

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES*

*FOR THE YEAR
ENDED DECEMBER 31, 2008*

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2008**

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**COUNTY OF KNOX
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2008**

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INDEPENDENT AUDITOR'S REPORT

July 1, 2009
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 the County of Knox, Maine as of and for the year ended December 31, 2008, 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 of Knox, Maine'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 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 the County of Knox, Maine as of December 31, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing 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 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 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 the 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, 2008

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, 2008. 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, 2008 by \$23,231,937 (presented as “net assets”). Of this amount, \$2,850,925 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 \$5,116,230 (a 28.2 % increase) for the fiscal year ended December 31, 2008.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2008, the County's governmental funds reported a combined ending fund balance of \$3,329,682 with \$1,310,633 being general undesignated fund balance. This undesignated fund balance represents approximately 18.4% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$412,627 (48.4%) 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

86.9% of the County's net assets reflect 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 2008 | Total 2007 |
|---|-------------------|-------------------|
| Current Assets | 4,337,602 | 3,654,115 |
| Capital Assets | 20,617,771 | 16,494,367 |
| Total Assets | 24,955,373 | 20,148,482 |
| Current Liabilities | 1,723,436 | 1,592,296 |
| Other Liabilities | | 440,480 |
| Total Liabilities | 1,723,436 | 2,032,776 |
| Net Assets: | | |
| Invested in Capital Assets | 20,177,291 | 15,641,260 |
| Restricted | 203,721 | 386,587 |
| Unrestricted | 2,850,925 | 2,087,859 |
| Total Net Assets | 23,231,937 | 18,115,706 |
| Total Liabilities and Net Assets | 24,955,373 | 20,148,482 |

Changes in Net Assets

Approximately 53.1 percent of the County's total revenue came from assessments, approximately 37.3 percent came from State subsidies and grants, and approximately 9.6 percent came from services, investment earnings and other sources. Depreciation expense on the District's governmental assets represents \$585,755 of the total expenditures for the fiscal year.

| | Total 2008 | Total 2007 |
|------------------------------|-------------------|-------------------|
| Revenues: | | |
| District Assessments | 7,383,598 | 6,982,087 |
| Intergovernmental Revenues | 5,185,418 | 2,924,695 |
| Departmental Revenues | 812,936 | 1,016,587 |
| Other Local Sources | 530,708 | 501,389 |
| Total | 13,912,660 | 11,424,758 |
| Expenses: | | |
| Emergency Management Agency | 172,082 | 95,108 |
| District Attorney | 352,056 | 354,689 |
| County Commissioners | 500,488 | 353,589 |
| County Treasurer | 160,156 | 147,480 |
| Building Maintenance | 333,636 | 326,008 |
| Debt Service | 109,616 | 142,630 |
| County Jail | 3,277,639 | 3,336,895 |
| Registry of Deeds | 286,652 | 269,227 |
| Probate Court | 179,966 | 180,332 |
| Sheriff's Patrol | 1,469,661 | 1,569,444 |
| Dispatch | 723,053 | 708,639 |
| Capital Outlay | 49,474 | 2,070 |
| Airport | 852,356 | 909,396 |
| All Other | 329,595 | 697,097 |
| | 8,796,430 | 9,092,604 |
| Changes in Net Assets | 5,116,230 | 2,332,154 |

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 \$3,329,682 an increase of \$492,156 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 \$25,092,271 net of accumulated depreciation of \$4,474,500 leaving a net book value of \$20,617,771.

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 ASSETS
DECEMBER 31, 2008

Exhibit A

| <i>Assets</i> | <i>Governmental Activities</i> |
|---|------------------------------------|
| Cash and Equivalents | 1,185,955 |
| Investments | 1,688,621 |
| Accounts Receivable | 125,432 |
| Due from Other Governments | 1,337,594 |
| Capital Assets: | |
| Land | 2,126,236 |
| Other Capital Assets, Net of Depreciation | 18,491,535 |
| Total Assets | 24,955,373 |
| <i>Liabilities and Net Assets</i> | |
| Liabilities | |
| Accounts Payable | 760,803 |
| Retainage Payable | 102,565 |
| Compensated Absences | 374,347 |
| Accrued Salaries | 45,241 |
| Long-term Liabilities: | |
| Due Within One Year | 440,480 |
| Due in More Than One Year | - |
| Total Liabilities | 1,723,436 |
| Net Assets | |
| Investment in Capital Assets, net of Related Debt | 20,177,291 |
| Restricted Net Assets | 203,721 |
| Unrestricted | 2,850,925 |
| Total Net Assets | 23,231,937 |
| Total Liabilities and Net Assets | 24,955,373 |

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

Exhibit C
Page 1 of 2

| <i>Assets</i> | <i>General Fund</i> | <i>Reserve Funds</i> | <i>Airport Taxiway Construction</i> | <i>Other Governmental Funds</i> | <i>Total</i> |
|---|-------------------------|--------------------------|---|---|------------------|
| Cash and Equivalents | 874,290 | | | 311,665 | 1,185,955 |
| Investments | | 1,642,283 | | 46,338 | 1,688,621 |
| Accounts Receivable | 83,227 | 147 | | 42,058 | 125,432 |
| Due from Other Funds | 1,423,765 | 19,027 | | 132,506 | 1,575,298 |
| Due from Other Governments | | | 1,218,062 | 119,532 | 1,337,594 |
| Total Assets | 2,381,282 | 1,661,457 | 1,218,062 | 652,099 | 5,912,900 |
| <i>Liabilities and Fund Balance</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts Payable | 724,550 | | | 36,253 | 760,803 |
| Retainage Payable | | | 102,565 | | 102,565 |
| Due to Other Funds | 201,547 | 111,954 | 1,115,497 | 146,300 | 1,575,298 |
| Deferred Revenues | 144,552 | | | | 144,552 |
| Total Liabilities | 1,070,649 | 111,954 | 1,218,062 | 182,553 | 2,583,218 |
| <i>Fund Balances</i> | | | | | |
| Unreserved | 1,310,633 | | | 111,419 | 1,422,052 |
| Unreserved, Reported in Nonmajor Special Revenue Funds | | 1,549,503 | | 358,127 | 1,907,630 |
| Total Fund Balances | 1,310,633 | 1,549,503 | | 469,546 | 3,329,682 |
| Total Liabilities and Fund Balances | 2,381,282 | 1,661,457 | 1,218,062 | 652,099 | 5,912,900 |

