

Audited Financial Statements and
Other Financial Information

County of Kennebec, Maine

June 30, 2019



Proven Expertise & Integrity

COUNTY OF KENNEBEC, MAINE

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Kennebec, Maine
Augusta, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Kennebec, Maine, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the County of Kennebec, Maine, as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 11 and 54 through 61 be presented to supplement the basic financial statements. Such information, although not a 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Kennebec, Maine's basic financial statements. The combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and capital asset schedules 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 July 14, 2020, on our consideration of the County of Kennebec, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Kennebec, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
July 14, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(UNAUDITED)

The following management's discussion and analysis of the County of Kennebec, Maine's financial performance provides an overview of the County's financial activities for the year ended June 30, 2019. Please read it in conjunction with the County's financial statements.

Financial Statement Overview

The County of Kennebec, Maine's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the County's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the County's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have one column for the County's activity. The type of activity presented for the County of Kennebec, Maine is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the County's basic services are reported in governmental activities, which include superior court, county commissioners, county treasurer, finance, county buildings, registry of deeds, registry of probate, emergency management agency, sheriff, jail, district attorney, program grants, facilities management, information technology, employee benefits, insurance, other and program expenses.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Kennebec, Maine, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the County of Kennebec, Maine are either governmental or fiduciary funds.

Governmental funds: All of the basic services provided by the County are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the County's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the County.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The County of Kennebec, Maine presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The County has three major governmental funds: the general fund, the jail fund and the deeds-registry of deeds funds. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund and jail fund are the only funds for which the County legally adopted a budget. The Budgetary Comparison Schedules - Budgetary Basis - Budget and Actual - General Fund and Jail Fund provide a comparison of the original and final budget and the actual expenditures for the current year.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the County of Kennebec, Maine. These 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. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Jail Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Changes in Net OPEB Liability, a Schedule of Changes in Net OPEB Liability and Related Ratios, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the County's governmental activities. The County's total net position decreased by \$130,028 from \$4,470,336 to \$4,340,308.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased to a deficit balance of \$2,115,626 at the end of this period.

Table 1
County of Kennebec, Maine
Net Position
June 30,

	2019	2018 (Restated)
Assets:		
Current Assets	\$ 5,644,716	\$ 5,930,307
Noncurrent Assets	5,730,322	5,884,845
Total Assets	11,375,038	11,815,152
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	997,596	1,534,741
Deferred Outflows Related to OPEB	59,980	68,549
Total Deferred Outflows of Resources	1,057,576	1,603,290
Liabilities:		
Current Liabilities	925,889	982,830
Noncurrent Liabilities	6,274,688	6,811,428
Total Liabilities	7,200,577	7,794,258
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	444,598	960,247
Deferred Inflows Related to OPEB	447,131	193,601
Total Deferred Inflows of Resources	891,729	1,153,848
Net Position:		
Net Investment in Capital Assets	5,730,322	5,884,845
Restricted for: Jail Fund	19,110	142
Special Revenue Funds	706,502	756,900
Unrestricted (Deficit)	(2,115,626)	(2,171,551)
Total Net Position	\$ 4,340,308	\$ 4,470,336

Revenues and Expenses

Revenues increased by 2.38% and expenses increased by 0.41% over the prior period. The largest increase in revenues was due to taxes, while the main increase in expenses was due to jail.

Table 2
County of Kennebec, Maine
Change in Net Position
For the Years Ended June 30,

	2019	2018
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 5,046,590	\$ 5,296,220
Operating grants and contributions	2,972,282	2,738,991
<i>General revenues:</i>		
Taxes	10,678,422	10,229,243
Investment income-gain/(loss)	118,979	(228)
Miscellaneous revenues	274,208	382,738
Total Revenues	19,090,481	18,646,964
Expenses		
Superior court	1,073	1,116
County commissioners	243,357	240,357
County treasurer	9,775	9,468
Finance	106,320	110,108
County buildings	41,313	42,311
Registry of deeds	3,202,577	3,102,879
Registry of probate	318,426	301,904
Emergency management agency	145,991	136,507
Sheriff	2,134,466	2,099,359
Jail	8,323,757	7,730,023
District attorney	648,201	627,282
Program grants	16,500	10,500
Facilities management	226,400	243,418
Information technology	166,290	155,236
Employee benefits	1,115,591	1,948,169
Insurance	77,666	69,630
Capital outlay	-	127,952
Other	108,064	40,461
Program expenses	2,281,068	2,089,448
Unallocated depreciation (Note 4)	53,674	55,543
Total Expenses	19,220,509	19,141,671
Change in Net Position	(130,028)	(494,707)
Net Position - July 1, Restated	4,470,336	4,965,043
Net Position - June 30	\$ 4,340,308	\$ 4,470,336

Financial Analysis of the County's Fund Statements

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

Table 3
County of Kennebec, Maine
Fund Balances - Governmental Funds
June 30,

	2019	2018
Major Funds:		
General Fund:		
Nonspendable	\$ 30,999	\$ 5,821
Committed	208,450	313,269
Assigned	-	150,000
Unassigned	2,079,761	1,763,518
Total General Fund	\$ 2,319,210	\$ 2,232,608
Jail Fund:		
Restricted	\$ 19,110	\$ 142
Committed	156,648	175,616
Unassigned	(123,700)	-
Total Jail Fund	\$ 52,058	\$ 175,758
Deeds-Registry of Deeds Fund:		
Restricted	\$ 15,013	\$ 8,234
Total Deeds-Registry of Deeds Fund	\$ 15,013	\$ 8,234
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 706,502	\$ 756,900
Assigned	15,261	15,261
Unassigned	(64,695)	(15,424)
Capital Projects Funds:		
Committed	1,486,682	1,614,726
Total Nonmajor Funds	\$ 2,143,750	\$ 2,371,463

The general fund total fund balance increased by \$86,602 from the prior year due to revenues exceeding expenditures and transfers to other funds. The jail fund total fund balance decreased by \$123,700 from the prior year due to expenditures and transfers to other funds exceeding revenues. The Deeds-Registry of Deeds Fund total fund balance increased by \$6,779 from the prior year due to revenues exceeding expenditures. The nonmajor funds total fund balance decreased by \$227,713 from the prior year primarily due to capital projects expenditures exceeding revenues and transfers from other funds.

Budgetary Highlights

There was no difference between the original and final budget for the general fund. There was no difference between the original and final budget for the jail fund.

The general fund actual revenues exceeded budgeted amounts by \$190,773. This was the result of all revenue categories being received over budgeted amounts with the exception of taxes, emergency management, miscellaneous, district attorney and DA supervisory.

The general fund actual expenditures were under budgeted amounts by \$95,829. All expenditures categories were within or under budgeted amounts with the exception of superior court, sheriff and other.

