

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
WITH INDEPENDENT AUDITOR'S REPORTS*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2015*

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2015**

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**COUNTY OF KNOX
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

September 30, 2016
County Commissioners
County of Knox
Rockland, ME 04841

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Knox, Maine as of and for the year ended December 31, 2015, including the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox, Maine as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 36-37 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Knox, Maine's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the County of Knox, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Knox, Maine's internal control over financial reporting and compliance.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

County of Knox
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2015

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, 2015. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

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

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net position – The assets of the County exceeded its liabilities at fiscal year ending December 31, 2015 by \$28,039,090 (presented as “net position”). Of this amount, \$1,780,902 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the County's ongoing obligations to citizens and creditors.

Changes in Net position – The County's total net position increased by \$1,991,679 (a 7.6 % increase) for the fiscal year ended December 31, 2015.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2015; the County's governmental funds reported a combined ending fund balance of \$2,490,951 with \$1,619,179 being general, jail, airport, and dispatch unassigned fund balance. This unassigned fund balance represents approximately 17% of the total general, jail, airport and dispatch funds expenditures for the year. \$1,049,578 general fund balance represents 23% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$170,000 (7.9%) during the current fiscal year. Existing debt obligations were paid according to schedule. Additional information on the County's debt can be found in Note 3F of the notes to the financial statements on page 26 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

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

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

The basic governmental fund financial statements can be found on pages 11-14 of this report.

The fiduciary fund financial statements can be found on page 15 of this report.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 16-35 of this report.

Required Supplementary Information

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

Required supplementary information can be found on pages 36-37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

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

	Total 2015	Total 2014
Current Assets	3,218,103	2,908,792
Capital Assets	28,121,878	26,347,811
Total Assets	31,339,981	29,256,603
Current Liabilities	1,477,229	1,219,192
Other Liabilities	1,820,000	1,990,000
Total Liabilities	3,297,229	3,209,192
Related to Pensions	3,662	
Total Deferred Inflows of Resources	3,662	
Net Position:		
Net Investment in Capital Assets	26,131,878	24,187,811
Restricted	126,310	106,500
Unrestricted	1,780,902	1,753,100
Total Net Position	28,039,090	26,047,411
Total Liabilities , Deferred Inflows of Resources, and Net Position	31,339,981	29,256,603

Changes in Net position

Approximately 62 percent of the County's total revenue came from assessments, approximately 26 percent came from State subsidies and grants, and approximately 12 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$1,001,032 of the total expenditures for the fiscal year.

	Total 2015	Total 2014
Revenues:		
District Assessments	8,023,022	7,649,175
Intergovernmental Revenues	3,384,303	1,939,123
Departmental Revenues	1,002,881	836,358
Other Local Sources	569,436	459,910
Gain on Sale of Assets	8,140	12,681
Total	12,987,782	10,897,247
Expenses:		
Emergency Management Agency	348,834	356,932
District Attorney	479,291	454,476
Administration & Information Tech.	573,836	519,632
County Finance	277,102	276,359
Building Maintenance	203,308	327,898
Building Maintenance - 301 Park St.	62,952	62,002
Debt Service	53,011	55,563
County Jail	3,861,760	3,856,440
Registry of Deeds	298,868	261,601
Probate Court	238,246	231,154
Sheriff's Patrol	1,979,584	1,949,096
Dispatch	1,087,581	1,070,095
Airport	1,148,710	2,125,541
Annual OPEB Cost	59,170	60,244
All Other	323,850	269,519
	10,996,103	11,876,552
Changes in Net Position	1,991,679	(979,305)

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \$31,073 negative variance in sheriff income. Civil process revenues were less than budgeted.
- \$51,451 negative variance in administration contractual services. Legal expenditures were higher than budgeted.
- \$9,658 negative variance in building maintenance contractual services. Snow removal was higher than budgeted.
- \$84,871 positive variance in sheriff personnel services. The variance was due to open positions.
- \$15,957 negative variance in sheriff commodities. Auto supplies and uniforms were higher than budgeted.

CAPITAL ASSET ADMINISTRATION

Capital Assets

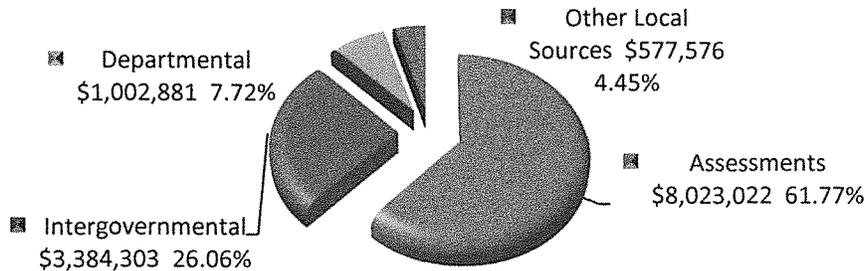
The County's investment in capital assets for its governmental activities amounts to \$38,063,564 net of accumulated depreciation of \$9,941,686 leaving a net book value of \$28,121,878.

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

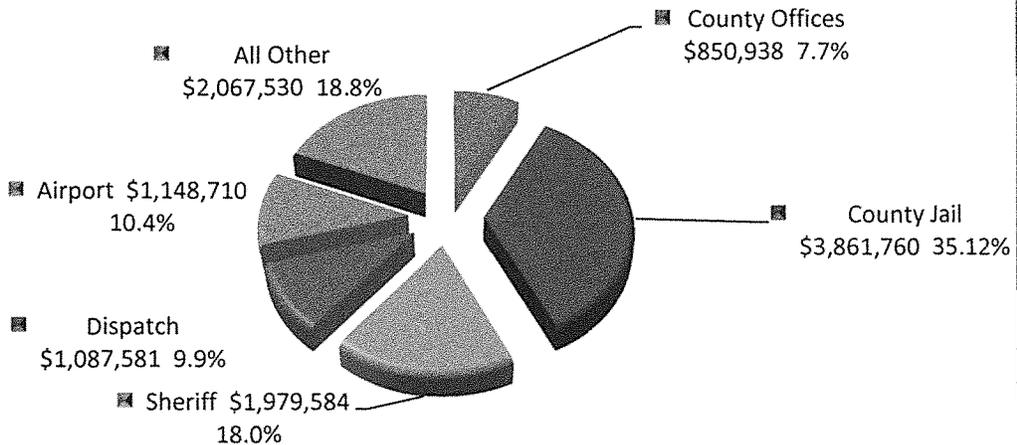
REQUESTS FOR INFORMATION

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

Revenues By Source - Governmental Activities



Expenditures By Source - Governmental Activities



FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

Governmental Funds

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

At the end of the fiscal year, the County's governmental funds reported ending fund balances of \$2,490,951 a decrease of \$9,411 in comparison with the prior year. 65% percent of this total amount constitutes unassigned fund balance.

