

COUNTY OF KNOX, MAINE

*FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2021*

**COUNTY OF KNOX
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2021**

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DECEMBER 31, 2021

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

County Commissioners
County of Knox
Rockland, ME 04841

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, pension, and other post-employment benefit disclosure schedules on pages 4-9, 45-46, and 47-54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying 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* 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 2, 2022, 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 2, 2022

County of Knox
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2021

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, 2021. 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, 2021 by \$43,061,619 (presented as “net position”). Of this amount, \$4,114,281 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 \$9,491,730 (a 28% increase) for the fiscal year ended December 31, 2021.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2021; the County's governmental funds reported a combined ending fund balance of \$8,889,070 with \$3,989,197 being general, jail, airport, and communications unassigned fund balance. This unassigned fund balance represents approximately 32% of the total general, jail, airport and communications funds expenditures for the year. \$1,992,753 general unassigned fund balance represents 35% of the total general fund expenditures for the year.

Long-term Debt:

The County's total long-term debt obligations decreased by \$331,686 (11%) 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 28 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 10-11 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. 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 12-15 of this report.

The fiduciary fund financial statements can be found on pages 16-17 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 18-44 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 45-54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

82% 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.

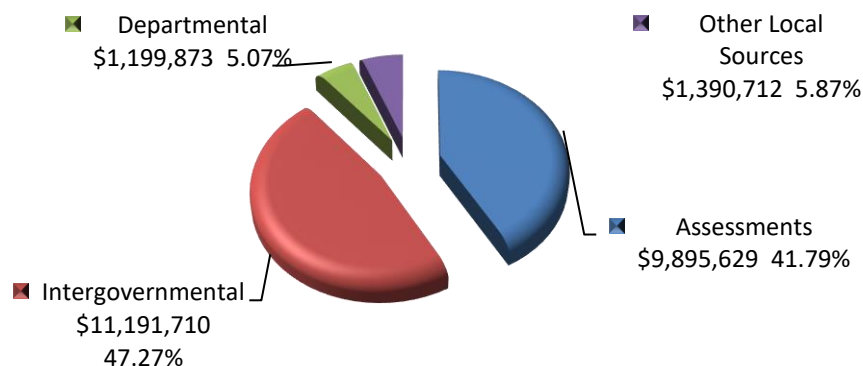
	Total 2021	Total 2020
Current Assets	9,455,282	4,824,595
Long-Term Assets	217,550	
Capital Assets	38,259,306	33,932,753
Total Assets	47,932,138	38,757,348
 Total Deferred Outflows of Resources	 791,542	 541,833
 Total Assets and Deferred Outflows of Resources	 48,723,680	 39,299,181
 Other Liabilities	1,250,253	1,397,776
Long-Term Liabilities	3,277,292	4,247,049
Total Liabilities	4,527,545	5,644,825
 Total Deferred Inflows of Resources	 1,134,516	 84,467
 Net Position:		
Net Investment in Capital Assets	35,513,003	30,854,764
Restricted	3,434,335	56,280
Unrestricted	4,114,281	2,658,845
Total Net Position	43,061,619	33,569,889
 Total Liabilities , Deferred Inflows of Resources, and Net Position	 48,723,680	 39,299,181

Changes in Net position

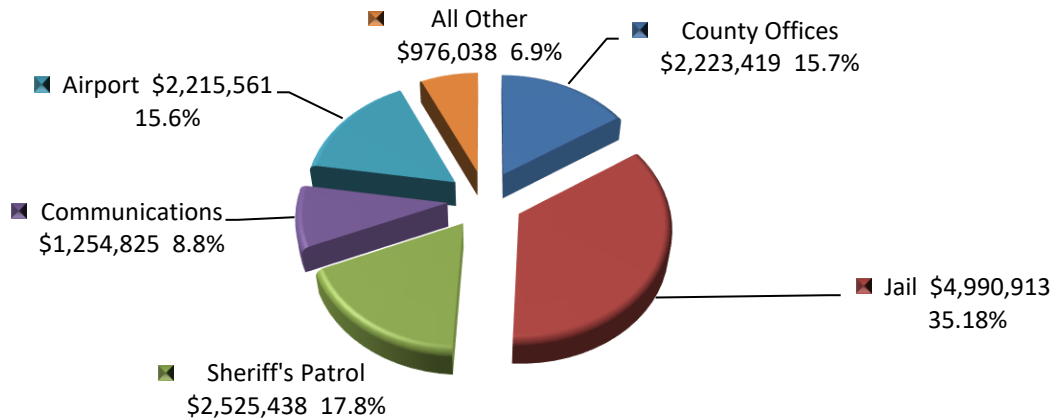
Approximately 42 percent of the County's total revenue came from assessments, approximately 47 percent came from State subsidies and grants, and approximately 11 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$1,295,043 of the total expenditures for the fiscal year.

	Total 2021	Total 2020
Revenues:		
District Assessments	9,895,629	9,736,016
Intergovernmental Revenues	11,191,710	3,341,925
Departmental Revenues	1,199,873	986,058
Other Local Sources	1,368,542	793,394
Gain on Sale of Assets	22,170	
Total	23,677,924	14,857,393
Expenses:		
Emergency Management Agency	361,569	368,795
District Attorney	515,167	556,757
Administration & Information Technology	697,277	651,245
Finance	310,734	313,769
Building Maintenance - Courthouse	338,672	343,772
Building Maintenance - Public Safety Building	105,879	95,897
Debt Service	24,363	45,791
Jail	4,990,913	4,283,879
Deeds	252,195	211,973
Probate	274,382	270,921
Sheriff's Patrol	2,525,438	2,608,430
Communications	1,254,825	1,263,610
Airport	2,215,561	1,690,382
Other Post-Employment Benefits	75,430	51,665
All Other	243,789	228,633
	14,186,194	12,985,519
Changes in Net Position	9,491,730	1,871,874

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 \$8,889,070 an increase of \$4,742,116 in comparison with the prior year. 45% percent of this total amount constitutes unassigned fund balance. The fund balance increase is primarily due to ARPA funds in the amount of \$3,377,405.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \$201,869 positive variance in deeds revenue. The variance is due to higher than expected deeds recordings.
- \$51,536 negative variance in administrative and IT contractual services. The variance is due to increased legal and labor relations.
- \$186,785 positive variance in sheriff's patrol personnel services. The variance is due to accrued salaries, health insurance, retirement, and change in personnel.
- \$79,739 positive variance in corrections intergovernmental revenues. The variance is due to board of corrections funding.
- \$256,629 positive variance in corrections personnel services. The variance is due to accrued salaries and open positions.
- \$187,652 negative variance in corrections contractual services. The variance is due to boarding and medical expenses.
- \$82,157 negative variance in corrections commodities. The variance is due to food, supplies, and equipment.
- \$148,097 positive variance in corrections capital outlay. The variance is due to a paving project not complete. This amount was transferred to reserve.
- \$593,076 positive variance in airport intergovernmental revenues. The variance is from CARES reimbursement for expenses.
- \$64,563 positive variance in airport other local sources. The variance is from increases sales and revenue from Budget rent a car and a new landing fee.

- \$195,314 positive variance in communications personnel services. The variance is due to accrued salaries and open positions.
- \$68,365 negative variance in capital outlay. The variance is due to the radio upgrade approved at 7/13/21 commissioner's meeting.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$54,674,565 net of accumulated depreciation of \$16,415,259 leaving a net book value of \$38,259,306.

Additional information on the County's capital assets can be found in Note 3D of the notes to the financial statements on page 27 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, 2021

Exhibit A

<i>Assets and Deferred Outflow of Resources</i>	<i>Governmental Activities</i>
Cash and Equivalents	5,972,358
Investments	984,452
Accounts Receivable	478,731
Due from Other Governments	2,019,741
Net Pension Asset	217,550
Capital Assets:	
Land	2,780,344
Construction Work in Progress	5,233,294
Other Capital Assets, Net of Depreciation	30,245,668
Total Assets	47,932,138
<i>Deferred Outflows of Resources</i>	
Related to Pensions	569,883
Related to Post Employment Benefits Obligation	221,659
Total Deferred Outflows of Resources	791,542
Total Assets and Deferred Outflows of Resources	48,723,680
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Liabilities	
Accounts Payable	33,090
Retainage Payable	108,390
Accrued Salaries	135,861
Compensated Absences	635,298
Long-term Liabilities:	
Net Post Employment Benefits Obligation	868,603
Due Within One Year	337,614
Due in More Than One Year	2,408,689
Total Liabilities	4,527,545
<i>Deferred Inflows of Resources:</i>	
Related to Pensions	1,066,877
Related to Post Employment Benefits Obligation	67,639
Total Deferred Inflows of Resources	1,134,516
Net Position	
Net Investment in Capital Assets	35,513,003
Restricted Net Position	3,434,335
Unrestricted	4,114,281
Total Net Position	43,061,619
Total Liabilities, Deferred Inflows of Resources, and Net Position	48,723,680