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

Exhibit C
Page 2 of 2

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

| | |
|--|--------------------------|
| Total Fund Balance | 3,329,682 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,474,500 | <u>20,617,771</u> |
| | <u>20,617,771</u> |
| Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: | |
| Deferred Revenues - Other | <u>144,552</u> |
| | <u>144,552</u> |
| Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: | |
| Bonds Payable | (440,480) |
| Accrued Salaries | (45,241) |
| Accrued Compensated Absences | <u>(374,347)</u> |
| | <u>(860,068)</u> |
| Net Assets of Governmental Activities | <u><u>23,231,937</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, 2008

Exhibit D
Page 1 of 2

| | <i>General Fund</i> | <i>Reserve Funds</i> | <i>Airport Taxiway Construction</i> | <i>Other Governmental Funds</i> | <i>Total Governmental Funds</i> |
|---|-------------------------|--------------------------|---|---|---|
| Revenues | | | | | |
| Assessments | 6,576,756 | | | 806,842 | 7,383,598 |
| Intergovernmental Revenues | 393,686 | | 4,255,525 | 536,207 | 5,185,418 |
| Departmental Revenues | 812,810 | | | | 812,810 |
| Other Local Sources | 38,331 | 118,201 | | 374,176 | 530,708 |
| Total Revenues | 7,821,583 | 118,201 | 4,255,525 | 1,717,225 | 13,912,534 |
| Expenditures | | | | | |
| Emergency Management Agency | 115,020 | | | 183,140 | 298,160 |
| District Attorney | 285,760 | | | 67,155 | 352,915 |
| County Commissioners | 382,910 | 108,204 | | | 491,114 |
| County Treasurer | 160,107 | | | | 160,107 |
| Building Maintenance | 337,029 | | | | 337,029 |
| Debt Service | 522,243 | | | | 522,243 |
| County Jail | 3,080,471 | 16,177 | | 122,003 | 3,218,651 |
| Registry of Deeds | 243,173 | 43,122 | | | 286,295 |
| Probate Court | 181,359 | | | | 181,359 |
| Sheriff's Patrol | 1,482,080 | 8,045 | | | 1,490,125 |
| Dispatch | | 8,162 | | 723,540 | 731,702 |
| Airport | | 3,710 | 4,453,443 | 514,456 | 4,971,609 |
| Capital Outlay | | 49,474 | | | 49,474 |
| All Other | 329,595 | | | - | 329,595 |
| Total Expenditures | 7,119,747 | 236,894 | 4,453,443 | 1,610,294 | 13,420,378 |
| Excess of Revenues Over (Under) Expenditures | 701,836 | (118,693) | (197,918) | 106,931 | 492,156 |
| Other Financing Sources (Uses) | | | | | |
| Transfers from Other Funds | - | 465,550 | 197,918 | 55,800 | 719,268 |
| Transfers to Other Funds | (356,141) | (208,142) | | (154,985) | (719,268) |
| Total Other Financing Sources (Uses) | (356,141) | 257,408 | 197,918 | (99,185) | - |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures | 345,695 | 138,715 | - | 7,746 | 492,156 |
| Fund Balance - January 1 | 964,938 | 1,410,788 | | 461,800 | 2,837,526 |
| Fund Balance - December 31 | 1,310,633 | 1,549,503 | - | 469,546 | 3,329,682 |

(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, 2008

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds 492,156

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 | 4,716,215 |
| Capital asset dispositions | (7,055) |
| Depreciation expense | (585,756) |

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

| | |
|-------------------|-----|
| Deferred Revenues | 126 |
|-------------------|-----|

Bond proceeds provide 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:

| | |
|--|---------|
| General obligation bond principal payments | 412,627 |
|--|---------|

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 salaries | 117,706 |
| Accrued compensated absences | (29,789) |

| | |
|---|------------------|
| Change in net assets of governmental activities | <u>5,116,230</u> |
|---|------------------|

COUNTY OF KNOX
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2008

Exhibit E

| | <i>Agency Fund</i> |
|--------------------------|-------------------------------|
| | <u><i>Inmate Fund</i></u> |
| <i>Assets</i> | |
| Cash and Equivalents | <u>21,939</u> |
| <i>Total Assets</i> | <u><u>21,939</u></u> |
| | |
| <i>Liabilities</i> | |
| Due to Inmates | <u>21,939</u> |
| <i>Total Liabilities</i> | <u><u>21,939</u></u> |

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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.

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 County 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 County 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 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.

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 County (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 County'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 County. 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, 2008**

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 benefit 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 County reports the following major governmental funds:

The general fund is the County'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 reserve funds account for all the Town funds designated for a specified purpose.

The airport taxiway construction accounts for the major capital project funds.

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 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 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 County.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity

1. Deposits and Investments

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the District limits its investments to those authorized by Maine State Statutes, which authorize the District to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial risk, the District requires that, at the time funds are invested, collateral for repurchase agreements be held in the District's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

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, 2008

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 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

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, 2008**

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 Counties) 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, 2008

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 \$1,207,894 and the bank balance was \$1,553,604. 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>1,553,604</u> | <u>395,029</u> | <u>1,158,575</u> | <u>-</u> |

Included in the County's cash equivalents at December 31, 2008, were FHLB letter of credit amounts issued by a local banking institution. Under these agreements, the County can draw down on the letter of credit up to a maximum of \$3,000,000. The agreement is guaranteed/collateralized with securities held by the banking institution which equal 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.