COUNTY OF KNOX
STATEMENT OF NET POSITION
DECEMBER 31, 2015

Exhibit A

<i>Assets</i>	<u><i>Governmental Activities</i></u>
Cash and Equivalents	1,763,906
Investments	534,964
Accounts Receivable	250,071
Prepaid Expenditures	
Due from Other Governments	624,390
Net Pension Asset	44,772
Capital Assets:	
Land	2,780,344
Construction Work in Progress	
Other Capital Assets, Net of Depreciation	25,341,534
Total Assets	<u><u>31,339,981</u></u>
 <i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Liabilities	
Accounts Payable	12,872
Retainage Payable	210,290
Accrued Salaries	201,423
Compensated Absences	504,468
Net OPEB Obligation	378,176
Long-term Liabilities:	
Due Within One Year	170,000
Due in More Than One Year	1,820,000
Total Liabilities	<u><u>3,297,229</u></u>
 <i>Deferred Inflows of Resources:</i>	
Related to Pensions	3,662
Total Deferred Inflows of Resources	<u><u>3,662</u></u>
 Net Position	
Net Investment in Capital Assets	26,131,878
Restricted Net Position	126,310
Unrestricted	1,780,902
Total Net Position	<u><u>28,039,090</u></u>
 <i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	 <u><u>31,339,981</u></u>

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

COUNTY OF KNOX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Fees, Fines, and</u>	<u>Operating</u>	<u>Revenue and</u>
<u>Primary Government</u>		<u>Charges for</u>	<u>Grants</u>	<u>Changes in Net Position</u>
<u>Governmental Activities</u>		<u>Services</u>		<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Emergency Management Agency	348,834	262	80,085	(268,487)
District Attorney	479,291	20,226	44,625	(414,440)
Administration and Information Technology	573,836			(573,836)
County Treasurer	277,102	3,872		(273,230)
Building Maintenance	203,308	122,807		(80,501)
Building Maintenance - 301 Park St.	62,952			(62,952)
Debt Service	53,011			(53,011)
County Jail	3,861,760	41,475	653,221	(3,167,064)
Registry of Deeds	298,868			(298,868)
Probate Court	238,246	118,937		(119,309)
Sheriff's Patrol	1,979,584	208,587	47,902	(1,723,095)
Dispatch	1,087,581			(1,087,581)
Annual Post Employment Benefit Costs	59,170			(59,170)
Airport	1,148,710	411,170	55,816	(681,724)
All Other	323,850			(323,850)
<u>Total Governmental Activities</u>	<u>10,996,103</u>	<u>927,336</u>	<u>881,649</u>	<u>(9,187,118)</u>
<u>Total Primary Government</u>	<u>10,996,103</u>	<u>927,336</u>	<u>881,649</u>	<u>(9,187,118)</u>
<u>General Revenues:</u>				
Assessments				8,023,022
Registry of Deeds Fees				463,730
Airport Federal and State Grants for Capital Assets & Infrastructure				2,467,062
Emergency Management Federal Grant for Capital Assets				135,275
Other Local Sources				81,568
Gain on Sale of Assets				8,140
<u>Total Revenues, Special Items and Transfers</u>				<u>11,178,797</u>
<u>Changes in Net Position</u>				<u>1,991,679</u>
<u>Net Position - Beginning</u>				<u>26,047,411</u>
<u>Net Position - Ending</u>				<u>28,039,090</u>

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>Snow Removal Equipment Building</i>	<i>Airport Rehabilitate Runway</i>	<i>Other Governmental Funds</i>	<i>Total</i>
Cash and Equivalents	1,587,733			176,173	1,763,906
Investments	370,307			164,657	534,964
Accounts Receivable	246,111	1,310		2,650	250,071
Due from Other Funds	555,358			4,244	559,602
Due from Other Governments		195,980	283,877	144,533	624,390
Total Assets	2,759,509	197,290	283,877	492,257	3,732,933
<i>Liabilities</i>					
Accounts Payable	12,872				12,872
Retainage Payable		31,378	178,912		210,290
Accrued Salaries	201,423				201,423
Due to Other Funds	92,169	169,196	104,965	193,272	559,602
Total Liabilities	306,464	200,574	283,877	193,272	984,187
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenues	257,795				257,795
Total Deferred Inflows of Resources	257,795	-	-	-	257,795
<i>Fund Balances</i>					
Restricted				126,310	126,310
Committed	373,847			180,557	554,404
Assigned	202,224				202,224
Unassigned	1,619,179	(3,284)		(7,882)	1,608,013
Total Fund Balances	2,195,250	(3,284)	-	298,985	2,490,951
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,759,509	197,290	283,877	492,257	3,732,933

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

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

Total Fund Balance	2,490,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$9,941,686	28,121,878
Net Pension Asset	44,772
Deferred inflows of resources related to pension plans	(3,662)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Bonds Payable	(1,990,000)
Unavailable Revenues - Jail	257,795
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Net Post Employment Benefit Obligation	(378,176)
Accrued Compensated Absences	(504,468)
Net Position of Governmental Activities	<u>28,039,090</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, 2015**

**Exhibit D
 Page 1 of 2**

	<i>General Fund</i>	<i>Snow Removal Equipment Building</i>	<i>Airport Rehabilitate Runway</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues					
Assessments	8,023,022				8,023,022
Intergovernmental Revenues	689,439	398,336	1,842,863	453,665	3,384,303
Departmental Revenues	900,895				900,895
Other Local Sources	557,171			20,405	577,576
Total Revenues	<u>10,170,527</u>	<u>398,336</u>	<u>1,842,863</u>	<u>474,070</u>	<u>12,885,796</u>
Expenditures					
Emergency Management Agency	161,078			105,603	266,681
District Attorney	303,724			175,787	479,511
Administration and Information Technology	538,565				538,565
County Treasurer	276,124				276,124
Building Maintenance	287,864			65,428	353,292
Building Maintenance - 301 Park St.	62,952				62,952
Debt Service	223,011				223,011
County Jail	3,726,482				3,726,482
Registry of Deeds	298,315				298,315
Probate Court	237,932				237,932
Sheriff's Patrol	1,926,014			99,499	2,025,513
Dispatch	976,847			21,181	998,028
Airport	505,966	422,758	1,939,855	216,372	3,084,951
All Other	319,871			3,979	323,850
Total Expenditures	<u>9,844,745</u>	<u>422,758</u>	<u>1,939,855</u>	<u>687,849</u>	<u>12,895,207</u>
Excesss of Revenues Over (Under) Expenditures	<u>325,782</u>	<u>(24,422)</u>	<u>(96,992)</u>	<u>(213,779)</u>	<u>(9,411)</u>
Other Financing Sources (Uses)					
Transfers from Other Funds	-	21,138	96,992	144,779	262,909
Transfers to Other Funds	(197,708)			(65,201)	(262,909)
Total Other Financing Sources (Uses)	<u>(197,708)</u>	<u>21,138</u>	<u>96,992</u>	<u>79,578</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	128,074	(3,284)	-	(134,201)	(9,411)
Fund Balance - January 1	<u>2,067,176</u>			<u>433,186</u>	<u>2,500,362</u>
Fund Balance - December 31	<u>2,195,250</u>	<u>(3,284)</u>	<u>-</u>	<u>298,985</u>	<u>2,490,951</u>