The jail fund actual revenues were over budgeted amounts by \$19,449. All revenue categories were within or over budgeted amounts.

The jail fund actual expenditures were under budgeted amounts by \$327,726. All expenditures categories were within or under budgeted amounts with the exception of fringe benefits, travel, operation of county vehicles, utilities, repairs/maintenance, fixed charges/insurances, other, supplies, clothing and materials and capital outlay.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the County decreased by \$154,523 from the prior year. This decrease is the result of capital additions of \$310,582 less current year net disposals of \$29,690 and depreciation expense of \$435,415.

Table 4
County of Kennebec, Maine
Capital Assets (Net of Depreciation)
June 30,

	2019	2018 (Restated)
Land	\$ 373,050	\$ 373,050
Artwork and historical treasures	40,000	40,000
Buildings and building improvements	4,333,738	4,588,735
Furniture and fixtures	1,355	13,889
Equipment	292,089	215,531
Vehicles	688,234	651,744
Infrastructure	1,856	1,896
Total	\$ 5,730,322	\$ 5,884,845

Long-Term Obligations

Long-term obligations include accrued compensated absences, net pension liability and net OPEB liability. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The County continues to work toward maintaining a sufficient unassigned fund balance to sustain government operations for a period of approximately four months. The County also maintains significant reserve accounts for future capital and program needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at 125 State Street, Augusta, Maine 04330.

COUNTY OF KENNEBEC, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,871,022
Investments	1,983,686
Accounts receivable (net of allowance for uncollectibles):	
Other	477,460
Due from other governments	281,549
Prepaid items	30,999
Total current assets	<u>5,644,716</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	413,050
Depreciable assets, net of accumulated depreciation	5,317,272
Total noncurrent assets	<u>5,730,322</u>
TOTAL ASSETS	<u>11,375,038</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	997,596
Deferred outflows related to OPEB	59,980
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,057,576</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,432,614</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 439,884
Due to other governments	451,318
Current portion of long-term obligations	34,687
Total current liabilities	<u>925,889</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compensated absences	659,043
Net pension liability	1,757,687
Net OPEB liability	3,857,958
Total noncurrent liabilities	<u>6,274,688</u>
TOTAL LIABILITIES	<u>7,200,577</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	444,598
Deferred inflows related to OPEB	447,131
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>891,729</u>
NET POSITION	
Net investment in capital assets	5,730,322
Restricted for: Jail fund	19,110
Special revenue funds	706,502
Unrestricted (deficit)	(2,115,626)
TOTAL NET POSITION	<u>4,340,308</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,432,614</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Superior court	\$ 1,073	\$ -	\$ -	\$ -	\$ (1,073)
County commissioners/executive	243,357	-	-	-	(243,357)
County treasurer	9,775	-	-	-	(9,775)
Finance	106,320	-	-	-	(106,320)
Property improvements	41,313	-	-	-	(41,313)
Registry of Deeds	3,202,577	3,948,208	-	-	745,631
Registry of Probate	318,426	186,810	-	-	(131,616)
Emergency management agency	145,991	70,172	-	-	(75,819)
Sheriff	2,134,466	-	-	-	(2,134,466)
Jail	8,323,757	65,059	1,687,839	-	(6,570,859)
District attorney	648,201	59,519	-	-	(588,682)
Program grants	16,500	-	-	-	(16,500)
Facilities management	226,400	-	-	-	(226,400)
Information technology	166,290	-	-	-	(166,290)
Employee benefits	1,115,591	-	-	-	(1,115,591)
Insurance	77,666	-	-	-	(77,666)
Other	108,064	50,047	-	-	(58,017)
Program expenses	2,281,068	666,775	1,284,443	-	(329,850)
Unallocated depreciation (Note 4)*	53,674	-	-	-	(53,674)
Total government	<u>\$ 19,220,509</u>	<u>\$ 5,046,590</u>	<u>\$ 2,972,282</u>	<u>\$ -</u>	<u>(11,201,637)</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)

COUNTY OF KENNEBEC, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(11,201,637)</u>
General revenues:	
Property taxes, levied for general purposes	10,678,422
Investment income-gain/(loss)	118,979
Other	<u>274,208</u>
Total general revenues	<u>11,071,609</u>
Change in net position	(130,028)
NET POSITION - JULY 1, RESTATED	<u>4,470,336</u>
NET POSITION - JUNE 30	<u><u>\$ 4,340,308</u></u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Jail Fund	Deeds-Registry of Deeds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,884,192	\$ -	\$ 339,345	\$ 647,485	\$ 2,871,022
Investments	1,983,686	-	-	-	1,983,686
Accounts receivable (net of allowance for uncollectibles):					
Other	477,460	-	-	-	477,460
Due from other governments	58,066	223,483	-	-	281,549
Prepaid items	30,999	-	-	-	30,999
Due from other funds	66,192	52,058	-	1,705,950	1,824,200
TOTAL ASSETS	\$ 4,500,595	\$ 275,541	\$ 339,345	\$ 2,353,435	\$ 7,468,916
LIABILITIES					
Accounts payable	\$ 296,391	\$ -	\$ -	\$ 143,493	\$ 439,884
Accrued compensated absences	-	223,483	-	-	223,483
Due to other governments	126,986	-	324,332	-	451,318
Due to other funds	1,758,008	-	-	66,192	1,824,200
TOTAL LIABILITIES	2,181,385	223,483	324,332	209,685	2,938,885
FUND BALANCES					
Nonspendable - prepaid items	30,999	-	-	-	30,999
Restricted	-	19,110	15,013	706,502	740,625
Committed	208,450	156,648	-	1,486,682	1,851,780
Assigned	-	-	-	15,261	15,261
Unassigned	2,079,761	(123,700)	-	(64,695)	1,891,366
TOTAL FUND BALANCES	2,319,210	52,058	15,013	2,143,750	4,530,031
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,500,595	\$ 275,541	\$ 339,345	\$ 2,353,435	\$ 7,468,916