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, 2021

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Fees, Fines, and</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Charges for</u>	<u>Grants</u>	<u>Changes in Net Position</u>
<u>Primary Government</u>		<u>Services</u>		<u>Total</u>
<u>Governmental Activities</u>				<u>Governmental</u>
				<u>Activities</u>
Emergency Management Agency	361,569	7,433	173,523	(180,613)
District Attorney	515,167	25,865	14,285	(475,017)
Administration and Information Technology	697,277	5,632		(691,645)
Finance	310,734	16,718		(294,016)
Building Maintenance - Courthouse	338,672	70,356		(268,316)
Building Maintenance - Public Safety Building	105,879			(105,879)
Debt Service	24,363			(24,363)
Corrections	4,990,913	426,257	825,345	(3,739,311)
Deeds	252,195			(252,195)
Probate	274,382	116,980		(157,402)
Sheriff Patrol	2,525,438	261,813	81,142	(2,182,483)
Communications	1,254,825			(1,254,825)
Annual Post Employment Benefit Costs	75,430			(75,430)
Airport	2,215,561	610,844	842,213	(762,504)
Miscellaneous	243,789			(243,789)
<u>Total Governmental Activities</u>	<u>14,186,194</u>	<u>1,541,898</u>	<u>1,936,508</u>	<u>(10,707,788)</u>
<u>Total Primary Government</u>	<u>14,186,194</u>	<u>1,541,898</u>	<u>1,936,508</u>	<u>(10,707,788)</u>
<u>General Revenues:</u>				
Assessments				9,895,629
Intergovernmental Funds				3,909,468
Registry of Deeds Fees				680,707
Airport Federal and State Grants for Capital Assets & Infrastructure				5,644,027
Gain on Sale of Equipment				22,170
Other Local Sources				47,517
<u>Total Revenues, Special Items and Transfers</u>				<u>20,199,518</u>
<u>Changes in Net Position</u>				<u>9,491,730</u>
<u>Net Position - Beginning</u>				<u>33,569,889</u>
<u>Net Position - Ending</u>				<u>43,061,619</u>

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

Exhibit C
Page 1 of 2

Assets	General Fund	ARPA Grant	Airport Cares Act #61 Grant	Airport Cares Act #62 Grant	Other Governmental Funds	Total
Cash and Equivalents	5,936,794				35,564	5,972,358
Investments	525,756				458,696	984,452
Accounts Receivable	408,176				70,555	478,731
Due from Other Funds	1,102,064	3,395,088			183,226	4,680,378
Due from Other Governments			552,572	756,245	710,924	2,019,741
Total Assets	7,972,790	3,395,088	552,572	756,245	1,458,965	14,135,660
Liabilities						
Accounts Payable	30,801	2,001			288	33,090
Retainage Payable			34,675	73,715		108,390
Accrued Salaries	120,179	15,682				135,861
Due to Other Funds	2,703,793		517,897	682,530	776,158	4,680,378
Total Liabilities	2,854,773	17,683	552,572	756,245	776,446	4,957,719
Deferred Inflows of Resources:						
Unavailable Revenues	288,871					288,871
Total Deferred Inflows of Resources	288,871	-	-		-	288,871
Fund Balances						
Restricted		3,377,405			56,930	3,434,335
Committed	723,839				626,115	1,349,954
Assigned	116,110					116,110
Unassigned	3,989,197				(526)	3,988,671
Total Fund Balances	4,829,146	3,377,405	-		682,519	8,889,070
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	7,972,790	3,395,088	552,572		1,458,965	14,135,660

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

COUNTY OF KNOX
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

Exhibit C
Page 2 of 2

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

Total Fund Balance	8,889,070
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$16,415,259	38,259,306
Deferred outflows of resources related to pension plans	569,883
Deferred outflows of resources related to post employment benefits obligation	221,659
Deferred inflows of resources related to pension plans	(1,066,877)
Deferred inflows of resources related to post employment benefits obligation	(67,639)
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Unavailable Revenues - Jail	288,871
Net Pension Asset	217,550
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(2,746,303)
Net Post Employment Benefit Obligation	(868,603)
Accrued Compensated Absences	(635,298)
Net Position of Governmental Activities	<u><u>43,061,619</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, 2021

Exhibit D
Page 1 of 2

	General Fund	ARPA Grant	Airport Cares Act #61 Grant	Airport Cares Act #62 Grant	Other Governmental Funds	Total Governmental Funds
Revenues						
Assessments	9,895,629					9,895,629
Intergovernmental Revenues	1,534,352	3,862,623	931,619	1,350,332	3,512,784	11,191,710
Departmental Revenues	1,147,574					1,147,574
Other Local Sources	1,365,305				47,187	1,412,492
Total Revenues	13,942,860	3,862,623	931,619	1,350,332	3,559,971	23,647,405
Expenditures						
Emergency Management Agency	234,606	11,826			75,783	322,215
District Attorney	513,551					513,551
Administration and Information Technology	658,462	17,696			3,201	679,359
Finance	308,719					308,719
Building Maintenance - Courthouse	444,585				37,425	482,010
Building Maintenance - Public Safety Building	105,879					105,879
Debt Service	189,363					189,363
Corrections	4,621,508	243,101			268,510	5,133,119
Deeds	252,912					252,912
Probate	273,351					273,351
Sheriff's Patrol	2,438,557	133,944			100,609	2,673,110
Communications	1,247,164	67,731				1,314,895
Airport	780,762	10,920	931,619	1,350,332	3,339,384	6,413,017
All Other	243,789					243,789
Total Expenditures	12,313,208	485,218	931,619	1,350,332	3,824,912	18,905,289
Excesss of Revenues Over (Under) Expenditures	1,629,652	3,377,405	-	-	(264,941)	4,742,116
Other Financing Sources (Uses)						
Transfers from Other Funds	15,053				186,239	201,292
Transfers to Other Funds	(142,389)				(58,903)	(201,292)
Total Other Financing Sources (Uses)	(127,336)	-	-	-	127,336	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	1,502,316	3,377,405	-	-	(137,605)	4,742,116
Fund Balance - January 1	3,326,830				820,124	4,146,954
Fund Balance - December 31	4,829,146	3,377,405	-	-	682,519	8,889,070

(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, 2021

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	4,742,116
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	5,683,249
Capital assets disposed	(61,653)
Depreciation expense	(1,295,043)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable Revenues - Jail	52,299
Bond proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Bond principal payments	331,686
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)	124,856
Annual Post Employment Benefit Cost (Deferred Outflows, Net OPEB Liability, Deferred Inflows)	(75,430)
Accrued compensated absences	(10,350)
Change in net position of governmental activities	<u><u>9,491,730</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, 2021

Exhibit E

	<i>Custodial Funds</i>		
	<i>Inmate Fund</i>	<i>DA Restitution</i>	<i>Totals</i>
Assets			
Cash and Equivalents	15,987	18,023	34,010
Total Assets	15,987	18,023	34,010
Liabilities and Net Position			
Liabilities			
Accounts Payable			-
Total Liabilities	-	-	-
Net Position			
Restricted For:			
Individuals	15,987	18,023	34,010
Total Net Position	15,987	18,023	34,010
Total Liabilities and Net Position	15,987	18,023	34,010

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

COUNTY OF KNOX
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit F

	Custodial Funds		
	Inmate Fund	DA Restitution	Totals
Additions			
Miscellaneous	136,959	93,713	230,672
Total Additions	136,959	93,713	230,672
Deductions			
Benefit payments to individuals	144,996	86,339	231,335
Total Deductions	144,996	86,339	231,335
Net increase (decrease) in fiduciary net position	(8,037)	7,374	(663)
Net position - beginning	24,024	10,649	34,673
Net position - ending	15,987	18,023	34,010

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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 Cares Act #61 and #62 accounts for all expenditures relating to the Cares grant projects at the airport.

The ARPA grant accounts for all expenditures related to the American Recovery Plan Act grant.

