

COUNTY OF KNOX, MAINE

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

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2018*

*COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2018*

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James W. Wadman

Certified Public Accountant

Telephone 207-667-6500

Facsimile 207-667-3636

James W. Wadman, C.P.A.

Ronald C. Bean, C.P.A.

Kellie M. Bowden, C.P.A.

Wanese L. Lynch, C.P.A.

Amy E. Atherton, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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 (the County) as of and for the year ended December 31, 2018, 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, 2018, 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, pension, and other post-employment benefit disclosure schedules on pages 3-8, 43, and 44-46 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 24, 2019, 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
June 24, 2019

County of Knox
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018

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, 2018. 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 and related subsequent statements.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net position – The assets of the County exceeded its liabilities at fiscal year ending December 31, 2018 by \$31,245,586 (presented as “net position”). Of this amount, \$2,136,279 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 \$477,267 (a 2 % increase) for the fiscal year ended December 31, 2018.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2018; the County's governmental funds reported a combined ending fund balance of \$3,288,017 with \$1,987,243 being general, jail, airport, and dispatch unassigned fund balance. This unassigned fund balance represents approximately 19% of the total general, jail, airport and dispatch funds expenditures for the year. The remaining \$1,275,117 general unassigned fund balance represents 25% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$165,000 (10%) during the current fiscal year. No new debt obligations were issued. 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 26-27 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 16-42 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 43-49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

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

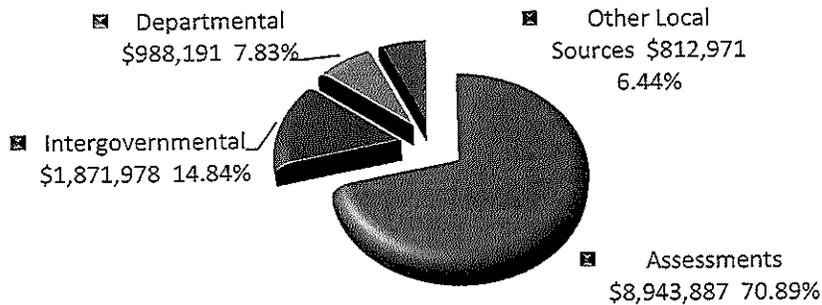
	<u>Total 2018</u>	<u>Total 2017</u>
Current Assets	3,895,006	3,742,502
Capital Assets	32,769,759	30,346,086
Total Assets	<u>36,664,765</u>	<u>34,088,588</u>
 <i>Total Deferred Outflows of Resources</i>	 <u>282,383</u>	 <u>540,703</u>
 <i>Total Assets and Deferred Outflows of Resources</i>	 <u>36,947,148</u>	 <u>34,629,291</u>
Other Liabilities	1,338,388	2,171,334
Long-Term Liabilities	4,230,014	1,902,761
Total Liabilities	<u>5,568,402</u>	<u>4,074,095</u>
Related to Pensions	133,160	223,169
Total Deferred Inflows of Resources	<u>133,160</u>	<u>223,169</u>
 <i>Net Position:</i>		
Net Investment in Capital Assets	29,045,055	28,054,165
Restricted	64,252	77,680
Unrestricted	2,136,279	2,200,182
Total Net Position	<u>31,245,586</u>	<u>30,332,027</u>
 <i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	 <u>36,947,148</u>	 <u>34,629,291</u>

Changes in Net position

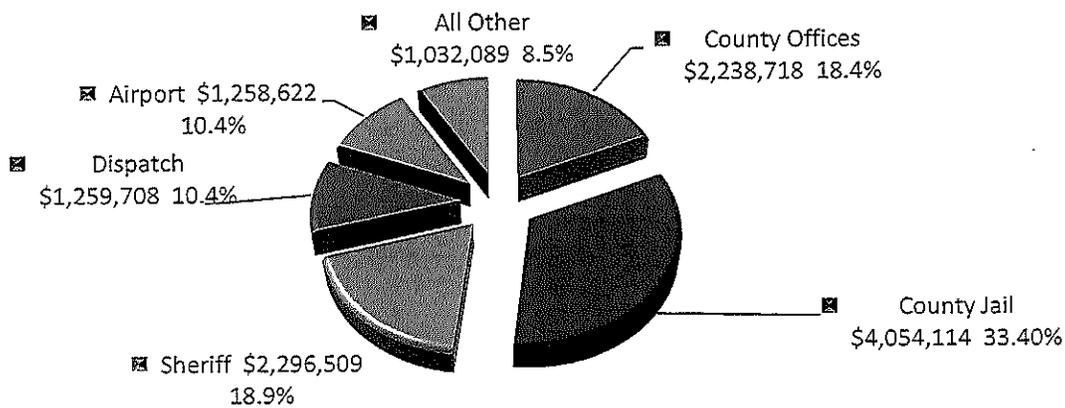
Approximately 71 percent of the County's total revenue came from assessments, approximately 15 percent came from State subsidies and grants, and approximately 14 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$1,132,452 of the total expenditures for the fiscal year.

	<u>Total 2018</u>	<u>Total 2017</u>
<i>Revenues:</i>		
District Assessments	8,943,887	8,495,645
Intergovernmental Revenues	1,871,978	2,866,845
Departmental Revenues	988,191	935,998
Other Local Sources	804,331	753,560
Gain on Sale of Assets	8,640	
<i>Total</i>	<u>12,617,027</u>	<u>13,052,048</u>
 <i>Expenses:</i>		
Emergency Management Agency	314,315	336,019
District Attorney	530,615	507,583
Administration & Information Tech.	563,423	526,264
County Finance	289,801	287,662
Building Maintenance	235,088	283,769
Building Maintenance - 301 Park St.	83,402	113,224
Debt Service	50,333	46,437
County Jail	4,054,114	3,984,210
Registry of Deeds	276,750	242,130
Probate Court	263,814	256,991
Sheriff's Patrol	2,296,509	2,306,748
Dispatch	1,259,708	1,173,001
Airport	1,258,622	1,246,964
Other Post-Employment Benefits	488,432	49,011
All Other	174,834	177,890
	<u>12,139,760</u>	<u>11,537,903</u>
<i>Changes in Net Position</i>	<u>477,267</u>	<u>1,514,145</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 \$3,288,017 an increase of \$197,511 in comparison with the prior year. 60% 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:

- \$31,901 positive variance in emergency management agency revenues. The variance is due to percentage of debt service for public safety building.
- \$37,562 positive variance in registry of deeds revenues. The variance is due to additional recordings.
- \$30,799 negative variance in sheriff income. The variance is due to elimination of shellfish warden position.
- \$41,417 positive variance in sheriff personnel services. The variance is due to elimination of shellfish warden position and open deputy positions.
- \$47,329 positive variance in jail intergovernmental revenues. The variance is due to funding from Department of Corrections allocated to operating account vs. program account.
- \$26,336 positive variance in jail personnel services. The variance is due to open positions and the transfer of \$16,756 to retirement reserve.
- \$41,773 negative variance in jail contracted services. The variance is due to legal costs.
- \$120,802 positive variance in jail capital. The variance is due to transfer of \$126,618 to maintenance and vehicle reserves.
- \$77,944 positive variance in airport other local sources revenues. The variance is due to higher excise tax, Cape Air landings, and Downeast air.
- \$36,158 positive variance in airport personnel services. The variance is due to open security supervisor position.
- \$38,598 negative variance in airport contractual. The variance is due to runway maintenance, electricity, building repairs & maintenance, and gas more than budgeted.
- \$41,500 positive variance in airport capital. The variance is due to transfer of \$41,500 to airport projects and equipment reserves.
- \$41,528 positive variance in dispatch personnel services. The variance is due to open positions.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$45,752,630 net of accumulated depreciation of \$12,982,871 leaving a net book value of \$32,769,759.