(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, 2015

Net change in fund balances - total governmental funds	(9,411)
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	2,775,098
Depreciation expense	(1,001,031)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Revenues - Jail	101,986
Pension Plans (Deferred Outflows, Net Pension Liability, Deferred Inflows)	41,110
Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Bond principal payments	170,000
Capital lease principal payments	
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Annual Post Employment Benefit Cost	(59,170)
Accrued compensated absences	(26,903)
	<hr/>
Change in net position of governmental activities	<u><u>1,991,679</u></u>

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

COUNTY OF KNOX
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2015

Exhibit E

	<i>Agency Fund</i>		<i>Totals</i>
	<i>Inmate Fund</i>	<i>DA Restitution</i>	
<i>Assets</i>			
Cash and Equivalents	21,303	17,918	39,221
<i>Total Assets</i>	21,303	17,918	39,221
<i>Liabilities</i>			
Due to Victims		17,918	17,918
Due to Inmates	21,303		21,303
<i>Total Liabilities</i>	21,303	-	21,303

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

For the year ended 12/31/15, the County has implemented GASB Statement #68, which accounts for the County's proportionate share of net pension liability for the Maine Public Employees Retirement System.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

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

The County reports the following major governmental funds:

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

The snow removal equipment building accounts for all expenditures relating to the snow removal equipment building project.

The airport rehabilitate runway accounts for all expenditures relating to the airport rehabilitate runway project.

Additionally, the County reports the following fund types:

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

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

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

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

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net position or Fund Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

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

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

2. Receivables and Payables

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

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

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

3. Inventories

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

4. Capital Assets

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

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued.)

4. Capital Assets (continued)

estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

5. Compensated Absences

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

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

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

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

7. Fund Balances/Net position

Fund Balances

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

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

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

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

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

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

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

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

7. Fund Balances/Net position (continued)

Fund Balances

The County has identified December 31, 2015 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Snow Removal Equipment Building</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<u>Restricted</u>				
Wellness Grant			456	456
Victim/Witness Advocate Grant			3,788	3,788
Local Emergency Planning Committee			122,066	122,066
<u>Committed</u>				
General Reserves	373,847			373,847
Capital Improvements			180,557	180,557
<u>Assigned</u>				
Inmate Fund	202,224			202,224
<u>Unassigned</u>				
General Fund	1,049,578			1,049,578
Jail Fund	298,477			298,477
Airport Fund	37,189			37,189
Dispatch Fund	233,935			233,935
Airport Snow Removal Equipment			(392)	(392)
Airport Eminent Domain			(513)	(513)
Airport Wildlife Fence			(649)	(649)
Airport Obstruction Analysis			(351)	(351)
Airport Snow Removal Truck			(514)	(514)
Airport Misc. Proj. Roads			(496)	(496)
Snow Removal Equip. Building		(3,284)		(3,284)
Airport Obstruction Removal			(485)	(485)
Airport Miscellaneous Improvements			(687)	(687)
Airport Design & Permitting			(1,083)	(1,083)
Airport Terminal Study Bus. Plan			(104)	(104)
Airport Master Plan Update			(351)	(351)
Airport Snow Removal Truck & Trailer			(379)	(379)
Airport Aviation Easements			(442)	(442)
Miscellaneous Airport Improvements			(1,436)	(1,436)
<u>Total Fund Balance</u>	<u>2,195,250</u>	<u>(3,284)</u>	<u>298,985</u>	<u>2,490,951</u>

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

7. Fund Balances/Net position (continued)

Net position

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Budget/GAAP Reconciliation

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

C. Reserved For Contingency - General Fund

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

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

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

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

At year-end, the carrying value of the County's deposits was \$1,803,127 and the bank balance was \$2,326,040. At year end, the County had \$327,812 of uninsured and uncollateralized deposits.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

B. Investments

At December 31, 2015, the County had the following investments, maturities, and credit ratings:

<i>Type</i>	<i>Fair Value</i>	<i>Maturities in Years</i>				<i>Credit Rating</i>	
		<i>< 1</i>	<i>1-5</i>	<i>6-10</i>	<i>> 10</i>	<i>S&P</i>	<i>Moody's</i>
<i>All Funds</i>							
U.S. Treasury Securities	534,964	35,848	352,800	146,316		AAA	AAA
	<u>534,964</u>	<u>35,848</u>	<u>352,800</u>	<u>146,316</u>	<u>-</u>		

Investment Policies

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

C. Assessments

The County's property tax assessment is levied and recognized annually on the assessment values for each municipality located in the county. Assessment values are established for each municipality by the state. For the year-ended December 31, 2015, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,227,250,000
Unorganized territories	<u>19,250,000</u>
Total assessed valuation	7,246,500,000
Tax rate	<u>0.0009662521</u>
Current tax commitment	<u>\$ 7,001,946</u>
Appropriations	9,800,361
Overlay	<u>137,293</u>
	9,937,654
Less:	
Estimated revenues	<u>(2,935,708)</u>
Current tax commitment	<u>\$ 7,001,946</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental Activities;				
<i>Capital assets not being depreciated</i>				
Land	2,780,344			2,780,344
<i>Capital assets being depreciated</i>				
Buildings	11,558,125	572,741		12,130,866
Equipment	5,654,804	114,824	(51,206)	5,718,422
Infrastructure	15,346,399	2,087,534		17,433,933
<i>Total capital assets being depreciated</i>	32,559,328	2,775,099	(51,206)	35,283,221
 <i>Less accumulated depreciation for</i>				
Buildings	3,271,546	245,604		3,517,150
Equipment	2,401,581	365,365	(51,206)	2,715,740
Infrastructure	3,318,734	390,063		3,708,797
<i>Total accumulated depreciation</i>	8,991,861	1,001,032	(51,206)	9,941,687
<i>Net capital assets being depreciated</i>	23,567,467	1,774,067	-	25,341,534
Governmental Activities Capital Assets, net	26,347,811	1,774,067	-	28,121,878

