

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES*

FOR THE YEAR YEAR ENDED DECEMBER 31, 2004

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2004**

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**COUNTY OF KNOX
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2004**

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INDEPENDENT AUDITOR'S REPORT

June 28, 2005

County Commissioners
County of Knox
Rockland, ME 04841

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of County of Knox, Maine as of and for the fiscal year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our 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 County of Knox, Maine as of December 31, 2004, 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.

As described in Note 1A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2005 on our consideration of the County of Knox, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-6 and 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Knox, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statement. The accompanying 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 basic financial statements of County of Knox, Maine. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

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, 2004

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, 2004. 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 Assets – The assets of the County exceeded its liabilities at fiscal year ending December 31, 2004 by \$7,186,659 (presented as “net assets”). Of this amount, \$3,132,174 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the County's ongoing obligations to citizens and creditors.

Changes in Net Assets – The County's total net assets increased by \$779,317 (a 12.2% increase) for the fiscal year ended December 31, 2004.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2004, the County's governmental funds reported a combined ending fund balance of \$3,395,712 with \$1,417,922 being general undesignated fund balance. This undesignated fund balance represents approximately 25% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$319,094 (14.1%) during the current fiscal year. No new debt obligations were issued. Existing debt obligations were retired according to schedule

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.

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.

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 immediately following the fund financial statements.

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).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

56.4% of the County's net assets reflects its investment in capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that is 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 2004	Total 2003
Current Assets	4,150,298	3,781,608
Capital Assets	6,000,497	6,128,523
Total Assets	10,150,795	9,910,131
Current Liabilities	1,362,229	1,556,777
Other Liabilities	1,601,907	1,946,012
Total Liabilities	2,964,136	3,502,789
Net Assets:		
Invested in Capital Assets	4,054,485	3,859,385
Restricted	-	-
Unrestricted	3,132,174	2,547,957
Total Net Assets	7,186,659	6,407,342
Total Liabilities and Net Assets	10,150,795	9,910,131

Changes in Net Assets

Approximately 65.6 percent of the County's total revenue came from assessments, approximately 22.6 percent came from State subsidies and grants, and approximately 11.8 percent came from services, investment earnings and other sources. Depreciation expense on the District's governmental assets represents \$211,988 of the total expenses for the fiscal year.

	<u>Total 2004</u>	<u>Total 2003</u>
<i>Revenues:</i>		
District Assessments	5,957,255	5,261,345
Intergovernmental Revenues	2,050,463	2,469,581
Departmental Revenues	705,614	781,840
Other Local Sources	363,724	451,886
<i>Total</i>	<u>9,077,056</u>	<u>8,964,652</u>
<i>Expenses:</i>		
Emergency Management Agency	202,193	96,148
District Attorney	298,450	249,598
County Commissioners	178,999	145,578
County Treasurer	98,946	76,780
Building Maintenance	246,290	172,020
Debt Service	165,994	192,899
County Jail	2,657,116	2,366,989
Registry of Deeds	306,044	176,167
Probate Court	152,034	99,902
Sheriff's Patrol	1,454,070	1,185,275
Dispatch	586,743	580,036
Employee Benefits	-	1,004,254
Capital Outlay	88,199	153,029
Airport	1,691,954	2,363,346
All Other	170,707	146,542
	<u>8,297,739</u>	<u>9,008,563</u>
<i>Changes in Net Assets</i>	<u>779,317</u>	<u>(43,911)</u>

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, undesignated 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 \$3,395,712 an increase of \$595,140 in comparison with the prior year. 100% percent of this total amount constitutes undesignated fund balance.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$8,345,533 net of accumulated depreciation of \$2,345,036 leaving a net book value of \$6,000,497.

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, 29 High Street, Rockland, ME 04841.

**COUNTY OF KNOX
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>
Cash and Equivalents	2,268,083
Investments	1,427,457
Accounts Receivable	89,114
Due from Other Governments	365,644
Capital Assets:	
Land	1,490,454
Other Capital Assets, Net of Depreciation	4,510,043
Total Assets	10,150,795
 <i>Liabilities and Net Assets</i>	
Liabilities	
Accounts Payable	600,635
Retainage Payable	18,325
Deferred Revenue - Other	135,626
Compensated Absences	263,538
Long-term Liabilities:	
Due Within One Year	344,105
Due in More Than One Year	1,601,907
Total Liabilities	2,964,136
Net Assets	
Investment in Capital Assets, net of Related Debt	4,054,485
Restricted Net Assets	-
Unrestricted	3,132,174
Total Net Assets	7,186,659
Total Liabilities and Net Assets	10,150,795