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, 2018

Exhibit A

<i>Assets and Deferred Outflow of Resources</i>	<u>Governmental Activities</u>
Cash and Equivalents	2,118,778
Investments	971,791
Accounts Receivable	250,044
Prepaid Expenditures	41,100
Due from Other Governments	513,293
Capital Assets:	
Land	2,780,344
Other Capital Assets, Net of Depreciation	29,989,415
Total Assets	<u>36,664,765</u>
 <i>Deferred Outflows of Resources</i>	
Related to Pensions	231,829
Related to Post Employment Benefits Obligation	50,554
Total Deferred Outflows of Resources	<u>282,383</u>
 <i>Total Assets and Deferred Outflows of Resources</i>	<u>36,947,148</u>
 <i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Liabilities	
Accounts Payable	12,069
Retainage Payable	91,994
Accrued Salaries	282,271
Compensated Absences	631,413
Long-term Liabilities:	
Net Post Employment Benefits Obligation	565,079
Net Pension Liability	260,872
Due Within One Year	320,641
Due in More Than One Year	3,404,063
Total Liabilities	<u>5,568,402</u>
 <i>Deferred Inflows of Resources:</i>	
Related to Pensions	110,242
Related to Post Employment Benefits Obligation	22,918
Total Deferred Inflows of Resources	<u>133,160</u>
 Net Position	
Net Investment in Capital Assets	29,045,055
Restricted Net Position	64,252
Unrestricted	2,136,279
Total Net Position	<u>31,245,586</u>
 <i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	<u>36,947,148</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, 2018

Functions/Programs Primary Government	Program Revenues			Total
	Expenses	Fees, Fines, and Charges for Services	Operating Grants	
				Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities</u>				
Emergency Management Agency	314,315	6,810	139,167	(168,338)
District Attorney	530,615	23,715	55,000	(451,900)
Administration and Information Technology	563,423			(563,423)
County Treasurer	289,801	15,379	420	(274,422)
Building Maintenance	235,088	99,461		(135,207)
Building Maintenance - 301 Park St.	83,402			(83,402)
Debt Service	50,333			(50,333)
County Jail	4,054,114	23,430	569,346	(3,461,338)
Registry of Deeds	276,750			(276,750)
Probate Court	263,814	138,685		(125,129)
Sheriff's Patrol	2,296,509	259,241	31,285	(2,005,983)
Dispatch	1,259,708			(1,259,708)
Annual Post Employment Benefit Costs	488,432			(488,432)
Airport	1,258,622	524,584	54,750	(679,288)
All Other	174,834			(174,834)
<u>Total Governmental Activities</u>	<u>12,139,760</u>	<u>1,091,305</u>	<u>849,968</u>	<u>(10,198,487)</u>
<u>Total Primary Government</u>	<u>12,139,760</u>	<u>1,091,305</u>	<u>849,968</u>	<u>(10,198,487)</u>
<u>General Revenues:</u>				
Assessments				8,943,887
Registry of Deeds Fees				494,169
Airport Federal and State Grants for Capital Assets & Infrastructure				1,084,777
Emergency Management Federal Grant for Capital Assets				44,285
Gain on Sale of Capital Assets				8,640
Other Local Sources				99,996
<u>Total Revenues, Special Items and Transfers</u>				<u>10,675,754</u>
<u>Changes in Net Position</u>				<u>477,267</u>
<u>Net Position - Beginning</u>				<u>30,768,319</u>
<u>Net Position - Ending</u>				<u>31,245,586</u>

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

Exhibit C
Page 1 of 2

Assets	General Fund	Airport		Airport Extend Runway Phase II	Capital Improvements	Other		Total
		Extend Runway	Extend Runway			Governmental	Funds	
Cash and Equivalents	2,048,552			222,831	133	70,093		2,118,778
Investments	488,966				482,825			971,791
Accounts Receivable	235,243				1,860	12,941		250,044
Prepaid Expenditure	14,679					26,421		41,100
Due from Other Funds	1,039,107				126,618	9,652		1,175,377
Due from Other Governments	250,183	250,183		222,831		40,279		513,293
Total Assets	3,826,547	250,183		222,831	611,436	159,386		5,070,383
Liabilities								
Accounts Payable	12,069							12,069
Retainage Payable			91,994					91,994
Accrued Salaries	282,271							282,271
Due to Other Funds	677,843	250,183		130,837	21,112	95,402		1,175,377
Total Liabilities	972,183	250,183		222,831	21,112	95,402		1,561,711
Deferred Inflows of Resources:								
Unavailable Revenues	220,655							220,655
Total Deferred Inflows of Resources	220,655							220,655
Fund Balances								
Restricted						64,252		64,252
Committed	567,811				590,324			1,158,135
Assigned	78,655							78,655
Unassigned	1,987,243					(268)		1,986,975
Total Fund Balances	2,633,709				590,324	63,984		3,288,017
Total Liabilities, Deferred Inflows of Resources, and Fund Balances								
	3,826,547	250,183		222,831	611,436	159,386		5,070,383

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

Exhibit C
Page 2 of 2

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

Total Fund Balance	3,288,017
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$12,982,871	32,769,759
Deferred outflows of resources related to pension plans	231,829
Deferred outflows of resources related to post employment benefits obligation	50,554
Deferred inflows of resources related to pension plans	(110,242)
Deferred inflows of resources related to post employment benefits obligation	(22,918)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Bonds Payable	(1,485,000)
Unavailable Revenues - Jail	220,655
Lease Payable	(2,239,704)
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	(565,079)
Net Pension Liability	(260,872)
Accrued Compensated Absences	(631,413)
Net Position of Governmental Activities	<u>31,245,586</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, 2018

	General Fund	Airport Extend Runway	Airport Extend Runway Phase II	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Assessments	8,943,887					8,943,887
Intergovernmental Revenues	656,211	15,484	993,222		207,061	1,871,978
Departmental Revenues	986,965					986,965
Other Local Sources	735,384			66,782	10,805	812,971
Total Revenues	11,322,447	15,484	993,222	66,782	217,866	12,615,801
Expenditures						
Emergency Management Agency	195,969				67,858	263,827
District Attorney	334,007				194,061	528,068
Administration and Information Technology	538,121					538,121
County Treasurer	287,577					287,577
Building Maintenance	347,905			2,199,177	420	2,547,502
Building Maintenance - 301 Park St.	83,402					83,402
Debt Service	215,333					215,333
County Jail	3,932,333			86,579		4,018,912
Registry of Deeds	275,539					275,539
Probate Court	261,807					261,807
Sheriff's Patrol	2,196,782			67,681	22,653	2,287,116
Dispatch	1,156,708				8,632	1,165,340
Airport	579,060	25,317	1,050,741	1,855	53,939	1,710,912
All Other	171,623				3,211	174,834
Total Expenditures	10,576,166	25,317	1,050,741	2,355,292	350,774	14,358,290
Excess of Revenues Over (Under) Expenditures	746,281	(9,833)	(57,519)	(2,288,510)	(132,908)	(1,742,489)
Other Financing Sources (Uses)						
Lease Proceeds				1,940,000		1,940,000
Transfers from Other Funds	13,815	9,833	57,519	352,338	150,321	583,826
Transfers to Other Funds	(508,548)			(48,077)	(27,201)	(583,826)
Total Other Financing Sources (Uses)	(494,733)	9,833	57,519	2,244,261	123,120	1,940,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	251,548	-	-	(44,249)	(9,788)	197,511
Fund Balance - January 1	2,382,161			634,573	73,772	3,090,506
Fund Balance - December 31	2,633,709	-	-	590,324	63,984	3,288,017

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, 2018

Net change in fund balances - total governmental funds	197,511
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	3,556,124
Depreciation expense	(1,132,452)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Revenues - Jail	1,226
Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Bond principal payments	165,000
Capital lease principal payments	170,972
New capital lease	(1,940,000)
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:	
Pension Plans (Deferred Outflows, Net Pension Liability, Deferred Inflows)	21,088
Annual Post Employment Benefit Cost (Deferred Outflows, Net OPEB Liability, Deferred Inflows)	(488,432)
Accrued compensated absences	(73,770)
Change in net position of governmental activities	<u>477,267</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, 2018

Exhibit E

	Agency Fund		Totals
	Inmate Fund	DA Restitution	
<i>Assets</i>			
Cash and Equivalents	15,031	13,338	28,369
<i>Total Assets</i>	15,031	13,338	28,369
<i>Liabilities</i>			
Due to Victims		13,338	13,338
Due to Inmates	15,031		15,031
<i>Total Liabilities</i>	15,031	13,338	28,369

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest

*COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

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

The County reports the following major governmental funds:

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

The airport extend runway project accounts for all expenditures relating to Phase I of airport extending runway project.

The airport extend runway project Phase II accounts for all expenditures relating to Phase II of airport extending runway project.

The capital improvements fund accounts for all capital expenditures of the County.

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, 2018

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, 2018*

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 the System's fiduciary net position have been determined on the same basis as they are reported by the System. 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balances/Net position (continued)

Fund Balances

The County has identified December 31, 2018 fund balances on the balance sheet as follows:

	<i>General</i>	<i>Capital</i>	<i>Other</i>	
	<i>Fund</i>	<i>Improvements</i>	<i>Governmental</i>	<i>Total</i>
			<i>Funds</i>	
<u>Restricted</u>				
Victim/Witness Advocate Grant			9,652	9,652
Local Emergency Planning Committee			54,600	54,600
<u>Committed</u>				
General Reserves	567,811			567,811
Capital Improvements		590,324		590,324
<u>Assigned</u>				
Inmate Fund	78,655			78,655
<u>Unassigned</u>				
General Fund	1,275,117			1,275,117
Jail Fund	416,349			416,349
Airport Fund	86,748			86,748
Dispatch Fund	209,029			209,029
Wellness Grant			(110)	(110)
Airport Snow Removal Equip. Bld.			(54)	(54)
Airport Obstruction Removal			-	-
Airport Misc. Proj. #52			(49)	(49)
Airport Design & Permitting			-	-
Airport Environmental Assessment			(41)	(41)
Airport Master Plan Update			-	-
Airport Rehabilitate Runway			(14)	(14)
Total Fund Balance	2,633,709	590,324	63,984	3,288,017

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balances/Net position (continued)

related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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).

*COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018*

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Reserved For Contingency - General Fund

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

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

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

One or more of the financial institutions holding the County's cash accounts are participating in the FDIC Transaction Account Guarantee Program. All time and savings deposits owned by the Town's official custodian are insured up to \$250,000 by the FDIC. Separately, all demand deposits owned by the Town's official custodian are insured up to \$250,000 by the FDIC. Any time and savings deposits and demand 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 exist.

At year-end, the carrying value of the County's deposits was \$2,147,147 and the bank balance was \$2,943,700. Of the bank balance, \$406,158 was covered by federal depository insurance. The remaining \$2,537,542 was covered by the bank.

B. Investments

The County holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the County's mission, the county determines that the disclosures related to these investments only need to be disaggregated by major type. The County chooses a narrative format for the fair value disclosures.

The County categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input is quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2018:

- U.S. Treasury securities and common stock of \$971,791 are valued using quoted market prices (Level 1 inputs)

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS

B. Investments (continued)

Investment Policies

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

C. Assessments

The County's property tax assessment is levied and recognized annually on the assessment values for each municipality located in the county. Assessment values are established for each municipality by the state. For the year-ended December 31, 2018, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,221,150,000
Unorganized territories	19,550,000
	<hr/>
Total assessed valuation	7,240,700,000
Tax rate	<hr/> 0.0010753
Current tax commitment	<hr/> <hr/> \$ 7,785,934
Appropriations	10,882,257
Overlay	152,665
	<hr/> 11,034,922
Less:	
Estimated revenues	<hr/> (3,248,988)
Current tax commitment	<hr/> <hr/> \$ 7,785,934

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2018 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	13,821,597	2,314,825		16,136,422
Equipment	5,940,311	165,242	(96,157)	6,009,396
Infrastructure	19,750,412	1,076,058		20,826,470
<i>Total capital assets being depreciated</i>	39,512,320	3,556,125	(96,157)	42,972,288
<i>Less accumulated depreciation for</i>				
Buildings	4,061,677	327,833		4,389,510
Equipment	3,343,372	367,718	(96,157)	3,614,933
Infrastructure	4,541,529	436,901		4,978,430
<i>Total accumulated depreciation</i>	11,946,578	1,132,452	(96,157)	12,982,873
<i>Net capital assets being depreciated</i>	27,565,742	2,423,673	-	29,989,415
Governmental Activities Capital Assets, net	30,346,086	2,423,673	-	32,769,759

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

Governmental Activities

Emergency Management	48,172
District Attorney	518
County Commissioners	37,187
County Treasurer	106
Building Maintenance	57,136
County Jail	150,612
Probate Court	767
Sheriff's Patrol	116,764
Dispatch	91,910
Airport	629,280
Total Depreciation Expense - Governmental Activities	<u>1,132,452</u>

COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018

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>
2019	237,047
2020	237,048
2021	237,048
2022	237,047
2023	237,047
2024-2028	983,962
2029-2032	679,839
Total Minimum Lease Payments	<u>2,849,038</u>
Less: Amount Representing Interest	<u>609,334</u>
Present Value of Future Minimum Lease Payments	<u><u>2,239,704</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>1,485,000</u></u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 are as follows:

<i>Year Ended</i>	<i>General Obligation Bond</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
December 31,			
2019	165,000	32,381	197,381
2020	165,000	27,431	192,431
2021	165,000	24,131	189,131
2022	165,000	20,831	185,831
2023	165,000	17,531	182,531
2024-2027	660,000	36,300	696,300
Total	<u>1,485,000</u>	<u>158,605</u>	<u>1,643,605</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, 2018:

Long-term Debt payable January 1, 2018	1,650,000
Debt Issued	
Debt Retired	<u>(165,000)</u>
Long-term Debt payable December 31, 2018	<u>1,485,000</u>

G. Short-term Debt – Tax Anticipation Note

The County issues tax anticipation notes in advance of assessment collections, depositing the proceeds in its general fund. These notes are necessary because the County's payments are due during the first half of the year, whereas assessment collections are received shortly before September due dates. Short-term debt activity for the year ended December 31, 2018, was as follow:

	<i>Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Issued</i>	<i>Redeemed</i>	<i>Balance</i>
Tax anticipation note	-	3,722,000	(3,722,000)	-

COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2018, were as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	1,039,107	677,843
Special Revenue Funds		
Wellness Grant		110
Victim/Witness Advocate Grant	9,652	
Local Emergency Planning Committee		855
Capital Project Funds		
Airport Misc. Proj. #52		49
Airport Snow Removal Equip. Bld.		54
Airport Extend Runway Phase II		130,837
Airport Environmental Assessment		41
Airport Extend Runway		250,183
Airport RSA Improvement Project		66,700
Airport Passenger Facility		27,579
Airport Rehabilitate Runway		14
Capital Improvements	126,618	21,112
Totals	<u>1,175,377</u>	<u>1,175,377</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.

Transfers To/From Other Funds at December 31, 2018, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund	13,815	508,548
Special Revenue Funds		
Victim/Witness Advocate Grant	142,396	
Capital Projects		
Airport Obstruction Removal	37	
Airport Misc. Proj. #52		47
Airport Design & Permitting	14	
Airport Environmental Assessment	5,177	
Airport Extend Runway	9,833	
Airport Extend Runway Phase II	57,519	
Airport RSA Improvement Project	2,697	
Airport Passenger Facility		26,376
Airport Rehabilitate Runway		778
Capital Improvements	352,338	48,077
Totals	<u>583,826</u>	<u>583,826</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Interfund Receivables and Payables (continued)

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

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

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

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

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, excluding commission, are eligible to participate. Normal retirement age shall be 55.

Participants vesting requirements are fulfilled at 5 years of service. The County has contributed \$233,653 and the participants have contributed \$101,681 for the year-ended December 31, 2018.

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

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans (continued)

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. 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.

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 plan. Eligible employers (districts) are defined in Maine statute.

Pension Benefits

Benefit terms are established in Maine statute, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for 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 with other participating employers under applicable statutory provisions.

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 2.4%.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers 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, 2018, the member contribution rate was 9.5% for special – 3N plan for the year of applicable member compensation. The employer contribution rate was 7.5% for special –3N plan for first six months and 7.8% 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, 2018 and the previous two years are as follows:

<i>For the year ended</i>	<i>Employee</i>	<i>Employer</i>	<i>Applicable</i>			
<i>December 31,</i>	<i>Contributions</i>	<i>Contributions</i>	<i>Member</i>			
			<i>Compensation</i>			
2018	\$ 89,119	\$ 71,801	\$ 938,096			
2017	\$ 85,287	\$ 66,877	\$ 897,758			
2016	\$ 78,427	\$ 61,047	\$ 847,190			

Revenue Recognition

The Schedule of Employer Allocations for the PLD Consolidated Plan reflects current year employer contributions, adjusted to remove contributions related to employer specific liabilities to the Plan.

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

As of December 31, 2018, the County reported a net pension liability of \$260,872. The net pension liability was measured as of June 30, 2018, 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, 2018, the County's proportion was .121532%, which was a decrease of 0.007591% from its proportion measured at June 30, 2017.

For the fiscal year ended December 31, 2018, the County recognized pension expense of \$71,801. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	1,041	9,311
Changes in Assumption	53,087	-
Net Difference between projected between projected and actual earnings on pension plan investments		80,311
Changes in proportion and differences between employer contributions and proportionate share of contributions	140,154	20,620
Employer Contributions made subsequent to measurement date	37,547	
	<u>231,829</u>	<u>110,242</u>

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

<i>Year ended December 31,</i>					
2019	<u>173,435</u>				
2020	<u>(8,345)</u>				
2021	<u>(54,636)</u>				
2022	<u>(20,757)</u>				

Actuarial Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal cost method is used to develop costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each employee is the product of his pay and his normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of the short-term volatility in the market value. The specific technique adopted in this valuation

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payrolls using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Inflation	2.75%
Annual Salary Increases, Including Inflation	2.75-9%
Cost of Living Benefits Increases	1.91%
Investment Rate of Return	6.75%, per annum, compounded annually

Mortality Rates: For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

The long-term expected rate of return on pension plan investments was 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 weighting 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 target asset allocation as of June 30, 2018 are summarized in the following table:

		<i>Long-Term</i>
	<i>Target</i>	<i>Expected Real</i>
<i>Asset Class</i>	<i>Allocation</i>	<i>Rate of Return</i>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%
	100%	

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2018. 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 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 6.75% 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
	<i>(5.75%)</i>	<i>Rate (6.75%)</i>	<i>(7.75%)</i>
Proportionate Share of the Net Pension Liability	\$ 738,356	\$ 260,872	\$ (184,773)

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information with respect to the Plans can be found in the System's 2018 Comprehensive Annual Financial Report online at www.mainepepers.org or contacting the System at (207) 512-3100.

D. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the County participated in public entity risk pools.

The County is also a member of the Maine County Commissioners Association Self-Funded Risk Management Pool (the "Risk Pool"). The Risk Pool was created in 1989 to ensure that its members would always be able to obtain liability and property coverage, to protect members from large premium increases often found in the commercial insurance marketplace, and to provide stable annual premiums to its members. The Risk Pool provides property coverage to the County, subject to \$1,000.00 per-occurrence deductible, for its schedule of property locations with a total combined value of \$28,649,286 in 2018. The Risk Pool provides liability coverage to the County in the amounts shown on 2018 Member Coverage Certificate issued to the County.

E. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance

Plan Description

The Group Life Insurance Plan for Retired Participating Local District (PLD) Employees (the PLD Consolidated Plan) is a multiple-employer cost sharing plan. As of June 30, 2018, there were 138 employers participating in the plan.

*COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018*

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

Each Plan is administered by the Maine Public Employees Retirement System (the System).

Other Post-Employment Benefits (OPEB)

The Group Life Insurance Plans (the Plans) provide basis group life insurance benefits, during retirement, to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10 year participation requirement does not apply to recipients of disability retirement benefits).

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at a rate of 15% per year to the greatest of 40% of the initial amount or \$2,500.

Funding Policy

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

Revenue Recognition

The Schedule of Employer Allocations for the PLD Consolidated Plan reflects current year employer premium contributions to the Plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of December 31, 2018, the County reported a net liability of \$13,747 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the collective net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating PLDs, actuarially determined. At June 30, 2018, the County's proportion was .06805% for the PLD Plan, which was a decrease of .036123% from its proportion measured at June 30, 2017.

For the fiscal year ended December 31, 2018 of County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were:

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

	<i>PLD Plan:</i>	
	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Differences between expected and actual experience	1,160	-
Changes of Assumptions	881	2,537
Difference between projected and actual Investment		
Earnings on OPEB Plan Investments	-	720
Changes in proportion and differences between employer premiums and proportionate share of premiums	<u>7,134</u>	<u>6,676</u>
	<u>9,175</u>	<u>9,933</u>

Projected amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u><i>Year Ended June 30,</i></u>	<u><i>PLD Plan</i></u>
2019	8
2020	8
2021	8
2022	143
2023	(924)

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plans was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies.

Costs are developed using the individual entry age normal cost method based on a level percentage of payroll.

Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

**COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls over a 30-year period on a closed basis. As of June 30, 2018, there were 12 years remaining for the PLD Plan.

The actuarial assumptions used in the June 30, 2018 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

Inflation	2.75%
Annual Salary Increases, Including Inflation	2.75-9%
Investment Rate of Return	6.75%, per annum, compounded annually
Participation Rate for Future Retirees	100% of those currently enrolled
Form of Benefit Payment	Lump sum

Conversion Charges: Apply to the cost of active group life insurance, not retiree group life insurance

Mortality Rates: For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Assets of the Plans are pooled for investment purposes and are allocated to each Plan based on each Plan's fiduciary net position. The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

<u><i>Asset Class</i></u>	<u><i>Target Allocation</i></u>	<u><i>Long-Term Expected Real Rate of Return</i></u>
Public Equities	70.0%	6.0%
Real Estate	5.0%	5.2%
Traditional Credit	15.0%	3.0%
US Government	10.0%	2.3%
	<u>100.0%</u>	

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

E. Other Postemployment Benefits (OPEB)-MPERS Group Life Insurance (continued)

Discount Rate

The discount rate used to measure the total OPEB liability for the PLD Plan was 5.13% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.87%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2018. Projections of the Plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current members beyond 2047. Therefore, the portion of future projected benefit payments after 2047 are discounted at the municipal bond index rate. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

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

The following presents the County's proportionate share of the net OPEB liability calculated using the discount rate of 5.13% for the PLD Plan as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.13%) or 1 percentage point higher (6.13%) than the current rate:

PLD Plan:

	<u><i>1% Decrease</i></u> <i>(4.13%)</i>	<u><i>Current Discount</i></u> <u><i>Rate (5.13%)</i></u>	<u><i>1% Increase</i></u> <i>(6.13%)</i>
Proportionate Share of the Net OPEB Liability	\$ 18,162	\$ 13,747	\$ 10,266

F. Other Postemployment Benefits (OPEB) - Maine Municipal Employees Health Trust postretirement benefit plan

Plan description

Qualifying personnel of the County can participate in the Maine Municipal Employees Health Trust postretirement benefit plan. The plan is a single employer OPEB plan.

Benefits provided

Medical/Prescription Drug: The non-Medicare retirees are offered the same plans that are available to the active employees, as described in the benefits summaries. Medicare retirees are assumed to be enrolled in Medicare Part A and Part B which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage.

Medicare: Medicare benefits will be taken into account for any member or dependent while they are eligible to apply for Medicare. The Fund will determine a family member's benefit allowance, if any, based upon the applicable Medicare statutes and regulations. The Fund does not participate in the Medicare Retiree Drug Subsidy program.

Duration of Coverage: Medical benefits are provided for the life of the retiree and surviving spouses.

Life Insurance: The \$2,000 life insurance benefit is provided automatically to all retirees participating in the retiree medical plan. Spouses are not covered for life insurance, but surviving spouses covered by the retiree medical plan are covered for a \$2,000 life insurance benefit as well.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (OPEB) - Maine Municipal Employees Health Trust postretirement benefit plan

Dental: Current retirees do not have access to dental benefits. Future new retirees who retire on and after January 1, 2017 will have access to purchase dental coverage at the Plan COBRA rates. Since retirees pay for the coverage and rates are set to mirror plan experience costs, no additional obligation is anticipated. Program experience will be monitored with future valuations and updated as with all benefit provisions and assumptions.

Employees covered by benefit terms:

At June 30, 2018, the following employees were covered under the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	91
Average age	46.33
Average service	11.28

Net OPEB Liability

The County's net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.44% per annum.
Salary Increase Rate	2.75% per year
Administration and claims expense	3% per annum.

Healthcare cost trend rates:

Pre-Medicare Medical: Initial trend of 8.20% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug: Initial trend of 9.60% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Medicare Medical: Initial trend of 4.93% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Medicare Drug: Initial trend of 9.60% applied in FYE 2017 grading over 14 years to 4.00% per annum.

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of .85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120, and convergence to the ultimate rate in the year 2020. As prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016.

The actuarial assumptions are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015.

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (OPEB) Maine Municipal Employees Health Trust postretirement benefit plan

The Entry Age Normal Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for the Plan. An open 30-year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records assembled and provided by Maine Municipal through June 30, 2017 were used by the actuary. Medical and prescription experience for Medicare eligible (ME) and non-Medicare eligible (NME) (actives and retired covered persons) were analyzed by the Actuary. The actuary assumed that the current enrollment distribution of Benefit Options will remain constant in the future for retirees. The actuary distributed the cost based on the current covered population and Cheiron's standard age curves which vary by age, gender, and Medicare status. Children costs are converted to a load on the non-Medicare (NME) retirees which implicitly assumes that future retirees will have the same child distributions as current retirees.

