

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2016*

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2016**

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

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INDEPENDENT AUDITOR'S REPORT

June 20, 2017
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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, 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, budgetary comparison information, and pension disclosure schedules on pages 3-8, 36, and 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 and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 June 20, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Knox, Maine's 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, 2016

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, 2016. 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, 2016 by \$28,817,882 (presented as “net position”). Of this amount, \$2,382,362 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 \$778,792 (a 2.8 % increase) for the fiscal year ended December 31, 2016.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2016; the County's governmental funds reported a combined ending fund balance of \$3,344,356 with \$1,465,933 being general, jail, airport, and dispatch unassigned fund balance. This unassigned fund balance represents approximately 15% of the total general, jail, airport and dispatch funds expenditures for the year. \$882,099 general unassigned fund balance represents 20% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$170,000 (8.5%) 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

91% 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.

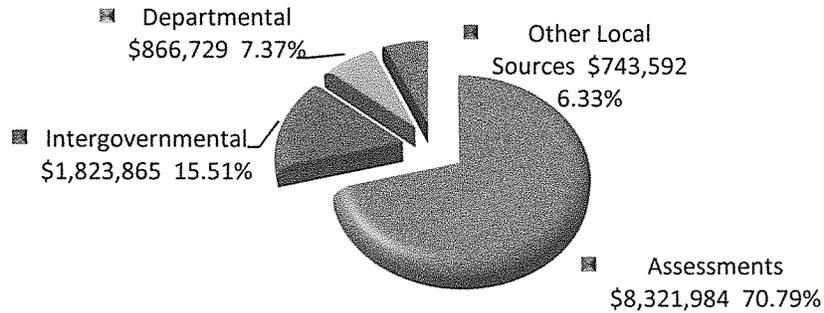
	Total 2016	Total 2015
Current Assets	3,863,560	3,218,103
Capital Assets	28,649,286	28,121,878
Total Assets	32,512,846	31,339,981
Total Deferred Outflows of Resources	349,406	
Total Assets and Deferred Outflows of Resources	32,862,252	31,339,981
Current Liabilities	1,852,304	1,477,229
Other Liabilities	2,120,680	1,820,000
Total Liabilities	3,972,984	3,297,229
Related to Pensions	71,386	3,662
Total Deferred Inflows of Resources	71,386	3,662
Net Position:		
Net Investment in Capital Assets	26,307,238	26,131,878
Restricted	128,282	126,310
Unrestricted	2,382,362	1,780,902
Total Net Position	28,817,882	28,039,090
Total Liabilities, Deferred Inflows of Resources, and Net Position	32,862,252	31,339,981

Changes in Net position

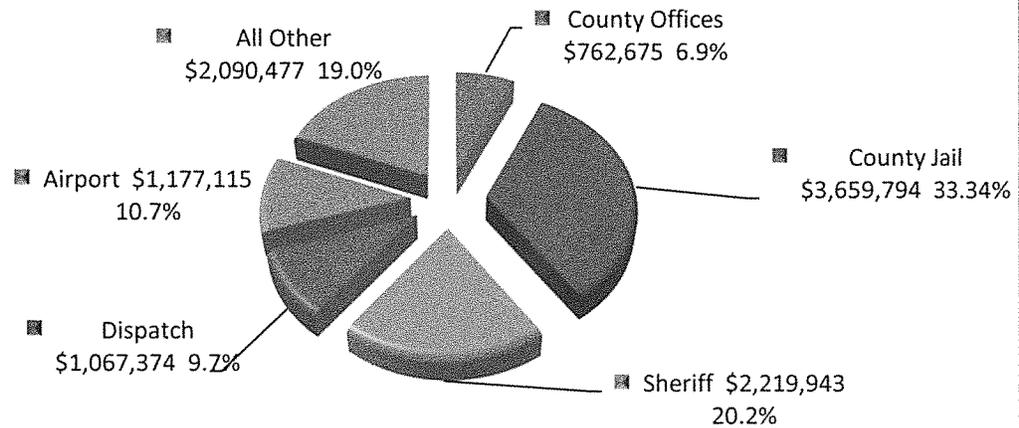
Approximately 71 percent of the County's total revenue came from assessments, approximately 16 percent came from State subsidies and grants, and approximately 13 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$1,017,523 of the total expenditures for the fiscal year.

	<u>Total 2016</u>	<u>Total 2015</u>
<i>Revenues:</i>		
District Assessments	8,321,984	8,023,022
Intergovernmental Revenues	1,823,865	3,384,303
Departmental Revenues	866,729	1,002,881
Other Local Sources	743,592	569,436
Gain on Sale of Assets		8,140
<i>Total</i>	<u>11,756,170</u>	<u>12,987,782</u>
<i>Expenses:</i>		
Emergency Management Agency	359,117	348,834
District Attorney	498,503	479,291
Administration & Information Tech.	500,809	573,836
County Finance	261,866	277,102
Building Maintenance	363,024	203,308
Building Maintenance - 301 Park St.	60,215	62,952
Debt Service	49,852	53,011
County Jail	3,659,794	3,861,760
Registry of Deeds	273,381	298,868
Probate Court	247,068	238,246
Sheriff's Patrol	2,219,943	1,979,584
Dispatch	1,067,374	1,087,581
Airport	1,177,115	1,148,710
Annual OPEB Cost	58,115	59,170
All Other	181,202	323,850
	<u>10,977,378</u>	<u>10,996,103</u>
<i>Changes in Net Position</i>	<u>778,792</u>	<u>1,991,679</u>

Revenues By Source - Governmental Activities



Expenditures By Source - Governmental Activities



FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

Governmental Funds

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

At the end of the fiscal year, the County's governmental funds reported ending fund balances of \$3,344,356 an increase of \$853,405 in comparison with the prior year. 44% percent of this total amount constitutes unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \$29,718 positive variance in registry of deeds income. The variance is due to higher volume than estimated.
- \$11,993 positive variance in probate court. The variance is due to higher volume than estimated.
- \$13,780 positive variance in miscellaneous income. The variance is partially due to interest paid on taxes.
- \$13,691 positive variance in administration and IT contractual services. The variance is due to lower legal and consulting which was partially offset by increase in computer repairs and maintenance.
- \$13,900 positive variance in finance personnel services. The variance was due to delay in hiring the Finance Clerk and clerk less than budgeted.
- \$26,290 positive variance in building maintenance commodities. The variance was due to oil prices and deliveries less than estimated.
- \$15,723 positive variance in sheriff personnel services. The variance was due to open positions.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$39,538,122 net of accumulated depreciation of \$10,888,836 leaving a net book value of \$28,649,286.

