

**NORTHPORT SCHOOL
DEPARTMENT**

NORTHPORT, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2018

**NORTHPORT SCHOOL DEPARTMENT
NORTHPORT, MAINE
JUNE 30, 2018**

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

School Committee, Superintendent, and Business Manager
NORTHPORT SCHOOL DEPARTMENT
Northport, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northport School Department, a department of the Town of Northport, Maine, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statements in order to design audit procedures that are appropriate in the circumstance, 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.

Basis for Qualified Opinion on the Government-Wide Financial Statements

As disclosed in the notes to the financial statements, information necessary to determine the amounts of any OPEB liabilities or similar amounts arising in conjunction with the School Department's participation in the Maine Education Association Benefit Trust health plan is not currently available. The amounts, if any, by which the government-wide financial statements may be misstated as a result are not known.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Government-Wide Financial Statements”, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Northport School Department as of June 30, 2018 and the changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the Northport School Department as of June 30, 2018 and the changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Northport School Department are intended to present the financial position, the changes in financial position of only that portion of each major fund, and the remaining fund information of the Town of Northport, Maine that is attributable to the transactions of the School Department. They do not purport to, and do not, present fairly the financial position of the Town of Northport, Maine as of June 30, 2018 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Reconciliation of Audit Adjustments to Annual Financial Data submitted to the NEO Financial System and Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A), the Schedule of the School Department's Proportionate Share of Net Pension Liability, Schedule of School Department Pension Contributions and Schedule of School Department Group Life Plan Proportionate Share of Net OPEB Liability and of Department Contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 response to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



SMITH & ASSOCIATES, CPAs
A Professional Association

NORTHPORT SCHOOL DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis is an analysis of the financial condition and operating results of the Department for the fiscal year ended June 30, 2018 written by the Business Manager. The purpose is to foster increased interest from citizenry and taxpayers and to provide an easily read overview of the Department's financial condition in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Northport School Department exceeded its liabilities at the close of the most recent fiscal year by \$1,725,966 per Exhibit I (net position). Of this amount, \$495,313 (unrestricted net position) may be used to meet the Department's ongoing obligations to citizens and creditors. The Department's total net position increased by \$38,581.
- At the close of the current fiscal year, Northport School Department's governmental funds reported combined ending fund balances of \$473,319 a decrease of \$131,344 over the prior year. The amount of \$79,010 is the General Fund Unreserved Fund Balance which is available for appropriation in the next budget cycle and represents less than 3% of the total general fund expenditures.
- Northport School Department has \$25,000 committed within the general fund for purposes of special education, and has \$297,480 remaining of the funds transferred from RSU #20 after the withdrawal which are committed for subsequent fiscal years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Northport School Department's financial statements. The Department's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* (Exhibit I) presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Activities* (Exhibit II) presents revenue and expenses and shows how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both government-wide financial statements distinguish functions of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Currently, the Department is not engaged in any business-type activities.

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. Northport School Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the Department's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Department's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Fiduciary Funds – This category is used to account for resources which the Department holds for the specific benefit of certain other parties. Currently the Department uses this category to account for its student activities funds.

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 fund financial statements.

COMPARATIVE DATA

The following tables provide a summary of Northport School Department's net position and statement of activities for the year ended June 30, 2018, with comparative data for the previous year. Net position serves as a useful indicator of the Department's financial position. Changes in net position generally indicate the direction (positive and negative) of the Department's financial position over time.

COMPARATIVE DATA (CONTINUED)

NORTHPORT SCHOOL DEPARTMENT'S NET POSITION

| Condensed Statement of Net Position | Governmental Activities | |
|---------------------------------------|----------------------------|---------------------|
| | 30-Jun-18 | 30-Jun-17 |
| Assets | | |
| Current and Other Assets | \$ 959,538 | \$ 808,194 |
| Non Current Assets | <u>4,710,601</u> | <u>4,751,138</u> |
| Total Assets | <u>\$ 5,670,139</u> | <u>\$ 5,559,332</u> |
| Deferred Outflows of Resources | <u>\$ 60,373</u> | <u>\$ 40,606</u> |
| Liabilities | | |
| Current and Other Liabilities | \$ 495,760 | \$ 213,715 |
| Long Term Liabilities | <u>3,498,802</u> | <u>3,696,238</u> |
| Total Liabilities | <u>\$ 3,994,562</u> | <u>\$ 3,909,953</u> |
| Deferred Inflows of Resources | <u>\$ 9,984</u> | <u>\$ 2,600</u> |
| Net Position | | |
| Net Investment in Capital Assets | \$ 1,211,799 | \$ 1,071,312 |
| Restricted | 18,854 | 52,305 |
| Unrestricted | <u>495,313</u> | <u>563,768</u> |
| Total Net Position | <u>\$ 1,725,966</u> | <u>\$ 1,687,385</u> |