This report does not reflect future changes in benefits, subsidies, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

Discount Rate: Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year-tax-exempt general obligation municipal bond index. Using the Bond Buyer 20-Bond GO Index, the discount rate as of December 31, 2017 is based upon an earlier measurement date, as of December 29, 2016 and is 3.78% per annum. The discount rate as of December 31, 2018 is based upon an earlier measurement date, as of December 28, 2017 and is 3.44% per annum. The rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, for pay as you go plans.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (OPEB) Maine Municipal Employees Health Trust postretirement benefit plan

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan	
		Fiduciary Net Position	Net OPEB Liability
(a)	(b)	(a)-(b)	
Balances at 1/1/17	472,552	-	472,552
Changes for the year:			-
Service Cost	30,891		30,891
Interest	18,973		18,973
Changes of benefits	-		-
Differences between expected and actual experience	(14,608)		(14,608)
Changes of assumptions	46,551		46,551
Contributions - employer		2,037	(2,037)
Contributions - member			-
Net investment income			-
Benefit payments	(3,027)	(3)	(3,024)
Administrative expense			-
Net Change	78,780	2,034	76,746
Balances at 1/1/18	551,332	2,034	549,298

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current discount rate:

	1% Decrease (2.44%)	Current Discount Rate (3.44%)	1% Increase (4.44%)
Net OPEB liability (asset)	\$ 653,520	\$ 551,332	\$ 469,297

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.2% decreasing to 3%) or 1 percentage point higher (9.2% decreasing to 5%) than the current healthcare cost trend rates:

	1% Decrease	Current Discount	1% Increase
Net OPEB liability (asset)	\$ 462,923	\$ 551,332	\$ 664,873

COUNTY OF KNOX
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018

NOTE 4 - OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (OPEB) Maine Municipal Employees Health Trust postretirement benefit plan

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The impact of experience gains or losses and assumption changes on the TOL are recognized in the OPEB expense over the average expected remaining services life of all active and inactive members of the Plan. As of the beginning of the measurement period, the average was 7 years.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years, and thereafter.

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience		12,985
Changes in Assumption	41,379	
Net Difference between projected between projected and actual earnings on pension plan investments		
	41,379	12,985
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:		
2019	3,549	
2020	3,549	
2021	3,549	
2022	3,549	
2023	3,549	
Thereafter	10,649	

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, 2018

Exhibit F

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	4,254,595	4,254,595	4,254,595	-
Intergovernmental Revenues	107,266	107,266	141,841	34,575
Departmental Revenues	958,321	958,321	986,965	28,644
Other Local Sources	11,150	11,150	15,569	4,419
Total Revenues	5,331,332	5,331,332	5,398,970	67,638
Expenditures				
Emergency Management Agency	198,676	198,676	195,969	2,707
District Attorney	338,147	338,147	334,007	4,140
County Commissioners	535,058	535,058	538,121	(3,063)
County Treasurer	299,135	299,135	287,577	11,558
Building Maintenance	346,221	346,221	347,905	(1,684)
Building Maintenance - 301 Park Street	71,204	71,204	83,402	(12,198)
Debt Service	208,332	208,332	215,333	(7,001)
Registry of Deeds	255,821	255,821	249,068	6,753
Probate Court	262,805	262,805	259,628	3,177
Sheriff's Patrol	2,229,465	2,229,465	2,185,329	44,136
All Other	331,072	331,072	167,412	163,660
Total Expenditures	5,075,936	5,075,936	4,863,751	212,185
Excess Revenues Over Expenditures	255,396	255,396	535,219	279,823
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	13,815	13,815
Transfers to Other Funds	(255,396)	(255,396)	(279,285)	(23,889)
Total Other Financing Sources (Uses)	(255,396)	(255,396)	(265,470)	(10,074)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	269,749	269,749
Unassigned Fund Balance - January 1			1,005,368	
Jail Fund			416,349	
Airport Fund			86,748	
Dispatch Fund			209,029	
Unassigned Fund Balance - December 31			1,987,243	

COUNTY OF KNOX
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit G

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<i>For the Fiscal Year Ended December 31, 2018</i>	<i>For the Fiscal Year Ended December 31, 2017</i>	<i>For the Fiscal Year Ended December 31, 2016</i>	<i>For the Fiscal Year Ended December 31, 2015</i>
Proportion of net pension liability	0.121532%	0.129123%	0.061339%	0.000000%
Proportionate share of net pension liability	\$332,608	\$477,907	\$325,913	\$0
Covered employee payroll	\$938,096	\$897,758	\$847,190	\$0
Proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00000013%	0.00000014%	0.00000007%	
Plan Total Pension Liability	\$3,089,857,220	\$3,016,660,721	\$2,889,740,634	\$2,720,936,009
Plan Fiduciary Net Position	\$2,816,179,855	\$2,607,223,644	\$2,358,409,925	\$2,401,889,308
Plan Net Pension Liability	\$273,677,365	\$409,437,077	\$531,330,709	\$319,046,701
Plan Fiduciary Net Position as a % Of the Total Pension Liability	91.143%	86.427%	81.613%	88.274%
Plan Covered Employee Payroll	\$561,126,768	\$542,572,528	\$521,870,235	\$497,616,846
Plan Net Pension Liability as a % Of the Covered Employee Payroll	48.773%	75.462%	101.813%	64.115%

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

Schedule 2 - Schedule of County Contributions:

	<i>For the Fiscal Year Ended December 31, 2018</i>	<i>For the Fiscal Year Ended December 31, 2017</i>	<i>For the Fiscal Year Ended December 31, 2016</i>	<i>For the Fiscal Year Ended December 31, 2015</i>
Contractually required contribution	\$71,801	\$66,877	\$61,047	\$15,385
Contribution in relation to the contractually required contribution	(\$71,801)	(\$66,877)	(\$61,047)	(\$15,385)
Contribution deficiency	\$0	\$0	\$0	\$0

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

COUNTY OF KNOX
 REQUIRED SUPPLEMENTARY INFORMATION
 OPEB SCHEDULES - LAST 10 FISCAL YEARS - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit H

Schedule 1 - MPERS PLD Schedule of Changes in the County's Net OPEB Liability and Related Ratios

For the Fiscal
 Year Ended
 December 31, 2018

<u>Total OPEB Liability</u>	
Service Cost (BOY)	301
Interest (includes interest on service cost)	1,161
Changes of benefit terms	-
Differences between expected and actual experience	1,392
Changes in assumptions	1,058
Benefit payments, including refunds of member contributions	(1,041)
Net Change in total OPEB liability	<u>2,871</u>
Total OPEB liability - beginning	<u>21,643</u>
Total OPEB liability - ending	<u><u>24,514</u></u>
<u>Plan fiduciary net position</u>	
Contributions - member	-
Contributions - employer	728
Net investment income	907
Benefit payments, including refunds of member contributions	(1,041)
Administrative expense	(91)
Net change in plan fiduciary net position	<u>503</u>
Plan fiduciary net position - beginning	<u>10,264</u>
Plan fiduciary net position - ending	<u><u>10,767</u></u>
Net OPEB liability - ending	<u><u>13,747</u></u>
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	43.92%
Covered Employee Payroll	188,013
Net OPEB Liability as a % Of the Covered Employee Payroll	7.31%

* This information will be presented each year until 10 years of such information is available.

Schedule 2 - Schedule of Employer Contributions:

For the Fiscal
 Year Ended
 December 31, 2018

Contractually required contribution	852
Contribution in relation to the contractually required contribution	<u>(728)</u>
Contribution deficiency	<u><u>125</u></u>
Covered employee payroll	188,013
Contributions as a percentage of covered employee payroll	0.39%

* This information will be presented each year until 10 years of such information is available.

REQUIRED SUPPLEMENTARY INFORMATION

OPEB SCHEDULES - LAST 10 FISCAL YEARS - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 1 - MMEHT Schedule of Changes in Net OPEB Liability and Related Ratios

	<i>For the Fiscal Year Ended December 31, 2018</i>
<u>Total OPEB Liability</u>	
Service Cost (BOY)	30,891
Interest (includes interest on service cost)	18,973
Changes of benefit terms	-
Differences between expected and actual experience	(14,608)
Changes in assumptions	46,551
Benefit payments, including refunds of member contributions	(3,027)
Net Change in total OPEB liability	78,780
Total OPEB liability - beginning	472,552
Total OPEB liability - ending	551,332
<u>Plan fiduciary net position</u>	
Contributions - employer	3,027
Contributions - member	
Net investment income	
Benefit payments, including refunds of member contributions	(3,027)
Administrative expense	
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	-
Net OPEB liability - ending	551,332
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	0.0%
Covered Employee Payroll	4,084,678
Net OPEB Liability as a % Of the Covered Employee Payroll	13.5%

* Amounts presented for each fiscal year were determined as of January 1. A full year schedule will be displayed as it becomes available.

Schedule 2 - Schedule of Contributions:

	<i>For the Fiscal Year Ended December 31, 2018</i>
Contractually required contribution	3,027
Contribution in relation to the contractually required contribution	(3,027)
Contribution deficiency	-

* Amounts presented for each fiscal year were determined as of January 1. A full year schedule will be displayed as it becomes available.

**COUNTY OF KNOX
NOTES TO HISTORICAL PENSION INFORMATION
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 - Actuarial Methods and Assumptions

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date June 30, 2018, is as follows:

A. Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each employee is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial liability.

B. Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of the short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actual assumption for investment return.

C. Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payrolls using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

	<u>PLD Plan</u>
Investment Rate of Return:	6.75% per annum, compounded annually
Inflation Rate	2.75%
Rates of Salary Increase	2.75% to 9.0% at selected years of service
Cost of Living Benefit:	1.91%

Mortality Rates: For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

COUNTY OF KNOX
NOTES TO OPEB LIABILITY AND CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 – Actuarial Methods and Assumptions-Maine Public Employees Retirement System OPEB

Actuarial Methods and Assumptions

The collective total OPEB liability for the plans was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2018, there were 12 years remaining for the PLD Plan. The actuarial assumptions used in the June 30, 2018 actuarial valuation was based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2018, the discount rate was reduced from 6.875% to 6.75% for the PLD Plan; a blended discount rate was used for the PLD Plan.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2018.

COUNTY OF KNOX
NOTES TO OTHER POST EMPLOYMENT BENEFIT
LIABILITY AND CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Benefit Changes

Claims costs and retiree contributions were updated to reflect current healthcare costs.

Changes of Assumptions

Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Net OPEB Liability

The County’s net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial cost method	Entry Age
Amortization method	Level dollar
Amortization period	30 years
Discount Rate	3.44% per annum.
Salary Increase Rate	2.75% per year
Administration and claims expense	3% per annum.
Retirement Age	65
Healthcare cost trend rates	

Pre-Medicare Medical: Initial trend of 8.20% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug: Initial trend of 9.60% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Medicare Medical: Initial trend of 4.93% applied in FYE 2018 grading over 14 years to 4.00% per annum.

Medicare Drug: Initial trend of 9.60% applied in FYE 2017 grading over 14 years to 4.00% per annum.

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC 2015 model, with an ultimate rate of .85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120, and convergence to the ultimate rate in the year 2020. As prescribed by the Trust mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016.

COUNTY OF KNOX
 GENERAL FUND
 STATEMENT OF BUDGETED AND ACTUAL REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	4,254,595	4,254,595	-
Intergovernmental Revenues			
Federal			
Emergency Management Agency	107,266	139,167	31,901
Wildlife Refuge Fees		2,674	2,674
	<u>107,266</u>	<u>141,841</u>	<u>34,575</u>
Departmental Revenue			
Treasurer - Investment Income	2,250	15,379	13,129
District Attorney	18,400	23,715	5,315
Building Maintenance	93,946	99,461	5,515
Registry of Deeds	430,000	467,562	37,562
Probate Court	137,813	135,735	(2,078)
Sheriff	275,912	245,113	(30,799)
	<u>958,321</u>	<u>986,965</u>	<u>28,644</u>
Other Local Sources			
Miscellaneous	11,150	15,569	4,419
	<u>11,150</u>	<u>15,569</u>	<u>4,419</u>
Operating Transfers In			
Transfers from Grants			-
Transfers from Reserves		13,815	13,815
	<u>-</u>	<u>13,815</u>	<u>13,815</u>
Total Revenues and Transfers	<u>5,331,332</u>	<u>5,412,785</u>	<u>81,453</u>
Fund Balance Used to Calculate Assessments			
Total	<u>5,331,332</u>		

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personnel Services	183,923	182,600	1,323
Contractual Services	12,278	11,100	1,178
Commodities	2,475	2,269	206
Capital Outlay			0
	<u>198,676</u>	<u>195,969</u>	<u>2,707</u>
District Attorney			
Personnel Services	279,317	281,006	(1,689)
Contractual Services	40,537	37,122	3,415
Commodities	18,293	15,879	2,414
Capital Outlay			-
	<u>338,147</u>	<u>334,007</u>	<u>4,140</u>
Administration and IT			
Personnel Services	302,940	300,870	2,070
Contractual Services	227,006	230,977	(3,971)
Commodities	5,112	6,274	(1,162)
Capital Outlay			-
	<u>535,058</u>	<u>538,121</u>	<u>(3,063)</u>
Finance			
Personnel Services	249,928	241,719	8,209
Contractual Services	46,667	41,358	5,309
Commodities	2,540	4,500	(1,960)
	<u>299,135</u>	<u>287,577</u>	<u>11,558</u>
Building Maintenance			
Contractual Services	212,051	224,124	(12,073)
Commodities	67,081	56,693	10,388
Capital Outlay	67,089	67,088	1
	<u>346,221</u>	<u>347,905</u>	<u>(1,684)</u>
Building Maintenance 301 Park St.			
Contractual Services	64,473	76,079	(11,606)
Commodities	6,731	7,323	(592)
	<u>71,204</u>	<u>83,402</u>	<u>(12,198)</u>
Debt Service			
Jail Bond Principal	165,000	165,000	-
Jail Bond Interest	37,332	37,331	1
Interest - Tax Anticipation Note	6,000	13,002	(7,002)
	<u>208,332</u>	<u>215,333</u>	<u>(7,001)</u>

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Registry of Deeds			
Personnel Services	198,523	193,441	5,082
Contractual Services	55,954	54,458	1,496
Commodities	1,344	1,169	175
	<u>255,821</u>	<u>249,068</u>	<u>6,753</u>
Probate Court			
Personnel Services	238,402	233,311	5,091
Contractual Services	20,673	19,536	1,137
Commodities	3,730	6,781	(3,051)
	<u>262,805</u>	<u>259,628</u>	<u>3,177</u>
Sheriff's Patrol			
Personnel Services	1,956,131	1,914,714	41,417
Contractual Services	119,034	118,653	381
Commodities	77,300	93,966	(16,666)
Capital Outlay	77,000	57,996	19,004
	<u>2,229,465</u>	<u>2,185,329</u>	<u>44,136</u>
Other			
Knox-Lincoln Extension Service	57,042	57,042	-
Knox-Lincoln Soil & Water	28,297	28,297	-
Eastern Maine Development	2,500	2,500	-
Insurance	90,568	79,573	10,995
Overlay	152,665		152,665
	<u>331,072</u>	<u>167,412</u>	<u>163,660</u>
Transfers Out			
DA Grant	142,396	142,396	-
Reserves	113,000	136,889	(23,889)
	<u>255,396</u>	<u>279,285</u>	<u>(23,889)</u>
Total Appropriations	<u><u>5,331,332</u></u>	<u><u>5,143,036</u></u>	<u><u>188,296</u></u>

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Exhibit A-3

Unassigned Fund Balance January 1	1,005,368	
Unassigned Fund Balance December 31	<u>1,275,117</u>	
Increase (Decrease)		<u><u>269,749</u></u>

Analysis of Change

Budget Surplus (Deficit) Revenue Deficit (Exhibit A-1)	81,453	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>188,296</u>	
Budget Surplus (Deficit)		<u>269,749</u>
Deductions Fund Balance Used to Calculate Assessments		<u>-</u>
Increase (Decrease)		<u><u>269,749</u></u>

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

General Fund Unassigned Fund Balance - Exhibit A-3	1,275,117
Jail Fund	416,349
Airport Fund	86,748
Dispatch Fund	<u>209,029</u>
Total Unassigned Fund Balance Exhibit C	<u><u>1,987,243</u></u>

**COUNTY OF KNOX
ALL GENERAL RESERVES
BALANCE SHEET
DECEMBER 31, 2018**

<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	95,857			78,655		174,512
Investments	488,966					488,966
Accounts Receivable	112,914	3,959	30,125		55	147,053
Prepaid Expenditures		1,352			13,027	14,379
Due from Other Funds	32,159	732,493	70,029		232,114	1,066,795
Total Assets	729,896	737,804	100,154	78,655	245,196	1,891,705
<i>Liabilities and Fund Balances</i>						
<i>Liabilities</i>						
Accrued Salaries		100,693	13,406		36,167	150,266
Accounts Payable		107				107
Due to Other Funds	162,085					162,085
Deferred Revenues		220,655				220,655
Total Liabilities	162,085	321,455	13,406	-	36,167	533,113
<i>Fund Balances</i>						
Committed	567,811					567,811
Assigned		416,349	86,748	78,655	209,029	78,655
Unassigned						712,126
Total Fund Balances	567,811	416,349	86,748	78,655	209,029	1,358,592
Total Liabilities and Fund Balances	729,896	737,804	100,154	78,655	245,196	1,891,705