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Total Governmental Funds</u>
Total Fund Balances (Statement C)	\$ 4,530,031
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	5,730,322
Deferred outflows of resources related to pension are not financial resources and therefore are not reported in the funds	997,596
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	59,980
Long-term obligations shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Accrued compensated absences	(470,247)
Net pension liability	(1,757,687)
Net OPEB liability	(3,857,958)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(444,598)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	<u>(447,131)</u>
Net position of governmental activities (Statement A)	<u><u>\$ 4,340,308</u></u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Jail Fund	Deeds-Registry of Deeds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 4,388,693	\$ 6,289,729	\$ -	\$ -	\$ 10,678,422
Charges for services	1,398,901	-	2,980,914	666,775	5,046,590
Intergovernmental revenues	-	1,687,839	-	1,284,443	2,972,282
Miscellaneous revenues	144,028	12,199	6,779	230,181	393,187
TOTAL REVENUES	5,931,622	7,989,767	2,987,693	2,181,399	19,090,481
EXPENDITURES					
Current:					
Superior court	1,073	-	-	-	1,073
County Commissioners/executive	243,357	-	-	-	243,357
County treasurer	9,775	-	-	-	9,775
Finance	106,320	-	-	-	106,320
Property improvements	41,313	-	-	-	41,313
Registry of deeds	221,663	-	2,980,914	-	3,202,577
Registry of probate	317,569	-	-	-	317,569
Emergency management agency	145,991	-	-	-	145,991
Sheriff	2,080,072	-	-	-	2,080,072
Jail	-	8,047,427	-	-	8,047,427
District attorney	644,849	-	-	-	644,849
Program grants	16,500	-	-	-	16,500
Facilities management	226,400	-	-	-	226,400
Information technology	166,290	-	-	-	166,290
Employee benefits	1,398,118	-	-	-	1,398,118
Insurance	77,666	-	-	-	77,666
Other	108,064	-	-	-	108,064
Program expenses	-	-	-	2,281,068	2,281,068
Capital outlay	-	-	-	234,084	234,084
TOTAL EXPENDITURES	5,805,020	8,047,427	2,980,914	2,515,152	19,348,513
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	126,602	(57,660)	6,779	(333,753)	(258,032)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	122,833	122,833
Transfers (out)	(40,000)	(66,040)	-	(16,793)	(122,833)
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	(66,040)	-	106,040	-
NET CHANGE IN FUND BALANCES	86,602	(123,700)	6,779	(227,713)	(258,032)
FUND BALANCES - JULY 1	2,232,608	175,758	8,234	2,371,463	4,788,063
FUND BALANCES - JUNE 30	\$ 2,319,210	\$ 52,058	\$ 15,013	\$ 2,143,750	\$ 4,530,031

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (258,032)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	310,582
Capital asset disposals, net	(29,690)
Depreciation expense	<u>(435,415)</u>
	<u>(154,523)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	(537,145)
OPEB	(8,569)
	<u>(545,714)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	515,649
OPEB	(253,530)
	<u>262,119</u>
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:	
Accrued compensated absences	(19,051)
Net pension liability	523,500
Net OPEB liability	61,673
	<u>566,122</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (130,028)</u></u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u>		
	<u>Jail Inmate</u>	<u>Jail Telephone</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	126,760	-	126,760
TOTAL ASSETS	<u>\$ 126,760</u>	<u>\$ -</u>	<u>\$ 126,760</u>
LIABILITIES			
Due to other governments	\$ -	\$ 54,361	\$ 54,361
Deposits held for others	126,760	(54,361)	72,399
TOTAL LIABILITIES	<u>\$ 126,760</u>	<u>\$ -</u>	<u>\$ 126,760</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Kennebec, Maine was incorporated under the laws of the State of Maine. The County operates under the Board of Commissioners form of government and provides the following services: superior court, county commissioners, county treasurer, finance, county buildings, registry of deeds, registry of probate, emergency management agency, sheriff, jail, district attorney, program grants, facilities management, information technology, employee benefits, insurance, other and program expenses.

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The County's combined financial statements include all accounts and all operations of the County. We have determined that the County has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All activities of the County are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts – net investment in capital assets; restricted net position and unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions (district attorney, register of deeds, jail, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.).

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The County does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the County are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Component units that are fiduciary in nature have been excluded from these financial statements. The following fund types are used by the County:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

Major Funds

- a. The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. The Jail Fund is another operating fund of the County that was established by state statutes to account for the operations of the Jail.
- c. The Deeds-Registry of Deeds Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Nonmajor Funds

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- e. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is on net position and changes in net position and the funds are reported using accounting principles similar to proprietary funds.

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in the governmental activities category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The County's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the County prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the County is called for the purpose of adopting the proposed budget after public notice of the meeting is given.
3. The budget is adopted subsequent to passage by the County budget committee.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

It is the County's policy to value investments at fair value. None of the County's investments are reported at amortized cost. The County Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds
- Corporate bonds

The County of Kennebec, Maine has a formal investment policy which follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$759,009 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type

COUNTY OF KENNEBEC, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activities are reported in the governmental-wide financial statements as “internal balances”.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term obligations (including debt and other long-term obligations) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental resources are reported as liabilities in government-wide statements. The long-term obligations consist of accrued compensated absences, net pension liability and net OPEB liability.

Long-term debt for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Participating Local District (PLD) Consolidated Plan and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's 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 in accordance with the benefit terms.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the County. The inhabitants of the County through County meetings are the highest level of decision-making authority of the County. Please refer to the budgeting process for the authority for committing items within the budget.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the County Commissioners.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the County meeting vote has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an

COUNTY OF KENNEBEC, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

outflow of resources (expense/expenditure) until then. The County has two types of this item, deferred outflows related to pensions and deferred outflows related to OPEB. These items are reported in the statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions and deferred inflows related to OPEB qualify for reporting in this category. These items are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The County's property tax for the year was voted on May 31, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the County. Taxes were due in one installment on September 1, 2018. Interest on unpaid taxes commenced on October 30, 2018 at 7% per annum. The full amount of the current year assessment has been recognized in the financial statements.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The County does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the County's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the County consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all County funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the County will not be able to recover its deposits. The County does not have a policy covering custodial credit risk for deposits. However, the County maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2019, the County's cash and cash equivalents balances amounting to \$2,871,022 were comprised of bank deposits of \$3,293,313. Of these bank deposits \$2,596,548 were either fully insured by federal depository insurance, covered by the Securities Investor Protection Corporation (SIPC) or collateralized with securities held by the financial institution in the County's name and consequently were not exposed to custodial credit risk. The remaining deposits of \$696,765 were uncollateralized and uninsured.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 549,761
Savings accounts	599,189
Sweep accounts	2,076,955
Cash and cash equivalents	67,408
	<u>\$ 3,293,313</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the County does not have a policy for custodial credit risk for investments.