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

Governmental Activities

Emergency Management	80,982
District Attorney	518
County Commissioners	33,018
County Treasurer	106
County Jail	124,007
Probate Court	767
Sheriff's Patrol	103,294
Dispatch	88,389
Airport	569,951
Total Depreciation Expense - Governmental Activities	<u>1,001,032</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt

1. General Obligation Bonds and Notes.

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

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

<i>General Obligation</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
2013 301 Park St. Building	11/15/2027	2.25-4%	<u>1,990,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$280,798 are as follows:

<i>Year Ended December 31,</i>	<i>General Obligation Debt</i>
2016	214,131
2017	210,731
2018	202,331
2019	197,381
2020	192,431
2021-2025	912,655
2026-2027	341,138
Total	<u>2,270,798</u>

2. Changes in Long-Term Liabilities

The following summary of long-term debt transactions of the County of Knox for the fiscal year ended December 31, 2015:

<i>Long-term Debt payable January 1, 2015</i>	2,160,000
Debt Issued	
Debt Retired	<u>(170,000)</u>
<i>Long-term Debt payable December 31, 2015</i>	<u>1,990,000</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2015, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	555,358	92,169
Special Revenue Funds		
Wellness Grant	456	
Victim/Witness Advocate Grant	3,788	
Local Emergency Planning Committee		10,131
Maine Criminal Justice Academy		12,000
Capital Project Funds		
Airport Snow Removal Equipment		392
Airport Eminent Domain		513
Airport Wildlife Fence		649
Airport Obstruction Analysis		351
Airport Snow Removal Truck		514
Airport Misc. Proj. Roads		496
Airport Snow Removal Equip. Bld.		169,196
Airport Obstruction Removal		485
Airport Misc. Improvements		687
Airport Design & Permitting		79,534
Airport Terminal Study Bus. Plan		104
Airport Master Plan Update		12,954
Airport Snow Removal Truck & Trailer		379
Airport Aviation Easements		442
Airport Passenger Facility		43,574
Airport Rehabilitate Runway		104,965
Misc. Airport Imp.		1,436
Capital Improvements		28,631
Totals	<u>559,602</u>	<u>559,602</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, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Interfund Receivables and Payables (continued)

Transfers To/From Other Funds at December 31, 2015, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund		197,708
Special Revenue Funds		
Victim/Witness Advocate Grant	132,708	
Capital Projects		
Airport Eminent Domain	27	
Airport Wildlife Fence	22	
Airport Misc. Proj. Roads	13	
Airport Snow Removal Equip. Bld.	21,138	
Airport Obstruction Removal	8,786	
Airport Design & Permitting	3,097	
Airport Master Plan Update	28	
Airport Aviation Easements	23	
Airport Passenger Facility		38,670
Airport Rehabilitate Runway	96,992	
Airport Misc. Imp.	75	
Capital Improvements		26,531
Totals	262,909	262,909

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

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

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

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans

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

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

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

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

Participants vesting requirements are fulfilled at 5 years of service. The County has contributed \$268,761 and the participants have contributed \$116,516 for the year-ended December 31, 2015.

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

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

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

Eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Assistance Account and \$2,550 for health care.

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

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. There is a \$500 carryover maximum.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan

Plan Description

The County withdrew from the Maine Public Employees Retirement System (System) Participating Local District Consolidated (PLD) Plan on June 30, 1981, for new employees. The County is required to continue to fund the plan on an actuarially sound basis for liabilities of any currently active, inactive vested or retired participants. The plan is a multiple-employer, cost-sharing pension plan with a special funding situation. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of County employees, while Counties contribute the normal cost, calculated actuarially, for their members.

Pension Benefits

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occur upon the earning of five to ten years of service credit for PLD employees, depending upon when employment began. Normal retirement age for PLD employees is age 60 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for PLD members.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual interest credited to members' accounts is set by the System's Board of Trustees.

Member and Employer Contributions

Retirement benefits are funded by contributions from members, employers, state contributions, and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the Plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended December, 2015, the member contribution rate was 6.5% for regular – AC.

Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred. For the PLD consolidated plan, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by the local employers on behalf of their employees. These leave contributions toward the net pension liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those employers contributing towards the net pension liability of the plan using grant funding.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the County reported a net pension asset of \$44,772. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date.

For the fiscal year ended December 31, 2015, the County recognized pension expense of \$15,385. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Totals	<u>-</u>	<u>3,662</u>

Actuarial Assumptions

The total pension liability in the December, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.12%
Salary Increases	3.5%
Investment Rate of Return	7.125%, net of administrative and pension plan investment expense

For the County employees, the mortality rate is based on the RP2000 Combined Mortality Tables for males and females using Scale AA with a two year set back.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study performed in 2011 and covered the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015 is summarized in the following table:

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Actuarial Assumptions

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	2.5%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.0%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.125% as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.125%) or 1 percentage point higher (8.125%) than the current rate:

	<u>1% Decrease # (6.125%)</u>	<u>Current Discount Rate (7.125%)</u>	<u>1% Increase # (8.125%)</u>
Proportionate Share of the Net Pension Liability	\$ (28,160)	\$ (44,772)	\$ (60,483)

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the System Actuarial Valuation Reports available online at www.maineopers.org or contacting the System at (207) 512-3100.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

D. 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 also a member of the Maine County Commissioners Association Self-Funded Risk Management Pool (the "Risk Pool"). The Risk Pool was created in 1989 to ensure that its members would always be able to obtain liability and property coverage, to protect members from large premium increases often found in the commercial insurance marketplace, and to provide stable annual premiums to its members. The Risk Pool provides property coverage to the County, subject to \$1,000.00 per-occurrence deductible, for its schedule of property locations with a total combined value of \$20,816,305.00 in 2015. The Risk Pool provides liability coverage to the County in the amounts shown on 2015 Member Coverage Certificate issued to the County.

E. Other Postemployment Benefits

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

The County is a member of the Maine Municipal Employees Health Trust. The Trust is an agent multiple employer Voluntary Employee's Beneficiary Association. The County is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Trust contracted with an outside consultant to assist in the determination and valuation of the County's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed by the consultants in August 2015.

