

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2019*

**COUNTY OF KNOX
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 DECEMBER 31, 2019**

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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, 2019, 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, 2019, 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 44-49 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 8, 2020, 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 8, 2020

County of Knox
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2019

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, 2019. 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, 2019 by \$31,698,015 (presented as “net position”). Of this amount, \$1,656,333 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 \$452,429 (a 1.4 % increase) for the fiscal year ended December 31, 2019.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2019; the County's governmental funds reported a combined ending fund balance of \$2,911,758 with \$1,917,569 being general, jail, airport, and communications unassigned fund balance. This unassigned fund balance represents approximately 17% of the total general, jail, airport and communications funds expenditures for the year. \$1,358,653 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 \$320,642 (9%) 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 3E of the notes to the financial statements on page 26 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the County’s government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County’s own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

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

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

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 16-42 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), pension plan schedules, and other post-employment benefit schedules.

Required supplementary information can be found on pages 43-49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

95% of the County's net position reflects its investment in capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that are still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

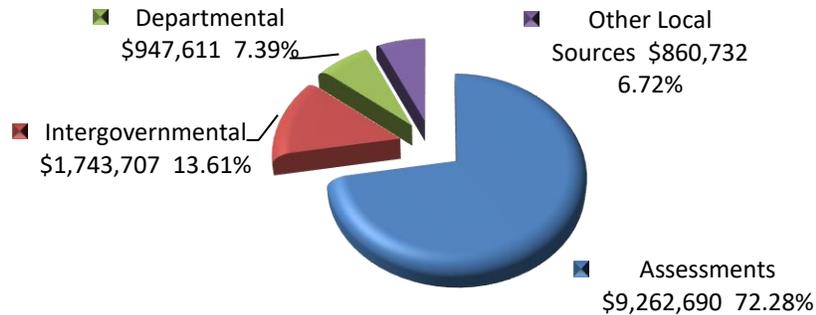
	Total 2019	Total 2018
Current Assets	3,541,050	3,895,006
Capital Assets	33,424,136	32,769,759
Total Assets	36,965,186	36,664,765
Total Deferred Outflows of Resources	203,348	282,383
Total Assets and Deferred Outflows of Resources	37,168,534	36,947,148
Other Liabilities	1,300,246	1,338,388
Long-Term Liabilities	3,976,913	4,230,014
Total Liabilities	5,277,159	5,568,402
Related to Pensions	193,360	133,160
Total Deferred Inflows of Resources	193,360	133,160
Net Position:		
Net Investment in Capital Assets	30,020,074	29,045,055
Restricted	21,608	64,252
Unrestricted	1,656,333	2,136,279
Total Net Position	31,698,015	31,245,586
Total Liabilities , Deferred Inflows of Resources, and Net Position	37,168,534	36,947,148

Changes in Net position

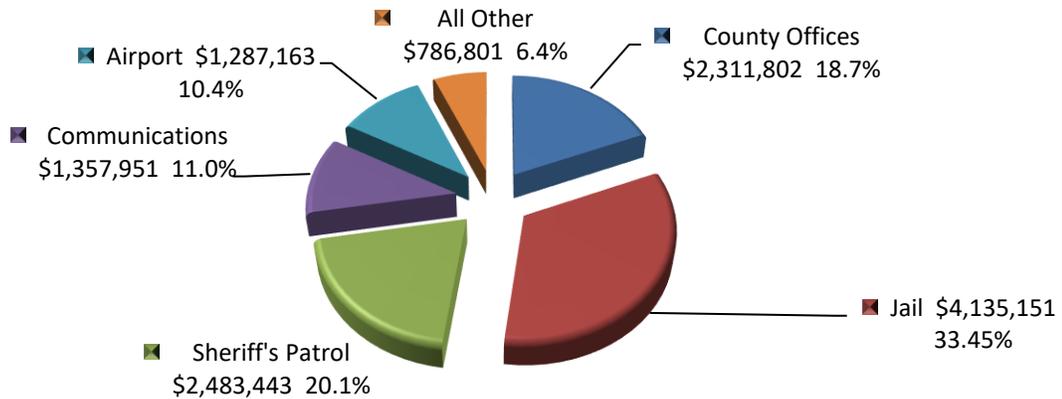
Approximately 71 percent of the County's total revenue came from assessments, approximately 15 percent came from State subsidies and grants, and approximately 14 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$1,132,452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

	Total 2019	Total 2018
Revenues:		
District Assessments	9,262,690	8,943,887
Intergovernmental Revenues	1,743,707	1,871,978
Departmental Revenues	947,611	988,191
Other Local Sources	860,732	804,331
Gain on Sale of Assets		8,640
Total	12,814,740	12,617,027
Expenses:		
Emergency Management Agency	367,991	314,315
District Attorney	545,105	530,615
Administration & Information Technology	588,730	563,423
Finance	293,778	289,801
Building Maintenance - Courthouse	354,931	235,088
Building Maintenance - Public Safety Building	161,267	83,402
Debt Service	48,807	50,333
Jail	4,135,151	4,054,114
Deeds	231,665	276,750
Probate	272,305	263,814
Sheriff's Patrol	2,483,443	2,296,509
Communications	1,357,951	1,259,708
Airport	1,287,163	1,258,622
Other Post-Employment Benefits	50,045	488,432
All Other	183,979	174,834
	12,362,311	12,139,760
Changes in Net Position	452,429	477,267

Revenues By Source - Governmental Activities



Expenditures By Source - Governmental Activities



FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

Governmental Funds

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

At the end of the fiscal year, the County's governmental funds reported ending fund balances of \$2,911,758 a decrease of \$376,259 in comparison with the prior year. 66% 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:

- \$20,262 negative variance in sheriff income. The variance is due to island reimbursement due to open position.
- \$33,733 positive variance in building maintenance – courthouse contracted services. The variance is due to projects delayed; funding transferred to reserve.
- \$33,236 positive variance in deeds personnel services. The variance is due to open positions.
- \$111,346 positive variance in sheriff's patrol personnel services. The variance is due to open positions.
- \$20,501 negative variance in sheriff's patrol – contractual services. The variance is due to training for new deputies.
- \$60,613 negative variance in jail personnel services. The variance is due to overtime.
- \$152,368 positive variance in jail contractual services. The variance is due to delay of diversion program, reduction in inmate medical expenses, and heating repairs & maintenance.
- \$34,516 negative variance in airport personnel services. The variance is due to position change from security to security manager, resignation & termination.
- \$21,070 negative variance in airport contractual. The variance is due to Increase in legal, electricity, and building repairs & maintenance.
- \$20,040 negative variance in airport capital. The variance is due to increase in auto supplies & equipment and maintenance supplies & equipment.
- \$36,249 negative variance in communications personnel services. The variance is due to increase in overtime and resignation & termination.
- \$32,896 negative variance in communications contractual. The variance is due to increase in consultants and radio repairs & maintenance.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$47,546,122 net of accumulated depreciation of \$14,121,986 leaving a net book value of \$33,424,136.