Of the County's investments of \$1,983,686, \$500,000 was covered by the Securities Investor Protection Corporation (SIPC). The remaining investments of \$1,483,686 were uncollateralized and uninsured.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the County had the following investments and maturities:

Investment Type	Fair Value	N/A	> 1 Year	1-5 Years
Debt securities:				
U.S. agency securities	\$ 540,928	\$ -	\$ -	\$ 190,028
Corporate bonds	1,442,758	-	179,874	765,687
	<u>\$ 1,983,686</u>	<u>\$ -</u>	<u>\$ 179,874</u>	<u>\$ 955,715</u>

Fair Value Hierarchy

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County has the following recurring fair value measurements as June 30, 2019:

	June 30, 2019 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 540,928	\$ -	\$ 540,928	\$ -
Corporate bonds	1,442,758	-	1,442,758	-
Total debt securities	<u>1,983,686</u>	<u>-</u>	<u>1,983,686</u>	<u>-</u>
Total investments by fair value level	<u>1,983,686</u>	<u>\$ -</u>	<u>\$ 1,983,686</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	67,408			
Total cash equivalents measured at the NAV	<u>67,408</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 2,051,094</u>			

Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The County has no Level 1 or Level 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2019 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk - Statutes for the State of Maine authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The County does not have an investment policy on credit risk. The County's investments in corporate bonds were rated A1 (\$204,862), A2 (\$289,594), A3 (\$236,376), Aa1 (\$122,958), Aa2 (\$163,382), Aa3 (\$113,373), Aaa (\$196,765), Baa1 (\$75,457) and N/A or unknown (\$39,991) by Moody's Investors Service.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 66,192	\$ 1,758,008
Jail Fund	52,058	-
Nonmajor Special Revenue Funds	219,268	66,192
Nonmajor Capital Projects Funds	1,486,682	-
	<u>\$ 1,824,200</u>	<u>\$ 1,824,200</u>

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18 (Restated)	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 373,050	\$ -	\$ -	\$ 373,050
Art work and historical treasures	40,000	-	-	40,000
Totals	<u>413,050</u>	<u>-</u>	<u>-</u>	<u>413,050</u>
Depreciated assets:				
Buildings	18,756,569	-	-	18,756,569
Building improvements	1,907,302	-	-	1,907,302
Furniture and fixtures	85,028	-	-	85,028
Machinery amd equipment	1,591,866	128,778	-	1,720,644
Vehicles	1,175,114	181,804	(54,142)	1,302,776
Infrastructure	2,017	-	-	2,017
	<u>23,517,896</u>	<u>310,582</u>	<u>(54,142)</u>	<u>23,774,336</u>
Less accumulated depreciation	<u>(18,046,101)</u>	<u>(435,415)</u>	<u>24,452</u>	<u>(18,457,064)</u>
	<u>5,471,795</u>	<u>(124,833)</u>	<u>(29,690)</u>	<u>5,317,272</u>
Net capital assets	<u>\$ 5,884,845</u>	<u>\$ (124,833)</u>	<u>\$ (29,690)</u>	<u>\$ 5,730,322</u>

Current period depreciation:

County-wide	\$ 53,674
District Attorney	3,352
Jail	276,330
Sheriff	101,202
Probate	857
Total depreciation expense	<u>\$ 435,415</u>

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - LONG-TERM OBLIGATIONS

The General Fund of the County is used to pay for all long-term obligations. The following is a summary of changes in long-term obligations of the County for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Portion
Accrued compensated absences	\$ 642,747	\$ 50,983	\$ -	\$ 693,730	\$ 34,687
Net pension liability	2,281,187	515,649	(1,039,149)	1,757,687	-
Net OPEB liability	3,919,631	200,426	(262,099)	3,857,958	-
Total	<u>\$ 6,843,565</u>	<u>\$ 767,058</u>	<u>\$ (1,301,248)</u>	<u>\$ 6,309,375</u>	<u>\$ 34,687</u>

Refer to Notes 6, 14 and 18 for more detailed information regarding long-term obligations.

NOTE 6 - ACCRUED COMPENSATED ABSENCES

The County's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded for the jail fund as a liability, for all other as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. As of June 30, 2019, the County's liability for compensated absences is \$693,730.

NOTE 7 - NONSPENDABLE FUND BALANCE

At June 30, 2019, the County has the following nonspendable fund balance:

General fund:	
Prepaid items	<u>\$ 30,999</u>

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2019, the County has the following restricted fund balances:

Deeds-Registry of Deeds fund	\$ 15,013
Nonmajor special revenue funds (Schedule D)	706,502
	<u>\$ 721,515</u>

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2019, the County has the following committed fund balances:

General fund:	
Unfunded payroll liability	\$ 44,234
Dedicated for deferred comp	91,216
Pay adjust 27th PR	70,000
Sheriff deputy buyout	3,000
Jail fund:	
Unfunded payroll liability	1,648
Medical liability escrow	60,000
Pay adjust 27th PR	70,000
Jail staff buyout	25,000
Nonmajor capital projects funds (Schedule F)	1,486,682
	<u>\$ 1,851,780</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2019, the County has the following assigned fund balances:

Nonmajor special revenue funds (Schedule D)	<u>\$ 15,261</u>
---------------------------------------------	------------------

NOTE 11 - OVERSPENT APPROPRIATIONS

At June 30, 2019, the County has the following overspent appropriations:

General fund:	
Superior court	\$ 1,073
Sheriff	43,658
	<u>\$ 44,731</u>
Jail fund:	
Fringe benefits	\$ 57,256
Travel	5,619
Operation County vehicles	4,861
Utilities	104,478
Fixed charges/insurances	4,269
Other	13,234
Repairs/maintenance	20,362
Supplies	16,319
Clothing and materials	23,728
Capital outlay	16,050
	<u>\$ 266,176</u>

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - DEFICIT FUND BALANCES

At June 30, 2019, the County has the following deficit fund balances:

Nonmajor special revenue funds:

ME drug enforcement	\$	25,320
Civil process servers		32,575
Victim advocate		4,193
LEPC reserve		2,607
	\$	<u>64,695</u>

NOTE 13 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the County either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. The County participates in the following self-insured and public-entity risk pools:

During fiscal year 1989, the County contracted with Maine County Commissioners Association Self-Funded Risk Management Pool for property insurance and general liability insurance. The Risk Pool can make special assessments to its members if the Risk Pool is experiencing financial troubles. No special assessments have been made to its members since the inception of the Risk Pool.

The County is also a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The County pays an annual premium to the fund for its worker’s compensation coverage. The County’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies’ reinsurance contracts, coverage for claims in excess of \$1,000,000.

The County provides health, life and accidental death and dismemberment insurance to most employees through Maine Municipal Employees Health Trust.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the County is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2019. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

County employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 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 PLD employers under applicable statutory provisions. As of June 30, 2018, there were 304 employers in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.4%.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. The County's plan members are required to contribute 8.0% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 10.0% of covered payroll for the AC plan and 10.5% for the 2C plan. The contribution rates of plan members and the County are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The County's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2019 was \$408,879.