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, 2004

Exhibit B

<u>Functions/Programs</u> <u>Primary Government</u> <u>Governmental Activities</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net Assets</u> <u>Total</u>
	<u>Fees, Fines, and</u> <u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	
Emergency Management Agency	202,193	165,904	(36,036)
District Attorney	298,450	47,670	(250,780)
County Commissioners	178,999		(178,999)
County Treasurer	98,946		(84,849)
Building Maintenance	246,290		(184,741)
Debt Service	165,994		(165,994)
County Jail	2,657,116	389,442	(2,185,012)
Registry of Deeds	306,044		182,436
Probate Court	152,034		(87,731)
Sheriff's Patrol	1,454,070		(1,313,591)
Dispatch	586,743	34,201	40,070
Capital Outlay	88,199		(88,199)
Airport	1,691,954	1,416,499	(105,622)
All Other	170,707		(170,707)
<u>Total Governmental Activities</u>	<u>8,297,739</u>	<u>2,053,716</u>	<u>(4,629,755)</u>
<u>Total Primary Government</u>	<u>8,297,739</u>	<u>2,053,716</u>	<u>(4,629,755)</u>
<u>General Revenues:</u>			
Assessments			5,365,198
Other Local Sources			43,874
<u>Total Revenues, Special Items and Transfers</u>			<u>5,409,072</u>
<u>Changes in Net Assets</u>			<u>779,317</u>
<u>Net Assets - Beginning</u>			<u>6,407,342</u>
<u>Net Assets - Ending</u>			<u>7,186,659</u>

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

Exhibit C
Page 1 of 2

Assets	General Fund	Reserve Funds	Dispatch Fund	Airport Runway Project	Governmental Funds	Other Funds	Total
Cash and Equivalents	1,970,726					297,357	2,268,083
Investments		1,392,285				35,172	1,427,457
Accounts Receivable	89,114						89,114
Due from Other Funds	364,095	64,826	184,656			95,148	708,725
Due from Other Governments				323,733		41,911	365,644
Total Assets	2,423,935	1,457,111	184,656	323,733	469,588	4,859,023	
Liabilities and Fund Balance							
Liabilities							
Accounts Payable	566,729					33,906	600,635
Retainage Payable				18,325			18,325
Due to Other Funds	303,658	63,031		305,408		36,628	708,725
Due to Other Governments							
Deferred Revenues	135,626						135,626
Total Liabilities	1,006,013	63,031	-	323,733	70,534		1,463,311
Fund Balances							
Unreserved	1,417,922		184,656			92,942	1,695,520
Unreserved, Reported in Nonmajor Special Revenue Funds		1,394,080				306,112	1,700,192
Total Fund Balances	1,417,922	1,394,080	184,656	-	399,054	3,395,712	
Total Liabilities and Fund Balances	2,423,935	1,457,111	184,656	323,733	469,588	4,859,023	

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

COUNTY OF KNOX
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2004

Exhibit C
 Page 2 of 2

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

Total Fund Balance	3,395,712
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,345,036	6,000,497 <u>6,000,497</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(1,941,742)
Accrued Compensated Absences	(263,538)
Capital Leases Payable	(4,270)
	<u>(2,209,550)</u>
Net Assets of Governmental Activities	<u>7,186,659</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, 2004

Exhibit D
 Page 1 of 2

	General Fund	Reserve Funds	Dispatch Fund	Airport Runway Project	Other Governmental Funds	Total Governmental Funds
Revenues						
Assessments	5,365,198		592,057			5,957,255
Intergovernmental Revenues	354,091			1,176,207	520,165	2,050,463
Departmental Revenues	705,614					705,614
Other Local Sources	27,814	80,557	555		254,798	363,724
Total Revenues	6,452,717	80,557	592,612	1,176,207	774,963	9,077,056
Expenditures						
Emergency Management Agency	80,695				120,825	201,520
District Attorney	242,408				55,316	297,724
County Commissioners	173,824					173,824
County Treasurer	98,161					98,161
Building Maintenance	246,117					246,117
Debt Service	489,120					489,120
County Jail	2,338,314				208,183	2,546,497
Registry of Deeds	223,356	82,348				305,704
Probate Court	151,472					151,472
		31,411			7,303	1,461,604
		1,538	581,404			582,942
				1,238,113	430,212	1,668,325
		88,199				88,199
					168	170,707
		203,496	581,404	1,238,113	822,007	8,481,916
		(122,939)	11,208	(61,906)	(47,044)	595,140
		447,644		61,906	41,210	553,376
		(67,878)	(5,000)		(93)	(553,376)
		379,766	(5,000)	61,906	41,117	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	338,032	256,827	6,208	-	(5,927)	595,140
Fund Balance - January 1	1,079,890	1,137,253	178,448	-	404,981	2,800,572
Fund Balance - December 31	1,417,922	1,394,080	184,656	-	399,054	3,395,712