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>1,688,621</u> | <u>1,688,621</u> |

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

C. Capital Assets

Capital asset activity for the year ended December 31, 2008 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 | 2,126,236 | | | 2,126,236 |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings | 5,869,346 | | | 5,869,346 |
| Equipment | 2,198,031 | 266,347 | (61,770) | 2,402,608 |
| Infrastructure | 10,244,213 | 4,449,868 | | 14,694,081 |
| <i>Total capital assets being depreciated</i> | 18,311,590 | 4,716,215 | (61,770) | 22,966,035 |
| <i>Less accumulated depreciation for</i> | | | | |
| Buildings | 2,038,940 | 117,469 | | 2,156,409 |
| Equipment | 812,704 | 174,405 | (54,715) | 932,394 |
| Infrastructure | 1,091,815 | 293,882 | | 1,385,697 |
| <i>Total accumulated depreciation</i> | 3,943,459 | 585,756 | (54,715) | 4,474,500 |
| <i>Net capital assets being depreciated</i> | 14,368,131 | 4,130,459 | (7,055) | 18,491,535 |
| Governmental Activities Capital Assets, net | 16,494,367 | 4,130,459 | (7,055) | 20,617,771 |

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

Governmental Activities

| | |
|---|----------------|
| Emergency Management | 41,915 |
| District Attorney | 518 |
| County Commissioners | 5,540 |
| County Treasurer | 106 |
| County Jail | 133,949 |
| Registry of Deeds | 1,379 |
| Sheriff's Patrol | 68,051 |
| Dispatch | 1,235 |
| Airport | 333,062 |
| Total Depreciation Expense - Governmental Activities | 585,755 |

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008, the tax assessment was calculated as follows:

| | |
|---------------------------|---------------------|
| Assessed Valuation | |
| Real and personal estates | \$ 7,294,800,000 |
| Unorganized territories | <u>16,400,000</u> |
| Total assessed valuation | 7,311,200,000 |
| Tax rate | <u>0.0008995</u> |
| Current tax commitment | <u>\$ 6,576,756</u> |
| Appropriations | 7,918,874 |
| Overlay | <u>128,956</u> |
| | 8,047,830 |
| Less: | |
| Estimated revenues | <u>(1,471,074)</u> |
| Current tax commitment | <u>\$ 6,576,756</u> |

E. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2008, were as follows:

| | <i>Interfund Receivable</i> | <i>Interfund Payable</i> |
|-----------------------|---------------------------------|------------------------------|
| General Fund | 1,423,765 | 201,547 |
| Special Revenue Funds | | |
| Reserve Funds | 19,027 | 111,954 |
| Airport Fund | | 41,923 |
| Grant Funds | 67,560 | 18,852 |
| Dispatch Fund | 64,946 | |
| Capital Project Fund | <u> </u> | <u>1,201,022</u> |
| Totals | <u>1,575,298</u> | <u>1,575,298</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, 2008**

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>440,480</u> |

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$29,732 are as follows:

| <i>Year Ended December 31,</i> | <i>General Obligation Debt</i> |
|------------------------------------|--|
| 2009 | <u>470,212</u> |
| Total | <u><u>470,212</u></u> |

2. Changes in Long-Term Debt

The following summary of long-term debt transactions of Knox County for the year ended December 31, 2008:

| | |
|--|-----------------------|
| Long-term Debt payable January 1, 2008 | 853,107 |
| Debt Issued | |
| Debt Retired | <u>(412,627)</u> |
| Long-term Debt payable December 31, 2008 | <u><u>440,480</u></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.

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, 2008**

NOTE 4 - OTHER INFORMATION (Continued)

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 2006 and 2007, and an unfunded liability of \$15,000 for 2008.

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 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 (not to exceed age 65). Participants vesting requirements are fulfilled at 5 years of service. The County has contributed \$143,313 and the participants have contributed \$71,557 for the year-ended December 31, 2008.

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;

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit F

| | <i>Original Budget</i> | <i>Final Budget</i> | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|---|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Assessments | 6,576,756 | 6,576,756 | 6,576,756 | - |
| Intergovernmental Revenues | 432,259 | 413,488 | 393,686 | (19,802) |
| Departmental Revenues | 914,315 | 914,315 | 812,810 | (101,505) |
| Other Local Sources | 24,500 | 24,500 | 38,331 | 13,831 |
| Total Revenues | 7,947,830 | 7,929,059 | 7,821,583 | (107,476) |
| Expenditures | | | | |
| Emergency Management Agency | 170,274 | 170,274 | 115,020 | 55,254 |
| District Attorney | 345,482 | 298,356 | 285,760 | 12,596 |
| County Commissioners | 392,751 | 392,751 | 382,910 | 9,841 |
| County Treasurer | 164,023 | 164,023 | 160,107 | 3,916 |
| Building Maintenance | 361,996 | 361,996 | 337,029 | 24,967 |
| Debt Service | 520,212 | 520,212 | 522,243 | (2,031) |
| County Jail | 3,445,453 | 3,445,453 | 3,080,471 | 364,982 |
| Registry of Deeds | 253,510 | 253,510 | 243,173 | 10,337 |
| Probate Court | 190,072 | 190,072 | 181,359 | 8,713 |
| Sheriff's Patrol | 1,668,809 | 1,668,809 | 1,482,080 | 186,729 |
| All Other | 525,227 | 525,227 | 329,595 | 195,632 |
| Total Expenditures | 8,037,809 | 7,990,683 | 7,119,747 | 870,936 |
| Excess Revenues Over Expenditures | (89,979) | (61,624) | 701,836 | 763,460 |
| Other Financing Sources (Uses) | | | | |
| Transfers from Other Funds | | - | - | - |
| Transfers to Other Funds | (10,021) | (38,376) | (356,141) | (346,120) |
| Total Other Financing Sources (Uses) | (10,021) | (38,376) | (356,141) | (346,120) |
| Excess of Revenues and Other Sources Over (Under) Expenditures | (100,000) | (100,000) | 345,695 | 445,695 |
| Unreserved Fund Balance - January 1 | | | 964,938 | |
| Unreserved Fund Balance - December 31 | | | 1,310,633 | |