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

At June 30, 2019, the County reported a liability of \$1,757,687 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The County's proportion of the net pension liabilities were based on a projection of the County's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the County's proportion was 0.642248% which was an increase of 0.08500% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized total pension revenue of \$502,004. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,503	\$ 19,305
Changes of assumptions	280,538	-
Net difference between projected and actual earnings on pension plan investments	-	424,411
Changes in proportion and differences between contributions and proportionate share of contributions	302,676	882
Contributions subsequent to the measurement date	408,879	-
Total	<u>\$ 997,596</u>	<u>\$ 444,598</u>

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$408,879 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Plan year ended June 30:	
2019	\$ 417,386
2020	125,150
2021	(288,725)
2022	(109,692)
2023	-
Thereafter	-

Actuarial Methods and Assumptions

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

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) 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 or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her 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.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing 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.

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

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2018; the rate was 6.875% in 2017, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year.

Mortality Rates - For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 1.91%; in 2017 the rate was 2.20%

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2018 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2018 for the Plan. The projection of cash flows used to determine the discount rate assumed that 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for each of the Plans.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
County's proportionate share of the net pension liability	\$ 4,142,636	\$ 1,757,687	\$ (471,585)

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2018 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2018 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension 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 pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2018, this was three years; prior to 2018, this was four years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings on Pension Plan Investments

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension 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 actuarial assumptions used for the year ended June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 were recognized in pension 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 pension 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.

Pension Plan Fiduciary Net Position

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

NOTE 15 - DEFERRED COMPENSATION PLANS

Plan Description

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457(b) through the International City Management Association Retirement Corporation (ICMA), Hartford Life Insurance Company and ING Life Insurance and Annuity Company. The plan, available to County employees as part of a collective bargaining agreement and to County elected officials and all other full-time 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 unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights (until paid or made available to the employee or other beneficiary) are held in a trust for the exclusive benefit of participants and their beneficiaries. All amounts are not subject to the claims of the County's general creditors.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFERRED COMPENSATION PENSION PLANS (CONTINUED)

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County's Plan Administration Committee. Plan participation is voluntary for all full-time employees and elected officials. Plan members are required to contribute a minimum of 6.5% of their annual salary. The County is required to match 9.62% of the plan member's contribution only if the plan member participates in the deferred compensation plan alone. The plan member's contribution is tax deferred for federal and state taxes until the withdrawal date. The plan member's contribution, as well as the County's matching contribution, vests according to the terms of each plan. The County's contributions to the plan for the years ended June 30, 2019, 2018 and 2017 were \$176,027, \$164,230 and \$205,312, respectively.

It is in the opinion of the County's management that the County has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 16 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the County's financial position.

In the normal course of operations, the County receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 17 - JAIL OPERATIONS

During its 2007 Fiscal Year, the State of Maine enacted legislation known as LD 2080 "An Act to Better Coordinate and Reduce the Cost of the delivery of State and County Correctional Services", located in Public Laws 2007, Chapter 653. This Act has in essence capped what Counties can assess their municipalities for taxes to fund their corrections budgets and will also establish the annual growth limitations for future corrections expenditures. A Board of Overseers at the State of Maine has been appointed to supervise county correction operations.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - JAIL OPERATIONS (CONTINUED)

The Act has raised many accounting and auditing issues regarding both financial and budgetary reporting. It is the position of the County that it has addressed, to the best of its ability, these issues in its 2019 county and jail annual audit. At the present time issues such as the funding of accrued benefits; ownership and maintenance of correction assets; external funding of certain corrections operations; corrections capital/reserve funding and ownership; and the treatment of net asset balances (deficits) have not been specifically addressed in this Act. However, we have included a liability and offsetting receivable from the State of Maine for accrued compensated absences that are expected to be paid by the State. If the State decides not to cover these amounts, the jail will be liable for them. Any financial and/or other impact on the County and the Jail Department cannot be determined at the time of the issuance of this report.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The County and County retirees contribute to the County's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the County and/or the County retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the County concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2019, the following employees were covered by the benefit terms:

Active members	107
Retirees and spouses	11
Total	<u>118</u>

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees must contribute 100% of the Medicare premium amounts. Retiree Spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium for Retirees Pre-Medicare. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Single Coverage</u>	<u>Family Coverage</u>
POS A	\$904	\$2,028
POS C	\$795	\$1,784
PPO 500	\$705	\$1,581
<u>Medicare</u>		
Medicare-Eligible Retirees	\$518	\$1,036

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the County reported a liability of \$3,857,958 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date. The County's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the County recognized OPEB expense of \$200,426. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 169,401
Changes of assumptions	59,980	277,730
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	\$ 59,980	\$ 447,131

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

	MMEHT	
Plan year ended December 31:		
2020	\$	(50,347)
2021		(50,347)
2022		(50,347)
2023		(50,347)
2024		(50,347)
Thereafter		(135,416)

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 4.10% per annum for June 30, 2019 was based upon a measurement date of December 27, 2018. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Total OPEB liability	\$ 4,347,018	\$ 3,857,958	\$ 3,450,648
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 4,347,018</u>	<u>\$ 3,857,958</u>	<u>\$ 3,450,648</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 5,162,372	\$ 3,857,958	\$ 6,942,831
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,162,372</u>	<u>\$ 3,857,958</u>	<u>\$ 6,942,831</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2018, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. 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 this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

Assumptions

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 4.10% per annum.

COUNTY OF KENNEBEC, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Trend Assumptions:

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

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

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

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

Administrative and claims expense - 3% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

COUNTY OF KENNEBEC, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience 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. The difference between expected and actual experience as of January 1, 2019 was \$169,401.

COUNTY OF KENNEBEC, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense 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 actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. 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. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. 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.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the County Office at 125 State Street, Augusta, Maine 04330.

NOTE 19 - RESTATEMENT

In 2019, the County determined that certain transactions were recorded incorrectly or omitted. Therefore, a restatement to the governmental beginning net position was required. The net capital asset beginning balance was restated by a decrease of \$65,076 to correct the accumulated depreciation balance. The beginning net position of governmental activities was restated by a decrease of \$65,076 from \$4,535,412 to \$4,470,336.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Jail Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