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

An additional portion of the Department's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$495,313 (prior year \$563,768) may be used to meet the governments' ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Department is able to report positive balances all three categories of net position. The Department's net position increased by \$38,581 during the current fiscal year as shown in Exhibit II.

COMPARATIVE DATA (CONTINUED)

NORTHPORT SCHOOL DEPARTMENT'S CHANGES IN NET POSITION

| Condensed Statement of Activities | Governmental Activities | |
|--------------------------------------------|------------------------------------|---------------------|
| | 30-Jun-18 | 30-Jun-17 |
| Revenues: | | |
| Intergovernmental - State Subsidy | \$ 57,058 | \$ 76,111 |
| Intergovernmental - Program Grants | 231,760 | 227,772 |
| Taxes - Town Assessments | 2,781,262 | 2,765,877 |
| Charges for Services - Food Service | 15,978 | 14,462 |
| Unrestricted Investment Earnings | 0 | 699 |
| Miscellaneous | 440 | 76,244 |
| Total Revenues | <u>\$ 3,086,498</u> | <u>\$ 3,161,165</u> |
| Expenses | | |
| Regular Instruction | \$ 1,620,163 | \$ 1,597,627 |
| Special Education | 345,102 | 329,487 |
| Student and Staff Support | 141,519 | 171,042 |
| System Administration | 137,245 | 161,537 |
| School Administration | 176,777 | 171,797 |
| Facility Maintenance | 218,932 | 289,883 |
| Transportation | 106,198 | 107,910 |
| Other Instructional Programs | 20,751 | 13,528 |
| Food Service Operations | 70,115 | 67,980 |
| Interest on Long-Term Debt | 90,252 | 19,485 |
| Depreciation Expense – Unallocated | 120,863 | 50,426 |
| Total Expenses | <u>\$ 3,047,917</u> | <u>\$ 2,980,702</u> |
| Increase (Decrease) In Net Position | \$ 38,581 | \$ 180,463 |
| Net Position, Beginning of Year | 1,687,385 | 1,448,240 |
| Prior Period Adjustment | <u>0</u> | <u>58,682</u> |
| Net Position, End of Year | <u>\$ 1,725,966</u> | <u>\$ 1,687,385</u> |

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Statement of Activities indicates that the total revenues exceeded total expenditures by \$38,581 which results in a strong overall financial position for the year ended June 30, 2018.

ANALYSIS OF SIGNIFICANT INDIVIDUAL FUND BALANCES, TRANSACTIONS AND CHANGES IN FUND BALANCES

General Fund – Revenues fell short of expenditures and transfers to other funds resulting in a decrease in total general fund balance to \$466,090. While the amount of fund balance that any Department needs to maintain is debatable, this amount is healthy by most standards.

Construction Fund – This fund fell by (\$46,750) as the final construction costs for this project were liquidated this past year.

Other Governmental Funds – The increase of \$1,674 in combined fund balances for this category is largely due to increased local support for the School Lunch Program. We will continue to locally support this program going forward.

GENERAL FUND BUDGETARY HIGHLIGHTS

As presented in Exhibit VII, the final budgeted expenditures and transfers, net of other financing sources, amounted to \$3,073,319. The total actual expenditures and transfers, net of other financing sources for the year ending June 30, 2018 was \$2,925,029, resulting in a favorable variance of \$148,290.

CAPITAL ASSET AND DEBT**Capital Assets**

Capital Assets as of June 30, 2018 totaled \$4,710,601. Additions to Capital Assets during the year, net of depreciation totaled \$(40,537) for the fiscal year ended June 30, 2018.

Debt

The School Department's total outstanding debt as of June 30, 2018 is \$3,466,527, which reflects net reductions of debt of \$(213,299) during the year then ended.