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

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

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (continued)

Net OPEB Obligation

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

Table V-1
Development of Net OPEB Obligation

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

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

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

Schedule of Funding Progress

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

Table V-2
Schedule of Funding Progress

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

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 4 - OTHER INFORMATION (Continued)

D. Other Postemployment Benefits (continued)

Schedule of Employer Contributions

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

Table V-3
 Schedule of Employer Contributions

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

Table V-4
 Note to Required Supplemental Information

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

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

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit F

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,683,657	3,683,657	3,683,657	-
Intergovernmental Revenues	83,022	83,022	82,388	(634)
Departmental Revenues	884,704	884,704	900,895	16,191
Other Local Sources	19,015	19,015	28,062	9,047
Total Revenues	4,670,398	4,670,398	4,695,002	24,604
Expenditures				
Emergency Management Agency	166,043	166,043	161,078	4,965
District Attorney	311,803	311,803	303,724	8,079
County Commissioners	498,028	498,028	538,565	(40,537)
County Treasurer	283,022	283,022	276,124	6,898
Building Maintenance	276,690	276,690	287,864	(11,174)
Building Maintenance - 301 Park Street	71,316	71,316	62,952	8,364
Debt Service	225,531	225,531	223,011	2,520
Registry of Deeds	244,266	244,266	238,837	5,429
Probate Court	237,913	237,913	237,932	(19)
Sheriff's Patrol	1,996,978	1,996,978	1,924,692	72,286
All Other	326,100	326,100	187,022	139,078
Total Expenditures	4,637,690	4,637,690	4,441,801	195,889
Excess Revenues Over Expenditures	32,708	32,708	253,201	220,493
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(132,708)	(132,708)	(132,708)	-
Total Other Financing Sources (Uses)	(132,708)	(132,708)	(132,708)	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	120,493	<u>220,493</u>
Unassigned Fund Balance - January 1			<u>929,085</u>	
Unassigned Fund Balance - December 31			<u>1,049,578</u>	

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit F

Schedule 1 - Schedule of County Contributions:

	<i>For the Fiscal Year Ended December 31, 2015</i>
	<hr/>
Contractually required contribution	\$15,385
Contribution in relation to the contractually required contribution	<hr/> (\$15,385)
Contribution deficiency	<hr/> <hr/> \$0

* Amounts presented for each fiscal year were determined as of June 30. A full year schedule will be displayed as it becomes available.

Schedule 2 - Proportionate Share of the Net Pension Liability:

N/A

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	3,683,657	3,683,657	-
Intergovernmental Revenues			
Federal			
Emergency Management Agency	83,022	80,085	(2,937)
Wildlife Refuge Fees		2,303	2,303
State			
Fuel Reimbursement			-
	<u>83,022</u>	<u>82,388</u>	<u>(634)</u>
Departmental Revenue			
Treasurer - Investment Income	2,800	3,872	1,072
District Attorney	18,200	20,226	2,026
Building Maintenance	102,438	122,807	20,369
Registry of Deeds	434,000	438,425	4,425
Probate Court	96,000	115,372	19,372
Sheriff	231,266	200,193	(31,073)
	<u>884,704</u>	<u>900,895</u>	<u>16,191</u>
Other Local Sources			
Miscellaneous	19,015	28,062	9,047
	<u>19,015</u>	<u>28,062</u>	<u>9,047</u>
Operating Transfers In			
Transfers from Grants			-
Transfers from Reserves			-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	4,670,398	<u><u>4,695,002</u></u>	<u><u>24,604</u></u>
Fund Balance Used to Calculate Assessments	<u>100,000</u>		
Total	<u><u>4,770,398</u></u>		

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit A-2
Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personal Services	150,613	148,753	1,860
Contractual Services	11,770	9,928	1,842
Commodities	3,660	2,397	1,263
	<u>166,043</u>	<u>161,078</u>	<u>4,965</u>
District Attorney			
Personal Services	259,669	255,269	4,400
Contractual Services	39,009	34,849	4,160
Commodities	13,125	13,606	(481)
Capital Outlay			-
	<u>311,803</u>	<u>303,724</u>	<u>8,079</u>
Administration and IT			
Personal Services	276,988	268,857	8,131
Contractual Services	211,239	262,690	(51,451)
Commodities	9,801	7,018	2,783
Capital Outlay			-
	<u>498,028</u>	<u>538,565</u>	<u>(40,537)</u>
Finance			
Personal Services	239,082	230,036	9,046
Contractual Services	41,940	41,540	400
Commodities	2,000	4,548	(2,548)
	<u>283,022</u>	<u>276,124</u>	<u>6,898</u>
Building Maintenance			
Contractual Services	190,290	199,948	(9,658)
Commodities	86,400	85,416	984
Capital Outlay		2,500	(2,500)
	<u>276,690</u>	<u>287,864</u>	<u>(11,174)</u>
Building Maintenance 301 Park St.			
Contractual Services	62,907	54,073	8,834
Commodities	8,409	8,879	(470)
	<u>71,316</u>	<u>62,952</u>	<u>8,364</u>
Debt Service			
Jail Bond Principal	170,000	170,000	-
Jail Bond Interest	47,531	47,531	-
Interest - Tax Anticipation Note	8,000	5,480	2,520
	<u>225,531</u>	<u>223,011</u>	<u>2,520</u>

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit A-2
Page 2 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over)</i> <i>Under</i> <i>Budget</i>
Registry of Deeds			
Personal Services	177,961	178,088	(127)
Contractual Services	63,805	58,569	5,236
Commodities	2,500	2,180	320
	<u>244,266</u>	<u>238,837</u>	<u>5,429</u>
Probate Court			
Personal Services	215,881	214,450	1,431
Contractual Services	18,630	18,493	137
Commodities	3,402	4,989	(1,587)
	<u>237,913</u>	<u>237,932</u>	<u>(19)</u>
Sheriff's Patrol			
Personal Services	1,734,808	1,649,937	84,871
Contractual Services	138,870	136,868	2,002
Commodities	58,300	74,257	(15,957)
Capital Outlay	65,000	63,630	1,370
	<u>1,996,978</u>	<u>1,924,692</u>	<u>72,286</u>
Other			
Knox-Lincoln Extension Service	57,042	57,042	-
Knox-Lincoln Soil & Water	26,673	26,673	-
Eastern Maine Development	10,000	10,000	-
Mid Coast Regional Planning	2,500	2,500	-
Insurance	92,592	90,807	1,785
Overlay	137,293		137,293
	<u>326,100</u>	<u>187,022</u>	<u>139,078</u>
Transfers Out			
DA Grant	132,708	132,708	-
Impaired Driving Grant			-
	<u>132,708</u>	<u>132,708</u>	<u>-</u>
Total Appropriations	<u><u>4,770,398</u></u>	<u><u>4,574,509</u></u>	<u><u>195,889</u></u>

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit A-3

Unassigned Fund Balance January 1	929,085	
Unassigned Fund Balance December 31	<u>1,049,578</u>	
Increase (Decrease)		<u><u>120,493</u></u>
Analysis of Change		
Budget Surplus (Deficit) Revenue Deficit (Exhibit A-1)	24,604	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>195,889</u>	
Budget Surplus (Deficit)		<u>220,493</u>
Deductions Fund Balance Used to Calculate Assessments		<u>(100,000)</u>
Increase (Decrease)		<u><u>120,493</u></u>