COUNTY OF KENNEBEC, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,232,608	\$ 2,232,608	\$ 2,232,608	\$ -
Resources (Inflows):				
Taxes - municipalities	4,391,091	4,391,091	4,388,693	(2,398)
Charges for services:				
Emergency management	72,761	72,761	70,172	(2,589)
Register of Deeds	880,000	880,000	967,294	87,294
Register of Probate	150,000	150,000	186,810	36,810
Sheriff:				
Special detail revenue	66,950	66,950	60,211	(6,739)
Miscellaneous	5,000	5,000	4,848	(152)
District attorney	10,000	10,000	5,460	(4,540)
DA supervisory	85,000	85,000	54,059	(30,941)
School resource officer	50,047	50,047	50,047	-
	<u>1,319,758</u>	<u>1,319,758</u>	<u>1,398,901</u>	<u>79,143</u>
Miscellaneous:				
Investment income-gain(loss)	20,000	20,000	118,979	98,979
Other revenues	10,000	10,000	25,049	15,049
	<u>30,000</u>	<u>30,000</u>	<u>144,028</u>	<u>114,028</u>
Amounts Available for Appropriation	<u>7,973,457</u>	<u>7,973,457</u>	<u>8,164,230</u>	<u>190,773</u>
Charges to Appropriations (Outflows):				
Superior court	-	-	1,073	(1,073)
County Commissioners/Executive	258,486	258,486	243,357	15,129
County treasurer	10,310	10,310	9,775	535
Finance	109,405	109,405	106,320	3,085
Property improvements	60,000	60,000	41,313	18,687
Register of Deeds	250,874	250,874	221,663	29,211
Register of Probate	330,277	330,277	317,569	12,708
Emergency management	146,422	146,422	145,991	431
Sheriff	2,036,414	2,036,414	2,080,072	(43,658)
District attorney	658,676	658,676	644,849	13,827
Program grants	16,500	16,500	16,500	-
Facilities management	245,864	245,864	226,400	19,464
Information technology	173,600	173,600	166,290	7,310
Employee benefits	1,432,710	1,432,710	1,398,118	34,592
Insurance	85,177	85,177	77,666	7,511
Other	86,134	86,134	108,064	(21,930)
Transfers to other funds	40,000	40,000	40,000	-
Total Charges to Appropriations	<u>5,940,849</u>	<u>5,940,849</u>	<u>5,845,020</u>	<u>95,829</u>
Budgetary Fund Balance, June 30	<u>\$ 2,032,608</u>	<u>\$ 2,032,608</u>	<u>\$ 2,319,210</u>	<u>\$ 286,602</u>
Utilization of Assigned Fund Balance	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - JAIL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 175,758	\$ 175,758	\$ 175,758	\$ -
Resources (Inflows):				
Taxes	6,289,729	6,289,729	6,289,729	-
Intergovernmental	1,670,589	1,670,589	1,687,839	17,250
Miscellaneous revenues	10,000	10,000	12,199	2,199
Amounts Available for Appropriation	<u>8,146,076</u>	<u>8,146,076</u>	<u>8,165,525</u>	<u>19,449</u>
Charges to Appropriations (Outflows):				
Salary and wages	4,033,071	4,033,071	3,642,354	390,717
Fringe benefits	1,343,606	1,343,606	1,400,862	(57,256)
Professional fees/services	2,200,213	2,200,213	2,021,363	178,850
Travel	12,500	12,500	18,119	(5,619)
Operation County vehicles	31,000	31,000	35,861	(4,861)
Utilities	224,665	224,665	329,143	(104,478)
Rentals	115,458	115,458	98,914	16,544
Repairs/maintenance	95,600	95,600	115,962	(20,362)
Fixed charges/insurances	124,355	124,355	128,624	(4,269)
General operations	4,850	4,850	2,519	2,331
Other	41,300	41,300	54,534	(13,234)
Supplies	88,075	88,075	104,394	(16,319)
Clothing and materials	55,000	55,000	78,728	(23,728)
Capital outlay	-	-	16,050	(16,050)
Transfers to other funds	71,500	71,500	66,040	5,460
Total Charges to Appropriations	<u>8,441,193</u>	<u>8,441,193</u>	<u>8,113,467</u>	<u>327,726</u>
Budgetary Fund Balance, June 30	<u>\$ (295,117)</u>	<u>\$ (295,117)</u>	<u>\$ 52,058</u>	<u>\$ 347,175</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>					
Proportion of the net pension liability (asset)	0.64%	0.56%	0.54%	0.48%	0.40%
Proportionate share of the net pension liability (asset)	\$ 1,757,687	\$ 2,281,187	\$ 2,858,150	\$ 1,538,466	\$ 621,634
Covered payroll	\$ 3,565,368	\$ 3,043,438	\$ 2,842,849	\$ 2,521,507	\$ 1,932,565
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	49.30%	74.95%	100.54%	61.01%	32.17%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	86.43%	81.61%	88.30%	94.10%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>						
Contractually required contribution	\$ 408,879	\$ 350,942	\$ 285,565	\$ 253,014	\$ 197,430	\$ 128,689
Contributions in relation to the contractually required contribution	<u>(408,879)</u>	<u>(350,942)</u>	<u>(285,565)</u>	<u>(253,014)</u>	<u>(197,430)</u>	<u>(128,689)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,110,988	\$ 3,565,368	\$ 3,043,438	\$ 2,842,849	\$ 2,521,507	\$ 1,932,565
Contributions as a percentage of covered payroll	8.00%	9.84%	9.38%	8.90%	7.83%	6.66%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at 1/1/18 (Reporting December 31, 2018)	\$ 3,919,631	\$ -	\$ 3,919,631
Changes for the year:			
Service cost	234,156	-	234,156
Interest	140,773	-	140,773
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(312,446)	-	(312,446)
Contributions - employer	-	124,156	(124,156)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(124,156)	(124,156)	-
Administrative expense	-	-	-
Net changes	<u>(61,673)</u>	<u>-</u>	<u>(61,673)</u>
Balances at 1/1/19 (Reporting December 31, 2019)	<u>\$ 3,857,958</u>	<u>\$ -</u>	<u>\$ 3,857,958</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
<u>Total OPEB liability</u>		
Service cost (BOY)	234,156	245,380
Interest (includes interest on service cost)	140,773	149,750
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(217,801)
Changes of assumptions	(312,446)	77,118
Benefit payments, including refunds of member contributions	(124,156)	(101,231)
Net change in total OPEB liability	<u>\$ (61,673)</u>	<u>\$ 153,216</u>
Total OPEB liability - beginning	\$ 3,919,631	\$ 3,766,415
Total OPEB liability - ending	\$ 3,857,958	\$ 3,919,631
<u>Plan fiduciary net position</u>		
Contributions - employer	124,156	101,231
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(124,156)	(101,231)
Administrative expense	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 3,857,958</u>	<u>\$ 3,919,631</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-
Covered payroll	\$ 4,269,281	\$ 4,269,281
Net OPEB liability as a percentage of covered payroll	90.4%	91.8%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
<u>MMEHT:</u>		
Employer contributions	\$ 124,156	\$ 110,231
Benefit payments	(124,156)	(110,231)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,269,281	\$ 4,269,281
Contributions as a percentage of covered payroll	2.91%	2.58%

* The amounts presented for each fiscal year are for those years for which information is available.