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

REQUESTS FOR INFORMATION

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

**COUNTY OF KNOX
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Exhibit A

<i>Assets and Deferred Outflow of Resources</i>	<u><i>Governmental Activities</i></u>
Cash and Equivalents	2,517,894
Investments	694,034
Accounts Receivable	210,665
Prepaid Expenditures	14,502
Due from Other Governments	426,465
Capital Assets:	
Land	2,780,344
Other Capital Assets, Net of Depreciation	25,868,942
Total Assets	<u><u>32,512,846</u></u>
 <i>Deferred Outflows of Resources</i>	
Related to Pensions	349,406
Total Deferred Outflows of Resources	<u>349,406</u>
 Total Assets and Deferred Outflows of Resources	<u><u>32,862,252</u></u>
 <i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Liabilities	
Accounts Payable	32,264
Retainage Payable	45,816
Accrued Salaries	226,571
Compensated Absences	564,081
Net Post Employment Benefits Obligation	436,291
Long-term Liabilities:	
Net Pension Liability	325,913
Due Within One Year	221,368
Due in More Than One Year	2,120,680
Total Liabilities	<u>3,972,984</u>
 <i>Deferred Inflows of Resources:</i>	
Related to Pensions	71,386
Total Deferred Inflows of Resources	<u>71,386</u>
 Net Position	
Net Investment in Capital Assets	26,307,238
Restricted Net Position	128,282
Unrestricted	2,382,362
Total Net Position	<u>28,817,882</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>32,862,252</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, 2016

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Revenue and Changes in Net Position</u>
<u>Primary Government</u>				<u>Total</u>
<u>Governmental Activities</u>				<u>Governmental Activities</u>
Emergency Management Agency	359,117	313	108,544	(250,260)
District Attorney	498,503	19,284	53,125	(426,094)
Administration and Information Technology	500,809			(500,809)
County Treasurer	261,866	3,978		(257,888)
Building Maintenance	363,024	94,298		(268,726)
Building Maintenance - 301 Park St.	60,215			(60,215)
Debt Service	49,852			(49,852)
County Jail	3,659,794	53,468	705,715	(2,900,611)
Registry of Deeds	273,381			(273,381)
Probate Court	247,068	128,168		(118,900)
Sheriff's Patrol	2,219,943	218,140	50,651	(1,951,152)
Dispatch	1,067,374			(1,067,374)
Annual Post Employment Benefit Costs	58,115			(58,115)
Airport	1,177,115	423,475	52,640	(701,000)
All Other	181,202			(181,202)
<u>Total Governmental Activities</u>	<u>10,977,378</u>	<u>941,124</u>	<u>970,675</u>	<u>(9,065,579)</u>
<u>Total Primary Government</u>	<u>10,977,378</u>	<u>941,124</u>	<u>970,675</u>	<u>(9,065,579)</u>
<u>General Revenues:</u>				
Assessments				8,321,984
Registry of Deeds Fees				484,127
Airport Federal and State Grants for Capital Assets & Infrastructure				891,534
Emergency Management Federal Grant for Capital Assets				82,303
Other Local Sources				64,423
<u>Total Revenues, Special Items and Transfers</u>				<u>9,844,371</u>
<u>Changes in Net Position</u>				<u>778,792</u>
<u>Net Position - Beginning</u>				<u>28,039,090</u>
<u>Net Position - Ending</u>				<u>28,817,882</u>

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

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>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total</i>
Cash and Equivalents	2,391,326			6,055	120,513	2,517,894
Investments	476,952			217,082		694,034
Accounts Receivable	207,866				2,799	210,665
Prepaid Expenditure					14,502	14,502
Due from Other Funds	392,028			820,506	5,758	1,218,292
Due from Other Governments		192,332	171,518		62,615	426,465
Total Assets	3,468,172	192,332	171,518	1,043,643	206,187	5,081,852
<i>Liabilities</i>						
Accounts Payable	32,264					32,264
Retainage Payable		31,698			14,118	45,816
Accrued Salaries	226,571					226,571
Due to Other Funds	793,053	160,634	171,518	28,475	64,612	1,218,292
Total Liabilities	1,051,888	192,332	171,518	28,475	78,730	1,522,943
<i>Deferred Inflows of Resources:</i>						
Unavailable Revenues	214,553					214,553
Total Deferred Inflows of Resources	214,553	-	-	-	-	214,553
<i>Fund Balances</i>						
Restricted					128,282	128,282
Committed	591,333			1,015,168		1,606,501
Assigned	144,465					144,465
Unassigned	1,465,933	-			(825)	1,465,108
Total Fund Balances	2,201,731	-	-	1,015,168	127,457	3,344,356
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	3,468,172	192,332	171,518	1,043,643	206,187	5,081,852

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	3,344,356
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$10,888,836	28,649,286
Net Pension Liability	(325,913)
Deferred outflows of resources related to pension plans	349,406
Deferred inflows of resources related to pension plans	(71,386)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Bonds Payable	(1,820,000)
Unavailable Revenues - Jail	214,553
Lease Payable	(522,048)
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	(436,291)
Accrued Compensated Absences	(564,081)
Net Position of Governmental Activities	<u><u>28,817,882</u></u>

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

COUNTY OF KNOX
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit D
 Page 1 of 2

	General Fund	Snow Removal Equipment Building	Airport Rehabilitate Runway	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Assessments	8,321,984					8,321,984
Intergovernmental Revenues	752,302	471,567	47,152		552,844	1,823,865
Departmental Revenues	909,971					909,971
Other Local Sources	715,727			19,208	8,657	743,592
Total Revenues	10,699,984	471,567	47,152	19,208	561,501	11,799,412
Expenditures						
Emergency Management Agency	172,456				108,797	281,253
District Attorney	309,191				184,727	493,918
Administration and Information Technology	460,821					460,821
County Treasurer	259,392					259,392
Building Maintenance	324,744			60,503	575,279	960,526
Building Maintenance - 301 Park St.	60,215					60,215
Debt Service	219,852					219,852
County Jail	3,556,861					3,556,861
Registry of Deeds	270,705					270,705
Probate Court	244,654					244,654
Sheriff's Patrol	2,016,509			44,600	31,367	2,092,476
Dispatch	969,067				17,634	986,701
Airport	551,645	496,386	42,505		361,895	1,452,431
All Other	177,654				3,548	181,202
Total Expenditures	9,593,766	496,386	42,505	105,103	1,283,247	11,521,007
Excess of Revenues Over (Under) Expenditures	1,106,218	(24,819)	4,647	(85,895)	(721,746)	278,405
Other Financing Sources (Uses)						
Capital Lease Proceeds					575,000	575,000
Transfers from Other Funds	-	28,103	2,949	966,633	158,729	1,156,414
Transfers to Other Funds	(1,099,737)		(7,596)	(46,127)	(2,954)	(1,156,414)
Total Other Financing Sources (Uses)	(1,099,737)	28,103	(4,647)	920,506	730,775	575,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	6,481	3,284	-	834,611	9,029	853,405
Fund Balance - January 1	2,195,250	(3,284)		180,557	118,428	2,490,951
Fund Balance - December 31	2,201,731	-	-	1,015,168	127,457	3,344,356