Additional information on the County's capital assets can be found in Note 3D of the notes to the financial statements on page 25 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, 2019

Exhibit A

<i>Assets and Deferred Outflow of Resources</i>	<u>Governmental Activities</u>
Cash and Equivalents	2,058,252
Investments	708,691
Accounts Receivable	231,846
Prepaid Expenditures	21,846
Due from Other Governments	520,415
Capital Assets:	
Land	2,780,344
Other Capital Assets, Net of Depreciation	30,643,792
Total Assets	<u><u>36,965,186</u></u>
 <i>Deferred Outflows of Resources</i>	
Related to Pensions	157,328
Related to Post Employment Benefits Obligation	46,020
<i>Total Deferred Outflows of Resources</i>	<u><u>203,348</u></u>
 Total Assets and Deferred Outflows of Resources	<u><u>37,168,534</u></u>
 <i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Liabilities	
Accounts Payable	19,906
Retainage Payable	75,385
Accrued Salaries	297,429
Compensated Absences	581,452
Long-term Liabilities:	
Net Post Employment Benefits Obligation	560,505
Net Pension Liability	338,420
Due Within One Year	326,074
Due in More Than One Year	3,077,988
Total Liabilities	<u><u>5,277,159</u></u>
 <i>Deferred Inflows of Resources:</i>	
Related to Pensions	120,357
Related to Post Employment Benefits Obligation	73,003
<i>Total Deferred Inflows of Resources</i>	<u><u>193,360</u></u>
 Net Position	
Net Investment in Capital Assets	30,020,074
Restricted Net Position	21,608
Unrestricted	1,656,333
Total Net Position	<u><u>31,698,015</u></u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>37,168,534</u></u>

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

COUNTY OF KNOX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Revenue and Changes in Net Position</u>
				<u>Total</u>
<u>Primary Government</u>				<u>Governmental Activities</u>
<u>Governmental Activities</u>				
Emergency Management Agency	367,991		115,003	(252,988)
District Attorney	545,105	34,263	54,922	(455,920)
Administration and Information Technology	588,730			(588,730)
Finance	293,778	15,844		(277,934)
Building Maintenance - Courthouse	354,931	70,332		(284,599)
Building Maintenance - Public Safety Building	161,267			(161,267)
Debt Service	48,807			(48,807)
Jail	4,135,151	23,533	549,347	(3,562,271)
Deeds	231,665			(231,665)
Probate	272,305	152,823		(119,482)
Sheriff Patrol	2,483,443	238,751	74,069	(2,170,623)
Communications	1,357,951			(1,357,951)
Annual Post Employment Benefit Costs	50,045			(50,045)
Airport	1,287,163	625,190	54,750	(607,223)
Miscellaneous	183,979			(183,979)
<u>Total Governmental Activities</u>	<u>12,362,311</u>	<u>1,160,736</u>	<u>848,091</u>	<u>(10,353,484)</u>
<u>Total Primary Government</u>	<u>12,362,311</u>	<u>1,160,736</u>	<u>848,091</u>	<u>(10,353,484)</u>
<u>General Revenues:</u>				
Assessments				9,262,690
Registry of Deeds Fees				471,063
Airport Federal and State Grants for Capital Assets & Infrastructure				975,465
Other Local Sources				96,695
<u>Total Revenues, Special Items and Transfers</u>				<u>10,805,913</u>
<u>Changes in Net Position</u>				452,429
<u>Net Position - Beginning</u>				<u>31,245,586</u>
<u>Net Position - Ending</u>				<u>31,698,015</u>

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>Airport Extend Runway Phase II</i>	<i>Airport Rehab Phase I</i>	<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total</i>
Cash and Equivalents	2,021,472				36,780	2,058,252
Investments	533,931			174,760		708,691
Accounts Receivable	219,753				12,093	231,846
Prepaid Expenditure	3				21,843	21,846
Due from Other Funds	1,264,681			173,554	11,301	1,449,536
Due from Other Governments		236,731	238,755		44,929	520,415
<i>Total Assets</i>	4,039,840	236,731	238,755	348,314	126,946	4,990,586
<i>Liabilities</i>						
Accounts Payable	19,906					19,906
Retainage Payable			75,385			75,385
Accrued Salaries	297,429					297,429
Due to Other Funds	929,562	236,731	163,370	14,535	105,338	1,449,536
<i>Total Liabilities</i>	1,246,897	236,731	238,755	14,535	105,338	1,842,256
<i>Deferred Inflows of Resources:</i>						
Unavailable Revenues	236,572					236,572
<i>Total Deferred Inflows of Resources</i>	236,572	-	-	-	-	236,572
<i>Fund Balances</i>						
Restricted					21,608	21,608
Committed	577,446			333,779		911,225
Assigned	61,356					61,356
Unassigned	1,917,569				-	1,917,569
<i>Total Fund Balances</i>	2,556,371	-	-	333,779	21,608	2,911,758
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	4,039,840	236,731	238,755	348,314	126,946	4,990,586

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

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

Total Fund Balance	2,911,758
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$14,121,986	33,424,136
Deferred outflows of resources related to pension plans	157,328
Deferred outflows of resources related to post employment benefits obligation	46,020
Deferred inflows of resources related to pension plans	(120,357)
Deferred inflows of resources related to post employment benefits obligation	(73,003)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Bonds Payable	(1,320,000)
Unavailable Revenues - Jail	236,572
Lease Payable	(2,084,062)
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	(560,505)
Net Pension Liability	(338,420)
Accrued Compensated Absences	(581,452)
	<hr/>
Net Position of Governmental Activities	<u><u>31,698,015</u></u>

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

COUNTY OF KNOX
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>Airport Extend Runway Phase II</i>	<i>Airport Rehab Phase I</i>	<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues						
Assessments	9,262,690					9,262,690
Intergovernmental Revenues	646,674	13,900	923,980		159,153	1,743,707
Departmental Revenues	931,694					931,694
Other Local Sources	792,868			55,588	12,276	860,732
Total Revenues	<u>11,633,926</u>	<u>13,900</u>	<u>923,980</u>	<u>55,588</u>	<u>171,429</u>	<u>12,798,823</u>
Expenditures						
Emergency Management Agency	210,453				117,416	327,869
District Attorney	342,546				200,835	543,381
Administration and Information Technology	550,347				2,842	553,189
Finance	293,442					293,442
Building Maintenance - Courthouse	448,600			183,057		631,657
Building Maintenance - Public Safety Building	161,267					161,267
Debt Service	213,807					213,807
Jail	4,167,862			249,868		4,417,730
Deeds	241,076					241,076
Probate	271,354					271,354
Sheriff's Patrol	2,314,733			41,991	1,946	2,358,670
Communications	1,326,292					1,326,292
Airport	647,649	14,992	972,611	10,770	5,347	1,651,369
All Other	183,979					183,979
Total Expenditures	<u>11,373,407</u>	<u>14,992</u>	<u>972,611</u>	<u>485,686</u>	<u>328,386</u>	<u>13,175,082</u>
Excesss of Revenues Over (Under) Expenditures	<u>260,519</u>	<u>(1,092)</u>	<u>(48,631)</u>	<u>(430,098)</u>	<u>(156,957)</u>	<u>(376,259)</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	-	1,499	48,631	190,901	147,797	388,828
Transfers to Other Funds	(337,857)	(407)		(17,348)	(33,216)	(388,828)
Total Other Financing Sources (Uses)	<u>(337,857)</u>	<u>1,092</u>	<u>48,631</u>	<u>173,553</u>	<u>114,581</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(77,338)</u>	<u>-</u>	<u>-</u>	<u>(256,545)</u>	<u>(42,376)</u>	<u>(376,259)</u>
Fund Balance - January 1	<u>2,633,709</u>			<u>590,324</u>	<u>63,984</u>	<u>3,288,017</u>
Fund Balance - December 31	<u>2,556,371</u>	<u>-</u>	<u>-</u>	<u>333,779</u>	<u>21,608</u>	<u>2,911,758</u>