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021 fund balances on the balance sheet as follows:

			Other	
	General	ARPA	Governmental	
	Fund	Grant	Funds	Total
<u>Restricted</u>				
Local Emergency Planning Committee			17,556	17,556
Operation Stonegarden			4,013	4,013
ARPA Grant		3,377,405		3,377,405
Airport Passenger Facility			35,361	35,361
<u>Committed</u>				
General Reserves	723,839			723,839
Capital Improvements			626,115	626,115
<u>Assigned</u>				
Inmate Fund	104,463			104,463
Jail Diversion Program	11,647			11,647
<u>Unassigned</u>				
General Fund	1,992,753			1,992,753
Corrections Fund	423,420			423,420
Airport Fund	1,251,503			1,251,503
Communications Fund	321,521			321,521
Wellness Grant			(526)	(526)
<u>Total Fund Balance</u>	4,829,146	3,377,405	682,519	8,889,070

Net position

Net position is 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, 2021

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, 2021

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 Company (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 \$6,006,368 and the bank balance was \$7,732,878. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining \$7,482,878 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, 2021:

- U.S. Treasury securities and common stock of \$984,452 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, 2021

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, 2021, the tax assessment was calculated as follows:

Assessed Valuation	
Real and personal estates	\$ 7,905,150,000
Unorganized territories	<u>21,350,000</u>
Total assessed valuation	7,926,500,000
Tax rate	<u>0.0010866</u>
Current tax commitment	<u><u>\$ 8,612,782</u></u>
Appropriations	12,613,413
Overlay	<u>168,878</u>
	12,782,291
Less:	
Estimated revenues	<u>(4,169,509)</u>
Current tax commitment	<u><u>\$ 8,612,782</u></u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	2,780,344			2,780,344
Construction Work in Progress	1,412,005	4,952,883	(1,131,593)	5,233,295
<i>Capital assets being depreciated</i>				
Buildings	16,829,487	116,158		16,945,645
Equipment	6,483,199	695,808	(271,625)	6,907,382
Infrastructure	21,757,908	1,049,993		22,807,901
<i>Total capital assets being depreciated</i>	45,070,594	1,861,959	(271,625)	46,660,928
<i>Less accumulated depreciation for</i>				
Buildings	5,061,361	339,267		5,400,628
Equipment	4,326,124	426,159	(209,972)	4,542,311
Infrastructure	5,942,705	529,617		6,472,322
<i>Total accumulated depreciation</i>	15,330,190	1,295,043	(209,972)	16,415,261
<i>Net capital assets being depreciated</i>	29,740,404	566,916	(61,653)	30,245,667
<i>Governmental Activities Capital Assets, net</i>	33,932,753	5,519,799	(1,193,246)	38,259,306

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

Governmental Activities

Emergency Management	38,397
District Attorney	518
Administration and Information Technology	27,253
Finance	106
Building Maintenance - Courthouse	60,773
Jail	153,791
Probate	767
Sheriff's Patrol	156,177
Communications	104,745
Airport	752,516
Total Depreciation Expense - Governmental Activities	<u>1,295,043</u>

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2022:

	<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	1,155,000		(165,000)	990,000	165,000
<i>Other Governmental long-term activities:</i>					
Courthouse Exterior Repairs & Window Lease	307,124		(57,767)	249,357	59,581
HVAC System	1,615,865		(108,919)	1,506,946	113,033
Governmental activities long-term obligations	3,077,989	-	(331,686)	2,746,303	337,614

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, 2021 was \$990,000.

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, 2021 was \$249,357.

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, 2021 was \$1,506,946.

Debt service requirements (principal and interest) for all long-term obligations at December 31, 2021 are summarized in the table following:

<i>Year Ended</i>	<i>General Obligation Bond</i>		
<i>December 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	337,614	85,264	422,878
2023	343,679	75,900	419,579
2024	349,947	66,331	416,278
2025	356,520	56,519	413,039
2026	296,105	46,279	342,384
2027-2031	898,665	119,846	1,018,511
2032	163,773	6,187	169,960
Total	2,746,303	456,326	3,202,629

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2021, were as follows:

		Interfund Receivable	Interfund Payable
General Fund		1,102,064	2,703,793
Special Revenue Funds			
Wellness Grant			526
Local Emergency Planning Committee			12,284
Bullet Proof Vest Grant			625
Operation Stonegarden			32,979
ARPA Grant		3,395,088	
Capital Project Funds			
Airport RSA Improvement Project			6,772
Airport Rehab Phase I			128,634
Airport SRE Exp			18,407
Airport Cares Act #57 Grant			162,527
Airport Cares Act #60 Drainage			74,916
Airport Cares Act #61 Grant			517,897
Airport Cares Act #62 Grant			682,530
Airport Taxiline 2 Project			87,148
Airport Taxiway Project			232,520
Airport Passenger Facility			3,013
Capital Improvements		183,226	15,807
Totals		<u>4,680,378</u>	<u>4,680,378</u>

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

Transfers To/From Other Funds at December 31, 2021, were as follows:

	Transfers From	Transfers To
General Fund	15,053	142,389
Special Revenue Funds		
Victim/Witness Advocate Grant		15,053
Capital Projects		
Airport Cares Act #57 Grant	2,142	
Capital Improvements	184,097	43,850
Totals	<u>201,292</u>	<u>201,292</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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 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 \$220,719 and the participants have contributed \$94,593 for the year-ended December 31, 2021.

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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans (continued)

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, 2021 there were 305 employers in the plan. The Plan is administered by the Maine Public Employees Retirement System (the System).

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 .93%.

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, 2021, the member contribution rate was 9% for special – 3N plan for first six months and 8.5% for remaining six months of applicable member compensation. The employer contribution rate was 8.6% for special – 3N plan for first six months and 9% for Special – 3N plan for remaining six months of applicable member compensation.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

The required contributions paid into the System for the year ended December 31, 2021 and the previous two years are as follows:

			<i>Applicable</i>			
<i>For the year ended</i>	<i>Employee</i>	<i>Employer</i>	<i>Member</i>			
<i>December 31,</i>	<i>Contributions</i>	<i>Contributions</i>	<i>Compensation</i>			
2021	\$ 204,244	\$ 195,265	\$ 2,213,054			
2020	\$ 157,568	\$ 143,889	\$ 1,722,468			
2019	\$ 123,518	\$ 105,867	\$ 1,316,004			

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.

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2021, 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 the member's pay and 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., decreases or increases in liabilities and/or in assets when actual experience differs 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 payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

Inflation	2.75%
Annual Salary Increases, Including Inflation	2.75%-11.48%
Cost of Living Benefits Increases	1.91%
Investment Rate of Return	6.50%, per annum, compounded annually

Mortality Rates: Based on the 2010 Public General Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

		<i>Long-Term Expected Real Rate of Return</i>				
<i>Asset Class</i>						
Public Equities		6.0%				
US Government		2.3%				
Private Equity		7.6%				
Real Assets:						
Real Estate		5.2%				
Infrastructure		5.3%				
Natural Resources		5.0%				
Traditional Credit		3.0%				
Alternative Credit		7.2%				
Diversifiers		5.9%				

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.5% for 2021. 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 6.5% 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 (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	<i>1% Decrease</i>	<i>Current Discount</i>	<i>1% Increase</i>	
	<i>(5.5%)</i>	<i>Rate (6.5%)</i>	<i>(7.5%)</i>	
Proportionate Share of the Net Pension Liability	\$ 944,364	\$ (217,550)	\$ (1,180,406)	

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

As of December 31, 2021, the County reported a net pension (asset)/liability of \$(217,550). The net pension (asset)/liability was measured as of June 30, 2021, 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, 2021, the County's proportion was .232902%, which was an increase of 0.032516% from its proportion measured at June 30, 2020.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

C. Defined Benefit Employee Pension Plan (continued)

For the fiscal year ended December 31, 2021, the County recognized pension expense of \$195,265. At December 31, 2021, 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	48,416	5,087
Changes of Assumptions	251,326	
Net Difference between expected and actual investment earnings		1,061,790
Changes in proportion	158,950	
Employer Contributions made subsequent to measurement date	111,191	
	<u>569,883</u>	<u>1,066,877</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>					
2022		<u>76,924</u>			
2023		<u>(58,202)</u>			
2024		<u>(232,229)</u>			
2025		<u>(283,487)</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 2020 Comprehensive Annual Financial Report available online at www.mainebers.org or contacting the System at (207) 512-3100.

D. Risk Management

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

The County is also a member of the Maine County Commissioners Association Self-Funded Risk Management Pool (the "Risk Pool"). The Risk Pool was created in 1989 to ensure that its members would always be able to obtain liability and property coverage, to protect members from large premium increases often found in the commercial insurance marketplace, and to provide stable annual premiums to its members. The Risk Pool provides property coverage to the County, subject to \$1,000.00 per-occurrence deductible, for its schedule of property locations with a total combined value of \$21,552,435 in 2021. The Risk Pool provides liability coverage to the County in the amounts shown on 2021 Member Coverage Certificate issued to the County.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

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, 2021, there were 137 employers participating in the plan.

The 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.

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plans was determined by an actuarial valuation as of June 30, 2021, 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.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

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

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, 2021, there were 9 years remaining for the PLD Plan.

The actuarial assumptions used in the June 30, 2021 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2016 to June 30, 2020.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

Inflation	2.75%
Annual Salary Increases, Including Inflation	2.75-11.48%
Investment Rate of Return	6.5%, 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: Based on the 2010 Public Plan General Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	6.0%
Real Estate	5.2%
Traditional Credit	3.0%
US Government Securities	2.3%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5% for 2021 for the Plans. 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 Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 6.5% 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 (5.5%) or 1 percentage point higher (7.5%) than the current rate:

PLD Plan:

	<u>1% Decrease 5.5%</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase 7.5%</u>
Proportionate Share of the Net OPEB Liability	\$ 25,439	\$ 17,138	\$ 10,478

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

As of December 31, 2021, the County reported a net liability of \$17,138 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, 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, 2021

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, 2021, the County's proportion was .165998% for the PLD Plan, which was an increase of .008915% from its proportion measured at June 30, 2020.

