passed Through Maine Emergency Management Agency				
EMA Exercise	97.067	HM8050	10,575	3,839
Rapid Response Traf Cnt	97.067	HM8052	13,791	168

COUNTY OF KNOX
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

<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>
Hazmat Capital Gear	97.067	HM8054	18,065	897
HSPG Emergency Planner	97.067	HM8057	40,000	12,282
Training Equipment	97.067	HM8059	25,704	984
2011 Exercise	97.067	HM8060	6,345	2,759
EMA Planning	97.067	HM8061	24,144	7,755
Homeland Security	97.067	HM8066	45,746	21,478
Homeland Security 2010	97.067	2010 -SS-T0-0090	5,000	5,000
			<u>189,370</u>	<u>55,162</u>
Hazard Mit. Rev.	97.039	HM8041	18,750	36
EMA Project	97.042	HM8049	24,747	14,774
Cert / Ares / Races	97.053	HM8033	16,000	1,173
IECGP	97.055	HM8067	2,500	2,500
Total U.S. Department of Homeland Security			<u>583,457</u>	<u>127,301</u>
U.S. Department of Justice Passed Through Maine				
Department of Human Services				
Crime Victims Assistance	16.575	CFS-14-2304	42,000	24,211
Crime Victims Assistance	16.575	CFS-13-2304	46,543	21,196
			<u>88,543</u>	<u>45,407</u>
Passed through City of Rockland				
Justice Assistance Grant	16.738	KNX-01-12	6,734	3,632
Underage Drinking Grant	16.727		4,000	1,343
			<u>10,734</u>	<u>4,975</u>
Total U.S. Department of Justice			<u>99,277</u>	<u>50,382</u>
Total			<u><u>3,849,692</u></u>	<u><u>1,392,782</u></u>

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

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.