COUNTY OF KENNEBEC, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes of Assumptions

For the PLD Consolidated Plan, the discount rate was reduced from 6.875% to 6.75%. In addition, the cost of living benefit increases for the PLD Plan decreased from 2.20% to 1.91%.

There was a change in the MMEHT discount rate from 3.44% to 4.10% per GASB 75 discount rate selection.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

COUNTY OF KENNEBEC, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 647,485	\$ -	\$ 647,485
Due from other funds	219,268	1,486,682	1,705,950
TOTAL ASSETS	<u>\$ 866,753</u>	<u>\$ 1,486,682</u>	<u>\$ 2,353,435</u>
LIABILITIES			
Accounts payable	\$ 143,493	\$ -	\$ 143,493
Due to other funds	66,192	-	66,192
TOTAL LIABILITIES	<u>209,685</u>	<u>-</u>	<u>209,685</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	706,502	-	706,502
Committed	-	1,486,682	1,486,682
Assigned	15,261	-	15,261
Unassigned	(64,695)	-	(64,695)
TOTAL FUND BALANCES	<u>657,068</u>	<u>1,486,682</u>	<u>2,143,750</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 866,753</u>	<u>\$ 1,486,682</u>	<u>\$ 2,353,435</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Charges for services	\$ 666,775	\$ -	\$ 666,775
Intergovernmental revenues	1,284,443	-	1,284,443
Other	230,181	-	230,181
TOTAL REVENUES	<u>2,181,399</u>	<u>-</u>	<u>2,181,399</u>
EXPENDITURES			
Program expenses	2,281,068	-	2,281,068
Capital outlay	-	234,084	234,084
TOTAL EXPENDITURES	<u>2,281,068</u>	<u>234,084</u>	<u>2,515,152</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(99,669)</u>	<u>(234,084)</u>	<u>(333,753)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	16,793	106,040	122,833
Transfers (out)	(16,793)	-	(16,793)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>106,040</u>	<u>106,040</u>
NET CHANGE IN FUND BALANCES	(99,669)	(128,044)	(227,713)
FUND BALANCES - JULY 1	<u>756,737</u>	<u>1,614,726</u>	<u>2,371,463</u>
FUND BALANCES - JUNE 30	<u>\$ 657,068</u>	<u>\$ 1,486,682</u>	<u>\$ 2,143,750</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

COUNTY OF KENNEBEC, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	ASSETS			LIABILITIES		FUND BALANCES			TOTAL LIABILITIES AND FUND BALANCES
	Cash & cash equivalents	Due from other funds	TOTAL ASSETS	Accounts payable	Due to other funds	Restricted	Assigned	Unassigned	
Sheriff's Office Funds									
ME Revenue Services	\$ -	\$ 34,400	\$ 34,400	\$ -	\$ -	\$ 34,400	\$ -	\$ -	\$ 34,400
ME Drug Enforcement	-	-	-	-	25,320	-	-	(25,320)	-
Civil Process Servers	-	-	-	-	32,575	-	-	(32,575)	-
Byrne Grant	-	37,472	37,472	-	-	37,472	-	-	37,472
Alternative Sentencing Program	-	30,008	30,008	-	-	30,008	-	-	30,008
Computer Crimes	-	1,919	1,919	-	-	1,919	-	-	1,919
Electronic Monitoring	-	15,261	15,261	-	-	-	15,261	-	15,261
Drug Forfeiture	-	9,620	9,620	-	-	9,620	-	-	9,620
Federal Forfeitures	-	30,787	30,787	-	-	30,787	-	-	30,787
Probate Funds									
Probate Surcharge	5,186	-	5,186	-	1,268	3,918	-	-	5,186
Probate	19,305	-	19,305	17,221	-	2,084	-	-	19,305
Executive's Office Funds									
Wellness Program	-	-	-	-	-	-	-	-	-
Deeds									
Deeds Surcharge	510,388	-	510,388	-	229	510,159	-	-	510,388

SCHEDULE C (CONTINUED)

COUNTY OF KENNEBEC, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	ASSETS		TOTAL ASSETS	LIABILITIES		FUND BALANCES			TOTAL LIABILITIES AND FUND BALANCES
	Cash & cash equivalents	Due from other funds		Accounts payable	Due to other funds	Restricted	Assigned	Unassigned	
District Attorney's Office Funds									
Victim Advocate	-	-	-	-	4,193	-	-	(4,193)	-
Computer	-	2,902	2,902	-	-	2,902	-	-	2,902
Restitution	96,173	30,099	126,272	126,272	-	-	-	-	126,272
DA Eldercare Victim	-	2,619	2,619	-	-	2,619	-	-	2,619
DA Monitoring	-	15,740	15,740	-	-	15,740	-	-	15,740
EMA Funds									
Homeland Security Grant	-	1,988	1,988	-	-	1,988	-	-	1,988
EMA Exercise	-	2,207	2,207	-	-	2,207	-	-	2,207
LEPC Reserve	-	-	-	-	2,607	-	-	(2,607)	-
EMA Hazmat	-	4,246	4,246	-	-	4,246	-	-	4,246
EMA School Planner	-	-	-	-	-	-	-	-	-
Decentralized Funds - District Attorney									
Extradition	16,433	-	16,433	-	-	16,433	-	-	16,433
Total	<u>\$ 647,485</u>	<u>\$ 219,268</u>	<u>\$ 866,753</u>	<u>\$ 143,493</u>	<u>\$ 66,192</u>	<u>\$ 706,502</u>	<u>\$ 15,261</u>	<u>\$ (64,695)</u>	<u>\$ 866,753</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	FUND BALANCES JULY 1	REVENUES			EXPENDITURES	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	OTHER FINANCING SOURCES (USES)		TOTAL OTHER FINANCING SOURCES (USES)	NET CHANGE IN FUND BALANCES	FUND BALANCES JUNE 30
		Charges for services	Intergovernmental revenues	Other	Program expenses		Transfers in	Transfers (out)			
Sheriff's Office Funds											
ME Revenue Services	\$ 17,982	\$ -	\$ 452,794	\$ -	\$ (436,376)	\$ 16,418	\$ -	\$ -	\$ -	\$ 16,418	\$ 34,400
ME Drug Enforcement	451	-	136,533	-	(162,304)	(25,771)	-	-	-	(25,771)	(25,320)
Civil Process Servers	(12,822)	344,019	-	-	(363,772)	(19,753)	-	-	-	(19,753)	(32,575)
Byrne Grant	23,123	-	19,988	-	(5,639)	14,349	-	-	-	14,349	37,472
Alternative Sentencing Program	43,854	-	41,109	-	(54,955)	(13,846)	-	-	-	(13,846)	30,008
Computer Crimes	(1,571)	-	131,794	-	(128,304)	3,490	-	-	-	3,490	1,919
Electronic Monitoring	15,261	-	-	-	-	-	-	-	-	-	15,261
Drug Forfeiture	7,647	-	-	1,973	-	1,973	-	-	-	1,973	9,620
Federal Forfeitures	59,577	-	-	4,550	(33,340)	(28,790)	-	-	-	(28,790)	30,787
Probate Funds											
Probate Surcharge	4,784	6,914	-	-	(7,780)	(866)	-	-	-	(866)	3,918
Probate	4,489	200,416	-	-	(202,821)	(2,405)	-	-	-	(2,405)	2,084
Deeds											
Deeds Surcharge	535,091	54,477	-	-	(79,409)	(24,932)	-	-	-	(24,932)	510,159
Registry of Deeds	-	-	-	-	-	-	-	-	-	-	-