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit A-1

| | <i>Budget</i> | <i>Actual</i> | <i>Over (Under) Budget</i> |
|---|-------------------------|------------------|------------------------------------|
| Assessments | 6,576,756 | 6,576,756 | - |
| Intergovernmental Revenues | | | |
| Federal | | | |
| Emergency Management Agency | 85,137 | 50,364 | (34,773) |
| Wildlife Refuge Fees | | 3,266 | 3,266 |
| State | | | |
| Jail Reimbursement | 288,851 | 288,978 | 127 |
| Jail Surcharge | 14,000 | 15,467 | 1,467 |
| Fuel Reimbursement | 25,500 | 35,611 | 10,111 |
| | <u>413,488</u> | <u>393,686</u> | <u>(19,802)</u> |
| Departmental Revenue | | | |
| Treasurer - Investment Income | 20,000 | 15,437 | (4,563) |
| Building Maintenance | 61,328 | 58,348 | (2,980) |
| Jail | 8,900 | 13,213 | 4,313 |
| Registry of Deeds | 522,000 | 426,762 | (95,238) |
| Probate Court | 92,200 | 85,536 | (6,664) |
| Sheriff | 209,887 | 213,514 | 3,627 |
| | <u>914,315</u> | <u>812,810</u> | <u>(101,505)</u> |
| Other Local Sources | | | |
| Miscellaneous | 17,000 | 30,831 | 13,831 |
| Reimburse Comp. Adm. | 7,500 | 7,500 | - |
| | <u>24,500</u> | <u>38,331</u> | <u>13,831</u> |
| Operating Transfers In | | | |
| Transfers from Reserves | - | - | - |
| Total Revenues and Transfers | 7,929,059 | <u>7,821,583</u> | <u>(107,476)</u> |
| Fund Balance Used to Calculate Assessments | <u>100,000</u> | | |
| Total | <u><u>8,029,059</u></u> | | |

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit A-2
Page 1 of 2

| | <i>Budget</i> | <i>Actual</i> | <i>(Over) Under Budget</i> |
|----------------------------------|------------------|------------------|------------------------------------|
| Emergency Management Agency | | | |
| Personal Services | 102,890 | 92,557 | 10,333 |
| Contractual Services | 64,170 | 19,606 | 44,564 |
| Commodities | 3,214 | 2,857 | 357 |
| | <u>170,274</u> | <u>115,020</u> | <u>55,254</u> |
| District Attorney | | | |
| Personal Services | 242,032 | 240,314 | 1,718 |
| Contractual Services | 42,624 | 34,155 | 8,469 |
| Commodities | 8,750 | 6,341 | 2,409 |
| Capital Outlay | 4,950 | 4,950 | - |
| | <u>298,356</u> | <u>285,760</u> | <u>12,596</u> |
| County Commissioners | | | |
| Personal Services | 309,358 | 301,656 | 7,702 |
| Contractual Services | 73,568 | 72,659 | 909 |
| Commodities | 8,575 | 7,367 | 1,208 |
| Capital Outlay | 1,250 | 1,228 | 22 |
| | <u>392,751</u> | <u>382,910</u> | <u>9,841</u> |
| County Treasurer | | | |
| Personal Services | 151,701 | 150,373 | 1,328 |
| Contractual Services | 6,413 | 5,240 | 1,173 |
| Commodities | 3,409 | 2,153 | 1,256 |
| Capital Outlay | 2,500 | 2,341 | 159 |
| | <u>164,023</u> | <u>160,107</u> | <u>3,916</u> |
| Building Maintenance | | | |
| Personal Services | 142,231 | 140,180 | 2,051 |
| Contractual Services | 109,807 | 98,682 | 11,125 |
| Commodities | 98,458 | 95,649 | 2,809 |
| Capital Outlay | 11,500 | 2,518 | 8,982 |
| | <u>361,996</u> | <u>337,029</u> | <u>24,967</u> |
| Debt Service | | | |
| Principal | 412,627 | 412,627 | - |
| Interest - Long Term Debt | 57,585 | 57,585 | - |
| Interest - Tax Anticipation Note | 50,000 | 52,031 | (2,031) |
| | <u>520,212</u> | <u>522,243</u> | <u>(2,031)</u> |
| County Jail | | | |
| Personal Services | 2,362,943 | 2,227,600 | 135,343 |
| Contractual Services | 666,198 | 516,652 | 149,546 |
| Commodities | 327,862 | 299,116 | 28,746 |
| Capital Outlay | 88,450 | 37,103 | 51,347 |
| | <u>3,445,453</u> | <u>3,080,471</u> | <u>364,982</u> |