(Continued)

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

COUNTY OF KNOX
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds	(376,259)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,812,282
Depreciation expense	(1,157,905)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Revenues - Jail	15,917
Bond proceeds provide 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	155,642
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)	(162,164)
Annual Post Employment Benefit Cost (Deferred Outflows, Net OPEB Liability, Deferred Inflows)	(50,045)
Accrued compensated absences	49,961
	<hr/>
Change in net position of governmental activities	<u><u>452,429</u></u>

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

COUNTY OF KNOX
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2019

Exhibit E

	<i>Agency Fund</i>		<i>Totals</i>
	<i>Inmate Fund</i>	<i>DA Restitution</i>	
<i>Assets</i>			
Cash and Equivalents	19,118	11,168	30,286
<i>Total Assets</i>	19,118	11,168	30,286
<i>Liabilities</i>			
Due to Victims		11,168	11,168
Due to Inmates	19,118		19,118
<i>Total Liabilities</i>	19,118	11,168	30,286

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, communications, 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, 2019

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 rehab Phase I project accounts for all expenditures relating to Phase I of airport rehab 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, 2019

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. Capital Assets

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued.)

3. Capital Assets (continued)

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

4. 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 County 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.

5. 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.

6. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of the Maine Municipal Employees Health Trust (MMEHT) and additions to / deductions from their fiduciary net position have been determined on the same basis as they are reported by MMEHT. 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, 2019**

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, 2019

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, 2019 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>Funds</i>	<i>Total</i>
<u>Restricted</u>				
Wellness Grant			608	608
Victim/Witness Advocate Grant			10,693	10,693
Local Emergency Planning Committee			10,307	10,307
<u>Committed</u>				
General Reserves	577,446			577,446
Capital Improvements		333,779		333,779
<u>Assigned</u>				
Inmate Fund	61,356			61,356
<u>Unassigned</u>				
General Fund	1,358,653			1,358,653
Jail Fund	355,640			355,640
Airport Fund	89,992			89,992
Dispatch Fund	113,284			113,284
<u>Total Fund Balance</u>	<u>2,556,371</u>	<u>333,779</u>	<u>21,608</u>	<u>2,911,758</u>

Net position

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

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

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.

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balances/Net position (continued)

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).

B. Reserved For Contingency - General Fund

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

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

**COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 \$2,088,538 and the bank balance was \$3,047,281. Of the bank balance, \$348,332 was covered by federal depository insurance. The remaining \$2,698,949 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, 2019:

- U.S. Treasury securities and common stock of \$708,691 are valued using quoted market prices (Level 1 inputs)

Investment Policies

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

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS

C. Assessments

The County's property tax assessment is levied and recognized annually on the assessment values for each municipality located in the county. Assessment values are established for each municipality by the state. For the year-ended December 31, 2019, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,450,400,000
Unorganized territories	<u>19,550,000</u>
Total assessed valuation	7,469,950,000
 Tax rate	 <u>0.0010754</u>
 Current tax commitment	 <u>\$ 8,033,517</u>
 Appropriations	 11,514,139
Overlay	<u>157,520</u>
	11,671,659
Less:	
Estimated revenues	<u>(3,638,142)</u>
 Current tax commitment	 <u>\$ 8,033,517</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	<i>Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	2,780,344			2,780,344
<i>Capital assets being depreciated</i>				
Buildings	16,136,422	274,582		16,411,004
Equipment	6,009,396	220,055	(18,790)	6,210,661
Infrastructure	20,826,470	1,317,645		22,144,115
<i>Total capital assets being depreciated</i>	42,972,288	1,812,282	(18,790)	44,765,780
<i>Less accumulated depreciation for</i>				
Buildings	4,389,510	333,324		4,722,834
Equipment	3,614,933	378,466	(18,790)	3,974,609
Infrastructure	4,978,430	446,115		5,424,545
<i>Total accumulated depreciation</i>	12,982,873	1,157,905	(18,790)	14,121,988
<i>Net capital assets being depreciated</i>	29,989,415	654,377	-	30,643,792
<i>Governmental Activities Capital Assets, net</i>	32,769,759	654,377	-	33,424,136

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

Governmental Activities

Emergency Management	48,581
District Attorney	518
Administration and Information Technology	37,187
Finance	106
Building Maintenance - Courthouse	60,773
Jail	149,691
Probate	767
Sheriff's Patrol	126,640
Communications	94,486
Airport	639,156
Total Depreciation Expense - Governmental Activities	<u>1,157,905</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt

The following is a summary of long-term debt transactions of the County of Knox for the year ended December 31, 2019:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<i>Governmental activities:</i>					
<i>Bonds Payable</i>					
Public Safety Building	1,485,000		(165,000)	1,320,000	165,000
<i>Other Governmental long-term activities:</i>					
Courthouse Exterior Repairs & Window Lease	417,752		(54,509)	363,243	56,120
HVAC System	1,821,952		(101,133)	1,720,819	104,954
Governmental activities long-term obligations	<u>3,724,704</u>	<u>-</u>	<u>(320,642)</u>	<u>3,404,062</u>	<u>326,074</u>

The general fund liquidates the capital lease obligations.

In 2012, the County issued a bond for the Public Safety Building with The Bank of New York Mellon Trust Company. The bond was issued for \$2,500,000, with annual principal payments of \$165,000. Interest is paid annually at a rate of 4.00 – 2.25%. The balance at December 31, 2019 was \$1,320,000.

In 2016, the County entered into a capital lease for the purchase of Courthouse Exterior Repairs and Window Replacement with Machias Savings Bank. The lease was issued for \$575,000 with annual principal and interest payments of \$67,088. Interest is paid annually at a rate of 2.970%. The balance at December 31, 2019 was \$363,243.

In 2018, the County entered into a capital lease for the purchase of HVAC system with Siemens Public, Inc. The lease was issued for \$1,940,000 with annual principal and interest payments of \$169,959. Interest is paid annually at a rate of 3.7776%. The balance at December 31, 2019 was \$1,720,819.

Debt service requirements (principal and interest) for all long-term obligations at June 30, 2019 are summarized in the table following:

<i>Year Ended December 31,</i>	<i>General Obligation Bond</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	326,074	103,406	429,480
2021	331,759	94,421	426,180
2022	337,614	85,264	422,878
2023	343,679	75,900	419,579
2024	349,947	66,331	416,278
2025-2029	1,241,339	192,603	1,433,942
2030-2033	473,650	36,228	509,878
Total	<u>3,404,062</u>	<u>654,153</u>	<u>4,058,215</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. 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, 2019, was as follow:

	Beginning		Redeemed	Ending	
	Balance	Issued		Balance	
Tax anticipation note	-	5,298,501	(5,298,501)	-	

Individual fund interfund receivable and payable balances at December 31, 2019, were as follows:

	Interfund Receivable	Interfund Payable
General Fund	1,264,681	929,562
Special Revenue Funds		
Wellness Grant	608	
Victim/Witness Advocate Grant	10,693	
Local Emergency Planning Committee		3,804
Capital Project Funds		
Airport Rehab Phase I		163,370
Airport Extend Runway Phase II		236,731
Airport RSA Improvement Project		66,772
Airport Passenger Facility		34,762
Capital Improvements	173,554	14,535
Totals	1,449,536	1,449,536