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

(Continued)

*COUNTY OF KNOX
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016*

Net change in fund balances - total governmental funds	853,405
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,544,931
Depreciation expense	(1,017,523)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Revenues - Jail	(43,242)
Pension Plans (Deferred Outflows, Net Pension Liability, Deferred Inflows)	(89,003)
Bond proceeds provided 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
New capital lease	(575,000)
Capital lease principal payments	52,952
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	(58,115)
Accrued compensated absences	(59,613)
Change in net position of governmental activities	<u><u>778,792</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, 2016

Exhibit E

	<i>Agency Fund</i>		<i>Totals</i>
	<i>Inmate Fund</i>	<i>DA Restitution</i>	
<i>Assets</i>			
Cash and Equivalents	14,245	13,652	27,897
<i>Total Assets</i>	14,245	13,652	27,897
<i>Liabilities</i>			
Due to Victims		13,652	13,652
Due to Inmates	14,245		14,245
<i>Total Liabilities</i>	14,245	13,652	27,897

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

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, 2016

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, 2016

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, 2016**

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. Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The School Department has an item that qualifies as deferred outflows of resources, and it has an item that qualifies as a deferred inflow. Both items are related to pensions. These amounts are considered unavailable and will be recognized as an outflow of resources (expenditure) and an inflow of resources (revenue) in the period that the amounts become available.

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Employees Retirement System (System) and additions to/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

7. 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.

8. 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.

9. 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, 2016

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

9. Fund Balances/Net position (continued)

Fund Balances

The County has identified December 31, 2016 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<u>Restricted</u>				
Wellness Grant			548	548
Victim/Witness Advocate Grant			5,210	5,210
Local Emergency Planning Committee			95,885	95,885
Airport Passenger Facility			26,639	26,639
<u>Committed</u>				
General Reserves	591,333			591,333
Capital Improvements		1,015,168		1,015,168
<u>Assigned</u>				
Inmate Fund	144,465			144,465
<u>Unassigned</u>				
General Fund	882,099			882,099
Jail Fund	312,282			312,282
Airport Fund	23,757			23,757
Dispatch Fund	247,795			247,795
Airport Obstruction Removal			(635)	(635)
Airport Design & Permitting			(190)	(190)
<u>Total Fund Balance</u>	<u>2,201,731</u>	<u>1,015,168</u>	<u>127,457</u>	<u>3,344,356</u>

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.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

9. Fund Balances/Net position (continued)

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.

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

C. Reserved For Contingency - General Fund

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

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 \$2,545,791 and the bank balance was \$2,939,140. Of the bank balance, \$436,932 was covered by federal depository insurance. \$2,291,450 was collateralized by Machias Savings Bank. The remaining \$210,758 was uncollateralized.

B. Investments

At December 31, 2016, 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	694,034	105,848	435,770	152,416		AAA	AAA
	694,034	105,848	435,770	152,416	-		

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS

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, 2016, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,283,700,000
Unorganized territories	<u>19,350,000</u>
Total assessed valuation	7,303,050,000
Tax rate	<u>0.0009984</u>
Current tax commitment	<u>\$ 7,291,087</u>
Appropriations	10,140,851
Overlay	<u>142,962</u>
	10,283,813
Less:	
Estimated revenues	<u>(2,992,726)</u>
Current tax commitment	<u>\$ 7,291,087</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2016 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	12,130,866	1,066,152		13,197,018
Equipment	5,718,422	165,198	(70,373)	5,813,247
Infrastructure	17,433,933	313,581		17,747,514
<i>Total capital assets being depreciated</i>	35,283,221	1,544,931	(70,373)	36,757,779
<i>Less accumulated depreciation for</i>				
Buildings	3,517,150	263,359		3,780,509
Equipment	2,715,740	357,827	(70,373)	3,003,194
Infrastructure	3,708,797	396,337		4,105,134
<i>Total accumulated depreciation</i>	9,941,687	1,017,523	(70,373)	10,888,837
<i>Net capital assets being depreciated</i>	25,341,534	527,408	-	25,868,942
Governmental Activities Capital Assets, net	28,121,878	527,408	-	28,649,286

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

Governmental Activities

Emergency Management	77,090
District Attorney	518
County Commissioners	34,768
County Treasurer	106
Building Maintenance	5,852
County Jail	124,725
Probate Court	767
Sheriff's Patrol	98,043
Dispatch	88,671
Airport	586,983
Total Depreciation Expense - Governmental Activities	<u>1,017,523</u>

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Leases

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

<i>Year Ended June 30</i>	<i>Minimum Lease Payment</i>
2017	67,088
2018	67,088
2019	67,088
2020	67,088
2021	67,088
2022	67,088
2023	67,088
2024	67,088
2025	<u>67,091</u>
Total Minimum Lease Payments	<u>603,795</u>
Less: Amount Representing Interest	<u>81,747</u>
Present Value of Future Minimum Lease Payments	<u><u>522,048</u></u>

F. Long-Term Debt

1. General Obligation Bonds and Notes.

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

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

<i>General Obligation</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
2013 301 Park St. Building	11/15/2027	2.25-4%	<u><u>1,820,000</u></u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (continued)

1. General Obligation Bonds and Notes. (continued)

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$236,667 are as follows:

<i>Year Ended December 31,</i>	<i>General Obligation Debt</i>
2017	210,731
2018	202,331
2019	197,381
2020	192,431
2021	189,131
2022-2026	895,949
2027	168,713
Total	<u><u>2,056,667</u></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, 2016:

<i>Long-term Debt payable January 1, 2016</i>	1,990,000
Debt Issued	
Debt Retired	<u>(170,000)</u>
<i>Long-term Debt payable December 31, 2016</i>	<u><u>1,820,000</u></u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2016, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	392,028	793,053
Special Revenue Funds		
Wellness Grant	548	
Victim/Witness Advocate Grant	5,210	
Local Emergency Planning Committee		3,014
MMA Safety Grant		1,320
Drive Sober Grant		500
Bullet Proof Vest Grant		318
Capital Project Funds		
Airport Misc. Proj. #52		26,363
Airport Snow Removal Equip. Bld.		160,634
Airport Obstruction Removal		635
Airport Design & Permitting		190
Airport Environmental Assessment		8,429
Airport Passenger Facility		9,341
Airport Rehabilitate Runway		171,518
Airport Lights Project		14,502
Capital Improvements	820,506	28,475
Totals	<u>1,218,292</u>	<u>1,218,292</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, 2016
NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Interfund Receivables and Payables (continued)