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit A-2
Page 2 of 2

| | <i>Budget</i> | <i>Actual</i> | <i>(Over) Under Budget</i> |
|--------------------------------|------------------------|------------------------|------------------------------------|
| Registry of Deeds | | | |
| Personal Services | 159,610 | 159,499 | 111 |
| Contractual Services | 88,291 | 78,633 | 9,658 |
| Commodities | 5,609 | 5,041 | 568 |
| | <hr/> 253,510 | <hr/> 243,173 | <hr/> 10,337 |
| Probate Court | | | |
| Personal Services | 164,899 | 164,750 | 149 |
| Contractual Services | 20,922 | 13,247 | 7,675 |
| Commodities | 4,251 | 3,362 | 889 |
| | <hr/> 190,072 | <hr/> 181,359 | <hr/> 8,713 |
| Sheriff's Patrol | | | |
| Personal Services | 1,217,893 | 1,182,191 | 35,702 |
| Contractual Services | 280,105 | 158,825 | 121,280 |
| Commodities | 81,311 | 73,769 | 7,542 |
| Capital Outlay | 89,500 | 67,295 | 22,205 |
| | <hr/> 1,668,809 | <hr/> 1,482,080 | <hr/> 186,729 |
| Other | | | |
| Knox-Lincoln Extension Service | 52,983 | 52,983 | - |
| Knox-Lincoln Soil & Water | 18,855 | 18,855 | - |
| EMDC | 26,170 | 26,170 | - |
| Insurance | 298,263 | 231,587 | 66,676 |
| Overlay | 128,956 | | 128,956 |
| | <hr/> 525,227 | <hr/> 329,595 | <hr/> 195,632 |
| Transfers Out | | | |
| Airport Operating | 10,021 | 10,021 | - |
| DA Grant | 28,355 | 28,355 | - |
| Reserves | | 317,765 | (317,765) |
| | <hr/> 38,376 | <hr/> 356,141 | <hr/> (317,765) |
| Total Appropriations | <hr/> 8,029,059 | <hr/> 7,475,888 | <hr/> 553,171 |

COUNTY OF KNOX

Exhibit A-3

GENERAL FUND

STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

| | | |
|---|------------------|------------------------------|
| Unreserved - Undesignated Fund Balance January 1, 2008 | 964,938 | |
| Unreserved - Undesignated Fund Balance December 31, 2008 | <u>1,310,633</u> | |
| Increase (Decrease) | | <u><u>345,695</u></u> |
| Analysis of Change | | |
| Additions | | |
| Budget Summary | | |
| Revenue Surplus (Exhibit A-1) | (107,476) | |
| Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2) | <u>553,171</u> | |
| Budget Surplus | | <u>445,695</u> |
| Deductions | | |
| Fund Balance Used to Calculate Assessments | | <u>(100,000)</u> |
| Increase (Decrease) | | <u><u>345,695</u></u> |

COUNTY OF KNOX
 ALL SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2008

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 | | 175,107 | | | 136,558 | | 311,665 |
| Investments | 1,642,283 | 33,421 | 12,917 | | | | 1,688,621 |
| Accounts Receivable | 147 | | | 41,923 | | 135 | 42,205 |
| Due from Other Governments | | 34,007 | | | | | 34,007 |
| Due from Other Funds | 19,027 | 67,560 | | | | 64,946 | 151,533 |
| Total Assets | 1,661,457 | 310,095 | 12,917 | 41,923 | 136,558 | 65,081 | 2,228,031 |
| <i>Liabilities and Fund Balances</i> | | | | | | | |
| <i>Liabilities</i> | | | | | | | |
| Accounts Payable | | 36,253 | | | | | 36,253 |
| Due to Other Funds | 111,954 | 18,852 | | 41,923 | | | 172,729 |
| Total Liabilities | 111,954 | 55,105 | | 41,923 | | | 208,982 |
| <i>Fund Balances</i> | | | | | | | |
| Unreserved | | | | | | | |
| Designated for Subsequent Years' | | | | | | | |
| Expenditures | 1,549,503 | 221,569 | | | 136,558 | | 1,907,630 |
| Undesignated | | 33,421 | 12,917 | | | 65,081 | 111,419 |
| Total Fund Balances | 1,549,503 | 254,990 | 12,917 | - | 136,558 | 65,081 | 2,019,049 |
| Total Liabilities and Fund Balances | 1,661,457 | 310,095 | 12,917 | 41,923 | 136,558 | 65,081 | 2,228,031 |

**COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 | | 371,495 | | | | | 371,495 |
| State | | 77,954 | | | | | 77,954 |
| Interest | 36,386 | 2,114 | 371 | | | | 38,871 |
| Fair Value Increase (Decrease) | 26,178 | 500 | 193 | | | | 26,871 |
| Other Local Sources | 55,637 | 4,653 | | 301,652 | 64,693 | 806,842 | 1,233,477 |
| Total Revenues | 118,201 | 456,716 | 564 | 301,652 | 64,693 | 806,842 | 1,748,668 |
| Expenditures | | | | | | | |
| Personnel Services | | 127,267 | | 175,543 | | 628,534 | 931,344 |
| Contract Services | | 244,623 | | 87,538 | | 80,238 | 412,399 |
| Commodities | | 586 | 908 | 17,441 | | 12,018 | 30,953 |
| Capital Outlay | | | | | | 2,750 | 2,750 |
| Maintenance and Supplies | | | | | 20,960 | | 20,960 |
| Community Based Programs | | 100,135 | | | | | 100,135 |
| Reserve Funds | 236,894 | | | | | | 236,894 |
| Airport Monitoring/Permitting | | 22,771 | | | | | 22,771 |
| Total Expenditures | 236,894 | 495,382 | 908 | 280,522 | 20,960 | 723,540 | 1,758,206 |
| Excess of Revenues Over (Under) Expenditures | (118,693) | (38,666) | (344) | 21,130 | 43,733 | 83,302 | (9,538) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers from Other Funds | 465,550 | 28,355 | | 25,221 | | | 519,126 |
| Transfers to Other Funds | (208,142) | (15,200) | | (75,000) | | (64,785) | (363,127) |
| Total Other Financing Sources (Uses) | 257,408 | 13,155 | | (49,779) | | (64,785) | 155,999 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 138,715 | (25,511) | (344) | (28,649) | 43,733 | 18,517 | 146,461 |
| Fund Balance - January 1 | 1,410,788 | 280,501 | 13,261 | 28,649 | 92,825 | 46,564 | 1,872,588 |
| Fund Balance - December 31 | 1,549,503 | 254,990 | 12,917 | - | 136,558 | 65,081 | 2,019,049 |