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. The amount due to the capital project funds represents airport projects appropriations and grant receivables and will be repaid upon receipts and use of the funds for these projects. The remainder of the above balances will be repaid during the next year.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Interfund Receivables and Payables (continued)

Transfers To/From Other Funds at December 31, 2019, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund		337,857
Special Revenue Funds		
Victim/Witness Advocate Grant	146,954	
Capital Projects		
Airport Snow Removal Equip. Bld.	54	
Airport Rehab Phase I	48,631	
Airport Misc. Proj. #52	49	
Airport Environmental Assessment	41	
Airport Extend Runway	440	
Airport Extend Runway Phase II	1,499	407
Airport RSA Improvement Project	245	
Airport Passenger Facility		33,216
Airport Rehabilitate Runway	14	
Capital Improvements	190,901	17,348
Totals	<u>388,828</u>	<u>388,828</u>

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 and a 401a qualified plan. The 457 plan and 401a qualified plan, available to full time county employees, permits them to defer a portion of their salary until future years. The deferred compensation is not

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans (continued)

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 401a 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 \$234,094 and the participants have contributed \$102,075 for the year-ended December 31, 2019.

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

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

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

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

All regular full-time employees who are eligible to join the County's major medical plan are eligible to participate in this plan. 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. At June 30 there were 307 employers in the plan. The Plan is administered by the Maine Public Employees Retirement System (the System).

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

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 2.69%.

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, 2019, the member contribution rate was 9.5% for special – 3N plan for first six months and 9.3% for remaining six months of applicable member compensation. The employer contribution rate was 7.8% for special –3N plan for first six months and 8.1% 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, 2019 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>			
2019	\$ 123,518	\$ 105,867	\$ 1,316,004			
2018	\$ 89,119	\$ 71,801	\$ 938,096			
2017	\$ 85,287	\$ 66,877	\$ 897,758			

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 and employer-paid member contributions.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2019, 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 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, 2019 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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

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, 2019 are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real 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%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2019. 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 (5.75%)</i>	<i>Current Discount Rate (6.75%)</i>	<i>1% Increase (7.75%)</i>
Proportionate Share of the Net Pension Liability	\$ 885,463	\$ 338,420	\$ (172,605)

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

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

As of December 31, 2019, the County reported a net pension liability of \$338,420. The net pension liability was measured as of June 30, 2019, 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, 2019, the County’s proportion was .133421%, which was an increase of 0.011889% from its proportion measured at June 30, 2018.

For the fiscal year ended December 31, 2019, the County recognized pension expense of \$105,867. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	48,287	7,950
Changes in Assumption	20,653	-
Net Difference between projected between projected and actual earnings on pension plan investments		102,148
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,590	10,259
Employer Contributions made subsequent to measurement date	61,798	
	<u>157,328</u>	<u>120,357</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>					
2020	<u>16,547</u>				
2021	<u>(35,276)</u>				
2022	<u>1,916</u>				
2023	<u>(65)</u>				

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information with respect to the Plan can be found in the System’s 2019 Comprehensive Annual Financial Report available online at www.mainepepers.org or contacting the System at (207) 512-3100.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

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 \$21,552,435 in 2019. The Risk Pool provides liability coverage to the County in the amounts shown on 2019 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, 2019, there were 149 employers participating in the plan.

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

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

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plans was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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 payrolls over a 30-year period on a closed basis. As of June 30, 2019, there were 11 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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

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

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</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>	

Discount Rate

The discount rate used to measure the total OPEB liability for the PLD Plan was 4.98% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.5%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2019. 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 2050. Therefore, the portion of future projected benefit payments after 2050 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 (3.98%) or 1 percentage point higher (5.98%) than the current rate:

PLD Plan:

	<u>1% Decrease</u> <u>(3.98%)</u>	<u>Current Discount</u> <u>Rate (4.98%)</u>	<u>1% Increase</u> <u>(5.98%)</u>
Proportionate Share of the Net OPEB Liability	\$ 22,267	\$ 16,861	\$ 12,600

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

As of December 31, 2019, the County reported a net liability of \$16,861 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

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

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, 2019, the County’s proportion was .0788% for the PLD Plan, which was an increase of .01075% from its proportion measured at June 30, 2018.

For the fiscal year ended December 31, 2019 of County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were:

	<i>PLD Plan:</i>	
	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	1,075	-
Changes of Assumptions	1,403	2,204
Difference between projected and actual Investment Earnings on OPEB Plan Investments	-	753
Changes in proportion and differences between employer premiums and proportionate share of premiums	7,335	5,354
	<u>9,813</u>	<u>8,311</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>Year Ended June 30,</u>	<u>PLD Plan</u>
2020	407
2021	407
2022	8
2023	(390)
2024	511

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information with respect to the Plan can be found in the System’s 2019 Comprehensive Annual Financial Report available online at www.maineper.org or contacting the System at (207) 512-3100.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

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.

Employees covered by benefit terms:

Since this is a roll forward valuation year, the data provided below is the same as that provided as of January 1, 2018:

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, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 - OTHER INFORMATION (Continued)

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

Actuarial assumptions: The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.10% 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.

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 - OTHER INFORMATION (Continued)

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

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, 2018 is based upon an earlier measurement date, as of December 28, 2017 and is 3.44% per annum. The discount rate as of December 31, 2019 is based upon an earlier measurement date, as of December 27, 2018 and is 4.10% 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.

Changes in the discount rate affect the measurement of the Total OPEB Liability (NOL). Lower discount rates produce higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the TOL to the discount rate.

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
	<i>(3.10%)</i>	<i>Rate (4.10%)</i>	<i>(5.10%)</i>
Net OPEB liability (asset)	\$ 638,083	\$ 543,644	\$ 467,403

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 17.4%. A one percent increase in the discount rate decreases the NOL by approximately 14.0%.

Changes in the healthcare trend rate affect the measurement of the TOL. Lower healthcare trend rates produce a lower TOL and higher healthcare trend rates produce a higher TOL. The table below shows the sensitivity of the TOL to the healthcare trend rate.

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>
Net OPEB liability (asset)	\$ 458,064	\$ 543,644	\$ 653,160

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 15.7%. A one percent increase in the healthcare trend rate increases the NOL by approximately 20.1%.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
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 1/1/18	551,332	-	551,332
Changes for the year:			-
Service Cost	35,961		35,961
Interest	20,138		20,138
Changes of benefits	-		-
Differences between expected and actual experience			-
Changes of assumptions	(59,996)		(59,996)
Contributions - employer		3,791	(3,791)
Contributions - member			-
Net investment income			-
Benefit payments	(3,791)	(3,791)	-
Administrative expense			-
Net Change	(7,688)	-	(7,688)
Balances at 1/1/19	543,644	-	543,644

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 9 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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
NOTE 4 - OTHER INFORMATION (Continued)

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience		11,362
Changes in Assumption	36,207	53,330
Net Difference between projected between projected and actual earnings on pension plan investments		
	<u>36,207</u>	<u>64,692</u>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:		
2020	(3,117)	
2021	(3,117)	
2022	(3,117)	
2023	(3,117)	
2024	(3,117)	
Thereafter	(12,900)	

G. Subsequent Events

In early 2020, an outbreak of the novel strand of coronavirus (COVID-19) emerged globally. As a result the federal government issued relief packages, including the CARES Act. The County of Knox Airport has been awarded a \$17,925,850 grant under the CARES Act Economic Stimulus Relief. The dates of the grant award are from 5/1/20 to 5/1/24.