COUNTY OF KENNEBEC, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

FUND	REVENUES			EXPENDITURES	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	OTHER FINANCING SOURCES (USES)		TOTAL OTHER FINANCING SOURCES (USES)	NET CHANGE IN FUND BALANCES	FUND BALANCES JUNE 30	
	BALANCES JULY 1	Charges for services	Intergovernmental revenues	Other		Program expenses	Transfers in				Transfers (out)
District Attorney's Office Funds											
Victim Advocate	(1)	-	55,000	-	(59,192)	(4,192)	-	-	-	(4,192)	(4,193)
Computer	2,902	-	221,982	-	(221,982)	-	-	-	-	-	2,902
Restitution	-	-	-	222,254	(222,254)	-	-	-	-	-	-
DA Advocate	-	-	32,398	-	(32,398)	-	-	-	-	-	-
DA Prosecutor & Investigator	2,514	25,886	-	-	(28,400)	(2,514)	-	-	-	(2,514)	-
DA Eldercare Victim	2,619	-	-	-	-	-	-	-	-	-	2,619
DA Monitoring	15,590	-	-	864	(714)	150	-	-	-	150	15,740
EMA's Funds											
Homeland Security Grant	2,137	-	165,014	-	(148,871)	16,143	-	(16,292)	(16,292)	(149)	1,988
EMA Exercise	2,207	-	-	-	-	-	-	-	-	-	2,207
LEPC Reserve	1,765	-	10,553	-	(14,925)	(4,372)	-	-	-	(4,372)	(2,607)
EMA IMAT	(961)	-	-	540	(80)	460	501	-	501	961	-
EMA Hazmat	4,246	-	12,180	-	(12,180)	-	-	-	-	-	4,246
EMA Cert	269	-	232	-	-	232	-	(501)	(501)	(269)	-
EMA School Planner	(69)	-	4,866	-	(21,089)	(16,223)	16,292	-	16,292	69	-
Decentralized Funds - District Attorney											
Extradition	25,653	35,063	-	-	(44,283)	(9,220)	-	-	-	(9,220)	16,433
Total	\$ 756,737	\$ 666,775	\$ 1,284,443	\$ 230,181	\$ (2,281,068)	\$ (99,669)	\$ 16,793	\$ (16,793)	-	(99,669)	\$ 657,068

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

COUNTY OF KENNEBEC, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2019

	<u>General Fund</u>	<u>Jail</u>	<u>Total</u>
ASSETS			
Due from other funds	\$ 646,851	\$ 839,831	\$ 1,486,682
TOTAL ASSETS	<u>\$ 646,851</u>	<u>\$ 839,831</u>	<u>\$ 1,486,682</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	646,851	839,831	1,486,682
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>646,851</u>	<u>839,831</u>	<u>1,486,682</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 646,851</u>	<u>\$ 839,831</u>	<u>\$ 1,486,682</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Jail</u>	<u>Total</u>
REVENUES			
Other	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital outlay	119,256	114,828	234,084
TOTAL EXPENDITURES	<u>119,256</u>	<u>114,828</u>	<u>234,084</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(119,256)</u>	<u>(114,828)</u>	<u>(234,084)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	66,040	106,040
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,000</u>	<u>66,040</u>	<u>106,040</u>
NET CHANGE IN FUND BALANCES	(79,256)	(48,788)	(128,044)
FUND BALANCES, JULY 1	<u>726,107</u>	<u>888,619</u>	<u>1,614,726</u>
FUND BALANCES, JUNE 30	<u>\$ 646,851</u>	<u>\$ 839,831</u>	<u>\$ 1,486,682</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

COUNTY OF KENNEBEC, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
County-wide	\$ 114,450	\$ 3,565,718	\$ 140,606	\$ -	\$ 3,820,774
District Attorney	-	-	46,199	-	46,199
Commissioners	-	-	14,600	-	14,600
Register of Deeds	-	-	45,720	-	45,720
Register of Probate	-	-	66,338	-	66,338
Jail	298,600	17,098,153	1,323,784	2,017	18,722,554
Sheriff	-	-	1,471,201	-	1,471,201
Total General Capital	413,050	20,663,871	3,108,448	2,017	24,187,386
Less: Accumulated Depreciation	-	(16,330,133)	(2,126,770)	(161)	(18,457,064)
Net General Capital Assets	<u>\$ 413,050</u>	<u>\$ 4,333,738</u>	<u>\$ 981,678</u>	<u>\$ 1,856</u>	<u>\$ 5,730,322</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF KENNEBEC, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18 (Restated)	Additions	Deletions	General Capital Assets 6/30/19
County-wide	\$ 3,820,774	\$ -	\$ -	\$ 3,820,774
District Attorney	46,199	-	-	46,199
Commissioners	14,600	-	-	14,600
Register of Deeds	45,720	-	-	45,720
Register of Probate	66,338	-	-	66,338
Jail	18,722,554	-	-	18,722,554
Sheriff	1,214,761	310,582	(54,142)	1,471,201
Total General Capital	<u>23,930,946</u>	<u>310,582</u>	<u>(54,142)</u>	<u>24,187,386</u>
Less: Accumulated Depreciation	<u>(18,046,101)</u>	<u>(435,415)</u>	<u>24,452</u>	<u>(18,457,064)</u>
Net General Capital Assets	<u><u>\$ 5,884,845</u></u>	<u><u>\$ (124,833)</u></u>	<u><u>\$ (29,690)</u></u>	<u><u>\$ 5,730,322</u></u>

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise & Integrity

INDEPENDENT AUDITORS' 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 Kennebec, Maine
Augusta, Maine

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 Kennebec, Maine as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the County of Kennebec, Maine's basic financial statements and have issued our report thereon dated July 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Kennebec, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Kennebec, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Kennebec, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a 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.

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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 Kennebec, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the County of Kennebec, Maine in a separate letter dated July 2, 2020.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.H.R. Smith & Company

Buxton, Maine
July 14, 2020