COUNTY OF KNOX
 ALL GENERAL RESERVES
 BALANCE SHEET
 DECEMBER 31, 2015

Exhibit A-4

<i>Assets</i>	<i>General Reserves</i>	<i>Jail Fund</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Dispatch Fund</i>	<i>Totals</i>
Cash and Equivalents		93,594		274,323		367,917
Investments	370,307					370,307
Accounts Receivable	3,750	3,880	73,681		50	81,361
Due from Other Funds		463,747			259,467	723,214
Total Assets	374,057	561,221	73,681	274,323	259,517	1,542,799
 <i>Liabilities and Fund Balances</i>						
<i>Liabilities</i>						
Accrued Salaries		77,024	10,200		25,582	112,806
Accounts Payable		24				24
Due to Other Funds	210		26,292			26,502
Deferred Revenues		185,696		72,099		257,795
Total Liabilities	210	262,744	36,492	72,099	25,582	397,127
 <i>Fund Balances</i>						
Committed	373,847					373,847
Assigned				202,224		202,224
Unassigned		298,477	37,189		233,935	569,601
Total Fund Balances	373,847	298,477	37,189	202,224	233,935	1,145,672
Total Liabilities and Fund Balances	374,057	561,221	73,681	274,323	259,517	1,542,799

COUNTY OF KNOX
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit A-5

	<i>General Reserves</i>	<i>Jail Fund</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Dispatch Fund</i>	<i>Totals</i>
Revenues						
Assessments		3,188,700	129,593		1,021,072	4,339,365
Intergovernmental Revenues						
Federal		8,400	55,816			64,216
State		542,835				542,835
Interest	13,999					13,999
Fair Value Increase (Decrease)	(9,729)					(9,729)
Other Local Sources	71,945	12,510	411,170	28,965	249	524,839
Total Revenues	76,215	3,752,445	596,579	28,965	1,021,321	5,475,525
Expenditures						
Personnel Services		2,600,232	331,333		832,628	3,764,193
Contract Services		965,304	144,464		130,244	1,240,012
Commodities		134,438	24,404		7,783	166,625
Capital Outlay					5,375	5,375
Maintenance and Supplies				12,258		12,258
Reserve Funds	214,481					214,481
Total Expenditures	214,481	3,699,974	500,201	12,258	976,030	5,402,944
Excess of Revenues Over (Under) Expenditures	(138,266)	52,471	96,378	16,707	45,291	72,581
Other Financing Sources (Uses)						
Transfers from Other Funds	-					-
Transfers to Other Funds	-		(65,000)			(65,000)
Total Other Financing Sources (Uses)	-	-	(65,000)	-	-	(65,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(138,266)	52,471	31,378	16,707	45,291	7,581
Fund Balance - January 1	512,113	246,006	5,811	185,517	188,644	1,138,091
Fund Balance - December 31	373,847	298,477	37,189	202,224	233,935	1,145,672

COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit A-6

<i>Reserve Fund</i>	<i>Fund Balance January 1</i>	<i>New Funds</i>	<i>Transfers From Other Funds</i>	<i>Interest</i>	<i>Increase (Decrease) in Fair Value</i>	<i>Transfers To Other Funds</i>	<i>Expenditures</i>	<i>Fund Balance December 31</i>
Airport Computer	12,761			247	(95)		(5,765)	7,148
Contingency	117,074			2,877	(242)		(119,043)	666
Courthouse Computer	10,315			275	(201)		(319)	10,070
DARE Program	1,841	404		36	(15)		(1,279)	987
Deeds Surcharge	63,950	25,305		1,817	(1,349)		(59,478)	30,245
Dispatch Computer	5,947			161	(118)		(817)	5,173
Dispatch Miscellaneous	1,939			54	(43)			1,950
Dispatch Professional Services	1,891			51	(42)			1,900
EMA Disaster Fund	19,007			516	(423)			19,100
Forfeiture Money - State	68,654	4,823		1,880	(1,603)			73,754
Generator Reserve	32,386	6,411		828	(846)			38,779
Health Insurance	14,824			402	(330)			14,896
Jail Computer	7,221			136	(101)			7,256
Jail Professional Services	37,436			1,010	(753)		(14,250)	23,443
Jail Training	8,006			217	(178)			8,045
Legal	20,514			557	(456)			20,615
Matching Grant Funds	20,488			556	(456)			20,588
Orthoimagery	3,414			92	(76)			3,430
Probate Surcharge	26,042	3,565		737	(673)			29,671
Resignation Benefits	13,565			345	(307)			13,603
Retirement		31,437		554	(914)		(12,208)	18,869
Security Deposit	830			23	(18)			835
Sheriff's Computer	1,304			12	16		(1,322)	10
Unemployment	22,704			616	(506)			22,814
Total	512,113	71,945	-	13,999	(9,729)	-	(214,481)	373,847

COUNTY OF KNOX
 GRANT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2015

Exhibit B-1

<i>Assets</i>	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Maine Criminal Justice Acad.</i>	<i>Totals</i>
Cash and Equivalents			90,718		90,718
Due from Other Governments			41,479	12,000	53,479
Due from Other Funds	456	3,788			4,244
Total Assets	456	3,788	132,197	12,000	148,441
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds			10,131	12,000	22,131
Total Liabilities	-	-	10,131	12,000	22,131
 Fund Balances					
Restricted	456	3,788	122,066		126,310
Unassigned					
Total Fund Balances	456	3,788	122,066	-	126,310
Total Liabilities and Fund Balances	456	3,788	132,197	12,000	148,441

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit B-2
Page 1 of 2

	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Drive Sober Grant</i>
Revenues				
Intergovernmental Revenues				
Federal		44,625	128,995	21,181
State			6,280	
Local Sources	3,760			
Interest			262	
Total Revenues	<u>3,760</u>	<u>44,625</u>	<u>135,537</u>	<u>21,181</u>
Expenditures				
Personnel Services		145,108	4,105	21,181
Contract Services		30,679	793	
Commodities				
Other	3,979		100,705	
Total Expenditures	<u>3,979</u>	<u>175,787</u>	<u>105,603</u>	<u>21,181</u>
Excess of Revenues Over (Under) Expenditures	<u>(219)</u>	<u>(131,162)</u>	<u>29,934</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers from Other Funds		132,708		
Transfers to Other funds				
Total Other Financing Sources (Uses)	<u>-</u>	<u>132,708</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(219)</u>	<u>1,546</u>	<u>29,934</u>	<u>-</u>
Fund Balance - January 1	<u>675</u>	<u>2,242</u>	<u>92,132</u>	
Fund Balance - December 31	<u>456</u>	<u>3,788</u>	<u>122,066</u>	<u>-</u>