(Continued)

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

**COUNTY OF KNOX
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004**

*Exhibit D
 Page 2 of 2*

Net change in fund balances - total governmental funds	595,140
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	83,962
Depreciation expense	(211,988)
Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital lease obligation principal payments	4,032
General obligation bond principal payments	319,094
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	(10,923)
Change in net assets of governmental activities	<u><u>779,317</u></u>

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

COUNTY OF KNOX
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2004

Exhibit E

	<u>Agency Fund</u>
	<u>Inmate Fund</u>
<i>Assets</i>	
Cash and Equivalents	<u>5,936</u>
<i>Total Assets</i>	<u><u>5,936</u></u>
<i>Liabilities</i>	
Due to Inmates	<u>5,936</u>
<i>Total Liabilities</i>	<u><u>5,936</u></u>

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

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 public works, public safety, and general administrative services.

For financial reporting purposes the County includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Net Assets

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (continued)

Statement of Program Activities

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the Town add the original budget to the current comparison of the final budget and actual results.

B. Fund Accounting

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the Town'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.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the Town (internal service funds).

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 Town's own programs.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of material interfund activity has been eliminated 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.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The U.S. Coast Guard building account is for designated funds to be used for specific purposes.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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. The Town 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 the fund liability is incurred. However, debt service expenditures (if any) are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

E. Assets, Liabilities and Equity

1. Deposits and Investments

The government'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.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity

1. Deposits and Investments (continued)

State statutes authorize the County to invest excess funds in accounts or deposits of financial institutions provided the institutions are insured by Federal depository insurance or credit union insurance, U.S. Government, and in money market mutual funds provided that the fund is limited to investing in obligations of the U.S. Government.

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 Town 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, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Property, plant, and equipment is 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

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 financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

7. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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) 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.

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Equivalents

At December 31, the carrying amount of the County's deposits was \$2,274,019 and the bank balance was \$2,307,707. The bank balance is categorized according to risk assumed as follows:

- Category 1 - Insured by Federal Depository Insurance.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
- Category 3 - Uninsured and uncollateralized.

	<i>Bank Balance</i>	<i>1</i>	<i>Category 2</i>	<i>3</i>
Cash and Equivalents	<u>2,307,707</u>	<u>418,888</u>	<u>1,841,718</u>	<u>47,101</u>

Included in the County's cash equivalents at December 31, 2004, were short-term investments in repurchase agreements issued by a local banking institution. Under these agreements, the County will be repaid principal plus interest on a specified date which is subsequent to year end. The agreement is guaranteed/collateralized with securities held by the banking institution which exceed the amount of the agreement. To the extent that the banking institution may default on its commitment to these obligations, the County is at risk of economic loss. Management considers this exposure minimal. At December 31, 2004, the County held investments in repurchase agreements as follows:

<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Underlying Securities</u>	<u>Market Value</u>
\$ 1,841,718	4.00%	7/1/2004	SEC 20 FN	\$ <u>1,934,603</u>

B. Investments

Investments made by the County are summarized below. The investments that are represented by specific identifiable securities are classified as to credit risk into three categories as follows:

- Category 1 – Insured or registered, or securities held by the government or its agent in the government's name.
- Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	<i>Category 3</i>	<i>Fair Value</i>
U.S. Government Obligations	<u>1,427,457</u>	<u>1,427,457</u>

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

C. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	1,490,454			1,490,454
 <i>Capital assets being depreciated</i>				
Buildings	5,726,876			5,726,876
Equipment	1,044,241	83,962		1,128,203
<i>Total capital assets being depreciated</i>	6,771,117	83,962	-	6,855,079
 <i>Less accumulated depreciation for</i>				
Buildings	1,578,210	113,298		1,691,508
Equipment	554,838	98,690		653,528
<i>Total accumulated depreciation</i>	2,133,048	211,988	-	2,345,036
<i>Net capital assets being depreciated</i>	4,638,069	(128,026)	-	4,510,043
<i>Governmental Activities Capital Assets, net</i>	6,128,523	(128,026)	-	6,000,497

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

D. 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, 2004, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 4,582,000,000
Unorganized territories	<u>8,650,000</u>
Total assessed valuation	4,590,650,000
Tax rate	<u>0.0011687</u>
Current tax commitment	<u>\$ 5,365,198</u>
Appropriations	6,430,949
Overlay	<u>92,276</u>
	6,523,225
Less:	
Estimated revenues	<u>(1,158,027)</u>
Current tax commitment	<u>\$ 5,365,198</u>

E. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2004, were as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	364,095	303,658
Special Revenue Funds		
Reserve Funds	64,826	63,031
Airport Fund	47,536	
Grant Funds	47,612	17,221
DARE		123
Dispatch Fund	184,656	
Capital Project Fund		<u>324,692</u>
Totals	<u>708,725</u>	<u>708,725</u>