For the fiscal year ended December 31, 2021 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	1,936	-
Changes of Assumptions	2,891	11,557
Difference between projected and actual Investment		
Earnings on OPEB Plan Investments		5,260
Changes in proportion	16,013	2,708
	<u>20,840</u>	<u>19,525</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:

<i>Year Ended June 30,</i>	<i>PLD Plan</i>
2022	101
2023	60
2024	483
2025	(266)
2026	468
Thereafter	469

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information with respect to the Plan can be found in the System's 2020 Comprehensive Annual Financial Report available online at www.maineopers.org or contacting the System at (207) 512-3100.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2020:

Actives	
Count	91
Average age	46.47
Average service	11.89
Retirees Under 65	
Count	1
Average Age	62.86
Spouses Under 65	
Count	1
Average Age	62.42

Net OPEB Liability

The County's net OPEB liability was measured as of January 1, 2021, 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, 2021

NOTE 4 - OTHER INFORMATION (Continued)

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

Trend Assumptions: Medical trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2020_b was used for this valuation. The following assumptions were input into this model:

Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per Capita 2029+	1.25%
Extra Trend due to Taste/Technology 2029+	1.10%
Expected Health Share of GDP 2029	20.00%
Health Share of GDP Resistance point	25.00%
Year of Limiting Cost Growth to GDP Growth	2040
Discount Rate	2.12% per annum.
Salary Increase Rate	2.75% per year
Administration and claims expense	3% per annum.

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2020 to 2023 were based on plan design, population weighting, renewal projections and market analysis by the actuary. For years 2024-2028, these are interpolated from 2023-2029 (which is the product of inflation, GDP, and extra trend rate assumptions).

Deductibles, Co-payments, and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capita GDP growth.

Rates of Mortality: 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.

Rationale for Demographic and Economic Assumptions: 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.

Methodology: 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. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - OTHER INFORMATION (Continued)

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

For medical and pharmacy, historical claims and census records assembled and provided by Maine Municipal through June 30, 2019 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.

There was a change in the discount rate from 2.74% to 2.12% per GASB 75 discount rate selection. In addition, medical and prescription drug trend arrays were updated.

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, 2020 is based upon an earlier measurement date, as of December 26, 2019 and is 2.74% per annum. The discount rate as of December 31, 2021 is based upon an earlier measurement date, as of December 31, 2020 and is 2.12% 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>(1.12%)</i>	<i>Rate (2.12%)</i>	 <i>(3.12%)</i>	
Net OPEB liability (asset)	\$ 1,004,464	\$ 851,465	\$ 728,406	

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 18%. A one percent increase in the discount rate decreases the NOL by approximately 14.5%.

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)	\$ 715,739	\$ 851,465	\$ 1,026,780	

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 15.9%. A one percent increase in the healthcare trend rate increases the NOL by approximately 20.6%.

COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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)		
		Plan	
	Total OPEB	Fiduciary	Net OPEB
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balances at 1/1/20	742,019	-	742,019
Changes for the year:			-
Service Cost	42,057		42,057
Interest	21,361		21,361
Changes of benefits			-
Differences between expected and actual experience			-
Changes of assumptions	55,044		55,044
Contributions - employer		9,016	(9,016)
Contributions - member			-
Net investment income			-
Benefit payments	(9,016)	(9,016)	-
Administrative expense			-
Net Change	109,446	-	109,446
Balances at 1/1/21	851,465	-	851,465

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, 2021

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	22,378	8,116
Changes in Assumption	178,441	39,998
Net Difference between projected between projected and actual earnings on pension plan investments		
	200,819	48,114
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:		
2022	21,003	
2023	21,003	
2024	21,003	
2025	21,003	
2026	21,005	
Thereafter	47,688	

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET VS ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit G
Page 1 of 2

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	4,766,362	4,766,362	4,766,361	(1)
Intergovernmental Revenues	181,059	181,059	166,696	(14,363)
Departmental Revenues	959,783	959,783	1,147,574	187,791
Other Local Sources	-	-	24	24
Total Revenues	5,907,204	5,907,204	6,080,655	173,451
Expenditures				
Emergency Management Agency	243,829	243,829	234,606	9,223
District Attorney	542,722	542,722	513,551	29,171
Adminstration and Information Technology	614,905	614,905	658,462	(43,557)
Finance	327,861	327,861	308,719	19,142
Building Maintenance - Courthouse	452,503	452,503	444,585	7,918
Building Maintenance - Public Safety Building	93,629	93,629	105,879	(12,250)
Debt Service	202,131	202,131	189,363	12,768
Deeds	224,114	224,114	226,080	(1,966)
Probate	288,191	288,191	273,351	14,840
Sheriff's Patrol	2,614,481	2,614,481	2,435,558	178,923
All Other	402,838	402,838	234,081	168,757
Total Expenditures	6,007,204	6,007,204	5,624,235	382,969
Excess Revenues Over Expenditures	(100,000)	(100,000)	456,420	556,420
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	15,053	15,053
Transfers to Other Funds	-	-	(1,575)	(1,575)
Total Other Financing Sources (Uses)	-	-	13,478	13,478
Excess of Revenues and Other Sources Over (Under) Expenditures	(100,000)	(100,000)	469,898	569,898
Fund Balance - January 1			1,522,855	
General Reserves			723,839	
Corrections Fund			423,420	
Airport Fund			1,251,503	
Inmate Fund			104,463	
Corrections Diversion Program			11,647	
Communications Fund			321,521	
Fund Balance - December 31			4,829,146	

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET VS ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit G
Page 2 of 2

Reconciliation to Exhibit D:

Total Revenues per Exhibit F Page 1	6,080,655
General Reserves	290,215
Corrections Fund	4,739,531
Airport Fund	1,491,007
Inmate Fund	38,740
Corrections Diversion Program	19,851
Communications Fund	1,282,861
Total Revenues per Statement of Revenues, Expenditures and Fund Balances - Governmental Funds	<u><u>\$13,942,860</u></u>
 Total Expenditures per Exhibit F Page 1	 5,624,235
General Reserves	209,367
Corrections Fund	4,523,959
Airport Fund	780,762
Inmate Fund	7,659
Corrections Diversion Program	12,098
Communications Fund	1,155,128
Total Expenditures per Statement of Revenues, Expenditures and Fund Balances - Governmental Funds	<u><u>12,313,208</u></u>

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit H
Page 1 of 2

Schedule 1 - Proportionate Share of the Net Pension Liability:

	<i>For the Fiscal Year Ended December 31, 2021</i>	<i>For the Fiscal Year Ended December 31, 2020</i>	<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 (asset)/ liability	0.232902%	0.157083%	0.133421%	0.121532%	0.129123%	0.061339%	0.000000%
Proportionate share of net pension (asset)/ liability	\$738,078	\$738,078	\$338,420	\$332,608	\$477,907	\$325,913	\$0
Covered employee payroll	\$2,213,054	\$1,722,468	\$1,316,004	\$938,096	\$897,758	\$847,190	\$0
Proportionate share of the net pension (asset)/liability as a percentage of its covered employee payroll	0.00000011%	0.00000009%	0.00000010%	0.00000013%	0.00000014%	0.00000007%	
Plan Total Pension Liability	\$3,719,016,414	\$3,409,741,367	\$3,258,819,605	\$3,089,857,220	\$3,016,660,721	\$2,889,740,634	\$2,720,936,009
Plan Fiduciary Net Position	\$3,751,152,623	\$3,012,428,367	\$2,953,156,096	\$2,816,179,855	\$2,607,223,644	\$2,358,409,925	\$2,401,889,308
Plan Net Pension (Asset)/ Liability	(\$32,136,209)	\$397,313,000	\$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	100.864%	88.348%	90.620%	91.143%	86.427%	81.613%	88.274%
Plan Covered Employee Payroll	\$646,287,594	\$641,523,784	\$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	-4.972%	61.933%	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.

COUNTY OF KNOX
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES - LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit H
Page 2 of 2

Schedule 2 - Schedule of County Contributions:

	<i>For the Fiscal Year Ended December 31, 2021</i>	<i>For the Fiscal Year Ended December 31, 2020</i>	<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	\$195,265	\$143,889	\$105,867	\$71,801	\$66,877	\$61,047	\$15,385
Contribution in relation to the contractually required contribution	(\$195,265)	(\$143,889)	(\$105,867)	(\$71,801)	(\$66,877)	(\$61,047)	(\$15,385)
Contribution deficiency	\$0	\$0	\$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.