FISCAL YEAR 2018 AND BEYOND

At the June 2018 Town meeting, our townspeople approved a school budget for the fiscal year ended June 30, 2019 in the amount of \$3,243,645 which represents a 6% increase over the corresponding budget for fiscal 2018.

The townspeople have also appropriated the \$297,480 received from RSU #20 after the withdrawal to be used to reduce the property tax burden in subsequent years.

**NORTHPORT SCHOOL DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | <u>Primary Government</u> |
|-------------------------------------------------|------------------------------------|
| | <u>Governmental Activities</u> |
| Assets | |
| Cash and Cash Equivalents | \$ 935,302 |
| Accounts Receivable | 23,349 |
| Inventory | 887 |
| Capital Assets, Net of Accumulated Depreciation | <u>4,710,601</u> |
| Total Assets | <u>\$ 5,670,139</u> |
| Deferred Outflows of Resources | |
| Related to Pensions | <u>\$ 60,373</u> |
| Liabilities | |
| Accounts Payable | \$ 303,924 |
| Accrued Expenses | 182,295 |
| Accrued Interest | 9,541 |
| Non Current Liabilities | |
| Due Within One Year | 245,944 |
| Due in More Than One Year | <u>3,252,858</u> |
| Total Liabilities | <u>\$ 3,994,562</u> |
| Deferred Inflows of Resources | |
| Related to Pensions | <u>\$ 9,984</u> |
| Net Position | |
| <i>Net Investment in Capital Assets</i> | \$ 1,211,799 |
| <i>Restricted</i> | |
| School Hot Lunch Inventory Reserve | 887 |
| Grant and Entitlement Purposes | 17,967 |
| <i>Unrestricted</i> | <u>495,313</u> |
| Total Net Position | <u>\$ 1,725,966</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | Net (Expense) Revenue and Changes in Net Assets |
|----------------------------------------------------------------|---------------------|---------------------------------|-----------------------------------------------|----------------------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Primary Government</u> |
| | | | | <u>Total</u> |
| Governmental Activities | | | | |
| Regular Instruction | \$ 1,620,163 | \$ 0 | \$ 155,950 | \$ (1,464,213) |
| Special Education | 345,102 | 0 | 41,927 | (303,175) |
| Student and Staff Support | 141,519 | 0 | 0 | (141,519) |
| System Administration | 137,245 | 0 | 0 | (137,245) |
| School Administration | 176,777 | 0 | 0 | (176,777) |
| Facility Maintenance | 218,932 | 0 | 0 | (218,932) |
| Transportation | 106,198 | 0 | 0 | (106,198) |
| Other Instructional Programs | 20,751 | 0 | 0 | (20,751) |
| Food Service Operations | 70,115 | 15,978 | 33,883 | (20,254) |
| Interest on Long Term Debt | 90,252 | 0 | 0 | (90,252) |
| Depreciation Expense – Unallocated | <u>120,863</u> | <u>0</u> | <u>0</u> | <u>(120,863)</u> |
| Total Primary Government | \$ 3,047,917 | \$ 15,978 | \$ 231,760 | \$ (2,800,179) |
| General Revenues | | | | |
| | | | | \$ 2,781,262 |
| Taxes (Town Assessment) | | | | |
| Grants and Contributions Not Restricted to Special Programs | | | | 57,058 |
| Unrestricted Investment Earnings | | | | 0 |
| Miscellaneous | | | | <u>440</u> |
| Total General Revenues | | | | \$ 2,838,760 |
| Changes in Net Position | | | | \$ 38,581 |
| Net Position – June 30, 2017 | | | | \$ 1,687,385 |
| Net Position – June 30, 2018 | | | | \$ 1,725,966 |