**COUNTY OF KNOX
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Reserves Exhibit A-6	Jail Fund Exhibit A-7	Airport Fund Exhibit A-8	Inmate Fund	Dispatch Fund Exhibit A-9	Totals Totals
Revenues						
Assessments		3,438,535	92,804		1,157,953	4,689,292
Intergovernmental Revenues						
Federal		7,000	54,750			61,750
State		452,620				452,620
Interest	8,957					8,957
Fair Value Increase (Decrease)	(6,045)					(6,045)
Other Local Sources	168,679	883	524,584	22,547	210	716,903
Total Revenues	171,591	3,899,038	672,138	22,547	1,158,163	5,923,477
Expenditures						
Personnel Services		2,747,393	358,851		989,947	4,096,191
Contract Services		833,616	174,348		136,759	1,144,723
Commodities		163,145	45,861		10,177	219,183
Capital Outlay		37,578	0		19,825	57,403
Maintenance and Supplies				15,376		15,376
Reserve Funds	179,539					179,539
Total Expenditures	179,539	3,781,732	579,060	15,376	1,156,708	5,712,415
Excess of Revenues Over (Under) Expenditures	(7,948)	117,306	93,078	7,171	1,455	211,062
Other Financing Sources (Uses)						
Transfers from Other Funds	34,106	27,046				61,152
Transfers to Other Funds	(76,801)	(137,558)	(49,010)	(27,046)		(290,415)
Total Other Financing Sources (Uses)	(42,695)	(110,512)	(49,010)	(27,046)	-	(229,263)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(50,643)	6,794	44,068	(19,875)	1,455	(18,201)
Fund Balance - January 1	618,454	409,555	42,680	98,530	207,574	1,376,793
Fund Balance - December 31	567,811	416,349	86,748	78,655	209,029	1,358,592

**COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Fund Balance January 1	New Funds	Transfers From Other Funds	Interest	Increase (Decrease) in Fair Value	Transfers To Other Funds	Expenditures	Fund Balance December 31
<i>Reserve Fund</i>	4,137			67	(47)			4,157
Airport Computer	8,500		7,510	82	(158)			15,934
Airport Retirement	100,197			1,611	(1,137)			100,671
Contingency	10,179		2,689	164	(116)			12,916
Courthouse Computer			5,204					5,204
DA Programs	902	150		8			(775)	285
DARE Program	56,329	26,607		729	(428)		(26,471)	56,766
Deeds Surcharge	10,523		1,947	188	(155)			12,503
Dispatch Computer	44,403	1,613		713	(508)			46,221
Dispatch Miscellaneous	1,921			12	14	(1,947)		-
Dispatch Professional Services	19,305	741		310	(221)			20,135
EMA Disaster Fund	39,044	6,834		533	(317)		(11,453)	34,641
Forfeiture Money - State	55,073	14,745		938	(561)	(61,000)		9,195
Generator Reserve	15,056			242	(171)			15,127
Health Insurance	68,592	108,500		528	(83)		(135,225)	42,395
Jail Community Based	7,334			117				7,368
Jail Computer	39					(39)		-
Jail Professional Services	19,212		16,756	186	(357)			35,797
Jail Retirement	8,132			131	(92)			8,171
Jail Training	20,836			335	(236)			20,935
Legal	20,810			335	(236)			20,909
Matching Grant Funds	3,467			19	27		(3,436)	77
Orthoimagery	36,555	2,950		601	(443)		(2,179)	37,484
Probate Surcharge	13,750			221	(156)	(13,815)		-
Resignation Benefits	30,245	6,539		502	(392)			36,894
Retirement	844			14	(10)			848
Security Deposit	10							10
Sheriff's Computer								
Unemployment	23,059			371	(262)			23,168
Total	618,454	168,679	34,106	8,957	(6,045)	(76,801)	(179,539)	567,811

JAIL FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,438,535	3,438,535	3,438,535	-
Intergovernmental Revenues	412,291	412,291	459,620	47,329
Other Local Sources	17	17	883	866
Total Revenues	3,850,843	3,850,843	3,899,038	48,195
Expenditures				
Personnel Services	2,773,729	2,773,729	2,747,393	26,336
Contractual	791,843	791,843	833,616	(41,773)
Commodities	155,274	155,274	163,145	(7,871)
Capital	158,380	158,380	37,578	120,802
Total Expenditures	3,879,226	3,879,226	3,781,732	97,494
Excess Revenues Over Expenditures	(28,383)	(28,383)	117,306	145,689
Other Financing Sources (Uses)				
Transfers from Other Funds	28,383	28,383	27,046	(1,337)
Transfers to Other Funds			(137,558)	(137,558)
Total Other Financing Sources (Uses)	28,383	28,383	(110,512)	(138,895)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	6,794	6,794
Unassigned Fund Balance - January 1			409,555	
Unassigned Fund Balance - December 31			416,349	

AIRPORT FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	92,804	92,804	92,804	-
Intergovernmental Revenues	54,750	54,750	54,750	-
Other Local Sources	446,640	446,640	524,584	77,944
Total Revenues	594,194	594,194	672,138	77,944
Expenditures				
Personnel Services	395,009	395,009	358,851	36,158
Contractual	135,750	135,750	174,348	(38,598)
Commodities	21,935	21,935	45,861	(23,926)
Capital	41,500	41,500		41,500
Total Expenditures	594,194	594,194	579,060	15,134
Excess Revenues Over Expenditures	-	-	93,078	93,078
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds			(49,010)	(49,010)
Total Other Financing Sources (Uses)	-	-	(49,010)	(49,010)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	44,068	44,068
Unassigned Fund Balance - January 1			42,680	
Unassigned Fund Balance - December 31			86,748	

COUNTY OF KNOX
DISPATCH FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit A-9

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	1,157,953	1,157,953	1,157,953	-
Other Local Sources			210	210
Total Revenues	<u>1,157,953</u>	<u>1,157,953</u>	<u>1,158,163</u>	<u>210</u>
Expenditures				
Personnel Services	1,031,475	1,031,475	989,947	41,528
Contractual	145,978	145,978	136,759	9,219
Commodities	10,500	10,500	10,177	323
Capital	24,718	24,718	19,825	4,893
Total Expenditures	<u>1,212,671</u>	<u>1,212,671</u>	<u>1,156,708</u>	<u>55,963</u>
Excess Revenues Over Expenditures	<u>(54,718)</u>	<u>(54,718)</u>	<u>1,455</u>	<u>56,173</u>
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(54,718)</u>	<u>(54,718)</u>	<u>1,455</u>	<u>56,173</u>
Unassigned Fund Balance - January 1			<u>207,574</u>	
Unassigned Fund Balance - December 31			<u><u>209,029</u></u>	

COUNTY OF KNOX
 GRANT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2018

Exhibit B-1

<i>Assets</i>	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Totals</i>
Cash and Equivalents			44,870	44,870
Accounts Receivable			10,585	10,585
Due from Other Governments				-
Due from Other Funds		9,652		9,652
Total Assets	-	9,652	55,455	65,107
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Due to Other Funds	110		855	965
Total Liabilities	110	-	855	965
Fund Balances				
Restricted		9,652	54,600	64,252
Unassigned	(110)			(110)
Total Fund Balances	(110)	9,652	54,600	64,142
Total Liabilities and Fund Balances	-	9,652	55,455	65,107

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit B-2
Page 1 of 2

	Wellness Grant	Victim/Witness Advocate Grant	Local Emergency Planning Committee	US Marshals Service Grant	Evidence Based Impaired Driving Grant
Revenues					
Intergovernmental Revenues					
Federal		55,000	44,285	420	8,632
State					
Local Sources	3,656		6,217		
Interest			593		
Total Revenues	3,656	55,000	51,095	420	8,632
Expenditures					
Personnel Services		155,135	4,675		8,632
Contract Services		2,259	1,588		
Capital Outlay					
Other	3,211	36,667	61,595	420	
Total Expenditures	3,211	194,061	67,858	420	8,632
Excess of Revenues Over (Under) Expenditures	445	(139,061)	(16,763)	-	-
Other Financing Sources (Uses)					
Transfers from Other Funds		142,396			
Transfers to Other funds					
Total Other Financing Sources (Uses)	-	142,396	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	445	3,335	(16,763)	-	-
Fund Balance - January 1	(555)	6,317	71,363	-	-
Fund Balance - December 31	(110)	9,652	54,600	-	-

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit B-2
Page 2 of 2

	Distracted Driving Grant	County Speed Enforcement	Bullet Proof Vest Grant	CIOT HVE Campaign Safety Belt	Totals
Revenues					
Intergovernmental Revenues					
Federal	12,254	8,120	954	1,325	130,990
State	-	-	-	-	-
Local Sources					
Interest	-	-	-	-	9,873
Total Revenues	12,254	8,120	954	1,325	141,456
Expenditures					
Personnel Services	12,254			1,325	182,021
Contract Services					3,847
Commodities					-
Other		8,120	954		110,967
Total Expenditures	12,254	8,120	954	1,325	296,835
Excess of Revenues Over (Under) Expenditures	-	-	-	-	(155,379)
Other Financing Sources (Uses)					
Transfers from Other Funds					142,396
Transfers to Other Funds					-
Total Other Financing Sources (Uses)	-	-	-	-	142,396
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-	(12,983)
Fund Balance - January 1					77,125
Fund Balance - December 31	-	-	-	-	64,142