REQUIRED SUPPLEMENTARY INFORMATION

OPEB SCHEDULES - LAST 10 FISCAL YEARS - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2021Schedule 1 - MPERS PLD Schedule of Changes in the County's Net OPEB Liability and Related Ratios

	For the Fiscal Year Ended December 31, 2021	For the Fiscal Year Ended December 31, 2020	For the Fiscal Year Ended December 31, 2019	For the Fiscal Year Ended December 31, 2018
Total OPEB Liability				
Service Cost	514	821	385	301
Interest	3,258	3,051	1,444	1,161
Changes of benefit terms		(1,000)	-	-
Difference between expected and actual experience		1,142	-	1,392
Changes of assumptions	1,481	(14,208)	704	1,058
Benefit payments	(2,032)	(2,497)	(1,246)	(1,041)
Net Change in total OPEB liability	3,222	(12,692)	1,287	2,871
Total OPEB liability - beginning	49,097	59,152	28,386	21,643
Total OPEB liability - ending	52,319	46,460	29,673	24,514
Plan fiduciary net position				
Contributions - member	-	-	-	-
Contributions - employer	1,970	1,770	867	728
Investment income	8,280	1,182	818	907
Benefits paid	(2,032)	(2,497)	(1,246)	(1,041)
Administrative expense	(212)	(258)	(94)	(91)
Net change in plan fiduciary net position	8,006	198	345	503
Plan fiduciary net position - beginning	27,198	25,540	12,468	10,264
Plan fiduciary net position - ending	35,204	25,738	12,812	10,767
Net OPEB liability - ending	17,115	20,722	16,861	13,747
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	67.29%	55.40%	43.18%	43.92%
Covered Employee Payroll	497,610	458,283	223,701	188,013
Net OPEB Liability as a % Of the Covered Employee Payroll	3.44%	4.52%	7.54%	7.31%

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

Schedule 2 - Schedule of Employer Contributions:

	For the Fiscal Year Ended December 31, 2021	For the Fiscal Year Ended December 31, 2020	For the Fiscal Year Ended December 31, 2019	For the Fiscal Year Ended December 31, 2018
Contractually required contribution	1,970	2,426	1,014	852
Contribution in relation to the contractually required contribution	(2,032)	(1,770)	(867)	(728)
Contribution deficiency	(62)	656	147	125
Covered employee payroll	497,610	458,283	223,701	188,013
Contributions as a percentage of covered employee payroll	0.41%	0.39%	0.39%	0.39%

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

REQUIRED SUPPLEMENTARY INFORMATION

OPEB SCHEDULES - LAST 10 FISCAL YEARS - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST
FOR THE YEAR ENDED DECEMBER 31, 2021

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

	For the Fiscal Year Ended December 31, 2021	For the Fiscal Year Ended December 31, 2020	For the Fiscal Year Ended December 31, 2019	For the Fiscal Year Ended December 31, 2018
Total OPEB Liability				
Service Cost (BOY)	42,057	31,980	35,961	30,891
Interest (includes interest on service cost)	21,361	23,521	20,138	18,973
Changes of benefit terms		(15,219)	-	-
Differences between expected and actual experience		28,772	-	(14,608)
Changes in assumptions	55,044	133,264	(59,996)	46,551
Benefit payments, including refunds of member contributions	(9,016)	(3,943)	(3,791)	(3,027)
Net Change in total OPEB liability	109,446	198,375	(7,688)	78,780
Total OPEB liability - beginning	742,019	543,644	551,332	472,552
Total OPEB liability - ending	851,465	742,019	543,644	551,332
Plan fiduciary net position				
Contributions - employer	9,016	3,943	3,791	3,027
Contributions - member				
Net investment income				
Benefit payments, including refunds of member contributions	(9,016)	(3,943)	(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	851,465	742,019	543,644	551,332
Plan Fiduciary Net Position as a % Of the Total OPEB Liability	0.0%	0.0%	0.0%	0.0%
Covered Employee Payroll	4,247,091	4,247,091	4,084,678	4,084,678
Net OPEB Liability as a % Of the Covered Employee Payroll	20.0%	17.5%	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:

	For the Fiscal Year Ended December 31, 2021	For the Fiscal Year Ended December 31, 2020	For the Fiscal Year Ended December 31, 2019	For the Fiscal Year Ended December 31, 2018
Contractually required contribution	9,016	3,943	3,791	3,027
Contribution in relation to the contractually required contribution	(9,016)	(3,943)	(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, 2021

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, 2021 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., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued 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 actuarial 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, 2021 are as follows:

<u>PLD Plan</u>	
Investment Rate of Return:	6.50% per annum, compounded annually
Inflation Rate	2.75%
Annual Salary Increases, including inflation	2.75% -11.48%
Cost of Living Benefit Increases:	1.91%

Mortality Rates: Based on the 2010 Public General Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

COUNTY OF KNOX
NOTES TO OPEB LIABILITY AND CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Actuarial Methods and Assumptions

The information in the historical Group Life Insurance information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2021, is as follows:

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., decreases or increases in 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, 2021, there were 9 years remaining for the PLD Plan.

The actuarial assumptions used in the June 30, 2021 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2016 to June 30, 2020.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

	<u><i>PLD Plan</i></u>
Inflation	2.75%
Annual Salary Increased, including inflation	2.75-11.48%
Investment Rate of Return	6.5%, per annum, compounded annually
Participation Rate of Future Retirees	100.00%
Form of Benefit Payment	Lump Sum

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, 2021, the discount rate used for all plans was reduced from 6.75% to 6.50%. In addition, assumptions related to salary increases, rates of terminations, mortality and age of retirement were updated to reflect the results of an experience study conducted in 2021.

COUNTY OF KNOX
NOTES TO OPEB LIABILITY AND CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021.

COUNTY OF KNOX
NOTES TO OTHER POST EMPLOYMENT BENEFIT
LIABILITY AND CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – Actuarial Methods and Assumptions The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Changes in Economic Assumptions since last valuation The discount rate was updated to reflect the December 31, 2020 Bond Buyer 20-Bond GO Index. The ultimate trend assumption was reduced to reflect the reduction in the Bond Buyer 20-Bond GO Index.

Changes Since Last Valuation There were no changes in the claim curves. There was a change in the discount rate from 2.74% to 2.12% per GASB 75 discount rate selection. In addition, medical and prescription drug trend arrays were updated.

Net OPEB Liability the County’s net OPEB liability was measured as of January 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Trend Assumptions: Medical trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2020_b was used for this valuation. The following assumptions were input into this model:

Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per Capita 2029+	1.25%
Extra Trend due to Taste/Technology 2029+	1.10%
Expected Health Share of GDP 2029	20.00%
Health Share of GDP Resistance point	25.00%
Year of Limiting Cost Growth to GDP Growth	2040
Discount Rate	2.12% per annum.
Salary Increase Rate	2.75% per year
Administration and claims expense	3% per annum.

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2020-2023 were based on plan design, population weighting, renewal projections and market analysis by the actuary. For years 2024-2028, these are interpolated from 2023-2029 (which is the product of inflation, GDP, and extra trend rate assumptions).

Rates of Mortality: 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, 2021

Exhibit A-1

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	4,766,362	4,766,361	(1)
Intergovernmental Revenues			
Federal			
Emergency Management Agency	112,929	111,974	(955)
CARES Grant	49,797	37,645	(12,152)
DA Victim Witness Grant	18,333	14,285	(4,048)
Wildlife Refuge Fees		2,792	2,792
	181,059	166,696	(14,363)
Departmental Revenue			
EMA Programs Revenue	11,981	7,433	(4,548)
District Attorney	31,789	25,865	(5,924)
Administration and IT	6,900	5,632	(1,268)
Finance	5,620	16,718	11,098
Building Maintenance	71,937	70,356	(1,581)
Deeds	444,398	646,267	201,869
Probate	108,810	114,490	5,680
Sheriff Patrol	278,348	260,813	(17,535)
	959,783	1,147,574	187,791
Other Local Sources			
Miscellaneous		24	24
		24	24
Operating Transfers In			
Transfers from Grants		15,053	15,053
Transfers from Reserves		-	-
	-	15,053	15,053
Total Revenues and Transfers	5,907,204	6,095,708	188,504
Fund Balance Used to Calculate Assessments	100,000		
Total	6,007,204		