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004**

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

F. Long-Term Debt

1. **General Obligation Debt.** 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>Purpose</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
1991 Jail Construction Bond	7/1/2009	6.125-6.75%	<u>1,941,742</u>

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$409,318 are as follows:

<i>Fiscal Year-ending December 31</i>	<i>General Long-Term Debt Account Group</i>
2005	470,212
2006	470,212
2007	470,212
2008	470,212
2009	<u>470,212</u>
Total	<u>2,351,060</u>

2. Changes in Long-Term Debt

The following summary of long-term debt transactions of Knox County for the year ended December 31, 2004:

<i>Long-term Debt payable January 1, 2004</i>	2,260,836
Debt Issued	
Debt Retired	<u>(319,094)</u>
<i>Long-term Debt payable December 31, 2004</i>	<u>1,941,742</u>

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 - OTHER INFORMATION (Continued)

A. Contingent Liabilities (continued)

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.

B. Pension Plans

The County has contributed for certain employees, to the Maine State Retirement System (MSRS), a cost-sharing multiple-employer defined benefits pension plan. The County has withdrawn from participation for new employees, 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 were no contribution requirements for the County for the years 2002, 2003, and 2004.

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all 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 5% 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 (not to exceed age 65). Participants vesting requirements are fulfilled at 5 years of service. The County has contributed \$70,978 and the participants have contributed \$50,457 for the year-ended December 31, 2004.

A participant may direct the investment without restriction among various options available under the trust. Loans are not permitted under 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;
3. Premium Expense Account;

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans (Continued)

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. Total contributions may not be more than \$10,000 each year.

All regular full-time and part-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. 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
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	5,365,198	5,365,198	-
Intergovernmental Revenues			
Federal			
Emergency Management Agency	43,820	40,552	(3,268)
COPS Grant	40,501	34,201	(6,300)
State			
Jail Reimbursement	271,151	268,593	(2,558)
Jail Surcharge	7,000	10,083	3,083
Witness Fees		662	662
	<u>362,472</u>	<u>354,091</u>	<u>(8,381)</u>
Departmental Revenue			
Treasurer - Investment Income	15,000	14,097	(903)
Building Maintenance	59,233	61,549	2,316
Jail	5,500	7,314	1,814
Registry of Deeds	400,000	446,306	46,306
Probate Court	52,000	64,303	12,303
Sheriff	93,251	112,045	18,794
	<u>624,984</u>	<u>705,614</u>	<u>80,630</u>
Other Local Sources			
Miscellaneous	10,800	17,014	6,214
Reimburse Comp. Adm.	6,000	6,000	
SS Incentive Payment		4,800	4,800
	<u>16,800</u>	<u>27,814</u>	<u>11,014</u>
Operating Transfers In			
Reserves		2,616	2,616
Total Revenues	6,369,454	<u><u>6,455,333</u></u>	<u><u>85,879</u></u>
Fund Balance Used to Calculate Assessments	<u>426,000</u>		
Total	<u><u>6,795,454</u></u>		

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

*Exhibit A-2
Page 1 of 2*

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personal Services	73,850	74,088	(238)
Contractual Services	5,845	3,428	2,417
Commodities	2,375	2,090	285
Capital Outlay	1,900	1,089	811
	<u>83,970</u>	<u>80,695</u>	<u>3,275</u>
District Attorney			
Personal Services	209,859	196,810	13,049
Contractual Services	34,175	33,084	1,091
Commodities	7,450	7,801	(351)
Capital Outlay	4,500	4,713	(213)
	<u>255,984</u>	<u>242,408</u>	<u>13,576</u>
County Commissioners			
Personal Services	135,637	134,930	707
Contractual Services	33,915	34,057	(142)
Commodities	4,800	4,837	(37)
	<u>174,352</u>	<u>173,824</u>	<u>528</u>
County Treasurer			
Personal Services	93,155	92,880	275
Contractual Services	3,950	3,276	674
Commodities	2,200	2,005	195
	<u>99,305</u>	<u>98,161</u>	<u>1,144</u>
Building Maintenance			
Personal Services	113,116	115,018	(1,902)
Contractual Services	73,750	64,216	9,534
Commodities	36,804	36,269	535
Capital Outlay	25,750	30,614	(4,864)
	<u>249,420</u>	<u>246,117</u>	<u>3,303</u>
Debt Service			
Principal	319,094	319,094	-
Interest - Long Term Debt	151,178	151,118	60
Interest - Tax Anticipation Note	29,800	18,908	10,892
	<u>500,072</u>	<u>489,120</u>	<u>10,952</u>
County Jail			
Personal Services	1,937,432	1,638,064	299,368
Contractual Services	506,732	432,142	74,590
Commodities	236,762	196,735	40,027
Capital Outlay	95,520	71,373	24,147
	<u>2,776,446</u>	<u>2,338,314</u>	<u>438,132</u>