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | General Fund | Construction Fund | Special Revenue Funds | Total Governmental Funds |
|-------------------------------------------------------------------------------|--------------------------|----------------------|-----------------------------|--------------------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 935,302 | \$ 0 | \$ 0 | \$ 935,302 |
| Accounts Receivable | 329 | 0 | 23,020 | 23,349 |
| Inventory | 0 | 0 | 887 | 887 |
| Due From Other Funds | <u>57,518</u> | <u>0</u> | <u>81,536</u> | <u>139,054</u> |
| Total Assets | \$ 993,149 | \$ 0 | \$ 105,443 | \$ 1,098,592 |
| Deferred Outflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 993,149</u> | <u>\$ 0</u> | <u>\$ 105,443</u> | <u>\$ 1,098,592</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 303,924 | \$ 0 | \$ 0 | \$ 303,924 |
| Accrued Expenses | 178,371 | 0 | 3,924 | 182,295 |
| Due to Other Funds | <u>44,764</u> | <u>0</u> | <u>94,290</u> | <u>139,054</u> |
| Total Liabilities | <u>\$ 527,059</u> | <u>\$ 0</u> | <u>\$ 98,214</u> | <u>\$ 625,273</u> |
| Deferred Inflows of Resources | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Fund Balance | | | | |
| <i>Nonspendable</i> | | | | |
| School Lunch Inventory Reserve | \$ 0 | 0 | 887 | 887 |
| <i>Restricted</i> | | | | |
| School Construction Fund | 0 | 0 | 0 | 0 |
| Grant and Entitlement Programs | 0 | 0 | 17,967 | 17,967 |
| <i>Committed</i> | | | | |
| Appropriated for Special Education | 25,000 | 0 | 0 | 25,000 |
| Appropriated for Subsequent Years | 297,480 | 0 | 0 | 297,480 |
| <i>Assigned</i> | | | | |
| Grant and Entitlement Programs | 0 | 0 | 5,945 | 5,945 |
| Assigned for FY 2018/19 | 64,600 | 0 | 0 | 64,600 |
| <i>Unassigned</i> | | | | |
| Grant and Entitlement Programs | 0 | 0 | (17,570) | (17,570) |
| General Fund | <u>79,010</u> | <u>0</u> | <u>0</u> | <u>79,010</u> |
| Total Fund Balance | <u>\$ 466,090</u> | <u>\$ 0</u> | <u>\$ 7,229</u> | <u>\$ 473,319</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 993,149</u> | <u>\$ 0</u> | <u>\$ 105,443</u> | <u>\$ 1,098,592</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Total Fund Balance – Total Governmental Funds | \$ 473,319 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because | |
| Capital Assets Used in Governmental Activities are Not Current Financial Resources and Therefore are Not Reported in the Governmental Funds Balance Sheet. | 4,710,601 |
| Interest Payable on Long-Term Debt and Accrued Compensated Absences Do Not Require Current Financial Resources and Therefore, These Items Are Not Reported as Liabilities in the Governmental Funds Balance Sheet | (9,541) |
| Long Term Liabilities are Not Due and Payable in the Current Period and Therefore, They are Not Reported in the Governmental Funds Balance Sheet | (3,466,527) |
| Net Pension Liability and Related Deferred Inflows and Outflows | <u>18,114</u> |
| Net Position of Governmental Activities | <u>\$ 1,725,966</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>General Fund</u> | <u>Construction Fund</u> | <u>Special Revenue Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------------------------------------------------|----------------------------|------------------------------|--------------------------------------|-----------------------------------------|
| Revenues | | | | |
| Taxes (Town Assessment) | \$ 2,781,262 | \$ 0 | \$ 0 | \$ 2,781,262 |
| Intergovernmental | 57,058 | 0 | 163,736 | 220,794 |
| On-Behalf Pension and OPEB Payments | 70,854 | 0 | 0 | 70,854 |
| Charges for Services | 0 | 0 | 15,978 | 15,978 |
| Miscellaneous | <u>441</u> | <u>0</u> | <u>3,900</u> | <u>4,341</u> |
| Total Revenues | <u>\$ 2,909,615</u> | <u>\$ 0</u> | <u>\$ 183,614</u> | <u>\$ 3,093,229</u> |
| Expenditures | | | | |
| <i>Current</i> | | | | |
| Regular Instruction | \$ 1,464,693 | \$ 0 | \$ 87,866 | \$ 1,552,559 |
| Special Education | 299,251 | 0 | 45,851 | 345,102 |
| Student and Staff Support Services | 141,519 | 0 | 0 | 141,519 |
| System Administration | 137,245 | 0 | 0 | 137,245 |
| School Administration | 176,777 | 0 | 0 | 176,777 |
| Facility Maintenance | 212,660 | 0 | 6,272 | 218,932 |
| Transportation | 113,380 | 0 | 0 | 113,380 |
| Other Instructional Programs | 13,915 | 0 | 6,836 | 20,751 |
| On-Behalf Pension and OPEB Payments | 70,854 | 0 | 0 | 70,854 |
| Food Service | 0 | 0 | 70,115 | 70,115 |
| Debt Service | 330,589 | 0 | 0 | 330,589 |
| Capital Outlay | <u>33,577</u> | <u>46,750</u> | <u>0</u> | <u>80,327</u> |
| Total Expenditures | <u>\$ 2,994,460</u> | <u>\$ 46,750</u> | <u>\$ 216,940</u> | <u>\$ 3,258,150</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ (84,845)</u> | <u>(46,750)</u> | <u>\$ (33,326)</u> | <u>\$ (164,921)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of Capital Lease | \$ 33,577 | \$ 0 | \$ 0 | \$ 33,577 |
| Transfers In (Out) | <u>(35,000)</u> | <u>0</u> | <u>35,000</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | <u>\$ (1,423)</u> | <u>\$ 0</u> | <u>\$ 35,000</u> | <u>\$ 33,577</u> |
| Net Change in Fund Balance | \$ (86,268) | \$ (46,750) | \$ 1,674 | \$ (131,344) |
| Fund Balance – June 30, 2017 | <u>552,358</u> | <u>46,750</u> | <u>5,555</u> | <u>604,663</u> |
| Fund Balance – June 30, 2018 | <u>\$ 466,090</u> | <u>\$ 0</u> | <u>\$ 7,229</u> | <u>\$ 473,319</u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balance – Total Governmental Funds \$ (131,344)