COUNTY OF KNOX
 GRANT FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2008

Exhibit B-3
 Page 1 of 2

| <i>Assets</i> | <i>Victim/Witness Advocate Grant</i> | <i>Matching Grants Fund</i> | <i>Local Emergency Planning Committee</i> | <i>Airport Security</i> |
|--|--|-------------------------------------|---|-----------------------------|
| Cash and Equivalents | | | 46,752 | |
| Investments | | 33,374 | | |
| Due from Other Governments | | | | 15,155 |
| Due from Other Funds | 7,494 | | | 33,760 |
| Total Assets | 7,494 | 33,374 | 46,752 | 48,915 |
| | | | | |
| <i>Liabilities and Fund Balances</i> | | | | |
| | | | | |
| <i>Liabilities</i> | | | | |
| Accounts Payable | | | | |
| Due to Other Funds | | | | |
| Total Liabilities | | | | |
| | | | | |
| <i>Fund Balances</i> | | | | |
| Unreserved | | | | |
| Designated for Subsequent Years' | | | | |
| Expenditures | 7,494 | | 46,752 | 48,915 |
| Undesignated | | 33,374 | | |
| Total Fund Balances | 7,494 | 33,374 | 46,752 | 48,915 |
| Total Liabilities and Fund Balances | 7,494 | 33,374 | 46,752 | 48,915 |

COUNTY OF KNOX
 GRANT FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2008

Exhibit B-3
 Page 2 of 2

| <i>Assets</i> | <i>Airport Small Community Grant</i> | <i>Knox County Law Enforcement System</i> | <i>Community Based Projects</i> | <i>Totals</i> |
|--|--|---|---|----------------|
| Cash and Equivalents | 64,502 | | 63,853 | 175,107 |
| Investments | | 47 | | 33,421 |
| Due from Other Governments | 18,852 | | | 34,007 |
| Due from Other Funds | | | 26,306 | 67,560 |
| Total Assets | 83,354 | 47 | 90,159 | 310,095 |
| <i>Liabilities and Fund Balances</i> | | | | |
| <i>Liabilities</i> | | | | |
| Deferred Revenue | | | 36,253 | 36,253 |
| Due to Other Funds | 18,852 | | | 18,852 |
| Total Liabilities | 18,852 | | 36,253 | 55,105 |
| <i>Fund Balances</i> | | | | |
| Unreserved | | | | |
| Designated for Subsequent Years' | | | | |
| Expenditures | 64,502 | | 53,906 | 221,569 |
| Undesignated | | 47 | | 33,421 |
| Total Fund Balances | 64,502 | 47 | 53,906 | 254,990 |
| Total Liabilities and Fund Balances | 83,354 | 47 | 90,159 | 310,095 |

COUNTY OF KNOX
GRANT FUNDS

Exhibit B-4
Page 1 of 2

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Victim/Witness Advocate Grant | Matching Grants Fund | Local Emergency Planning Committee | Airport Security |
|---|----------------------------------|----------------------------|---|---------------------|
| Revenues | | | | |
| Intergovernmental Revenues | | | | |
| Federal | 44,676 | | 180,580 | 90,266 |
| State | | | 5,595 | |
| Other | | 499 | | 104 |
| Fair Value Increase (Decrease) | | 943 | 814 | |
| Interest | | 1,442 | 186,989 | 90,370 |
| Total Revenues | 44,676 | 1,442 | 186,989 | 90,370 |
| Expenditures | | | | |
| Personnel Services | 42,579 | | 4,086 | 80,602 |
| Contract Services | 1,805 | | 179,054 | 3,954 |
| Commodities | | | | 586 |
| Community Based Programs | 22,771 | | | |
| Other Governments | 67,155 | | 183,140 | 85,142 |
| Total Expenditures | (22,479) | 1,442 | 3,849 | 5,228 |
| Excess of Revenues Over (Under) Expenditures | | | | |
| Other Financing Sources (Uses) | | | | |
| Transfers from Other Funds | 28,355 | | | (15,200) |
| Transfers to Other funds | | | | |
| Total Other Financing Sources (Uses) | 28,355 | | | (15,200) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 5,876 | 1,442 | 3,849 | (9,972) |
| Fund Balance - January 1 | 1,618 | 31,932 | 42,903 | 58,887 |
| Fund Balance - December 31 | 7,494 | 33,374 | 46,752 | 48,915 |

**COUNTY OF KNOX
GRANT FUNDS**

*Exhibit B-4
Page 2 of 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Airport Small Community Grant | Knox County Law Enforcement System | Community Based Projects | Totals |
|---|-------------------------------------|--|--------------------------------|----------------|
| Revenues | | | | |
| Intergovernmental Revenues | | | | |
| Federal | 55,973 | | | 371,495 |
| State | | | 72,359 | 77,954 |
| Other | | | 2,010 | 2,114 |
| Fair Value Increase (Decrease) | | 1 | | 500 |
| Interest | 1,014 | 1 | 1,881 | 4,653 |
| Total Revenues | 56,987 | 2 | 76,250 | 456,716 |
| Expenditures | | | | |
| Personnel Services | | | | 127,267 |
| Contract Services | 59,810 | | | 244,623 |
| Commodities | | | | 586 |
| Community Based Programs | | | 100,135 | 100,135 |
| Other Governments | | | | 22,771 |
| Total Expenditures | 59,810 | - | 100,135 | 495,382 |
| Excess of Revenues Over (Under) Expenditures | (2,823) | 2 | (23,885) | (38,666) |
| Other Financing Sources (Uses) | | | | |
| Transfers from Other Funds | | | | 28,355 |
| Transfers to Other Funds | | | | (15,200) |
| Total Other Financing Sources (Uses) | - | | | 13,155 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (2,823) | 2 | (23,885) | (25,511) |
| Fund Balance - January 1 | 67,325 | 45 | 77,791 | 280,501 |
| Fund Balance - December 31 | 64,502 | 47 | 53,906 | 254,990 |