COUNTY OF KNOX
GENERAL FUND

Exhibit A-2
Page 2 of 2

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Registry of Deeds			
Personal Services	138,218	134,811	3,407
Contractual Services	87,084	82,923	4,161
Commodities	5,300	5,622	(322)
	<hr/> 230,602	<hr/> 223,356	<hr/> 7,246
Probate Court			
Personal Services	138,492	137,281	1,211
Contractual Services	14,978	9,936	5,042
Commodities	3,400	3,826	(426)
Capital Outlay	500	429	71
	<hr/> 157,370	<hr/> 151,472	<hr/> 5,898
Sheriff's Patrol			
Personal Services	1,148,894	1,100,662	48,232
Contractual Services	137,600	152,127	(14,527)
Commodities	60,700	52,180	8,520
Capital Outlay	128,638	117,921	10,717
	<hr/> 1,475,832	<hr/> 1,422,890	<hr/> 52,942
Other			
Knox-Lincoln Extension Service	48,490	48,490	-
Knox-Lincoln Soil & Water	16,752	16,752	-
EMDC	7,500	7,500	-
Time & Tide RC&D	2,000	2,000	-
Eastern Mid-Coast Regional Planning	2,500	2,500	-
Insurance	92,698	90,536	2,162
Postage Meter/Fax	3,295	2,761	534
Overlay	92,276		92,276
	<hr/> 265,511	<hr/> 170,539	<hr/> 94,972
Transfers Out			
Airport Operating	135,468	82,854	52,614
Reserves	391,122	397,551	(6,429)
	<hr/> 526,590	<hr/> 480,405	<hr/> 46,185
Total Appropriations	<hr/> <hr/> 6,795,454	<hr/> <hr/> 6,117,301	<hr/> <hr/> 678,153

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004**

Exhibit A-3

Unreserved - Undesignated Fund Balance January 1, 2004	1,079,890	
Unreserved - Undesignated Fund Balance December 31, 2004	<u>1,417,922</u>	
Increase (Decrease)		<u><u>338,032</u></u>
Analysis of Change		
Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	85,879	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>678,153</u>	
Budget Surplus		<u>764,032</u>
Deductions		
Fund Balance Used to Calculate Assessments		<u>(426,000)</u>
Increase (Decrease)		<u><u>338,032</u></u>

COUNTY OF KNOX
 ALL SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2004

Exhibit B-1

<i>Assets</i>	<i>Reserve Funds</i>	<i>Grant Funds (Exhibit B-3)</i>	<i>DARE Program</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Dispatch Fund</i>	<i>Totals</i>
Cash and Equivalents		233,069			64,288		297,357
Investments	1,392,285	23,751	11,421				1,427,457
Due from Other Governments		22,627					22,627
Due from Other Funds	64,826	47,612		47,536		184,656	344,630
Total Assets	1,457,111	327,059	11,421	47,536	64,288	184,656	2,092,071
<i>Liabilities and Fund Balances</i>							
<i>Liabilities</i>							
Accounts Payable	63,031	33,906					33,906
Due to Other Funds		17,221	123				80,375
Total Liabilities	63,031	51,127	123				114,281
<i>Fund Balances</i>							
Unreserved							
Designated for Subsequent Years'							
Expenditures	1,394,080	241,824			64,288		1,700,192
Undesignated		34,108	11,298	47,536		184,656	277,598
Total Fund Balances	1,394,080	275,932	11,298	47,536	64,288	184,656	1,977,790
Total Liabilities and Fund Balances	1,457,111	327,059	11,421	47,536	64,288	184,656	2,092,071