Transfers To/From Other Funds at December 31, 2016, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund		1,099,737
Special Revenue Funds		
Victim/Witness Advocate Grant	133,024	
MMA Safety Grant	80	
Capital Projects		
Airport Snow Removal Equip.	392	
Airport Eminent Domain	513	
Airport Wildlife Fence	649	
Airport Obstruction Analysis	351	
Airport Snow Removal Truck	514	
Airport Misc. Proj. #52	13,174	
Airport Misc. Proj. Roads	496	
Airport Snow Removal Equip. Bld.	28,103	
Airport Obstruction Removal	518	
Airport Miscellaneous Improvements	687	
Airport Design & Permitting	1,093	
Airport Terminal Study Bus. Plan	104	
Airport Environmental Assessment	4,877	
Airport Snow Removal Truck & Trailer	379	
Airport Aviation Easements	442	
Airport Passenger Facility		2,954
Airport Rehabilitate Runway	2,949	7,596
Airport Misc. Imp.	1,436	
Capital Improvements	966,633	46,127
Totals	1,156,414	1,156,414

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - OTHER INFORMATION (Continued)

A. Contingent Liabilities (continued)

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

B. Pension Plans

The County 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 \$211,147 and the participants have contributed \$92,007 for the year-ended December 31, 2016.

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, 2016

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan

Plan Description

Qualifying personnel of the County participate in the Maine Public Employees Retirement System (System) Participating Local District Consolidated (PLD) Plan. The plan is a multiple-employer, cost-sharing pension plan. 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 County's 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 years of service credit for PLD employees, depending upon when employment began. Normal retirement age for PLD employees is age 60 or 65. 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 contract 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 rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5%.

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 System's Board of Trustees 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 31, 2016, the member contribution rate was 9% for special – 3N plan for first six months and 9.5% for special – 3N plan for remaining six months of applicable member compensation. The employer contribution rate was 7% for special –3N plan for first six months and 7.4% for Special – 3N plan for remaining six months of applicable member compensation.

The required contributions paid into the System for the year ended December 31, 2016 and the previous two years are as follows:

For the year ended	Employee	Employer	Applicable
December 31,	Contributions	Contributions	Member
			Compensation
2016	\$ 78,427	\$ 61,047	\$ 847,190
2015	\$ -	\$ -	\$ -

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

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.

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

As of December 31, 2016, the County reported a net pension liability of \$325,913. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2016, the County’s proportion was .061339%, which was an increase of 0.061339% from its proportion measured at June 30, 2015.

For the fiscal year ended December 31, 2016, the County recognized pension expense of \$108,941. At December 31, 2016, 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>
Differences between expected and actual experience	3,951	20,962
Changes in Assumption	34,939	-
Net Difference between projected between projected and actual earnings on pension plan investments	120,435	50,123
Changes in proportion and differences between employer contributions and proportionate share of contributions	157,817	301
Employer Contributions made subsequent to measurement date	32,264	
	<u>349,406</u>	<u>71,386</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>				
2017		<u>69,066</u>		
2018		<u>65,115</u>		
2019		<u>92,790</u>		
2020		<u>18,784</u>		

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary Increases	2.75-9% at selected years of service
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 RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

The actuarial assumptions used in the June 30, 2016 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, 2016 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - OTHER INFORMATION (Continued)

A. Defined Benefit Employee Pension Plan (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.7%
Non-US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	5.2%
Infrastructure	10%	5.3%
Hard Assets	5%	5.0%
Fixed Income	25%	2.9%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2016. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at 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 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 6.875% 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 (5.875%) or 1 percentage point higher (7.875%) than the current rate:

	<u>1% Decrease (5.875%)</u>	<u>Current Discount Rate (6.875%)</u>	<u>1% Increase (7.875%)</u>
Proportionate Share of the Net Pension Liability	\$ 540,957	\$ 325,913	\$ 69,066

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information with respect to the Plans can be found in the System’s 2016 Comprehensive Annual Financial Report online at www.mainepepers.org or contacting the System at (207) 512-3100.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

B. 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 \$28,649,286 in 2016. The Risk Pool provides liability coverage to the County in the amounts shown on 2016 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 2016.

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, 2016**

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, 2014, December 31, 2015, and December 31, 2016 are assumed to be the Knox County's portion of actual premium payments for the retirees reported. Actual payments may vary.

Table V-1
Development of Net OPEB Obligation

	Projected		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, 2016

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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET VS ACTUAL - UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit F

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,901,160	3,901,160	3,901,160	-
Intergovernmental Revenues	108,062	108,062	108,121	59
Departmental Revenues	858,243	858,243	909,971	51,728
Other Local Sources	13,200	13,200	26,980	13,780
Total Revenues	4,880,665	4,880,665	4,946,232	65,567
Expenditures				
Emergency Management Agency	183,124	183,124	172,456	10,668
District Attorney	323,108	323,108	309,191	13,917
County Commissioners	483,747	483,747	460,821	22,926
County Treasurer	270,433	270,433	259,392	11,041
Building Maintenance	352,507	352,507	324,744	27,763
Building Maintenance - 301 Park Street	72,339	72,339	60,215	12,124
Debt Service	220,132	220,132	219,852	280
Registry of Deeds	246,100	246,100	244,718	1,382
Probate Court	244,754	244,754	244,654	100
Sheriff's Patrol	2,031,220	2,031,220	1,998,905	32,315
All Other	320,177	320,177	175,659	144,518
Total Expenditures	4,747,641	4,747,641	4,470,607	277,034
Excess Revenues Over Expenditures	133,024	133,024	475,625	342,601
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(133,024)	(133,024)	(643,104)	(510,080)
Total Other Financing Sources (Uses)	(133,024)	(133,024)	(643,104)	(510,080)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	(167,479)	(167,479)
Unassigned Fund Balance - January 1			1,049,578	
Jail Fund			312,282	
Airport Fund			23,757	
Dispatch Fund			247,795	
Unassigned Fund Balance - December 31			1,465,933	