COUNTY OF KNOX
RESERVE FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2008

| 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 |
|---------------------------------|------------------------|---------------|----------------------------|---------------|-----------------------------------|--------------------------|------------------|--------------------------|
| Contingency | 102,332 | | | 2,545 | 1,784 | | (775) | 105,886 |
| Courthouse Computer | 101,035 | | | 2,125 | 985 | | (43,557) | 60,588 |
| Courthouse Furniture/Fixtures | 15,390 | | | 438 | 182 | | (3,542) | 12,468 |
| Courthouse Maintenance | 5,362 | | | 105 | 62 | | (1,600) | 3,929 |
| Courthouse Renovation | 1,453 | | 8,931 | 42 | 177 | | | 10,603 |
| Criminal Investigation | 1,661 | | | 48 | 26 | | | 1,735 |
| DA Computer | 548 | | | 9 | 12 | | | 569 |
| Deeds Surcharge | 93,730 | 30,435 | | 2,581 | 1,228 | | (43,122) | 84,852 |
| Dispatch Computer | 2,863 | | 15,000 | 114 | 170 | | (6,162) | 11,985 |
| Dispatch GIS | 11,625 | | | 135 | 42 | (8,000) | | 3,802 |
| Dispatch Renovations | 23,853 | | 57,785 | 686 | 1,374 | | (2,000) | 81,698 |
| Dispatch Miscellaneous | 4,522 | | | 130 | 71 | | | 4,723 |
| Dispatch Reserve | 10,500 | | | 262 | 186 | | | 10,948 |
| EMA Disaster Fund | | | 2,500 | | 43 | | | 2,543 |
| Forfeiture Money - Federal | 25,421 | 1,525 | | 676 | 329 | | (5,700) | 22,251 |
| Forfeiture Money - State | 83,233 | 14,715 | | 2,660 | 1,572 | | | 102,180 |
| Health Insurance | 37,134 | | | 916 | 642 | | | 38,692 |
| Jail Capital | 48,935 | | 42,004 | 883 | 1,284 | | | 93,106 |
| Jail Computer | 13,589 | | 8,592 | 389 | 318 | | (2,605) | 20,283 |
| Jail Consultant | 34,840 | | | 845 | 598 | | (1,000) | 35,283 |
| Jail Control System | 2,738 | | | 79 | 43 | | | 2,860 |
| Jail Heating System | 5,842 | | | 168 | 92 | | | 6,102 |
| Jail Improvements | 2,604 | | 7,500 | 271 | 205 | | | 3,080 |
| Jail Training | | | | | 129 | | | 7,629 |
| Jail Vehicle | 20,853 | | | 464 | 141 | | (12,572) | 8,886 |
| Knox County Building | 184,782 | | 145,534 | 3,406 | 2,511 | | | 148,045 |
| Legal | 648 | | 75,000 | 19 | 2,620 | | (108,204) | 157,604 |
| Meridian Line | | | | | 10 | | | 677 |
| Probate Surcharge | 7,668 | 3,300 | | 260 | 179 | | | 11,407 |
| Resignation Benefits | 33,332 | | | 883 | 564 | | | 34,779 |
| Safety | 8,925 | | 3,000 | 257 | 193 | | | 12,375 |
| Security Deposit | 752 | | | 22 | 12 | | | 786 |
| Sheriff's Computer | 10,862 | | 4,539 | 312 | 250 | | | 15,963 |
| Sheriff's Laptop | 13,037 | | | 375 | 206 | | | 13,618 |
| Sheriff's Vehicle | 27,649 | 5,662 | 20,165 | 786 | 931 | | (2,345) | 52,848 |
| Training | 850 | | | 24 | 13 | | | 887 |
| Unemployment | 25,736 | | | 702 | 426 | | | 26,864 |
| Airport Computer | 11,567 | | 5,000 | 318 | 277 | (52,951) | | 17,162 |
| Airport MBNA Improvement | 119,032 | | | 3,424 | 968 | (600) | | 70,473 |
| Airport Miscellaneous Equipment | 78,764 | | 10,000 | 2,044 | 1,416 | (34,024) | (3,710) | 87,914 |
| Airport Parallel Taxiway | 32,756 | | | 1,429 | (161) | | | - |
| Airport Part 139 Requirement | 8,754 | | | 247 | (18) | (8,983) | | - |
| Airport Projects | 95,670 | | 10,000 | 2,577 | 1,588 | (13,674) | | 96,161 |
| Airport Terminal Building | 99,941 | | 50,000 | 2,730 | 2,498 | (89,910) | | 65,259 |
| Total | 1,410,788 | 55,637 | 465,550 | 36,386 | 26,178 | (208,142) | (236,894) | 1,549,503 |

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2008

Exhibit C-1

| <i>Assets</i> | <i>Airport Taxiway Construction</i> | <i>Airport Snow Removal Equipment</i> | <i>RSA/Wildlife Study</i> | <i>Airport Terminal Study Bus. Plan</i> | <i>Totals</i> |
|--|---|---|-------------------------------|---|------------------|
| Due from Other Governments | 1,218,062 | 23,390 | 45,810 | 16,325 | 1,303,587 |
| Total Assets | 1,218,062 | 23,390 | 45,810 | 16,325 | 1,303,587 |
| <i>Liabilities and Fund Balances</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Retainage Payable | 102,565 | | | | 102,565 |
| Due to Other Funds | 1,115,497 | 23,390 | 45,810 | 16,325 | 1,201,022 |
| Total Liabilities | 1,218,062 | 23,390 | 45,810 | 16,325 | 1,303,587 |
| <i>Fund Balances</i> | | | | | |
| Undesignated | - | - | - | - | - |
| Total Liabilities and Fund Balances | 1,218,062 | 23,390 | 45,810 | 16,325 | 1,303,587 |