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit A-2
Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Emergency Management Agency			
Personnel Services	230,555	220,124	10,431
Contractual Services	11,631	11,368	263
Commodities	1,643	3,114	(1,471)
Capital Outlay			-
	<u>243,829</u>	<u>234,606</u>	<u>9,223</u>
District Attorney			
Personnel Services	498,116	479,539	18,577
Contractual Services	34,925	24,135	10,790
Commodities	9,681	9,877	(196)
Capital Outlay			-
	<u>542,722</u>	<u>513,551</u>	<u>29,171</u>
Administration and IT			
Personnel Services	403,994	396,466	7,528
Contractual Services	198,929	250,465	(51,536)
Commodities	3,982	3,531	451
Capital Outlay	8,000	8,000	-
	<u>614,905</u>	<u>658,462</u>	<u>(43,557)</u>
Finance			
Personnel Services	281,289	267,079	14,210
Contractual Services	44,322	39,484	4,838
Commodities	2,250	2,156	94
	<u>327,861</u>	<u>308,719</u>	<u>19,142</u>
Building Maintenance - Courthouse			
Contractual Services	194,650	180,514	14,136
Commodities	20,805	27,023	(6,218)
Capital Outlay	237,048	237,048	-
	<u>452,503</u>	<u>444,585</u>	<u>7,918</u>
Building Maintenance - Public Safety Building			
Contractual Services	69,849	91,764	(21,915)
Commodities	8,780	14,115	(5,335)
Capital Outlay	15,000		15,000
	<u>93,629</u>	<u>105,879</u>	<u>(12,250)</u>
Debt Service			
Jail Bond Principal	165,000	165,000	-
Jail Bond Interest	24,131	24,363	(232)
Interest - Tax Anticipation Note	13,000		13,000
	<u>202,131</u>	<u>189,363</u>	<u>12,768</u>

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit A-2
Page 2 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Deeds			
Personnel Services	172,408	162,885	9,523
Contractual Services	50,806	62,383	(11,577)
Commodities	900	812	88
	224,114	226,080	(1,966)
Probate			
Personnel Services	257,800	248,581	9,219
Contractual Services	25,141	21,608	3,533
Commodities	5,250	3,162	2,088
	288,191	273,351	14,840
Sheriff's Patrol			
Personnel Services	2,278,309	2,091,524	186,785
Contractual Services	140,422	156,473	(16,051)
Commodities	40,750	32,561	8,189
Capital Outlay	155,000	155,000	-
	2,614,481	2,435,558	178,923
Miscellaneous			
Knox-Lincoln Extension Service	57,042	57,042	-
Knox-Lincoln Soil & Water	30,288	30,288	-
Mid Coast Regional Planning	48,468	48,468	-
Restorative Justice	25,000	25,000	-
Insurance	73,162	73,283	(121)
Overlay	168,878		168,878
	402,838	234,081	168,757
Transfers Out			
DA Grant			-
Reserves		1,575	(1,575)
	-	1,575	(1,575)
Total Appropriations	6,007,204	5,625,810	381,394

COUNTY OF KNOX
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit A-3

Unassigned Fund Balance January 1	1,522,855	
Unassigned Fund Balance December 31	<u>1,992,753</u>	
Increase (Decrease)		<u><u>469,898</u></u>

Analysis of Change

Budget Surplus (Deficit) Revenue Deficit (Exhibit A-1)	188,504	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>381,394</u>	
Budget Surplus (Deficit)		<u>569,898</u>
Deductions Fund Balance Used to Calculate Assessments		<u>(100,000)</u>
Increase (Decrease)		<u><u>469,898</u></u>

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

General Fund Unassigned Fund Balance - Exhibit A-3	1,992,753
Jail Fund	423,420
Airport Fund	1,251,503
Dispatch Fund	<u>321,521</u>
Total Unassigned Fund Balance Exhibit C	<u><u>3,989,197</u></u>

COUNTY OF KNOX
ALL GENERAL RESERVES
BALANCE SHEET
DECEMBER 31, 2021

Exhibit A-4

<i>Assets</i>	<i>General Reserves</i>	<i>Corrections Fund</i>	<i>Airport Fund</i>	<i>Inmate Fund</i>	<i>Corrections Diversion Program</i>	<i>Communications Fund</i>	<i>Totals</i>
Cash and Equivalents	188,070			104,463	11,647		304,180
Investments	525,756						525,756
Accounts Receivable	8,559	43,990	165,661			447	218,657
Prepaid Expenditures							-
Due from Other Funds	1,575	1,514,052	1,085,842			321,074	2,922,543
Total Assets	723,960	1,558,042	1,251,503	104,463	11,647	321,521	3,971,136
<i>Liabilities and Fund Balances</i>							
Liabilities							
Accrued Salaries							-
Accounts Payable		12,228					12,228
Due to Other Funds	121	833,523					833,644
Deferred Revenues		288,871					288,871
Total Liabilities	121	1,134,622	-	-	-	-	1,134,743
Fund Balances							
Committed	723,839						723,839
Assigned				104,463	11,647		116,110
Unassigned		423,420	1,251,503			321,521	1,996,444
Total Fund Balances	723,839	423,420	1,251,503	104,463	11,647	321,521	2,836,393
Total Liabilities and Fund Balance	723,960	1,558,042	1,251,503	104,463	11,647	321,521	3,971,136

COUNTY OF KNOX
ALL GENERAL RESERVES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit A-5

	General Reserves Exhibit A-6	Corrections Fund Exhibit A-7	Airport Fund Exhibit A-8	Inmate Fund	Corrections Diversion Program	Communications Fund Exhibit A-9	Totals Totals
Revenues							
Assessments		3,846,422	-			1,282,846	5,129,268
Intergovernmental Revenues							
Federal		7,000	842,213				849,213
State		518,443					518,443
Interest	6,428						6,428
Fair Value Increase (Decrease)	(19,154)						(19,154)
Other Local Sources	302,941	367,666	648,794	38,740	19,851	15	1,378,007
Total Revenues	290,215	4,739,531	1,491,007	38,740	19,851	1,282,861	7,862,205
Expenditures							
Personnel Services		2,974,317	498,851			932,467	4,405,635
Contract Services		1,185,022	236,305			149,372	1,570,699
Commodities		218,099	45,606			4,924	268,629
Capital Outlay		146,521	0			68,365	214,886
Maintenance and Supplies				7,659	12,098		19,757
Reserve Funds	209,367						209,367
Total Expenditures	209,367	4,523,959	780,762	7,659	12,098	1,155,128	6,688,973
Excess of Revenues Over (Under) Expenditures	80,848	215,572	710,245	31,081	7,753	127,733	1,173,232
Other Financing Sources (Uses)							
Transfers from Other Funds	43,283	-					43,283
Transfers to Other Funds	-	(148,097)	(36,000)			-	(184,097)
Total Other Financing Sources (Uses)	43,283	(148,097)	(36,000)	-	-	-	(140,814)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	124,131	67,475	674,245	31,081	7,753	127,733	1,032,418
Fund Balance - January 1	599,708	355,945	577,258	73,382	3,894	193,788	1,803,975
Fund Balance - December 31	723,839	423,420	1,251,503	104,463	11,647	321,521	2,836,393

COUNTY OF KNOX
GENERAL RESERVES
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2021

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	2,485			27	(86)			2,426
Communications Computer	11,616			121	(389)		(534)	10,814
Communications Miscellaneous	51,461		41,708	625	(1,408)		(91,502)	884
Communications Retirement	7,643			83	(121)			7,605
Contingency	111,284			1,194	(3,834)			108,644
Corrections Community Based	15,219	247,603		140			(74,892)	188,070
Corrections Computer	8,145			87	(280)			7,952
Corrections Retirement	3,045			29	(35)		(2,900)	139
Corrections Training	9,032			97	(311)			8,818
Courthouse Computer	16,755			115	(273)		(9,708)	6,889
DA Programs	15,888			171	(548)			15,511
DARE Program	86	504		3	(5)			588
Deeds Surcharge	106,339	34,440		1,157	(3,662)		(26,832)	111,442
EMA Disaster Fund	22,360			240	(771)			21,829
Forfeiture Money - State	11,448			112	(343)		(2,999)	8,218
Generator Reserve	44,740	10,683		475	(1,476)			54,422
Health Insurance	16,722			179	(576)			16,325
Legal	23,142			248	(797)			22,593
Matching Grant Funds	23,112			248	(796)			22,564
Orthoimagery	86			1	(3)			84
Probate Surcharge	47,331	2,490		520	(1,656)			48,685
Resignation Benefits	125			1	(4)			122
Retirement	24,209	7,221	1,575	260	(834)			32,431
Security Deposit	937			10	(32)			915
Sheriff's Computer	887			10	(31)			866
Unemployment	25,611			275	(883)			25,003
Total	599,708	302,941	43,283	6,428	(19,154)	-	(209,367)	723,839

**COUNTY OF KNOX
CORRECTIONS FUND**

Exhibit A-7

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,846,422	3,846,422	3,846,422	-
Intergovernmental Revenues	445,704	445,704	525,443	79,739
Other Local Sources	366,750	366,750	367,666	916
Total Revenues	4,658,876	4,658,876	4,739,531	80,655
Expenditures				
Personnel Services	3,230,946	3,230,946	2,974,317	256,629
Contractual Services	997,370	997,370	1,185,022	(187,652)
Commodities	135,942	135,942	218,099	(82,157)
Capital Outlay	294,618	294,618	146,521	148,097
Total Expenditures	4,658,876	4,658,876	4,523,959	134,917
Excess Revenues Over Expenditures	-	-	215,572	215,572
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds			(148,097)	(148,097)
Total Other Financing Sources (Uses)	-	-	(148,097)	(148,097)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	67,475	67,475
Unassigned Fund Balance - January 1			355,945	
Unassigned Fund Balance - December 31			423,420	