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit G

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<u>For the Fiscal Year Ended December 31, 2016</u>	<u>For the Fiscal Year Ended December 31, 2015</u>
Proportion of net pension liability	0.061339%	0.000000%
Proportionate share of net pension liability	\$325,913	\$0
Covered employee payroll	\$847,190	\$0
Proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00000007%	
Plan Total Pension Liability	\$2,889,740,634	\$2,720,936,009
Plan Fiduciary Net Position	<u>\$2,358,409,925</u>	<u>\$2,401,889,308</u>
Plan Net Pension Liability	<u>\$531,330,709</u>	<u>\$319,046,701</u>
Plan Fiduciary Net Position as a % Of the Total Pension Liability	81.613%	88.274%
Plan Covered Employee Payroll	\$521,870,235	\$497,616,846
Plan Net Pension Liability as a % Of the Covered Employee Payroll	101.813%	64.115%

* 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 - Schedule of County Contributions:

	<u>For the Fiscal Year Ended December 31, 2016</u>	<u>For the Fiscal Year Ended December 31, 2015</u>
Contractually required contribution	\$61,047	\$15,385
Contribution in relation to the contractually required contribution	<u>(\$61,047)</u>	<u>(\$15,385)</u>
Contribution deficiency	<u>\$0</u>	<u>\$0</u>

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

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	3,901,160	3,901,160	-
Intergovernmental Revenues			
Federal			
Emergency Management Agency	108,062	105,224	(2,838)
Wildlife Refuge Fees		2,897	2,897
	<u>108,062</u>	<u>108,121</u>	<u>59</u>
Departmental Revenue			
Treasurer - Investment Income	2,246	3,978	1,732
District Attorney	19,200	19,284	84
Building Maintenance	96,609	94,298	(2,311)
Registry of Deeds	428,000	457,718	29,718
Probate Court	112,875	124,868	11,993
Sheriff	199,313	209,825	10,512
	<u>858,243</u>	<u>909,971</u>	<u>51,728</u>
Other Local Sources			
Miscellaneous	13,200	26,980	13,780
	<u>13,200</u>	<u>26,980</u>	<u>13,780</u>
Operating Transfers In			
Transfers from Grants			-
Transfers from Reserves			-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	4,880,665	<u>4,946,232</u>	<u>65,567</u>
Fund Balance Used to Calculate Assessments			
Total	<u>4,880,665</u>		

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2
Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personal Services	167,947	158,513	9,434
Contractual Services	11,687	11,296	391
Commodities	3,490	2,647	843
	<hr/>		
	183,124	172,456	10,668
District Attorney			
Personal Services	261,454	260,549	905
Contractual Services	40,429	35,605	4,824
Commodities	21,225	13,037	8,188
Capital Outlay			-
	<hr/>		
	323,108	309,191	13,917
Administration and IT			
Personal Services	277,991	269,742	8,249
Contractual Services	194,956	181,265	13,691
Commodities	10,800	9,814	986
Capital Outlay			-
	<hr/>		
	483,747	460,821	22,926
Finance			
Personal Services	224,780	210,880	13,900
Contractual Services	41,653	43,930	(2,277)
Commodities	4,000	4,582	(582)
	<hr/>		
	270,433	259,392	11,041
Building Maintenance			
Contractual Services	189,030	188,560	470
Commodities	91,350	65,060	26,290
Capital Outlay	72,127	71,124	1,003
	<hr/>		
	352,507	324,744	27,763
Building Maintenance 301 Park St.			
Contractual Services	64,439	54,597	9,842
Commodities	7,900	5,618	2,282
	<hr/>		
	72,339	60,215	12,124
Debt Service			
Jail Bond Principal	170,000	170,000	-
Jail Bond Interest	44,132	44,132	-
Interest - Tax Anticipation Note	6,000	5,720	280
	<hr/>		
	220,132	219,852	280

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2
Page 2 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Registry of Deeds			
Personal Services	182,295	182,372	(77)
Contractual Services	61,755	60,057	1,698
Commodities	2,050	2,289	(239)
	<hr/> 246,100	<hr/> 244,718	<hr/> 1,382
Probate Court			
Personal Services	219,792	220,410	(618)
Contractual Services	20,080	17,020	3,060
Commodities	4,882	7,224	(2,342)
	<hr/> 244,754	<hr/> 244,654	<hr/> 100
Sheriff's Patrol			
Personal Services	1,754,864	1,739,141	15,723
Contractual Services	128,106	117,262	10,844
Commodities	58,250	57,403	847
Capital Outlay	90,000	85,099	4,901
	<hr/> 2,031,220	<hr/> 1,998,905	<hr/> 32,315
Other			
Knox-Lincoln Extension Service	57,042	57,042	-
Knox-Lincoln Soil & Water	26,673	26,673	-
Eastern Maine Development	2,500	2,500	-
Insurance	91,000	89,444	1,556
Overlay	142,962		142,962
	<hr/> 320,177	<hr/> 175,659	<hr/> 144,518
Transfers Out			
DA Grant	133,024	133,024	-
Grants		80	(80)
Reserves		510,000	(510,000)
	<hr/> 133,024	<hr/> 643,104	<hr/> (510,080)
Total Appropriations	<hr/> <hr/> 4,880,665	<hr/> <hr/> 5,113,711	<hr/> <hr/> (233,046)

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Exhibit A-3

Unassigned Fund Balance January 1	1,049,578	
Unassigned Fund Balance December 31	<u>882,099</u>	
Increase (Decrease)		<u><u>(167,479)</u></u>

Analysis of Change

Budget Surplus (Deficit) Revenue Deficit (Exhibit A-1)	65,567	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>(233,046)</u>	
Budget Surplus (Deficit)		<u>(167,479)</u>
Deductions Fund Balance Used to Calculate Assessments		<u>-</u>
Increase (Decrease)		<u><u>(167,479)</u></u>

***Reconciliation Between General Unassigned Fund Balance
and Exhibit C Unassigned Fund Balance:**

General Fund Unassigned Fund Balance - Exhibit A-3	882,099
Jail Fund	312,282
Airport Fund	23,757
Dispatch Fund	<u>247,795</u>
Total Unassigned Fund Balance Exhibit C	<u><u>1,465,933</u></u>

COUNTY OF KNOX
 ALL GENERAL RESERVES
 BALANCE SHEET
 DECEMBER 31, 2016

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	117,843			175,365		293,208
Investments	476,952					476,952
Accounts Receivable	99	6,548	34,565		175	41,387
Due from Other Funds	50,000	570,658	4,559		275,592	900,809
Total Assets	644,894	577,206	39,124	175,365	275,767	1,712,356
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Accrued Salaries		81,271	11,262		27,972	120,505
Accounts Payable			4,105			4,105
Due to Other Funds	53,561					53,561
Deferred Revenues		183,653		30,900		214,553
Total Liabilities	53,561	264,924	15,367	30,900	27,972	392,724
Fund Balances						
Committed	591,333					591,333
Assigned				144,465		144,465
Unassigned		312,282	23,757		247,795	583,834
Total Fund Balances	591,333	312,282	23,757	144,465	247,795	1,319,632
Total Liabilities and Fund Balances	644,894	577,206	39,124	175,365	275,767	1,712,356