**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because**

Governmental Funds Report Capital Outlays as Expenditures.
However, in the Statement of Activities the Cost of Those Assets is Allocated
over their Estimated Useful Lives and Reported as Depreciation Expense.
This is the Amount of Capital Assets Recorded in the Current Period. 80,327

Depreciation Expense on Capital Assets is reported in the
Government-Wide Statement of Activities and Changes in Net
Position, But They do Not Require the Use of Current Financial
Resources. Therefore, Depreciation Expense is Not Reported as
Expenditure in Governmental Funds. (120,863)

The Issuance of Long-Term Debt (e.g. Bonds) Provides Current
Financial Resources to Governmental Funds, While the Repayment
of the Principal of Long-Term Debt Consumes the Current Financial
Resources of Governmental Funds. Neither Transaction, However,
Has Any Effect on Net Position. Also, Governmental Funds Report
the Effect of Issuance Cost, Premiums, Discounts, and Similar Items
When Debt is First Issued, Whereas the Amounts are Deferred and
Amortized in the Statement of Activities. This Amount is the Net
Effect of These Differences in the Treatment of Long-Term Debt and
Related Items. 213,298

Accrued Interest Expense on Long-Term Debt and Accrued Compensated
Absences Are Reported in the Government-Wide Statement of Activities and
Changes in Net Position, But Do Not Require the Use of Current Financial
Resources. Accordingly, These Items Are Not Included Within the
Governmental Fund Financial Statements. 643

Changes in Net Pension Liabilities and Related Deferred Inflows and Outflows (3,480)