COUNTY OF KNOX
 ALL SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit B-2

	Reserve Funds (Exhibit B-5)	Grant Funds (Exhibit B-4)	DARE Program	Airport Fund	Inmate Fund	Dispatch Fund	Totals
Revenues							
Intergovernmental Revenues							
Federal		131,433		21,120			152,553
State		236,746					236,746
Interest	18,781	6,096	196				25,073
Fair Value Increase (Decrease)	(11,741)	(200)	(97)				(12,038)
Other Local Sources	73,517	3,172	450	169,833	75,348	592,612	914,932
Total Revenues	80,557	377,247	549	190,953	75,348	592,612	1,317,266
Expenditures							
Personnel Services		126,846		130,720		519,736	777,302
Contract Services		137,284		84,058		49,137	270,479
Commodities		658		14,151		7,752	22,561
Capital Outlay						4,779	4,779
Maintenance and Supplies			1,866		70,669		72,535
Community Based Programs		101,932					101,932
Reserve Funds	203,496						203,496
Other Governments		168					168
Airport Monitoring/Permitting		19,433					19,433
Total Expenditures	203,496	386,321	1,866	228,929	70,669	581,404	1,472,685
Excess of Revenues Over (Under) Expenditures	(122,939)	(9,074)	(1,317)	(37,976)	4,679	11,208	(155,419)
Other Financing Sources (Uses)							
Transfers from Other Funds	447,644			37,854			485,498
Transfers to Other Funds	(67,878)	(93)				(5,000)	(72,971)
Total Other Financing Sources (Uses)	379,766	(93)		37,854		(5,000)	412,527
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	256,827	(9,167)	(1,317)	(122)	4,679	6,208	257,108
Fund Balance - January 1	1,137,253	285,099	12,615	47,658	59,609	178,448	1,720,682
Fund Balance - December 31	1,394,080	275,932	11,298	47,536	64,288	184,656	1,977,790

COUNTY OF KNOX
 GRANT FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2004

<i>Assets</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Law Enforcement Grant</i>	<i>Matching Grants Fund</i>	<i>Local Emergency Planning Committee</i>	<i>Jane Fonda Grant</i>
Cash and Equivalents				23,700	
Investments		33	21,946		
Due from Other Governments					
Due from Other Funds	9,113		10,000		819
Total Assets	9,113	33	31,946	23,700	819
 <i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts Payable					
Due to Other Funds			348	2,875	
Total Liabilities			348	2,875	
 <i>Fund Balances</i>					
Unreserved					
Designated for Subsequent Years'					
Expenditures	9,113	33		20,825	819
Undesignated			31,598		
Total Fund Balances	9,113	33	31,598	20,825	819
 Total Liabilities and Fund Balances	9,113	33	31,946	23,700	819

COUNTY OF KNOX
 GRANT FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2004

<i>Assets</i>	<i>Airport Security</i>	<i>Knox County Law Enforcement System</i>	<i>Youth Referral Program</i>	<i>Community Based Projects</i>	<i>Totals</i>
Cash and Equivalents Investments		1,772		209,369	233,069
Due from Other Governments	22,627				23,751
Due from Other Funds	2,172	738	24,770		22,627
Total Assets	24,799	2,510	24,770	209,369	327,059
<i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts Payable Due to Other Funds				33,906	33,906
				13,998	17,221
Total Liabilities				47,904	51,127
<i>Fund Balances</i>					
Unreserved Designated for Subsequent Years' Expenditures Undesignated	24,799	2,510	24,770	161,465	241,824
					34,108
Total Fund Balances	24,799	2,510	24,770	161,465	275,932
Total Liabilities and Fund Balances	24,799	2,510	24,770	209,369	327,059

COUNTY OF KNOX
GRANT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Victim/Witness Advocate Grant	Local Law Enforcement Grant	Matching Grants Fund	Local Emergency Planning Committee	Digital Imaging Cameras	Jane Fonda Grant
Revenues						
Intergovernmental Revenues						
Federal	38,805			4,322		
State	4,950			121,030		
Other	3,253					
Fair Value Increase (Decrease)	(184)					
Interest	352			253		
Total Revenues	47,008		168	125,605		
Expenditures						
Personnel Services	33,266			3,474		
Contract Services	2,583			117,351		
Commodities	34					
Community Based Programs						
Other Governments	19,433					
Returned to State					168	
Total Expenditures	55,316			120,825	168	
Excess of Revenues Over (Under) Expenditures	(8,308)		168	4,780	(168)	
Other Financing Sources (Uses) Transfers from Other Funds						
Total Other Financing Sources (Uses)			0			
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(8,308)		168	4,780	(168)	
Fund Balance - January 1	17,421	33	31,430	16,045	168	819
Fund Balance - December 31	9,113	33	31,598	20,825	-	819

COUNTY OF KNOX
GRANT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Airport Security	Airport Planning/ Monitoring	Knox County Law Enforcement System	Youth Referral Program	Community Based Projects	Totals
Revenues						
Intergovernmental Revenues						
Federal	88,306			43,618	67,148	131,433
State			2,843			236,746
Other			(16)			6,096
Fair Value Increase (Decrease)		93	62		2,412	(200)
Interest						3,172
Total Revenues	88,306	93	2,889	43,618	69,560	377,247
Expenditures						
Personnel Services	63,837		426	25,843		126,846
Contract Services	2,600		5,011	9,739		137,284
Commodities	624					658
Community Based Programs					101,932	101,932
Other Governments						19,433
Returned to State						168
Total Expenditures	67,061		5,437	35,582	101,932	386,321
Excess of Revenues Over (Under) Expenditures	21,245	93	(2,548)	8,036	(32,372)	(9,074)
Other Financing Sources (Uses) Transfers to Other Funds		(93)				(93)
Total Other Financing Sources (Uses)		(93)				(93)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	21,245	-	(2,548)	8,036	(32,372)	(9,167)
Fund Balance - January 1	3,554		5,058	16,734	193,837	285,099
Fund Balance - December 31	24,799	-	2,510	24,770	161,465	275,932