COUNTY OF KNOX
 ALL GENERAL RESERVES
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-5

	<i>General Reserves Exhibit A-6</i>	<i>Jail Fund Exhibit A-7</i>	<i>Airport Fund Exhibit A-8</i>	<i>Inmate Fund</i>	<i>Dispatch Fund Exhibit A-9</i>	<i>Totals Totals</i>
Revenues						
Assessments		3,284,361	105,565		1,030,898	4,420,824
Intergovernmental Revenues						
Federal		6,400	52,640			59,040
State		585,141				585,141
Interest	8,571					8,571
Fair Value Increase (Decrease)	(8,161)					(8,161)
Other Local Sources	210,999	2,268	423,475	51,200	395	688,337
Total Revenues	<u>211,409</u>	<u>3,878,170</u>	<u>581,680</u>	<u>51,200</u>	<u>1,031,293</u>	<u>5,753,752</u>
Expenditures						
Personnel Services		2,495,058	346,841		795,975	3,637,874
Contract Services		719,929	163,989		137,939	1,021,857
Commodities		142,840	26,116		10,663	179,619
Capital Outlay		35,180	12,040		22,856	70,076
Maintenance and Supplies				29,678		29,678
Reserve Funds	184,055					184,055
Total Expenditures	<u>184,055</u>	<u>3,393,007</u>	<u>548,986</u>	<u>29,678</u>	<u>967,433</u>	<u>5,123,159</u>
Excess of Revenues Over (Under) Expenditures	<u>27,354</u>	<u>485,163</u>	<u>32,694</u>	<u>21,522</u>	<u>63,860</u>	<u>630,593</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	150,000	79,281				229,281
Transfers to Other Funds	-	(510,507)	(46,126)	(79,281)	(50,000)	(685,914)
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>(431,226)</u>	<u>(46,126)</u>	<u>(79,281)</u>	<u>(50,000)</u>	<u>(456,633)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>177,354</u>	<u>53,937</u>	<u>(13,432)</u>	<u>(57,759)</u>	<u>13,860</u>	<u>173,960</u>
Fund Balance - January 1	<u>413,979</u>	<u>258,345</u>	<u>37,189</u>	<u>202,224</u>	<u>233,935</u>	<u>1,145,672</u>
Fund Balance - December 31	<u><u>591,333</u></u>	<u><u>312,282</u></u>	<u><u>23,757</u></u>	<u><u>144,465</u></u>	<u><u>247,795</u></u>	<u><u>1,319,632</u></u>

COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2016

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	7,148			122	(54)		(2,659)	4,557
Contingency	666		100,000	1,013	(2,252)			99,427
Courthouse Computer	10,070			194	(163)			10,101
DARE Program	987	1,084		13	9		(1,995)	98
Deeds Surcharge	30,245	26,409		670	(165)		(25,987)	31,172
Dispatch Computer	5,173		7,000	84	(35)		(1,634)	10,588
Dispatch Miscellaneous	1,950		43,000	38	(32)			44,956
Dispatch Professional Services	1,900			37	(31)			1,906
EMA Disaster Fund	19,100			368	(311)			19,157
Forfeiture Money - State	73,754	8,038		1,430	(1,209)		(17,604)	64,409
Generator Reserve	38,779	7,169		753	(891)			45,810
Health Insurance	14,896			286	(242)			14,940
Jail Community Based	40,132	157,416		259			(133,426)	64,381
Jail Computer	7,256			139	(118)			7,277
Jail Professional Services	23,443			462	(210)		(750)	22,945
Jail Training	8,045			155	(131)			8,069
Legal	20,615			397	(335)			20,677
Matching Grant Funds	20,588			397	(335)			20,650
Orthoimagery	3,430			67	(56)			3,441
Probate Surcharge	29,671	3,300		589	(564)			32,996
Resignation Benefits	13,603			262	(221)			13,644
Retirement	18,869	7,583		381	(430)			26,403
Security Deposit	835			16	(14)			837
Sheriff's Computer	10							10
Unemployment	22,814			439	(371)			22,882
Total	413,979	210,999	150,000	8,571	(8,161)	-	(184,055)	591,333

COUNTY OF KNOX

Exhibit A-7

JAIL FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,284,361	3,284,361	3,284,361	-
Intergovernmental Revenues	377,991	377,991	591,541	213,550
Other Local Sources	741	741	2,268	1,527
Total Revenues	3,663,093	3,663,093	3,878,170	215,077
Expenditures				
Personnel Services	2,731,273	2,731,273	2,495,058	236,215
Contractual	787,640	787,640	719,929	67,711
Commodities	154,997	154,997	142,840	12,157
Capital	72,786	72,786	35,180	37,606
Total Expenditures	3,746,696	3,746,696	3,393,007	353,689
Excess Revenues Over Expenditures	(83,603)	(83,603)	485,163	568,766
Other Financing Sources (Uses)				
Transfers from Other Funds	83,603	83,603	79,281	(4,322)
Transfers to Other Funds			(510,507)	(510,507)
Total Other Financing Sources (Uses)	83,603	83,603	(431,226)	(514,829)
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>-</u>	<u>-</u>	53,937	<u>53,937</u>
Unassigned Fund Balance - January 1			<u>258,345</u>	
Unassigned Fund Balance - December 31			<u>312,282</u>	

COUNTY OF KNOX
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-8

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	105,565	105,565	105,565	-
Intergovernmental Revenues	72,000	72,000	52,640	(19,360)
Other Local Sources	398,500	398,500	423,475	24,975
Total Revenues	576,065	576,065	581,680	5,615
Expenditures				
Personnel Services	367,111	367,111	346,841	20,270
Contractual	151,569	151,569	163,989	(12,420)
Commodities	23,385	23,385	26,116	(2,731)
Capital	34,000	34,000	12,040	21,960
Total Expenditures	576,065	576,065	548,986	27,079
Excess Revenues Over Expenditures	-	-	32,694	32,694
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds			(46,126)	(46,126)
Total Other Financing Sources (Uses)	-	-	(46,126)	(46,126)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	(13,432)	(13,432)
Unassigned Fund Balance - January 1			37,189	
Unassigned Fund Balance - December 31			23,757	