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | Airport Taxiway Construction | Airport Taxiway Mitigation | Airport Snow Removal Equipment | RSA/Wildlife Study | Airport Terminal Study Bus. Plan | Totals |
|---|------------------------------------|----------------------------------|--------------------------------------|-----------------------|--|-----------|
| Revenues | | | | | | |
| Intergovernmental Revenues | | | | | | |
| Federal | 4,057,607 | 1,200 | 22,790 | 44,636 | 15,906 | 4,142,139 |
| State | 197,918 | 32 | 600 | 1,175 | 419 | 200,144 |
| Total Revenues | 4,255,525 | 1,232 | 23,390 | 45,811 | 16,325 | 4,342,283 |
| Expenditures | | | | | | |
| Engineering Services | 482,213 | 1,015 | 21,364 | 46,951 | 15,583 | 567,126 |
| Construction | 3,967,655 | | | | | 3,967,655 |
| Professional Services | 3,557 | 228 | 21 | | | 3,806 |
| All Other | 18 | 21 | 2,605 | 34 | 1,160 | 3,838 |
| Total Expenditures | 4,453,443 | 1,264 | 23,990 | 46,985 | 16,743 | 4,542,425 |
| Excess of Revenues Over (Under) Expenditures | (197,918) | (32) | (600) | (1,174) | (418) | (200,142) |
| Other Financing Sources (Uses) Transfers from Other Funds | 197,918 | 32 | 600 | 1,174 | 418 | 200,142 |
| Total Other Financing Sources (Uses) | 197,918 | 32 | 600 | 1,174 | 418 | 200,142 |
| 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, 2008

| | <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 | 16,473 | 89,545 | 84,079 | 21,939 |
| <i>Liabilities</i> | | | | |
| Due to Inmates | 16,473 | 89,545 | 84,079 | 21,939 |

***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***

July 1, 2009

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, 2008, which collectively comprise the County of Knox, Maine's basic financial statements and have issued our report thereon dated July 1, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Knox, Maine's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Knox, Maine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Knox, Maine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of County of Knox, Maine's financial statements that is more than inconsequential will not be prevented or detected by County of Knox, Maine's internal control. We consider the deficiencies below to be significant deficiencies in internal control over financial reporting.

2008-01 Financial Statement Preparation

Based on recently implemented auditing standards, inadequate design of internal control over the preparation of the financial statements being audited is deemed to be a material weakness in the internal control structure. Due to financial and time constraints to effectively prepare and evaluate the audited financial statements and detect material misstatements in those financial statements, the commissioners and management approved the auditors

to prepare the financial statements. The board and management understand and take responsibility for the financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by County of Knox, Maine's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be a material weakness. However, of the significant deficiencies described above, we consider item 2008-01 to be a material weakness.

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 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's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Knox, Maine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, County Commissioners, others within the entity 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

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

July 1, 2009

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, 2008. 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.

In our opinion, 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, 2008.

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, 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 control deficiency is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is

a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, County Commissioners, others within the entity, 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, 2008***

NONE

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

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. 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 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 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

2008-01 Financial Statement Preparation

Based on recently implemented auditing standards, inadequate design of internal control over the preparation of the financial statements being audited is deemed to be a material weakness in the internal control structure. Due to financial and time constraints to effectively prepare and evaluate the audited financial statements and detect material misstatements in those financial statements, the commissioners and management approved the auditors to prepare the financial statements.

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

NONE

| <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 - RSA/Wildlife Study | 20.106 | | 125,000 | 46,985 |
| Airport Improvements - Terminal Study Business | 20.106 | | 75,000 | 16,743 |
| Airport Improvements - Snow Removal Equipment | 20.106 | | 130,000 | 23,990 |
| Airport Improvements - Parallel Taxiway Construction | 20.106 | | 5,288,000 | 4,453,443 |
| Airport Improvements - Parallel Taxiway Mitigation | 20.106 | | 681,000 | 1,264 |
| Small Community Air Service | 20.930 | | 555,000 | 59,810 |
| Total Federal Aviation Administration | | | 6,854,000 | 4,602,235 |
| Total U.S. Department of Transportation | | | 6,854,000 | 4,602,235 |
| U.S. Department of Homeland Security | | | | |
| Airport Security | 97.090 | | 509,996 | 91,855 |
| WMD OPS & Cap. | 97.004 | | 3,000 | 47 |
| NIMS | 97.107 | | 8,216 | 674 |
| WMD Exercise Grant | 97.006 | | 64,000 | 574 |
| WMD Training | 97.005 | | 3,750 | 69 |
| Pre-Disaster Mitigation | 97.047 | | 20,000 | 238 |
| EOC Enhancement | 97.066 | | 12,836 | 205 |
| Hazmat Ops Training | 97.020 | | 6,090 | 155 |
| Total U.S. Department of Homeland Security | | | 627,888 | 93,817 |

**COUNTY OF KNOX
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2008**

**SCHEDULE III
 Page 2 of 2**

| <i>Federal Grantor/Pass-Through Grantor/Program Title</i> | <i>Federal CFDA Number</i> | <i>Agency or Pass-through Number</i> | <i>Program or Award Amount</i> | <i>Expenditures</i> |
|---|----------------------------|--------------------------------------|--------------------------------|---------------------|
| U.S. Department of Commerce | | | | |
| Radio Cache Grant | 11.555 | | 16,416 | 14,548 |
| CONOPS | 11.555 | | 205,571 | 95,960 |
| Microwave Grant | 11.555 | | 76,335 | 64,000 |
| Total U.S. Department of Commerce | | | 298,322 | 174,508 |
| U.S. Department of Justice | | | | |
| Passed Through Maine Department of Human Services | | | | |
| 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 | | | 40,391 | 40,391 |
| Total | | | 7,820,601 | 4,910,951 |

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

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.