Exhibit B-5

COUNTY OF KNOX
RESERVE FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2004

Reserve Fund	Fund Balance January 1	New Funds	Transfers From Other Funds	Interest	Increase (Decrease) in Fair Value	Transfers To Other Funds	Expenditures	Fund Balance December 31
Charter Commission	5,660		6,429	72			12,161	-
Contingency	100,087			1,618	(856)			100,849
Courthouse Computer	34,137	400	40,000	476	(571)		6,321	68,121
Courthouse Furniture/Fixtures	24,991			401	(206)		988	24,198
Courthouse Maintenance	24,907			403	(206)		926	24,178
Courthouse Renovation	211,979	200		3,369	(1,698)		32,938	180,912
Criminal Investigation	5,642			41	(11)		4,171	1,501
DA Computer	3,935			64	(34)			3,965
Deeds Surcharge	102,489	42,174		1,744	(538)		82,348	63,521
Dispatch Computer	4,554			128	(42)		1,538	3,102
Dispatch GIS	10,427			168	(89)			10,506
Dispatch Renovations	16,473		5,000	266	(182)			21,557
Forfeiture Money	3,873	28,434		267	(211)		9,147	23,216
Health Insurance	22,340			361	(190)	2,616		22,511
Jail Capital	24,012			388	(206)			21,578
Jail Computer	17,610			285	(151)			17,744
Jail Control System			175,000		(991)			174,009
Jail Heating System	5,239			85	(45)			5,279
Jail Improvements	23,349			378	(200)			23,527
Legal	87,206			1,410	(590)		19,188	68,838
Meridan Line	581			9	(5)			585
Resignation Benefits	31,863			355	(171)			20,541
Safety	6,420	1,597		118	(69)		11,506	8,066
Security Deposit	676			11	(6)			681
Sheriff's Computer	7,000			58	(29)		1,026	6,003
Sheriff's Laptop	8,044		4,000	66	(68)			12,042
Sheriff's Vehicle	17,834	712	31,122	77	(281)		15,190	34,274
Training	6,745			75	(4)		6,048	768
Unemployment	14,317			231	(122)			14,426
Airport Computer	9,118			147	(78)			9,187
Airport MBNA Improvement	146,229			2,364	(1,255)			147,338
Airport Miscellaneous Equipment			16,000		(132)			15,868
Airport Parallel Taxiway			80,000		(661)			79,339
Airport Part 139 Requirement			40,000		(330)			39,670
Airport Projects	146,681		93	3,130	(986)	61,906		87,012
Airport Terminal Building	12,835		50,000	216	(527)	3,356		59,168
Total	1,137,253	73,517	447,644	18,781	(11,741)	67,878	203,496	1,394,080

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

Exhibit C-1

	<i>Airport Runway Project</i>	<i>Airport Terminal Study</i>	<i>Totals</i>
Revenues			
Intergovernmental Revenues			
Federal	1,114,301	127,510	1,241,811
State	61,906	3,356	65,262
Total Revenues	1,176,207	130,866	1,307,073
Expenditures			
Engineering Services	176,686	134,026	310,712
Construction	1,061,023	-	1,061,023
All Other	404	196	600
Total Expenditures	1,238,113	134,222	1,372,335
Excess of Revenues Over (Under) Expenditures	(61,906)	(3,356)	(65,262)
Other Financing Sources (Uses)			
Transfers from Other Funds	61,906	3,356	65,262
Total Other Financing Sources (Uses)	61,906	3,356	65,262
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-
Fund Balance - January 1	-	-	-
Fund Balance - December 31	-	-	-

COUNTY OF KNOX
 AGENCY FUNDS

Exhibit D-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<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	208	43,037	37,309	5,936
<i>Liabilities</i>				
Due to Inmates	208	43,037	37,309	5,936

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 28, 2005

County Commissioners
County of Knox
Rockland, ME 04841

We have audited 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, 2004, which collectively comprise the County of Knox, Maine's basic financial statements and have issued our report thereon dated June 28, 2005. 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 of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Knox, Maine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Knox, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants; 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

This report is intended solely for the information and use of the audit committee, management, County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

James W. Wadman, CPA

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 28, 2005

County Commissioners
County of Knox
Rockland, Maine 04841

Compliance

We have audited the compliance of the County of Knox, Maine with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Knox, Maine's management. Our responsibility is to express an opinion on the County of Knox, Maine's compliance based on our audit.