COUNTY OF KNOX
DISPATCH FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-9

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	1,030,897	1,030,897	1,030,898	1
Other Local Sources			395	395
Total Revenues	<u>1,030,897</u>	<u>1,030,897</u>	<u>1,031,293</u>	<u>396</u>
Expenditures				
Personnel Services	878,379	878,379	795,975	82,404
Contractual	143,258	143,258	137,939	5,319
Commodities	9,260	9,260	10,663	(1,403)
Capital			22,856	(22,856)
Total Expenditures	<u>1,030,897</u>	<u>1,030,897</u>	<u>967,433</u>	<u>63,464</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>63,860</u>	<u>63,860</u>
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds			(50,000)	(50,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>13,860</u>	<u>13,860</u>
Unassigned Fund Balance - January 1			<u>233,935</u>	
Unassigned Fund Balance - December 31			<u>247,795</u>	

COUNTY OF KNOX
 GRANT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2016

Exhibit B-1

<i>Assets</i>	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>MMA Safety Grant</i>	<i>Drive Sober Grant</i>	<i>Bullet Proof Vest Grant</i>	<i>Totals</i>
Cash and Equivalents			87,332				87,332
Due from Other Governments			11,567	1,320	500	318	13,705
Due from Other Funds	548	5,210					5,758
Total Assets	548	5,210	98,899	1,320	500	318	106,795
 <i>Liabilities and Fund Balances</i>							
Liabilities							
Due to Other Funds			3,014	1,320	500	318	5,152
Total Liabilities	-	-	3,014	1,320	500	318	5,152
Fund Balances							
Restricted	548	5,210	95,885				101,643
Unassigned							
Total Fund Balances	548	5,210	95,885	-	-	-	101,643
Total Liabilities and Fund Balances	548	5,210	98,899	1,320	500	318	106,795

COUNTY OF KNOX
 ALL SPECIAL REVENUE FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit B-2
 Page 1 of 2

	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Byrne Jag Grant</i>	<i>MMA Safety Grant</i>	<i>Drive Sober Grant</i>
Revenues						
Intergovernmental Revenues						
Federal		53,125	78,963	5,308		17,634
State			3,340			
Local Sources	3,640				3,320	
Interest			313			
Total Revenues	3,640	53,125	82,616	5,308	3,320	17,634
Expenditures						
Personnel Services		148,190	3,785		3,400	17,634
Contract Services		1,122	707			
Commodities				3,308		
Other	3,548	35,415	104,305	2,000		
Total Expenditures	3,548	184,727	108,797	5,308	3,400	17,634
Excess of Revenues Over (Under) Expenditures	92	(131,602)	(26,181)	-	(80)	-
Other Financing Sources (Uses)						
Transfers from Other Funds		133,024			80	
Transfers to Other funds						
Total Other Financing Sources (Uses)	-	133,024	-	-	80	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	92	1,422	(26,181)	-	-	-
Fund Balance - January 1	456	3,788	122,066			
Fund Balance - December 31	548	5,210	95,885	-	-	-

COUNTY OF KNOX
 ALL SPECIAL REVENUE FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit B-2
 Page 2 of 2

	<i>Pen Bay YMCA Party Patrols</i>	<i>Underage Drinking Grant</i>	<i>Data Driven Speed Enforcement</i>	<i>Bullet Proof Vest Grant</i>	<i>CIOT HVE Campaign Safety Belt</i>	<i>Totals</i>
Revenues						
Intergovernmental Revenues						
Federal		1,200	8,700	2,209	9,550	176,689
State						3,340
Local Sources	1,000					7,960
Interest						313
Total Revenues	1,000	1,200	8,700	2,209	9,550	188,302
Expenditures						
Personnel Services	1,000	1,200			9,550	184,759
Contract Services						1,829
Commodities						3,308
Other			8,700	2,209		156,177
Total Expenditures	1,000	1,200	8,700	2,209	9,550	346,073
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-	(157,771)
Other Financing Sources (Uses)						
Transfers from Other Funds						133,104
Transfers to Other Funds						-
Total Other Financing Sources (Uses)	-	-	-	-	-	133,104
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-	-	(24,667)
Fund Balance - January 1						126,310
Fund Balance - December 31	-	-	-	-	-	101,643

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2016

Exhibit C-1
 Page 1 of 2

<i>Assets</i>	<i>Airport Misc. Proj #52</i>	<i>Snow Removal Equipment Building</i>	<i>Airport Obstruction Removal</i>	<i>Airport Design & Permitting</i>	<i>Airport Environmental Assessment</i>
Cash and Equivalents					
Investments					
Accounts Receivable					
Prepaid Expenditures					
Due From Other Funds					
Due from Other Governments	40,481	192,332			8,429
Total Assets	40,481	192,332	-	-	8,429
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable	14,118	31,698			
Due to Other Funds	26,363	160,634	635	190	8,429
Total Liabilities	40,481	192,332	635	190	8,429
Fund Balances					
Restricted					
Committed					
Unassigned			(635)	(190)	
Total Fund Balances	-	-	(635)	(190)	-
Total Liabilities and Fund Balances	40,481	192,332	-	-	8,429

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2016

Exhibit C-1
 Page 2 of 2

<i>Assets</i>	<i>Airport Passenger Facility</i>	<i>Airport Rehabilitate Runway</i>	<i>Airport Lights Project</i>	<i>Capital Improvements</i>	<i>Totals</i>
Cash and Equivalents	33,181			6,055	39,236
Investments				217,082	217,082
Accounts Receivable	2,799				2,799
Prepaid Expenditures			14,502		14,502
Due from Other Funds				820,506	820,506
Due from Other Governments		171,518			412,760
Total Assets	35,980	171,518	14,502	1,043,643	1,506,885
 <i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					45,816
Due to Other Funds	9,341	171,518	14,502	28,475	420,087
Total Liabilities	9,341	171,518	14,502	28,475	465,903
 Fund Balances					
Restricted	26,639				26,639
Committed				1,015,168	1,015,168
Unassigned					(825)
Total Fund Balances	26,639	-	-	1,015,168	1,040,982
Total Liabilities and Fund Balances	35,980	171,518	14,502	1,043,643	1,506,885

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

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 #52</i>	<i>Airport Misc. Proj. Roads</i>
Revenues							
Intergovernmental Revenues							
Federal						237,133	
State						13,174	
Local Sources							
Total Revenues	-	-	-	-	-	250,307	-
Expenditures							
Engineering Services						76,944	
Construction						183,956	
Professional Services							
All Other						2,581	
Total Expenditures	-	-	-	-	-	263,481	0
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-	(13,174)	0
Other Financing Sources (Uses)							
Transfers from Other Funds	392	513	649	351	514	13,174	496
Transfers to Other Funds							
Total Other Financing Sources (Uses)	392	513	649	351	514	13,174	496
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	392	513	649	351	514	-	496
Fund Balance - January 1	(392)	(513)	(649)	(351)	(514)		(496)
Fund Balance - December 31	-	-	-	-	-	-	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