Change in Net Position of Governmental Activities \$ 38,581

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budget <u>Original</u> | Budget <u>Final</u> | Actual <u>Amounts</u> | Variance With Final Budget Positive <u>(Negative)</u> |
|---------------------------------------------------------------------|---------------------------|------------------------|--------------------------|----------------------------------------------------------------|
| Revenues * | | | | |
| Taxes (Town Assessment) | \$ 2,781,262 | \$ 2,781,262 | \$ 2,781,262 | \$ 0 |
| Intergovernmental | 57,058 | 57,058 | 57,058 | 0 |
| Charges for Services | 0 | 0 | 0 | 0 |
| Miscellaneous | <u>0</u> | <u>0</u> | <u>441</u> | <u>441</u> |
| Total Revenues | <u>\$ 2,838,320</u> | <u>\$ 2,838,320</u> | <u>\$ 2,838,761</u> | <u>\$ 441</u> |
| Expenditures * | | | | |
| <i>Current</i> | | | | |
| Regular Instruction | \$ 1,510,222 | \$ 1,510,222 | \$ 1,464,693 | \$ 45,529 |
| Special Education | 396,475 | 351,163 | 299,251 | 51,912 |
| Student and Staff Support Services | 176,463 | 176,463 | 141,519 | 34,944 |
| System Administration | 152,543 | 152,543 | 137,245 | 15,298 |
| School Administration | 177,380 | 177,380 | 176,777 | 603 |
| Facility Maintenance | 186,846 | 212,661 | 212,660 | 1 |
| Transportation | 107,500 | 113,381 | 113,380 | 1 |
| Other Instructional Programs | 5,466 | 13,916 | 13,915 | 1 |
| Debt Service | 325,424 | 330,590 | 330,589 | 1 |
| Capital Outlay | <u>0</u> | <u>33,577</u> | <u>33,577</u> | <u>0</u> |
| Total Expenditures | <u>\$ 3,038,319</u> | <u>\$ 3,071,896</u> | <u>\$ 2,923,606</u> | <u>\$ 148,290</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | <u>\$ (199,999)</u> | <u>\$ (233,576)</u> | <u>\$ (84,845)</u> | <u>\$ 148,731</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Capital Lease | \$ 0 | \$ 33,577 | \$ 33,577 | \$ 0 |
| Transfers In (Out) | <u>(35,000)</u> | <u>(35,000)</u> | <u>(35,000)</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | <u>\$ (35,000)</u> | <u>\$ (1,423)</u> | <u>\$ (1,423)</u> | <u>\$ 0</u> |
| Net Change in Fund Balance | \$ (234,999) | \$ (234,999) | \$ (86,268) | \$ 148,731 |
| Fund Balance – June 30, 2017 | <u>552,358</u> | <u>552,358</u> | <u>552,358</u> | <u>0</u> |
| Fund Balance – June 30, 2018 | <u>\$ 317,359</u> | <u>\$ 317,359</u> | <u>\$ 466,090</u> | <u>\$ 148,731</u> |

* Excluding On-Behalf Pension and OPEB Payments.

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ <u>6,182</u> |
| Liabilities | |
| Amounts Held for Others | \$ <u>6,182</u> |
| Net Position | |
| Held in Trust | <u><u>\$ 0</u></u> |

The Notes to the Financial Statements are an Integral Part of this Statement.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Northport School Department provides elementary and secondary education to students of the Town of Northport. The School's financial statements include the operation of all organizations for which the Board of Education exercises oversight responsibility.

The accounting and reporting policies of the School relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (where applicable). The more significant accounting policies of the School Department are described below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statement presentation prescribed by Statement No. 34 includes:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the School's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the School's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

B. – Financial Reporting Entity

The School Department operates as a department of the Town of Northport, Maine, the financial statements of which are issued separately.

The accompanying financial statements present only the School Department's operations and are not intended to present fairly the financial position and results of operations of the Town of Northport, Maine in conformity with accounting principles generally accepted in the United States of America. Certain disclosures relevant to both the Town and School Department are omitted herein and have been disclosed in the Town's financial statements.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. – Financial Reporting Entity (Continued)

The School Department was created on June 30, 2016 pursuant to an agreement by which the Town withdrew from RSU No. 20. In accordance with that agreement, certain assets and liabilities previously owned or owed by RSU No. 20 were transferred to and accepted by the School Department as of that date.

C. – Financial Statements – Government-Wide Statements

The School's financial statements include both government-wide (reporting the School Department as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position, both the governmental and business-type activities (if applicable) columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School Department 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 School's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). 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 instruction, support, administering, etc. or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes – town assessment, intergovernmental revenues, interest income, etc).

D. - Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the School.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. - Financial Statements – Fund Financial Statements (Continued)

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in 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 School:

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for resources legally or internally restricted for construction and acquisition of capital assets and related costs. Currently the Department carries one such fund in conjunction with its school construction project.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School Department currently has no proprietary funds.