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. Our audit does not provide a legal determination on the County of Knox, Maine's compliance with those requirements.

As described in item 2004-1 in the accompanying schedule of findings and questioned costs, the County of Knox, Maine, did not comply with requirements regarding the Davis Bacon Act that are applicable to its FAA-Airport Improvements. Compliance with such requirements is necessary, in our opinion, for the County of Knox, Maine, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County of Knox, Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the County of Knox, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Knox, Maine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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, 2004***

None

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the County of Knox, Maine.
2. No reportable conditions relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County of Knox, Maine were disclosed during the audit.
4. No reportable 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 a qualified 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 program tested as a major program is:

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

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

2004-1

Major Program: FAA – Airport Improvements
CFDA #20.106
Federal Agency: Department of Transportation

Criteria: Per OMB A-133, federal grantees involved in construction activities must ensure that the contractors they employ are providing the prevailing wages for those employees that work on the related construction project.

Condition: During the course of our test work, we selected 43 employees for testing and noted 15 instances in which the employees were not being paid the prevailing wages according to the Department of Labor wage determination sheet. Fringe benefit payments to employees was not provided to the auditor.

Questioned Costs: None

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

Effect: The County is not in compliance with the requirements of the Davis Bacon Act.

Recommendation: We recommend the County establish a procedure to ensure that prevailing wages are paid to all people covered under the Davis Bacon Act. We recommend the County review contractor's hourly rates and fringe benefit payments to employees to ensure they are in compliance with the Davis Bacon Act.

Management's Response: Management concurs with the finding and will have the engineer monitor the contractor's to be in full compliance with the Davis Bacon Act.

COUNTY OF KNOX
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

SCHEDULE III

<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 Federal Aviation Administration				
Airport Improvements - Runway Project	20.106		2,190,000	1,114,301
Airport Improvements - Airport Security	20.106		97,523	88,306
Airport Improvements - Terminal Building Study	20.106		133,000	127,510
Total U.S. Department of Transportation			2,420,523	1,330,117
U.S. Department of Homeland Security Pre Disaster Mitigation Grant	97.017		28,000	4,322
Total U.S. Department of Homeland Security			28,000	4,322
U.S. Department of Justice COPS in School Grant Passed Through Maine Department of Human Services	16.710		122,288	34,201
Crime Victims Assistance	16.575	013-10A-8772-012-6401	20,195	20,195
Crime Victims Assistance	16.575	013-10A-8772-012-6401	20,196	20,196
Total U.S. Department of Justice			162,679	74,592
Total			2,611,202	1,409,031

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

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.

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Independent Auditor's Communication of Reportable Conditions and Other Matters

June 28, 2005

County Commissioners
County of Knox
Rockland, Maine 04841

In planning and performing our audit of the County of Knox, Maine for the year ended December 31, 2004, we considered the County's internal control structure in order to determine the scope of our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. Our review of these systems was not intended to provide assurance on the internal control structure and should not be relied on for that purpose.

Under the standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might constitute reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described there are no material weaknesses.

This report is intended solely for the information and use of management and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully submitted,

James W. Wadman, CPA

James W. Wadman, CPA

REPORTABLE CONDITIONS

2004-01 Awarding of Contracts/Grant Approval

Reportable conditions in past years' reports pointed out that the County had awarded several contracts and made expenditures in recent years, primarily for airport projects, prior to having approved funding in place to meet those expenditures. As a result, County funds are utilized to make those expenditures while awaiting grant approvals. These conditions have been resolved for December 31, 2004.

2004-02 Work Release/Inmate Fund

The County is required to maintain records to account for the above inmate funds. Last year's report pointed out that bookkeeping and monitoring had not been done, and cash on hand had not been counted for the year ended December 31, 2003. We had also encountered similar problems in prior years which had been addressed with the jail administrator.

Our review of these records for the current year revealed that personnel has been keeping up with the bookkeeping and monitoring has been done. Bank reconciliations had been completed for the year. Cash on hand had not been counted and proved to the spreadsheets, but a computerized record is now kept that can be reconciled on a regular basis. Although not material in amounts compared to other County funds, there is a considerable amount of record keeping involved to properly maintain these accounts. With the new computerized programs, the bookkeeper should keep all records up to date. We recommend that the County monitor the above area on a periodic basis to ensure that adequate records continue to be maintained in a timely manner.

2004-03 Forfeiture Money

Last year's report pointed out that the County Sheriff collects forfeiture money and distributes the money to the County, State and individuals without depositing the money through the general fund checking account. In the current year audit the County Sheriff is submitting all forfeiture money to the Treasurer for distribution.