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 Environmental Assessment</i>	<i>Airport Master Plan Update</i>
Revenues							
Intergovernmental Revenues							
Federal	446,748					87,792	351
State	24,819					4,877	
Local Sources							
Total Revenues	471,567	-	-	-	-	92,669	351
Expenditures							
Engineering Services	12,751					94,405	
Construction	478,673						
Professional Services	868	668		200			
All Other	4,094					3,141	
Total Expenditures	496,386	668	-	200	-	97,546	-
Excess of Revenues Over (Under) Expenditures	(24,819)	(668)	-	(200)	-	(4,877)	351
Other Financing Sources (Uses)							
Transfers from Other Funds	28,103	518	687	1,093	104	4,877	
Transfers to Other Funds							
Total Other Financing Sources (Uses)	28,103	518	687	1,093	104	4,877	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,284	(150)	687	893	104	-	351
Fund Balance - January 1	(3,284)	(485)	(687)	(1,083)	(104)		(351)
Fund Balance - December 31	-	(635)	-	(190)	-	-	-

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit C-2
 Page 3 of 3

	<i>Airport Snow Removal Truck & Trailer</i>	<i>Airport Aviation Easements</i>	<i>Airport Passenger Facility</i>	<i>Airport Rehabilitate Runway</i>	<i>Miscellaneous Airport Improvement</i>	<i>Building Envelope</i>	<i>Capital Improvements</i>	<i>Totals</i>
Revenues								
Intergovernmental Revenues								
Federal			29,488	44,670				846,182
State				2,482				45,352
Local Sources			105			279	19,208	19,592
Total Revenues	-	-	29,593	47,152	-	279	19,208	911,126
Expenditures								
Engineering Services				30,341		55,275		269,716
Construction				10,744		512,084		1,185,457
Professional Services				1,420		7,920		11,076
All Other							105,103	114,919
Total Expenditures	-	-	-	42,505	-	575,279	105,103	1,581,168
Excess of Revenues Over (Under) Expenditures	-	-	29,593	4,647	-	(575,000)	(85,895)	(670,042)
Other Financing Sources (Uses)								
Lease Proceeds						575,000		575,000
Transfers from Other Funds	379	442		2,949	1,436		966,633	1,023,310
Transfers to Other Funds			(2,954)	(7,596)			(46,127)	(56,677)
Total Other Financing Sources (Uses)	379	442	(2,954)	(4,647)	1,436	575,000	920,506	1,541,633
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	379	442	26,639	-	1,436	-	834,611	871,591
Fund Balance - January 1	(379)	(442)	-		(1,436)		180,557	169,391
Fund Balance - December 31	-	-	26,639	-	-	-	1,015,168	1,040,982

COUNTY OF KNOX
 CAPITAL IMPROVEMENTS
 STATEMENT OF ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit C-3

<i>Reserve Fund</i>	<i>Fund Balance</i> <i>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	967		400,000	545	(1,043)		(60,503)	339,966
Forfeiture Money - Federal	44,531	6,050		74			(44,600)	6,055
Jail Capital	101,194		497,687	1,948	(1,646)			599,183
Jail Vehicle	9,406	5,040	12,820	196	(270)			27,192
Sheriff's Vehicle	10,681	8,315	10,000	225	(355)			28,866
Airport	13,778			545	(461)			13,862
Airport Miscellaneous Equipment	-			270	(226)			44
Airport Projects	-		46,126	1		(46,127)		-
Total	180,557	19,405	966,633	3,804	(4,001)	(46,127)	(105,103)	1,015,168

COUNTY OF KNOX
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit D-1

	<i>Balance January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance December 31</i>
<i>Inmates Fund</i>				
<i>Assets</i>				
Cash and Equivalents	21,303	125,922	(132,980)	14,245
<i>Liabilities</i>				
Due to Inmates	21,303	125,922	(132,980)	14,245

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

June 20, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the County of Knox, Maine's basic financial statements and have issued our report thereon dated June 20, 2017.

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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

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

June 20, 2017

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, 2016. The County of Knox, Maine's major federal program 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, 2016.

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, 2016

No Prior Audit Findings

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified 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 unmodified 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, 2016

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				
2017 Evidence Based Impaired Driving HVE	20.600	ID17-042	20,500	17,634
2016 Data Driven Speed Enforcement	20.600	PT 16-037	9,000	8,700
2016 CIOT HV Enforcement	20.609	OP16-048	15,200	9,550
			<u>44,700</u>	<u>35,884</u>
Federal Aviation Administration				
Airport Improvements - Snow Removal Equip. Bld.	* 20.106	3-23-0042-47-2014	880,200	446,748
Airport Improvements - Rehabilitate Runway	* 20.106	3-23-0042-50-2015	1,790,540	44,670
Airport Improvements - Environmental	* 20.106	3-23-0042-51-2016	93,600	87,792
Airport Improvements - Misc. Projects #52	* 20.106	3-23-0042-38-2012	250,200	237,133
Airport Improvements - Passenger Facility Fees	* 20.106		30,669	30,669
Total Federal Aviation Administration			<u>3,045,209</u>	<u>847,012</u>
Total U.S. Department of Transportation			<u>3,089,909</u>	<u>882,896</u>
U.S. Department of Homeland Security				
Airport Security	97.075	HSTS02-13-HSLR807	52,640	52,640
			<u>52,640</u>	<u>52,640</u>
Passed Through Maine Emergency Management Agency				
EMA Project Reimbursement	97.067	EMW-2014-EP-00069	133,904	22,838

COUNTY OF KNOX
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

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	40,154
2016 Homeland Security	97.067	EMW-2016-SS-00080	71,865	9,251
2014 Homeland Security	97.067	EMW-2014-SS-00061	71,440	31,951
Hazard Mitigation Planning	97.067	DMC-PL-01-ME-2015-00	15,000	110
			<u>360,051</u>	<u>104,304</u>
Total U.S. Department of Homeland Security			<u>412,691</u>	<u>156,944</u>
U.S. Department of Justice Passed Through Maine				
Department of Human Services				
Byrne/JAG Grant	16.738	KNX 01-14	5,308	5,308
Bullet Proof Vest Grant	16.607		2,475	2,209
Crime Victims Assistance	16.575	OVP-16-2305	52,500	39,375
Crime Victims Assistance	16.575	OVP-17-2304	55,000	13,750
Total U.S. Department of Justice			<u>115,283</u>	<u>60,642</u>
Total			<u><u>3,617,883</u></u>	<u><u>1,100,482</u></u>

**COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016. 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. The County did not elect to use the 10% de minimis indirect cost rate.

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.