Fiduciary Funds

Fiduciary Funds are used to report assets held in an agency capacity for others and therefore are not available to support School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The Student Activities Fund operates as a Fiduciary Fund.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The School'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 statements.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. – Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

If applicable, the government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of Northport School Department. The School is required by state law to adopt annual budgets for the general fund and special revenue funds. Each budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles (GAAP). The following procedures are utilized in establishing the budgetary data reflected in the financial statements:

1. Prior to the annual budget meeting, the School prepares a budget for the next succeeding fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting has been given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town and must be filed with the State of Maine Department of Education on a designated date.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. – Cash and Cash Equivalents

Maine statutes authorize the Department to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Department invests certain funds in checking, savings accounts or certificates of deposit. The School has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

H. – Inventories

The Lunch Program follows the purchases method of accounting for food and supplies. Inventories are valued at the lower of cost (first-in, first-out basis) or market. The cost of donated federal commodities is computed at fair market value on the date received.

I. - 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 following estimated useful lives:

| | |
|-----------|--------------|
| Buildings | 30 Years |
| Equipment | 7 - 12 Years |
| Vehicles | 15 Years |

J. - Compensated Absences

Eligible employees are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. The School's policy is to recognize the costs of compensated absences when earned at the government-wide level and when paid at the governmental fund level.

K. – Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources - a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources - an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

The GASB emphasizes in GASB No. 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. – Deferred Outflows and Inflows of Resources (Continued)

The deferred inflows of resources and deferred outflows of resources at June 30, 2018 as listed at in Exhibit I amounted to \$9,984 and \$60,373, respectively. Per Exhibit III, there are no deferred inflow or outflow of resources at that date at the governmental fund level.

L. - Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

M. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

N. – Accounts Receivable

Accounts Receivable at June 30, 2018, primarily consist of intergovernmental receivables. There is no allowance for doubtful accounts as the School believes they are 100% collectible.

O. – Equity Classifications

Government-Wide Statements

Net position represents the difference between assets and liabilities. Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. – Equity Classifications (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. The Town's fund balances represent: **(1) Nonspendable Fund Balance**, resources that cannot be spent because of legal or contractual provisions that require they be maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described. A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund, because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceeds the total net resources of the fund.

NOTE 2 – CASH AND CASH EQUIVALENTS

The School's cash and cash equivalents may be subject to various risks from time to time, as follows:

Deposits

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School's policy is to invest in only financial institutions that are insured by the F.D.I.C. or additional insurance.

The School Department's cash is held in the Town of Northport's cash accounts. At June 30, 2018 the School Department held no deposits subject to custodial credit risk.

Interest Rate Risk – The School does not currently have a deposit policy for interest rate risk as the deposits are held at the Town.

Credit Risk and Concentration of Credit Risk – The School does not have a formal policy regarding credit risk or concentration of credit risk, as all such deposits are held at the Town level.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

| | Beginning Balance <u>July 1</u> | <u>Additions</u> | <u>Disposals</u> | Ending Balance <u>June 30</u> |
|-----------------------------------------------------|---------------------------------------|--------------------|------------------|-------------------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 794,948 | \$ 0 | \$ 0 | \$ 794,948 |
| Construction in Progress | <u>0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Capital Assets, Not Being Depreciated | <u>\$ 794,948</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 794,948</u> |
| Capital Assets, Being Depreciated | | | | |
| Buildings and Improvements | \$ 3,937,287 | \$ 46,750 | \$ 0 | \$ 3,984,037 |
| Equipment | 15,121 | 0 | 0 | 15,121 |
| Vehicles | <u>86,886</u> | <u>33,577</u> | <u>0</u> | <u>120,463</u> |
| Total Capital Assets, Being Depreciated | <u>\$ 4,039,294</u> | <u>\$ 80,327</u> | <u>\$ 0</u> | <u>\$ 4,119,621</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and Improvements | \$ 61,344 | \$ 107,144 | \$ 0 | \$ 168,488 |
| Equipment | 1,260 | 1,512 | 0 | 2,772 |
| Vehicles | <u>20,500</u> | <u>12,208</u> | <u>0</u> | <u>32,708</u> |
| Total Accumulated Depreciation | <u>\$ 83,104</u> | <u>\$ 120,864</u> | <u>\$ 0</u> | <u>\$ 203,968</u> |
| Total Capital Assets, Being Depreciated, Net | <u>\$ 3,956,190</u> | <u>\$ (40,537)</u> | <u>\$ 0</u> | <u>\$ 3,915,653</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 4,751,138</u> | <u>\$ (40,537)</u> | <u>\$ 0</u> | <u>\$ 4,710,601</u> |

. Depreciation expense has not been charged as a direct expense of the School Department.