COUNTY OF KNOX

Exhibit A-8

AIRPORT FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments				-
Intergovernmental Revenues	249,137	249,137	842,213	593,076
Other Local Sources	584,231	584,231	648,794	64,563
Total Revenues	833,368	833,368	1,491,007	657,639
Expenditures				
Personnel Services	508,566	508,566	498,851	9,715
Contractual Services	237,154	237,154	236,305	849
Commodities	51,648	51,648	45,606	6,042
Capital Outlay	36,000	36,000		36,000
Total Expenditures	833,368	833,368	780,762	52,606
Excess Revenues Over Expenditures	-	-	710,245	710,245
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds			(36,000)	(36,000)
Total Other Financing Sources (Uses)	-	-	(36,000)	(36,000)
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	674,245	674,245
Unassigned Fund Balance - January 1			577,258	
Unassigned Fund Balance - December 31			1,251,503	

COUNTY OF KNOX
COMMUNICATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit A-9

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	1,282,846	1,282,846	1,282,846	-
Other Local Sources			15	15
Total Revenues	1,282,846	1,282,846	1,282,861	15
Expenditures				
Personnel Services	1,127,781	1,127,781	932,467	195,314
Contractual Services	148,004	148,004	149,372	(1,368)
Commodities	7,061	7,061	4,924	2,137
Capital Outlay			68,365	(68,365)
Total Expenditures	1,282,846	1,282,846	1,155,128	127,718
Excess Revenues Over Expenditures	-	-	127,733	127,733
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	-	-	127,733	127,733
Unassigned Fund Balance - January 1			193,788	
Unassigned Fund Balance - December 31			321,521	

**COUNTY OF KNOX
GRANT FUNDS
BALANCE SHEET
DECEMBER 31, 2021**

Exhibit B-1

Assets	Wellness Grant	Local Emergency Planning Committee	Bullet Proof Vest Grant	Operation Stonegarden	ARPA Grant	Totals
Cash and Equivalents		172				172
Accounts Receivable		29,956	625	36,992		67,573
Due from Other Funds					3,395,088	3,395,088
Total Assets	-	30,128	625	36,992	3,395,088	3,462,833
Liabilities and Fund Balances						
Liabilities						
Accounts Payable		288			2,001	2,289
Accrued Salaries					15,682	15,682
Due to Other Funds	526	12,284	625	32,979		46,414
Total Liabilities	526	12,572	625	32,979	17,683	64,385
Fund Balances						
Restricted		17,556		4,013	3,377,405	3,398,974
Unassigned	(526)					(526)
Total Fund Balances	(526)	17,556	-	4,013	3,377,405	3,398,448
Total Liabilities and Fund Balances	-	30,128	625	36,992	3,395,088	3,462,833

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B-2
Page 1 of 2

	Wellness Grant	Victim/Witness Advocate Grant	Local Emergency Planning Committee	Bullet Proof Vest Grant	Misc . Grants
Revenues					
Intergovernmental Revenues					
Federal			61,549	2,580	9,200
State					
Local Sources	3,440				992
Interest			32		
Total Revenues	3,440	-	61,581	2,580	10,192
Expenditures					
Personnel Services			1,061		10,192
Contract Services			934		
Commodities					
Other	3,201		73,788	2,580	
Total Expenditures	3,201	-	75,783	2,580	10,192
Excess of Revenues Over (Under) Expenditures	239	-	(14,202)	-	-
Other Financing Sources (Uses)					
Transfers from Other Funds					
Transfers to Other Funds		(15,053)			
Total Other Financing Sources (Uses)	-	(15,053)	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	239	(15,053)	(14,202)	-	-
Fund Balance - January 1	(765)	15,053	31,758		
Fund Balance - December 31	(526)	-	17,556	-	-

COUNTY OF KNOX
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B-2
Page 2 of 2

	Operation Stonegarden	ARPA Grant	KCCHC Party Patrol	Totals
Revenues				
Intergovernmental Revenues				
Federal	77,379	3,862,623		4,013,331
State				-
Local Sources			1,183	5,615
Interest				32
Total Revenues	77,379	3,862,623	1,183	4,018,978
Expenditures				
Personnel Services	73,366	479,001	1,183	564,803
Contract Services		6,217		7,151
Commodities				-
Other				79,569
Total Expenditures	73,366	485,218	1,183	651,523
Excess of Revenues Over (Under) Expenditures	4,013	3,377,405	-	3,367,455
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds				(15,053)
Total Other Financing Sources (Uses)	-	-	-	(15,053)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	4,013	3,377,405	-	3,352,402
Fund Balance - January 1				46,046
Fund Balance - December 31	4,013	3,377,405	-	3,398,448

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
DECEMBER 31, 2021

Exhibit C-1
Page 1 of 2

<i>Assets</i>	<i>Airport - RSA Improvement Projects</i>	<i>Airport Rehab Phase I</i>	<i>Airport SRE Exp</i>	<i>Airport Cares Act #57 Grant</i>	<i>Airport Cares Act #60 Drainage</i>	<i>Airport Cares Act #61 Grant</i>
Cash						
Investments						
Accounts Receivable						
Due from Other Funds						
Due from Other Governments	6,772	128,634	18,407	162,527	74,916	552,572
Total Assets	6,772	128,634	18,407	162,527	74,916	552,572
 <i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable						34,675
Due to Other Funds	6,772	128,634	18,407	162,527	74,916	517,897
Total Liabilities	6,772	128,634	18,407	162,527	74,916	552,572
Fund Balances						
Restricted						
Committed						
Total Fund Balances	-	-	-	-	-	-
Total Liabilities and Fund Balances	6,772	128,634	18,407	162,527	74,916	552,572

**COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
BALANCE SHEET
DECEMBER 31, 2021**

**Exhibit C-1
Page 2 of 2**

Assets	Airport Cares Act #62 Grant	Airport Taxiline 2 Project	Airport Taxiway Project	Airport Passenger Facility	Capital Improvements	Totals
Cash				35,392		35,392
Investments					458,696	458,696
Accounts Receivable				2,982		2,982
Due from Other Funds					183,226	183,226
Due from Other Governments	756,245	87,148	232,520			2,019,741
Total Assets	756,245	87,148	232,520	38,374	641,922	2,700,037
Liabilities and Fund Balances						
Liabilities						
Retainage Payable	73,715					108,390
Due to Other Funds	682,530	87,148	232,520	3,013	15,807	1,930,171
Total Liabilities	756,245	87,148	232,520	3,013	15,807	2,038,561
Fund Balances						
Restricted				35,361		35,361
Committed					626,115	626,115
Total Fund Balances	-	-	-	35,361	626,115	661,476
Total Liabilities and Fund Balances	756,245	87,148	232,520	38,374	641,922	2,700,037

COUNTY OF KNOX
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit C-2
Page 1 of 2

	Airport - RSA Improvement Projects	Airport Rehab Phase I	Airport SRE Exp	Airport Cares Act #57 Grant	Airport Cares Act #60 Drainage	Airport Cares Act #61 Grant
Revenues						
Intergovernmental Revenues						
Federal	18	14,298	18,407	1,685,523	515,916	931,619
State	1	753				
Local Sources						
Total Revenues	19	15,051	18,407	1,685,523	515,916	931,619
Expenditures						
Engineering Services		15,051	16,952	235,126	41,401	259,029
Construction				1,131,407	474,515	666,220
Professional Services				18,883		
Equipment				298,315		
All Other	19		1,455	3,934		6,370
Total Expenditures	19	15,051	18,407	1,687,665	515,916	931,619
Excess of Revenues Over (Under)						
Expenditures	-	-	-	(2,142)	-	-
Other Financing Sources (Uses)						
Transfers from Other Funds				2,142		
Transfers to Other Funds						
Total Other Financing Sources (Uses)	-	-	-	2,142	-	-
Excess of Revenues and Other Sources Over (Under)						
Expenditures and Other Uses	-	-	-	-	-	-
Fund Balance - January 1			-	-	-	-
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, 2021