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, 2019

Exhibit F

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	4,411,345	4,411,345	4,411,347	2
Intergovernmental Revenues	114,396	114,396	118,066	3,670
Departmental Revenues	929,883	929,883	931,694	1,811
Other Local Sources	5,150	5,150	8,907	3,757
Total Revenues	5,460,774	5,460,774	5,470,014	9,240
Expenditures				
Emergency Management Agency	209,843	209,843	210,453	(610)
District Attorney	347,886	347,886	342,546	5,340
Administration and Information Technology	555,284	555,284	550,347	4,937
Finance	301,197	301,197	293,442	7,755
Building Maintenance - Courthouse	496,038	496,038	448,600	47,438
Building Maintenance - Public Safety Building	146,881	146,881	161,267	(14,386)
Debt Service	213,882	213,882	213,807	75
Deeds	259,828	259,828	227,261	32,567
Probate	264,686	264,686	271,093	(6,407)
Sheriff's Patrol	2,403,630	2,403,630	2,307,794	95,836
All Other	329,489	329,489	167,302	162,187
Total Expenditures	5,528,644	5,528,644	5,193,912	334,732
Excess Revenues Over Expenditures	(67,870)	(67,870)	276,102	343,972
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(146,954)	(146,954)	(192,566)	(45,612)
Total Other Financing Sources (Uses)	(146,954)	(146,954)	(192,566)	(45,612)
Excess of Revenues and Other Sources Over (Under) Expenditures	(214,824)	(214,824)	83,536	298,360
Unassigned Fund Balance - January 1			1,275,117	
Jail Fund			355,640	
Airport Fund			89,992	
Dispatch Fund			113,284	
Unassigned Fund Balance - December 31			1,917,569	

COUNTY OF KNOX
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit G

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<i>For the Fiscal Year Ended December 31, 2019</i>	<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	0.133421%	0.121532%	0.129123%	0.061339%	0.000000%
Proportionate share of net pension liability	\$338,420	\$332,608	\$477,907	\$325,913	\$0
Covered employee payroll	\$1,316,004	\$938,096	\$897,758	\$847,190	\$0
Proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00000010%	0.00000013%	0.00000014%	0.00000007%	
Plan Total Pension Liability	\$3,258,819,605	\$3,089,857,220	\$3,016,660,721	\$2,889,740,634	\$2,720,936,009
Plan Fiduciary Net Position	\$2,953,156,096	\$2,816,179,855	\$2,607,223,644	\$2,358,409,925	\$2,401,889,308
Plan Net Pension Liability	\$305,663,509	\$273,677,365	\$409,437,077	\$531,330,709	\$319,046,701
Plan Fiduciary Net Position as a % Of the Total Pension Liability	90.620%	91.143%	86.427%	81.613%	88.274%
Plan Covered Employee Payroll	\$593,884,355	\$561,126,768	\$542,572,528	\$521,870,235	\$497,616,846
Plan Net Pension Liability as a % Of the Covered Employee Payroll	51.469%	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, 2019</i>	<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	\$105,867	\$71,801	\$66,877	\$61,047	\$15,385
Contribution in relation to the contractually required contribution	(\$105,867)	(\$71,801)	(\$66,877)	(\$61,047)	(\$15,385)
Contribution deficiency	\$0	\$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, 2019

Exhibit H

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

	<i>For the Fiscal Year Ended December 31, 2019</i>	<i>For the Fiscal Year Ended December 31, 2018</i>
<u>Total OPEB Liability</u>		
Service Cost	385	301
Interest	1,444	1,161
Changes of benefit terms	-	-
Differences between expected and actual experience	-	1,392
Changes of assumptions	704	1,058
Benefit payments	(1,246)	(1,041)
Net Change in total OPEB liability	1,287	2,871
Total OPEB liability - beginning	24,514	21,643
Total OPEB liability - ending	25,801	24,514
<u>Plan fiduciary net position</u>		
Contributions - member	-	-
Contributions - employer	867	728
Investment income	818	907
Benefits paid	(1,246)	(1,041)
Administrative expense	(94)	(91)
Net change in plan fiduciary net position	345	503
Plan fiduciary net position - beginning	10,767	10,264
Plan fiduciary net position - ending	11,112	10,767
Net OPEB liability - ending	14,690	13,747
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	43.07%	43.92%
Covered Employee Payroll	223,701	188,013
Net OPEB Liability as a % Of the Covered Employee Payroll	6.57%	7.31%

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

Schedule 2 - Schedule of Employer Contributions:

	<i>For the Fiscal Year Ended December 31, 2019</i>	<i>For the Fiscal Year Ended December 31, 2018</i>
Contractually required contribution	1,014	852
Contribution in relation to the contractually required contribution	(867)	(728)
Contribution deficiency	147	125
Covered employee payroll	223,701	188,013
Contributions as a percentage of covered employee payroll	0.39%	0.39%

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

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
OPEB SCHEDULES - LAST 10 FISCAL YEARS - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit I

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

	<i>For the Fiscal Year Ended December 31, 2019</i>	<i>For the Fiscal Year Ended December 31, 2018</i>
<u>Total OPEB Liability</u>		
Service Cost (BOY)	35,961	30,891
Interest (includes interest on service cost)	20,138	18,973
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(14,608)
Changes in assumptions	(59,996)	46,551
Benefit payments, including refunds of member contributions	(3,791)	(3,027)
Net Change in total OPEB liability	(7,688)	78,780
Total OPEB liability - beginning	551,332	472,552
Total OPEB liability - ending	543,644	551,332
<u>Plan fiduciary net position</u>		
Contributions - employer	3,791	3,027
Contributions - member		
Net investment income		
Benefit payments, including refunds of member contributions	(3,791)	(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	543,644	551,332
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	0.0%	0.0%
Covered Employee Payroll	4,084,678	4,084,678
Net OPEB Liability as a % Of the Covered Employee Payroll	13.3%	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, 2019</i>	<i>For the Fiscal Year Ended December 31, 2018</i>
Contractually required contribution	3,791	3,027
Contribution in relation to the contractually required contribution	(3,791)	(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, 2019**

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, 2019, 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, 2019 are as follows:

	<u><i>PLD Plan</i></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, 2019

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, 2019, 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, 2019**

NOTE 1 – Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Changes Since Last Valuation

There were no changes since the last valuation due to the nature of applying an actuarial roll forward to the January 1, 2018 liability.

There was a change in the discount rate from 3.44% to 4.10% per GASB 75 discount rate selection. There were no changes to data, assumptions, and methodology.

There were no substantive plan changes during the calendar year 2018.