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<i>Pen Bay YMCA Party Patrols</i>	<i>Impaired Driving Traffic</i>	<i>Maine Criminal Justice Acad.</i>	<i>CIOT HVE Campaign Safety Belt</i>	<i>Totals</i>
Revenues					
Intergovernmental Revenues					
Federal		7,048		7,673	209,522
State			12,000		18,280
Local Sources	2,500	2,750			9,010
Interest					262
Total Revenues	<u>2,500</u>	<u>9,798</u>	<u>12,000</u>	<u>7,673</u>	<u>237,074</u>
Expenditures					
Personnel Services	2,779		12,000	7,673	192,846
Contract Services					31,472
Commodities					0
Other		9,798			114,482
Total Expenditures	<u>2,779</u>	<u>9,798</u>	<u>12,000</u>	<u>7,673</u>	<u>338,800</u>
Excess of Revenues Over (Under) Expenditures	<u>(279)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,726)</u>
Other Financing Sources (Uses)					
Transfers from Other Funds					132,708
Transfers to Other Funds					-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,708</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(279)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,982</u>
Fund Balance - January 1	<u>279</u>				<u>95,328</u>
Fund Balance - December 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,310</u>

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2015

Exhibit C-1
 Page 1 of 3

<i>Assets</i>	<i>Airport Snow Removal Equipment</i>	<i>Airport Eminent Domain</i>	<i>Airport Wildlife Fence</i>	<i>Airport Obstruction Analysis</i>	<i>Airport Snow Removal Truck</i>	<i>Airport Misc. Proj. Roads</i>
Cash and Equivalents						
Investments						
Accounts Receivable						
Due from Other Funds						
Due from Other Governments						
Total Assets	-	-	-	-	-	-
<i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable						
Due to Other Funds	392	513	649	351	514	496
Total Liabilities	392	513	649	351	514	496
Fund Balances						
Restricted						
Committed						
Unassigned	(392)	(513)	(649)	(351)	(514)	(496)
Total Fund Balances	(392)	(513)	(649)	(351)	(514)	(496)
Total Liabilities and Fund Balances	-	-	-	-	-	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2015

Exhibit C-1
 Page 2 of 3

<i>Assets</i>	<i>Snow Removal Equipment Building</i>	<i>Airport Obstruction Removal</i>	<i>Airport Miscellaneous Improvements</i>	<i>Airport Design & Permitting</i>	<i>Airport Terminal Study Bus. Plan</i>	<i>Airport Master Plan Update</i>
Cash and Equivalents						
Investments						
Accounts Receivable	1,310					
Due from Other Funds						
Due from Other Governments	195,980			78,451		12,603
Total Assets	197,290	-	-	78,451	-	12,603
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	31,378					
Due to Other Funds	169,196	485	687	79,534	104	12,954
Total Liabilities	200,574	485	687	79,534	104	12,954
Fund Balances						
Restricted						
Committed						
Unassigned	(3,284)	(485)	(687)	(1,083)	(104)	(351)
Total Fund Balances	(3,284)	(485)	(687)	(1,083)	(104)	(351)
Total Liabilities and Fund Balances	197,290	-	-	78,451	-	12,603

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2015

Exhibit C-1
 Page 3 of 3

<i>Assets</i>	<i>Airport Snow Removal Truck & Trailer</i>	<i>Airport Aviation Easements</i>	<i>Airport Passenger Facility</i>	<i>Airport Rehabilitate Runway</i>	<i>Miscellaneous Airport Improvement</i>	<i>Capital Improvements</i>	<i>Totals</i>
Cash and Equivalents			40,924			44,531	85,455
Investments						164,657	164,657
Accounts Receivable			2,650				3,960
Due from Other Funds							-
Due from Other Governments				283,877			570,911
Total Assets	-	-	43,574	283,877	-	209,188	824,983
<i>Liabilities and Fund Balances</i>							
<i>Liabilities</i>							
Retainage Payable				178,912			210,290
Due to Other Funds	379	442	43,574	104,965	1,436	28,631	445,302
Total Liabilities	379	442	43,574	283,877	1,436	28,631	655,592
<i>Fund Balances</i>							
Restricted							-
Committed						180,557	180,557
Unassigned	(379)	(442)			(1,436)		(11,166)
Total Fund Balances	(379)	(442)	-	-	(1,436)	180,557	169,391
Total Liabilities and Fund Balances	-	-	43,574	283,877	-	209,188	824,983

*COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2015*

*Exhibit C-2
 Page 1 of 3*

	<i>Airport Snow Removal Equipment</i>	<i>Airport Eminent Domain</i>	<i>Airport Wildlife Fence</i>	<i>Airport Obstruction Analysis</i>	<i>Airport Snow Removal Truck</i>	<i>Airport Misc. Proj. Roads</i>
Revenues						
Intergovernmental Revenues						
Federal						
State						
Local Sources						
Total Revenues	-	-	-	-	-	-
Expenditures						
Engineering Services						
Construction						
Professional Services		509	431			261
All Other		31				
Total Expenditures	-	540	431	-	-	261
Excess of Revenues Over (Under)						
Expenditures	-	(540)	(431)	-	-	(261)
Other Financing Sources (Uses)						
Transfers from Other Funds		27	22			13
Transfers to Other Funds						
Total Other Financing Sources (Uses)	-	27	22	-	-	13
Excess of Revenues and Other Sources Over (Under)						
Expenditures and Other Uses	-	(513)	(409)	-	-	(248)
Fund Balance - January 1	(392)		(240)	(351)	(514)	(248)
Fund Balance - December 31	(392)	(513)	(649)	(351)	(514)	(496)

*COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2015*

*Exhibit C-2
 Page 2 of 3*

	<i>Snow Removal Equipment Building</i>	<i>Airport Obstruction Removal</i>	<i>Airport Miscellaneous Improvements</i>	<i>Airport Design & Permitting</i>	<i>Airport Terminal Study Bus. Plan</i>	<i>Airport Master Plan Update</i>
Revenues						
Intergovernmental Revenues						
Federal	377,198	133,648		55,672		
State	21,138	6,117		3,097		
Local Sources						
Total Revenues	398,336	139,765	-	58,769	-	-
Expenditures						
Engineering Services	92,565	3,817		61,679		
Construction	313,775	143,861				
Professional Services	518	518		248		248
All Other	15,900	840		14		32
Total Expenditures	422,758	149,036	-	61,941	-	280
Excess of Revenues Over (Under) Expenditures	(24,422)	(9,271)	-	(3,172)	-	(280)
Other Financing Sources (Uses)						
Transfers from Other Funds	21,138	8,786		3,097		28
Transfers to Other Funds						
Total Other Financing Sources (Uses)	21,138	8,786	-	3,097	-	28
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,284)	(485)	-	(75)	-	(252)
Fund Balance - January 1	-	-	(687)	(1,008)	(104)	(99)
Fund Balance - December 31	(3,284)	(485)	(687)	(1,083)	(104)	(351)

*COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2015*

	<i>Airport Snow Removal Truck & Trailer</i>	<i>Airport Aviation Easements</i>	<i>Airport Passenger Facility</i>	<i>Airport Rehabilitate Runway</i>	<i>Miscellaneous Airport Improvement</i>	<i>Capital Improvements</i>	<i>Totals</i>
Revenues							
Intergovernmental Revenues							
Federal			27,329	1,745,870			2,339,717
State				96,993			127,345
Local Sources			169			10,964	11,133
Total Revenues	-	-	27,498	1,842,863	-	10,964	2,478,195
Expenditures							
Engineering Services				147,219			305,280
Construction				1,789,127			2,246,763
Professional Services		465		3,450	678		7,326
All Other				59	820	134,597	152,293
Total Expenditures	-	465	-	1,939,855	1,498	134,597	2,711,662
Excess of Revenues Over (Under) Expenditures	-	(465)	27,498	(96,992)	(1,498)	(123,633)	(233,467)
Other Financing Sources (Uses)							
Transfers from Other Funds		23		96,992	75	-	130,201
Transfers to Other Funds			(38,670)			(26,531)	(65,201)
Total Other Financing Sources (Uses)	-	23	(38,670)	96,992	75	(26,531)	65,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(442)	(11,172)	-	(1,423)	(150,164)	(168,467)
Fund Balance - January 1	(379)	-	11,172		(13)	330,721	337,858
Fund Balance - December 31	(379)	(442)	-	-	(1,436)	180,557	169,391

COUNTY OF KNOX
 CAPITAL IMPROVEMENTS
 STATEMENT OF ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit C-3

<i>Reserve Fund</i>	<i>Fund Balance January 1</i>	<i>New Funds</i>	<i>Transfers From Other Funds</i>	<i>Interest</i>	<i>Increase (Decrease) in Fair Value</i>	<i>Transfers To Other Funds</i>	<i>Expenditures</i>	<i>Fund Balance December 31</i>
Courthouse Maintenance	64,775			1,420	200		(65,428)	967
Forfeiture Money - Federal	111,512			268			(67,249)	44,531
Jail Capital	100,702			2,734	(2,242)			101,194
Jail Vehicle	9,360			254	(208)			9,406
Sheriff's Vehicle	2,348	8,394		107	(168)			10,681
Airport	27,750			765	(627)	(14,110)		13,778
Airport Miscellaneous Equipment	14,241			403	(336)	(12,388)	(1,920)	-
Airport Projects	33					(33)		-
Total	330,721	8,394	0	5,951	(3,381)	(26,531)	(134,597)	180,557

COUNTY OF KNOX
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit D-1

	<i>Balance</i> <i>January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>December 31</i>
<hr/>				
<i>Inmates Fund</i>				
<i>Assets</i>				
Cash and Equivalents	20,291	76,794	(75,782)	21,303
<hr/>				
<i>Liabilities</i>				
Due to Inmates	20,291	76,794	(75,782)	21,303
<hr/>				

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 30, 2016

County Commissioners
County of Knox
Rockland, ME 04841

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox, Maine as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County of Knox, Maine's basic financial statements and have issued our report thereon dated September 30, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Knox, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

James W. Wadman

Certified Public Accountant

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Amy E. Atherton, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

September 30, 2016

County Commissioners
County of Knox
Rockland, ME 04463

Report on Compliance for Each Major Federal Program

We have audited County of Knox, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Knox, Maine's major federal programs for the year ended December 31, 2015. The County of Knox, Maine's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Knox, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audits Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the County of Knox, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Knox, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

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

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

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

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

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

SCHEDULE I
COUNTY OF KNOX
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2015

No Prior Audit Findings

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015

A. SUMMARY OF AUDITOR'S RESULTS

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

FAA – Airport Improvements CFDA # 20.106.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The County of Knox, Maine was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

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

NONE

**COUNTY OF KNOX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SCHEDULE III
Page 1 of 2**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Expenditures</i>
U.S. Department of Transportation Passed Through Maine Department of Public Safety				
2015 Evidence Based Impaired Driving HVE	20.600	ID15-038	22,785	21,181
2015 Impaired Driving Traffic Enforcement Equipment	20.601		10,000	9,798
2015 CIOT HVE Campaign & Increased Seatbelt Enforcement	20.609	OP15-027	7,812	7,673
			<u>40,597</u>	<u>38,652</u>
Federal Aviation Administration				
Airport Improvements - Snow Removal Equip. Bld.	* 20.106	3-23-0042-47-2014	880,200	377,198
Airport Improvements - Rehabilitate Runway	* 20.106	3-23-0042-50-2015	1,762,560	1,745,870
Airport Improvements - Obstruction Removal	* 20.106	3-23-0042-46-2014	490,500	109,641
Airport Improvements - Design & Permitting	* 20.106	3-23-0042-38-2012	409,500	56,195
Airport Improvements - Passenger Facility Fees	* 20.106		27,329	27,329
Total Federal Aviation Administration			<u>3,570,089</u>	<u>2,316,233</u>
Total U.S. Department of Transportation			<u>3,610,686</u>	<u>2,354,885</u>
U.S. Department of Homeland Security				
Airport Security	97.090	HSTS02-13-HSLR807	55,816	55,816
			<u>55,816</u>	<u>55,816</u>
Passed Through Maine Emergency Management Agency				
EMA Project Reimbursement	97.067	EMW-2014-EP-00069	133,904	12,454

*COUNTY OF KNOX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015*

*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>
2015 Homeland Security	97.067	EMW-2015-SS-00038	67,842	2,875
2013 Homeland Security	97.067	EMW-2013-SS-00081	102,895	61,523
2014 Homeland Security	97.067	EMW-2014-SS-00061	71,440	22,604
			<u>376,081</u>	<u>99,456</u>
Total U.S. Department of Homeland Security			<u>431,897</u>	<u>155,272</u>
U.S. Department of Justice Passed Through Maine				
Department of Human Services				
Crime Victims Assistance	16.575	CFS-16-2304	52,500	13,125
Crime Victims Assistance	16.575	CFS-15-2304	42,000	31,500
Total U.S. Department of Justice			<u>94,500</u>	<u>44,625</u>
Total			<u><u>4,137,083</u></u>	<u><u>2,554,782</u></u>

**COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of County of Knox under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of County of Knox, it is not intended to and does not present the financial position, changes in net assets, or cash flows of County of Knox.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE B – PASS-THROUGH AWARDS

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

NOTE C – MAJOR PROGRAMS

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