Exhibit C-2
Page 2 of 2

	Airport Cares Act #62 Grant	Airport Taxiline 2 Project	Airport Taxiway Project	Airport Passenger Facility	Capital Improvements	Totals
Revenues						
Intergovernmental Revenues						
Federal	1,350,332	87,148	1,014,161	25,851		5,643,273
State						754
Local Sources				41	41,499	41,540
Total Revenues	1,350,332	87,148	1,014,161	25,892	41,499	5,685,567
Expenditures						
Engineering Services	345,564	87,148	141,142			1,141,413
Construction	994,932		872,454			4,139,528
Professional Services			565			19,448
Equipment						298,315
All Other	9,836				320,240	341,854
Total Expenditures	1,350,332	87,148	1,014,161	-	320,240	5,940,558
Excess of Revenues Over (Under)						
Expenditures	-	-	-	25,892	(278,741)	(254,991)
Other Financing Sources (Uses)						
Transfers from Other Funds					184,097	186,239
Transfers to Other Funds					(43,850)	(43,850)
Total Other Financing Sources (Uses)	-	-	-	-	140,247	142,389
Excess of Revenues and Other Sources Over (Under)						
Expenditures and Other Uses	-	-	-	25,892	(138,494)	(112,602)
Fund Balance - January 1	-	-	-	9,469	764,609	774,078
Fund Balance - December 31	-	-	-	35,361	626,115	661,476

COUNTY OF KNOX
CAPITAL IMPROVEMENTS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2021

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>								
Communications Equipment	41,708					(41,708)		-
Corrections Capital	415,491		148,097	4,248	(7,968)		(268,510)	291,358
Corrections Vehicle	650			7	(22)			635
Courthouse Maintenance	79,220			629	(1,733)		(37,425)	40,691
EMA Vehicle	21,250			229	(540)			20,939
Sheriff's Vehicle	23,358	7,000		212	(673)		(13,288)	16,609
Airport	17,249			341	(1,095)			16,495
Airport Equipment	15,901	42,839	36,000	193	(576)		(1,017)	93,340
Airport Projects	149,782			1,647	(3,239)	(2,142)		146,048
Total	764,609	49,839	184,097	7,506	(15,846)	(43,850)	(320,240)	626,115

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

County Commissioners
County of Knox
Rockland, ME 04841

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox, Maine as of and for the year ended December 31, 2021, 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 2, 2022.

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) as a basis for designing 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 financial statements. 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 2, 2022

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 FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

County Commissioners
County of Knox
Rockland, ME 04463

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited County of Knox, Maine's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, County of Knox, Maine complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibility ties under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Knox, Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County of Knox, Maine's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts and grant agreements applicable to the County of Knox, Maine's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on County of Knox, compliance based on our audit. Reasonable assurance is a high-level assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Audits Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County of Knox, Maine's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Knox, Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of County of Knox, Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing opinion on the effectiveness of County of Knox, Maine's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the County of Knox, Maine as of and for the year ended December 31, 2021, and have issued our report thereon dated June 2, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA
June 2, 2022

SCHEDULE I
COUNTY OF KNOX
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

No Prior Audit Findings

SCHEDULE II
COUNTY OF KNOX
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

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, 2021

SCHEDULE III

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-through Number	Expenditures
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvements - Runway 14 Reimb.	* 20.106	AJW-FN-ESA-17-NE-001	19
Airport Improvements - Rehab Phase I	* 20.106	3-23-0042-56-2019	15,051
COVID - 19 Airport Improvements - CARES Act	* 20.106	3-23-0042-57-2020	1,687,665
Airport Improvements - Airport Taxiway	* 20.106	3-23-0042-58-2020	1,014,161
Airport Improvements - SRE	* 20.106	3-23-0042-059-2022	18,407
COVID-19 - Airport Improvements - Drainage CARES Act	* 20.106	3-23-0042-060-2021	515,916
COVID-19 -Airport Improvements - Runway and Security - CARES ACT	* 20.106	3-23-0042-061-2021	931,619
COVID-19 -Airport Improvements - Op Facility and Term Hangar - CARES ACT	* 20.106	3-23-0042-062-2021	1,350,332
Airport Improvements - Taxiline 2	* 20.106	Project #63	87,148
Airport Improvements - Passenger Facility Fees	* 20.106		
Total Federal Aviation Administration			<u>5,620,318</u>
HMEP Training Grant	20.703	HM-HMP-0572-16-01-00	<u>852</u>
Highway Safety Cluster			
Passed Through Maine Bureau of Highway Safety			
National Priority Safety Programs	20.616	TRC21-032	<u>8,400</u>
Total Highway Safety Cluster			<u>8,400</u>
Total U.S. Department of Transportation			<u>5,629,570</u>
U.S. Department of Homeland Security			
Airport Security	97.075	HSTS02-12-R-SLR349	48,506
Disaster Grants - Public Assistance	97.036		<u>6,511</u>
			<u>55,017</u>
Passed Through Maine Dept. of Defense, Veterans, and Emergency Management			
2017 Homeland Security	97.067	EMW-2017-SS-00052	10
2018 Homeland Security	97.067	EMW-2018-SS-00049	23,814
2019 Homeland Security	97.067	EMW-2019-SS-00015	21,050
2020 Homeland Security	97.067	EMW-2020-SS-00046	10,161
2021 Homeland Security	97.067	EMW-2021-SS-00065	6,900
Operation Stonegarden	97.067	EMW-2020-SS-00046-S01	73,366
Total Homeland Security Grant			<u>135,301</u>
Emergency Management Performance Grants	97.042	EMB-2020-EP-00007	<u>5,343</u>
Total Passed Through Maine Dept. of Defense Veterans, and Emergency Management			<u>140,644</u>
Total U.S. Department of Homeland Security			<u>195,661</u>
U.S. Department of Health and Human Services			
Passed Through Pen Bay Medical Center			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Imp.	93.912		<u>800</u>
Total U.S. Department of Health and Human Services			<u>800</u>
U.S. Department of Treasury			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>485,217</u>
Total U.S. Department of Treasury			<u>485,217</u>
U.S. Department of Justice			
Passed Through Maine Department of Human Services			
Bullet Proof Vest Grant	16.607		2,580
Crime Victims Assistance	16.575	OVP-20-2304	<u>50,952</u>
Total U.S. Department of Justice			<u>53,532</u>
Total			<u><u>6,364,780</u></u>

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of County of Knox, Maine under programs of the federal government for the year ended December 31, 2021. 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, Maine, it is not intended to and does not present the financial position or changes in net position of County of Knox, Maine.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

County of Knox, Maine has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – 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 E – 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.

COUNTY OF KNOX, MAINE

***REPORTS REQUIRED BY THE PASSENGER
FACILITY CHARGE AUDIT GUIDE FOR
PUBLIC AGENCIES***

***FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2021***

James W. Wadman

CERTIFIED PUBLIC ACCOUNTANT

James W. Wadman, C.P.A.
Ronald C. Bean, C.P.A.
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Wanese L. Lynch, C.P.A.
Amy E. Atherton, C.P.A.

INDEPENDENT AUDITOR'S REPORT

County Commissioners
County of Knox
Rockland, ME 04841

Report on the Financial Statements

We have audited the PFC quarterly reports of the County of Knox, Maine (the County) as of and for the year ended December 31, 2021.

Other Reporting Required by Federal Aviation Administration

The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA
June 2, 2022

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC
AGENCIES, ISSUED BY THE FEDERAL AVIATION ADMINISTRATION***

County Commissioners
County of Knox
Rockland, ME 04463

Report on Compliance

We have audited County of Knox, Maine's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) for its passenger facility charge program for the year ended December 31, 2021.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, and contracts applicable to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County of Knox, Maine's passenger facility charge program 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 Guide. Those standards and the Guide 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 the passenger facility charge 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 the passenger facility charge program. However, our audit does not provide a legal determination of the County of Knox, Maine's compliance.

Opinion on the Passenger Facility Charge 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 the passenger facility charge program for the year ended December 31, 2021.

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 the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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 the passenger facility charge 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 the passenger facility charge 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 the passenger facility charge 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 Guide. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA
June 2, 2022

COUNTY OF KNOX
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<i>Quarter Ended March 31, 2021</i>	<i>Quarter Ended June 30 2021</i>	<i>Quarter Ended September 30 2021</i>	<i>Quarter Ended December 31 2021</i>	<i>Cumulative Total December 31, 2021</i>
Passenger facility charge revenue and interest	2,345	9,319	8,562	5,625	25,851
Expenditures:					
None					-

COUNTY OF KNOX
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of passenger facility charges includes activity of County of Knox under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Passenger Facility Charge Audit Guide for Public Agencies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule includes all passenger facility charge programs of County of Knox, Maine for the year ended December 31, 2021. The information in the accompanying schedule of expenditures of passenger facility charges is presented in accordance with the Audit Guide for Public Agencies. The passenger facility charge programs are defined by the Federal Aviation Administration's Record of Decision for each program. The schedule of expenditures of passenger facility charges is presented on the cash basis of accounting.

COUNTY OF KNOX
Summary Schedule of Prior Audit Findings
Passenger Facility Charge Program
For the Year Ended December 31, 2021

Status of Prior Year Findings and Questioned Costs for Expenditures of the *Passenger Facility Charge Program*

None

COUNTY OF KNOX
Schedule of Findings and Questioned Costs
Passenger Facility Charge Program
For the Year Ended December 31, 2021

Findings and Questioned Costs for Expenditures of the *Passenger Facility Charge Program*

NONE