Net OPEB Liability

The County’s net OPEB liability was measured as of January 1, 2019, 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	4.10% 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, 2019

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	4,411,345	4,411,347	2
Intergovernmental Revenues			
Federal			
Emergency Management Agency	114,396	115,003	607
Wildlife Refuge Fees		3,063	3,063
	114,396	118,066	3,670
Departmental Revenue			
Finance - Investment Income	5,312	15,844	10,532
District Attorney	24,718	34,263	9,545
Building Maintenance	72,347	70,332	(2,015)
Deeds	460,000	445,338	(14,662)
Probate	131,100	149,773	18,673
Sheriff Patrol	236,406	216,144	(20,262)
	929,883	931,694	1,811
Other Local Sources			
Miscellaneous	5,150	8,907	3,757
	5,150	8,907	3,757
Operating Transfers In			
Transfers from Grants			-
Transfers from Reserves			-
	-	-	-
Total Revenues and Transfers	5,460,774	5,470,014	9,240
Fund Balance Used to Calculate Assessments	214,824		
Total	5,675,598		

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit A-2
Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personnel Services	195,568	196,719	(1,151)
Contractual Services	11,765	10,830	935
Commodities	2,510	2,904	(394)
Capital Outlay			-
	<hr/> 209,843	<hr/> 210,453	<hr/> (610)
District Attorney			
Personnel Services	290,705	292,495	(1,790)
Contractual Services	40,347	34,757	5,590
Commodities	16,834	15,294	1,540
Capital Outlay			-
	<hr/> 347,886	<hr/> 342,546	<hr/> 5,340
Administration and IT			
Personnel Services	362,054	350,719	11,335
Contractual Services	188,598	194,853	(6,255)
Commodities	4,632	4,775	(143)
Capital Outlay			-
	<hr/> 555,284	<hr/> 550,347	<hr/> 4,937
Finance			
Personnel Services	251,699	249,892	1,807
Contractual Services	46,259	41,728	4,531
Commodities	3,239	1,822	1,417
	<hr/> 301,197	<hr/> 293,442	<hr/> 7,755
Building Maintenance - Courthouse			
Contractual Services	222,604	188,871	33,733
Commodities	36,386	22,681	13,705
Capital Outlay	237,048	237,048	-
	<hr/> 496,038	<hr/> 448,600	<hr/> 47,438
Building Maintenance - Public Safety Building			
Contractual Services	69,354	82,773	(13,419)
Commodities	7,527	8,532	(1,005)
Capital Outlay	70,000	69,962	38
	<hr/> 146,881	<hr/> 161,267	<hr/> (14,386)
Debt Service			
Jail Bond Principal	165,000	165,000	-
Jail Bond Interest	32,382	32,381	1
Interest - Tax Anticipation Note	16,500	16,426	74
	<hr/> 213,882	<hr/> 213,807	<hr/> 75

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Deeds			
Personnel Services	203,791	170,555	33,236
Contractual Services	54,893	55,802	(909)
Commodities	1,144	904	240
	<hr/> 259,828	<hr/> 227,261	<hr/> 32,567
Probate			
Personnel Services	240,004	239,790	214
Contractual Services	19,782	26,952	(7,170)
Commodities	4,900	4,351	549
	<hr/> 264,686	<hr/> 271,093	<hr/> (6,407)
Sheriff's Patrol			
Personnel Services	2,071,569	1,960,223	111,346
Contractual Services	122,401	142,902	(20,501)
Commodities	65,660	77,721	(12,061)
Capital Outlay	144,000	126,948	17,052
	<hr/> 2,403,630	<hr/> 2,307,794	<hr/> 95,836
Miscellaneous			
Knox-Lincoln Extension Service	57,042	57,042	-
Knox-Lincoln Soil & Water	28,875	28,875	-
Eastern Maine Development	2,500	2,500	-
Insurance	83,552	78,885	4,667
Overlay	157,520		157,520
	<hr/> 329,489	<hr/> 167,302	<hr/> 162,187
Transfers Out			
DA Grant	146,954	146,954	-
Reserves		45,612	(45,612)
	<hr/> 146,954	<hr/> 192,566	<hr/> (45,612)
Total Appropriations	<hr/> 5,675,598	<hr/> 5,386,478	<hr/> 289,120

**COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Exhibit A-3

Unassigned Fund Balance January 1	1,275,117	
Unassigned Fund Balance December 31	<u>1,358,653</u>	
Increase (Decrease)		<u><u>83,536</u></u>

Analysis of Change

Budget Surplus (Deficit) Revenue Deficit (Exhibit A-1)	9,240	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>289,120</u>	
Budget Surplus (Deficit)		<u>298,360</u>
Deductions Fund Balance Used to Calculate Assessments		<u>(214,824)</u>
Increase (Decrease)		<u><u>83,536</u></u>

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

General Fund Unassigned Fund Balance - Exhibit A-3	1,358,653
Jail Fund	355,640
Airport Fund	89,992
Dispatch Fund	<u>113,284</u>
Total Unassigned Fund Balance Exhibit C	<u><u>1,917,569</u></u>

COUNTY OF KNOX
ALL GENERAL RESERVES
BALANCE SHEET
DECEMBER 31, 2019

Exhibit A-4

<i>Assets</i>	<i>General Reserves</i>	<i>Jail Fund</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Communications Fund</i>	<i>Totals</i>
Cash and Equivalents	19,051			61,356		80,407
Investments	533,931					533,931
Accounts Receivable	5,179	2,702	101,615		90	109,586
Prepaid Expenditures			3			3
Due from Other Funds	19,432	700,477	2,593		152,525	875,027
Total Assets	577,593	703,179	104,211	61,356	152,615	1,598,954
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Accrued Salaries		109,841	14,219		39,331	163,391
Accounts Payable		1,126				1,126
Due to Other Funds	147					147
Deferred Revenues		236,572				236,572
Total Liabilities	147	347,539	14,219	-	39,331	401,236
 Fund Balances						
Committed	577,446					577,446
Assigned				61,356		61,356
Unassigned		355,640	89,992		113,284	558,916
Total Fund Balances	577,446	355,640	89,992	61,356	113,284	1,197,718
Total Liabilities and Fund Balances	577,593	703,179	104,211	61,356	152,615	1,598,954

COUNTY OF KNOX
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit A-5

	<i>General Reserves Exhibit A-6</i>	<i>Jail Fund Exhibit A-7</i>	<i>Airport Fund Exhibit A-8</i>	<i>Inmate Fund</i>	<i>Communications Fund Exhibit A-9</i>	<i>Totals Totals</i>
Revenues						
Assessments		3,592,592	29,579		1,229,172	4,851,343
Intergovernmental Revenues						
Federal		7,000	54,750			61,750
State		466,858				466,858
Interest	9,543					9,543
Fair Value Increase (Decrease)	21,348					21,348
Other Local Sources	104,122	856	625,190	22,677	225	753,070
Total Revenues	<u>135,013</u>	<u>4,067,306</u>	<u>709,519</u>	<u>22,677</u>	<u>1,229,397</u>	<u>6,163,912</u>
Expenditures						
Personnel Services		2,953,211	425,074		1,108,039	4,486,324
Contract Services		806,841	168,475		180,198	1,155,514
Commodities		144,125	52,726		6,775	203,626
Capital Outlay		95,000	0		30,130	125,130
Maintenance and Supplies				9,989		9,989
Reserve Funds	198,912					198,912
Total Expenditures	<u>198,912</u>	<u>3,999,177</u>	<u>646,275</u>	<u>9,989</u>	<u>1,325,142</u>	<u>6,179,495</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,899)</u>	<u>68,129</u>	<u>63,244</u>	<u>12,688</u>	<u>(95,745)</u>	<u>(15,583)</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	20,072	29,986				50,058
Transfers to Other Funds	-	(105,362)	(60,000)	(29,987)		(195,349)
Total Other Financing Sources (Uses)	<u>20,072</u>	<u>(75,376)</u>	<u>(60,000)</u>	<u>(29,987)</u>	<u>-</u>	<u>(145,291)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(43,827)</u>	<u>(7,247)</u>	<u>3,244</u>	<u>(17,299)</u>	<u>(95,745)</u>	<u>(160,874)</u>
Fund Balance - January 1	<u>621,273</u>	<u>362,887</u>	<u>86,748</u>	<u>78,655</u>	<u>209,029</u>	<u>1,358,592</u>
Fund Balance - December 31	<u>577,446</u>	<u>355,640</u>	<u>89,992</u>	<u>61,356</u>	<u>113,284</u>	<u>1,197,718</u>

**COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

Exhibit A-6

<i>Reserve Fund</i>	<i>Fund Balance January 1</i>	<i>New Funds</i>	<i>Transfers From Other Funds</i>	<i>Interest</i>	<i>Increase (Decrease) in Fair Value</i>	<i>Transfers To Other Funds</i>	<i>Expenditures</i>	<i>Fund Balance December 31</i>
Airport Computer	4,157			60	122		(1,374)	2,965
Airport Retirement	15,934			232	663			16,829
Communications Computer	12,503			217	491		(1,150)	12,061
Communications Miscellaneous	46,221	338		819	1,990			49,368
Contingency	100,671			1,781	4,306			106,758
Courthouse Computer	12,916			164	322		(5,631)	7,771
DA Programs	5,204		9,710	57	210			15,181
DARE Program	285	500		4	10		(558)	241
Deeds Surcharge	56,766	25,725		997	2,683		(13,815)	72,356
EMA Disaster Fund	20,135	94		357	865			21,451
Forfeiture Money - State	34,641	1,665		630	1,377		(6,939)	31,374
Generator Reserve	9,195	12,378		155	624			22,352
Health Insurance	15,127			268	647			16,042
Jail Community Based	95,857	59,572		700			(137,079)	19,050
Jail Computer	7,368			130	315			7,813
Jail Retirement	35,797		10,362	310	604		(21,617)	25,456
Jail Training	8,171			145	349			8,665
Legal	20,935			370	895			22,200
Matching Grant Funds	20,909			370	894			22,173
Orthoimagery	77			1	3			81
Probate Surcharge	37,484	3,050		676	1,693		(261)	42,642
Resignation Benefits	-			89	31			120
Retirement	36,894			578	1,194		(10,488)	28,178
Security Deposit	848			15	36			899
Sheriff's Computer	10	800		8	33			851
Unemployment	23,168			410	991			24,569
Total	621,273	104,122	20,072	9,543	21,348	-	(198,912)	577,446

JAIL FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,592,592	3,592,592	3,592,592	-
Intergovernmental Revenues	465,186	465,186	473,858	8,672
Other Local Sources			856	856
Total Revenues	4,057,778	4,057,778	4,067,306	9,528
Expenditures				
Personnel Services	2,892,598	2,892,598	2,953,211	(60,613)
Contractual	959,209	959,209	806,841	152,368
Commodities	140,968	140,968	144,125	(3,157)
Capital	95,000	95,000	95,000	-
Total Expenditures	4,087,775	4,087,775	3,999,177	88,598
Excess Revenues Over Expenditures	(29,997)	(29,997)	68,129	98,126
Other Financing Sources (Uses)				
Transfers from Other Funds	29,997	29,997	29,986	(11)
Transfers to Other Funds			(105,362)	(105,362)
Total Other Financing Sources (Uses)	29,997	29,997	(75,376)	(105,373)
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(7,247)</u>	<u>(7,247)</u>
Unassigned Fund Balance - January 1, Restated			<u>362,887</u>	
Unassigned Fund Balance - December 31			<u>355,640</u>	

AIRPORT FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	29,578	29,578	29,579	1
Intergovernmental Revenues	54,750	54,750	54,750	-
Other Local Sources	546,321	546,321	625,190	78,869
Total Revenues	<u>630,649</u>	<u>630,649</u>	<u>709,519</u>	<u>78,870</u>
Expenditures				
Personnel Services	390,558	390,558	425,074	(34,516)
Contractual	147,405	147,405	168,475	(21,070)
Commodities	32,686	32,686	52,726	(20,040)
Capital	60,000	60,000		60,000
Total Expenditures	<u>630,649</u>	<u>630,649</u>	<u>646,275</u>	<u>(15,626)</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>63,244</u>	<u>63,244</u>
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds			(60,000)	(60,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>3,244</u>	<u>3,244</u>
Unassigned Fund Balance - January 1			<u>86,748</u>	
Unassigned Fund Balance - December 31			<u>89,992</u>	

COUNTY OF KNOX
COMMUNICATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit A-9

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	1,229,172	1,229,172	1,229,172	-
Other Local Sources			225	225
Total Revenues	1,229,172	1,229,172	1,229,397	225
Expenditures				
Personnel Services	1,071,790	1,071,790	1,108,039	(36,249)
Contractual	147,302	147,302	180,198	(32,896)
Commodities	10,080	10,080	6,775	3,305
Capital	31,130	31,130	30,130	1,000
Total Expenditures	1,260,302	1,260,302	1,325,142	(64,840)
Excess Revenues Over Expenditures	(31,130)	(31,130)	(95,745)	(64,615)
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>(31,130)</u>	<u>(31,130)</u>	(95,745)	<u>(64,615)</u>
Unassigned Fund Balance - January 1			<u>209,029</u>	
Unassigned Fund Balance - December 31			<u>113,284</u>	

**COUNTY OF KNOX
GRANT FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

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			4,962	4,962
Accounts Receivable			9,149	9,149
Due from Other Funds	608	10,693		11,301
Total Assets	608	10,693	14,111	25,412
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Due to Other Funds			3,804	3,804
Total Liabilities	-	-	3,804	3,804
 Fund Balances				
Restricted	608	10,693	10,307	21,608
Unassigned				-
Total Fund Balances	608	10,693	10,307	21,608
Total Liabilities and Fund Balances	608	10,693	14,111	25,412

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit B-2

	<i>Wellness Grant</i>	<i>Victim/Witness Advocate Grant</i>	<i>Local Emergency Planning Committee</i>	<i>Bullet Proof Vest Grant</i>	<i>KCCHC Party Patrols</i>	<i>Totals</i>
Revenues						
Intergovernmental Revenues						
Federal		54,922	65,700	946		121,568
State						-
Local Sources	3,560		6,784		1,000	11,344
Interest			639			639
Total Revenues	<u>3,560</u>	<u>54,922</u>	<u>73,123</u>	<u>946</u>	<u>1,000</u>	<u>133,551</u>
Expenditures						
Personnel Services		162,809	4,760		1,000	168,569
Contract Services		1,360	2,022			3,382
Commodities						-
Other	2,842	36,666	110,634	946		151,088
Total Expenditures	<u>2,842</u>	<u>200,835</u>	<u>117,416</u>	<u>946</u>	<u>1,000</u>	<u>323,039</u>
Excess of Revenues Over (Under) Expenditures	<u>718</u>	<u>(145,913)</u>	<u>(44,293)</u>	<u>-</u>	<u>-</u>	<u>(189,488)</u>
Other Financing Sources (Uses)						
Transfers from Other Funds		146,954				146,954
Transfers to Other Funds						-
Total Other Financing Sources (Uses)	<u>-</u>	<u>146,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,954</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>718</u>	<u>1,041</u>	<u>(44,293)</u>	<u>-</u>	<u>-</u>	<u>(42,534)</u>
Fund Balance - January 1	<u>(110)</u>	<u>9,652</u>	<u>54,600</u>			<u>64,142</u>
Fund Balance - December 31	<u>608</u>	<u>10,693</u>	<u>10,307</u>	<u>-</u>	<u>-</u>	<u>21,608</u>

**COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

Exhibit C-1

<i>Assets</i>	<i>Airport Rehab Phase I</i>	<i>Airport Extend Runway Phase II</i>	<i>Airport - RSA Improvement Project</i>	<i>Airport Passenger Facility</i>	<i>Capital Improvements</i>	<i>Totals</i>
Cash and Equivalents				31,818		31,818
Investments					174,760	174,760
Accounts Receivable				2,944		2,944
Prepaid Expenditures			21,843			21,843
Due from Other Funds					173,554	173,554
Due from Other Governments	238,755	236,731	44,929			520,415
Total Assets	238,755	236,731	66,772	34,762	348,314	925,334
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	75,385					75,385
Due to Other Funds	163,370	236,731	66,772	34,762	14,535	516,170
Total Liabilities	238,755	236,731	66,772	34,762	14,535	591,555
Fund Balances						
Restricted						-
Committed					333,779	333,779
Unassigned						-
Total Fund Balances	-	-	-	-	333,779	333,779
Total Liabilities and Fund Balances	238,755	236,731	66,772	34,762	348,314	925,334

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit C-2
Page 1 of 2

	<i>Snow Removal Equipment Building</i>	<i>Airport Rehab Phase I</i>	<i>Airport Misc. Proj #52</i>	<i>Airport Environmental Assessment</i>	<i>Airport Extend Runway</i>
Revenues					
Intergovernmental Revenues					
Federal		875,349			12
State		48,631			
Local Sources					
Total Revenues	-	923,980	-	-	12
Expenditures					
Engineering Services		214,158			
Construction		753,847			
Professional Services		3,300			
All Other		1,306			452
Total Expenditures	-	972,611	-	-	452
Excess of Revenues Over (Under)					
Expenditures	-	(48,631)	-	-	(440)
Other Financing Sources (Uses)					
Lease Proceeds					
Transfers from Other Funds	54	48,631	49	41	440
Transfers to Other Funds					
Total Other Financing Sources (Uses)	54	48,631	49	41	440
Excess of Revenues and Other Sources Over (Under)					
Expenditures and Other Uses	54	-	49	41	-
Fund Balance - January 1	(54)		(49)	(41)	-
Fund Balance - December 31	-	-	-	-	-

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit C-2
Page 2 of 2

	<i>Airport Extend Runway Phase II</i>	<i>Airport - RSA Improvement Project</i>	<i>Airport Passenger Facility</i>	<i>Airport Rehabilitate Runway</i>	<i>Capital Improvements</i>	<i>Totals</i>
Revenues						
Intergovernmental Revenues						
Federal	13,900	4,405	32,923			926,589
State		245				48,876
Local Sources			293		55,588	55,881
Total Revenues	13,900	4,650	33,216	-	55,588	1,031,346
Expenditures						
Engineering Services	10,945					225,103
Construction	3,071	4,578				761,496
Professional Services						3,300
All Other	976	317			485,686	488,737
Total Expenditures	14,992	4,895	-	-	485,686	1,478,636
Excess of Revenues Over (Under)						
Expenditures	(1,092)	(245)	33,216	-	(430,098)	(447,290)
Other Financing Sources (Uses)						
Transfers from Other Funds	1,499	245		14	190,901	241,874
Transfers to Other Funds	(407)		(33,216)		(17,348)	(50,971)
Total Other Financing Sources (Uses)	1,092	245	(33,216)	14	173,553	190,903
Excess of Revenues and Other Sources Over (Under)						
Expenditures and Other Uses	-	-	-	14	(256,545)	(256,387)
Fund Balance - January 1	-	-	-	(14)	590,324	590,166
Fund Balance - December 31	-	-	-	-	333,779	333,779

COUNTY OF KNOX
CAPITAL IMPROVEMENTS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit C-3

	<i>Fund Balance January 1</i>	<i>New Funds</i>	<i>Transfers From Other Funds</i>	<i>Interest</i>	<i>Increase (Decrease) in Fair Value</i>	<i>Transfers To Other Funds</i>	<i>Expenditures</i>	<i>Fund Balance December 31</i>
<i>Reserve Fund</i>								
Courthouse Maintenance	212,145		18,850	2,695	2,538		(183,057)	53,171
EMA Vehicle	9,911			176	424			10,511
Forfeiture Money - Federal	60			1			(61)	-
Jail Capital	301,006		95,000	4,414	5,762		(249,868)	156,314
Jail Vehicle	5,332			94	228			5,654
Sheriff's Vehicle	35,160	22,607	17,051	167	426		(41,930)	33,481
Airport	14,217			509	1,230			15,956
Airport Equipment	12,036	13,696		211	345		(10,770)	15,518
Airport Projects	457		60,000	59	6	(17,348)		43,174
Total	590,324	36,303	190,901	8,326	10,959	(17,348)	(485,686)	333,779

*COUNTY OF KNOX
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2019*

Exhibit D-1

	<i>Balance January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance December 31</i>
<i>Inmates Fund</i>				
<i>Assets</i>				
Cash and Equivalents	15,031	111,500	(107,413)	19,118
<i>Liabilities</i>				
Due to Inmates	15,031	111,500	(107,413)	19,118

James W. Wadman

CERTIFIED PUBLIC ACCOUNTANT

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.

***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, 2019, 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 8, 2020.

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 8, 2020

James W. Wadman

CERTIFIED PUBLIC ACCOUNTANT

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 COMPLIANCE FOR EACH MAJOR PROGRAM AND 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, 2019. 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, 2019.

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 8, 2020

SCHEDULE I
COUNTY OF KNOX
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

No Prior Audit Findings

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

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, 2019

SCHEDULE III

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Expenditures</i>	
U.S. Department of Transportation					
Federal Aviation Administration					
Airport Improvements - Extend Runway	*	20.106	3-23-0042-53-2017	2,354,400	12
Airport Improvements - Extend Runway II	*	20.106	3-23-0042-54-2018	855,990	13,900
Airport Improvements - RSA Improvement Project	*	20.106	3-23-0042-55-2018	155,612	4,405
Airport Improvements - Rehab Phase I	*	20.106	3-23-0042-56-2019	967,500	875,349
Airport Improvements - Passenger Facility Fees	*	20.106		32,923	32,923
Total Federal Aviation Administration				4,366,425	926,589
Total U.S. Department of Transportation				4,366,425	926,589
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	16,887
Hazard Mitigation Planning		97.067	PDMC-PL-1-ME-2015-003	15,000	4,707
2016 Homeland Security		97.067	EMW-2016-SS-00080	71,865	16,455
2017 Homeland Security		97.067	EMW-2017-SS-00052	70,727	37,110
2018 Homeland Security		97.067	EMW-2018-SS-00049	75,968	13,184
2019 Homeland Security		97.067	EMW-2019-SS-00015	75,968	22,291
Total U.S. Department of Homeland Security				443,432	110,634
Total U.S. Department of Homeland Security				498,182	165,384
U.S. Department of Justice Passed Through Maine					
Department of Human Services					
Bullet Proof Vest Grant		16.607		3,472	946
Crime Victims Assistance		16.575	OVP-20-2304	110,000	13,672
Crime Victims Assistance		16.575	OVP-19-2304	55,000	41,250
Total U.S. Department of Justice				168,472	55,868
Total				5,033,079	1,147,841

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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.