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2018

Exhibit C-1
 Page 1 of 2

<i>Assets</i>	<i>Snow Removal Equipment Building</i>	<i>Airport Misc. Proj #52</i>	<i>Airport Environmental Assessment</i>	<i>Airport Extend Runway</i>	<i>Airport Extend Runway Phase II</i>
Cash and Equivalents					
Investments					
Accounts Receivable					
Prepaid Expenditures					
Due From Other Funds					
Due from Other Governments				250,183	222,831
Total Assets	-	-	-	250,183	222,831
<i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					91,994
Due to Other Funds	54	49	41	250,183	130,837
Total Liabilities	54	49	41	250,183	222,831
Fund Balances					
Restricted					
Committed					
Unassigned	(54)	(49)	(41)		
Total Fund Balances	(54)	(49)	(41)	-	-
Total Liabilities and Fund Balances	-	-	-	250,183	222,831

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 BALANCE SHEET
 DECEMBER 31, 2018

Exhibit C-1
 Page 2 of 2

<i>Assets</i>	<i>Airport - RSA Improvement Project</i>	<i>Airport Passenger Facility</i>	<i>Airport Rehabilitate Runway</i>	<i>Capital Improvements</i>	<i>Totals</i>
Cash and Equivalents				133	25,356
Investments		25,223		482,825	482,825
Accounts Receivable		2,356		1,860	4,216
Prepaid Expenditures	26,421			126,618	26,421
Due from Other Funds	40,279				126,618
Due from Other Governments					513,293
Total Assets	66,700	27,579	-	611,436	1,178,729
<i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable					91,994
Due to Other Funds	66,700	27,579	14	21,112	496,569
Total Liabilities	66,700	27,579	14	21,112	588,563
Fund Balances					
Restricted					-
Committed				590,324	590,324
Unassigned			(14)		(158)
Total Fund Balances	-	-	(14)	590,324	590,166
Total Liabilities and Fund Balances	66,700	27,579	-	611,436	1,178,729

COUNTY OF KNOX
 ALL CAPITAL PROJECT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Snow Removal Equipment Building	Airport Obstruction Removal	Airport Misc. Proj #52	Airport Design & Permitting	Airport Environmental Assessment	Airport Master Plan Update
Revenues						
Intergovernmental Revenues						
Federal	491	671		250	601	70
State					(5,177)	
Local Sources						
Total Revenues	491	671	-	250	(4,576)	70
Expenditures						
Engineering Services						
Construction						
Professional Services						
All Other						
Total Expenditures	-	0	-	0	-	-
Excess of Revenues Over (Under) Expenditures	491	671	-	250	(4,576)	70
Other Financing Sources (Uses)						
Lease Proceeds						
Transfers from Other Funds		37		14	5,177	
Transfers to Other Funds			(47)			
Total Other Financing Sources (Uses)	-	37	(47)	14	5,177	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	491	708	(47)	264	601	70
Fund Balance - January 1	(545)	(708)	(2)	(264)	(642)	(70)
Fund Balance - December 31	(54)	-	(49)	-	(41)	-

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Airport Extend Runway	Airport Extend Runway Phase II	Airport - RSA Improvement Project	Airport Passenger Facility	Airport Rehabilitate Runway	Capital Improvements	Totals
Revenues							
Intergovernmental Revenues							
Federal	22,785	945,667	48,545	26,037	1,886		1,047,003
State	(7,301)	47,555	2,697				37,774
Local Sources				339		66,782	67,121
Total Revenues	15,484	993,222	51,242	26,376	1,886	66,782	1,151,898
Expenditures							
Engineering Services	24,249	130,557					154,806
Construction		919,938	53,306				973,244
Professional Services	1,034	174	500				1,708
All Other	34	72	133			2,355,292	2,355,531
Total Expenditures	25,317	1,050,741	53,939	-	-	2,355,292	3,485,289
Excess of Revenues Over (Under) Expenditures	(9,833)	(57,519)	(2,697)	26,376	1,886	(2,288,510)	(2,333,391)
Other Financing Sources (Uses)							
Lease Proceeds						1,940,000	1,940,000
Transfers from Other Funds	9,833	57,519	2,697			352,338	427,615
Transfers to Other Funds				(26,376)	(778)	(48,077)	(75,278)
Total Other Financing Sources (Uses)	9,833	57,519	2,697	(26,376)	(778)	2,244,261	2,292,337
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-	1,108	(44,249)	(41,054)
Fund Balance - January 1	-	-	-	-	(1,122)	634,573	631,220
Fund Balance - December 31	-	-	-	-	(14)	590,324	590,166

COUNTY OF KNOX
 CAPITAL IMPROVEMENTS
 STATEMENT OF ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2018

Exhibit C-3

Reserve Fund	Fund Balance January 1	New Funds	Transfers From Other Funds	Interest	Increase (Decrease) in Fair Value	Transfers To Other Funds	Expenditures	Fund Balance December 31
Courthouse Maintenance	274,537	1,974,281	161,000	4,442	(2,938)		(2,199,177)	212,145
EMA Vehicle	10,000			97	(186)			9,911
Forfeiture Money - Federal	60							60
Jail Capital	240,640		110,662	3,611	(1,409)		(52,498)	301,006
Jail Vehicle	28,884		10,180	232	117		(34,081)	5,332
Sheriff's Vehicle	59,609	14,128	28,996	242	(134)		(67,681)	35,160
Airport	14,082			460	(325)			14,217
Airport Equipment	2,713	13,500	15,000	37	(39)	(19,175)		12,036
Airport Projects	4,048		26,500	518	148	(28,902)	(1,855)	457
Total	634,573	2,001,909	352,338	9,639	(4,766)	(48,077)	(2,355,292)	590,324

COUNTY OF KNOX
 AGENCY FUNDS

Exhibit D-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<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	11,506	111,213	(107,688)	15,031
<i>Liabilities</i>				
Due to Inmates	11,506	111,213	(107,688)	15,031

James W. Wadman

Certified Public Accountant

Telephone 207-667-6500

Facsimile 207-667-3636

James W. Wadman, C.P.A.

Ronald C. Bean, C.P.A.

Kellie M. Bowden, C.P.A.

Wanese L. Lynch, C.P.A.

Amy E. Atherton, C.P.A.

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

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, 2018, 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 24, 2019.

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
June 24, 2019

James W. Wadman

Certified Public Accountant

Telephone 207-667-6500

Facsimile 207-667-3636

James W. Wadman, C.P.A.

Ronald C. Bean, C.P.A.

Kellie M. Bowden, C.P.A.

Wanese L. Lynch, C.P.A.

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

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, 2018. 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, 2018.

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
June 24, 2019

*SCHEDULE I
COUNTY OF KNOX
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018*

No Prior Audit Findings

*SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018*

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, 2018

<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 Bureau of Highway Safety Highway Safety Cluster				
2018 Evidence Based Impaired Driving HVE	20.600	ID18-045	15,925	8,632
2017 Data Driven Speed Enforcement	20.600	PT 17-023	11,620	8,120
2018 Click it Or Ticket BUNE HVE	20.616	OPB18-018	3,380	1,325
2018 Distracted Drivien HVE	20.616	DD18-022	19,500	12,254
Total Highway Safety Cluster			50,425	30,331
Federal Aviation Administration				
Airport Improvements - Extend Runway	20.106	3-23-0042-53-2017	2,354,400	22,785
Airport Improvements - Extend Runway II	20.106	3-23-0042-54-2017	855,990	855,900
Airport Improvements - RSA Improvement Project	20.106	3-23-0042-55-2017	155,612	48,545
Airport Improvements - Passenger Facility Fees	20.106		30,614	26,376
Total Federal Aviation Administration			3,396,616	953,606
Total U.S. Department of Transportation			3,447,041	983,937
U.S. Department of Homeland Security				
Airport Security	97.075	HSTS02-12-R-SLR349	54,750	54,750
Passed Through Maine Dept. of Defense, Veterans, and Emergency Management				
EMA Project Reimbursement	97.067	EMW-2014-EP-00069	133,904	15,511
Knox County Emergency Work	97.036	FEMA-4354-DR-ME	6,899	6,590

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

<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	1,350
2016 Homeland Security	97.067	EMW-2016-SS-00080	71,865	25,945
2017 Homeland Security	97.067	EMW-2017-SS-00052	70,727	12,872
2018 Homeland Security	97.067	EMW-2018-SS-00049	75,968	6,042
			<u>427,205</u>	<u>68,310</u>
Total U.S. Department of Homeland Security			481,955	123,060
U.S. Department of Justice Passed Through Maine Department of Human Services				
Bullet Proof Vest Grant	16.607		1,638	954
Crime Victims Assistance	16.575	OVP-18-2304	55,000	41,250
Crime Victims Assistance	16.575	OVP-19-2304	55,000	13,750
Total U.S. Department of Justice			<u>111,638</u>	<u>55,954</u>
Total			<u>4,040,634</u>	<u>1,162,951</u>

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 3 – 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 4 – 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.