NOTE 4 – LONG-TERM DEBT

At June 30, 2018, loans, leases, and bonds payable consisted of the following individual issues:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <p>Maine Municipal Bond Bank General Obligation Bond, Interest Rates Varying From 1.16% to 3.492%, Payable in Annual Installments of Principal in the Amount of \$150,000 Plus Interest, Due November, 2036</p> | <p style="text-align: center;">Governmental <u>Activities</u></p> <p>\$ 2,850,000</p> |
| <p>Maine Municipal Bond Bank General Obligation Bond of 1998, Interest Rate 4.827%, Annual Principal Payments of \$10,700, Maturity in 2018.</p> | <p>10,700</p> |

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – LONG-TERM DEBT (CONTINUED)

| | <u>Governmental Activities</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Maine Municipal Bond Bank | |
| General Obligation Bond of 2004, Interest Rate 3.557% to 7.497%, Annual Principal Payments of \$52,511, Maturity in 2024. | \$ 367,573 |
| General Obligation Bond of 2005, Interest Rate 4.000%, Annual Principal Payments of \$26,483, Maturity in 2025. | 211,859 |
| Capital Lease, Secured by Vehicle With Initial Cost of \$33,577 and Accumulated Depreciation at June 30, 2018 of \$1,959, Annual Payments of Principal And Interest at 3.63% of 7,208, Due in 2021. | <u>26,395</u> |
| Total Loans, Leases and Bonds Payable | <u>\$ 3,466,527</u> |

Changes in Outstanding Debt

Transactions for the year ended June 30, 2018, are summarized as follows:

| | <u>Balance July 1</u> | <u>Issues or Additions</u> | <u>Payments or Expenditures</u> | <u>Balance June 30</u> | <u>Due Within One Year</u> |
|------------------------------------------|----------------------------|--------------------------------|-------------------------------------|----------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | | | |
| General Obligation Bonds | \$ 3,679,826 | \$ 0 | \$ 239,694 | \$ 3,440,132 | \$ 239,694 |
| Capital Lease | 0 | 33,577 | 7,182 | 26,395 | 6,250 |
| Net Pension Liability | <u>16,412</u> | <u>15,863</u> | <u>0</u> | <u>32,275</u> | <u>0</u> |
| Total Governmental Activities | <u>\$ 3,696,238</u> | <u>\$ 49,440</u> | <u>\$ 246,876</u> | <u>\$ 3,498,802</u> | <u>\$ 245,944</u> |

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2018, are as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> | | <u>Total</u> |
|----------------------------|--------------------------------|--------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2018/19 | \$ 239,694 | \$ 55,585 | \$ 295,279 |
| 2019/20 | 228,994 | 52,424 | 281,418 |
| 2020/21 | 228,994 | 49,428 | 278,422 |
| 2021/22 | 228,994 | 47,690 | 276,684 |
| 2022/23 | 228,994 | 44,275 | 273,269 |
| 2024/28 | 934,462 | 184,511 | 1,118,973 |
| 2029/33 | 750,000 | 148,850 | 898,850 |
| 2034/38 | <u>600,000</u> | <u>40,611</u> | <u>640,611</u> |
| Total | <u>\$ 3,440,132</u> | <u>\$ 623,374</u> | <u>\$ 4,063,506</u> |

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – LONG-TERM DEBT (CONTINUED)

Lease Payable

The following is a schedule of future minimum lease payments for the capital lease together with the present value of net minimum lease payments as of June 30, 2018:

| <u>Year Ending June 30</u> | <u>Total</u> |
|-------------------------------------------------------|-------------------------|
| 2018/19 | \$ 7,208 |
| 2019/20 | 7,208 |
| 2020/21 | 7,208 |
| 2021/22 | <u>7,208</u> |
| Total Minimum Lease Payments | \$ 28,832 |
| Less: Amount Representing Interest | <u>(2,437)</u> |
| Present Value of Future Minimum Lease Payments | <u>\$ 26,395</u> |

NOTE 5 – RETIREMENT PLAN

The Northport School Department provides retirement pension plan for its employees through a defined benefit pension plan.

I. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

A. *Plan Description*

Qualifying personnel of the School Department participate in the Maine Public Employees Retirement System. The plan is a multiple employer, cost-sharing pension plan with a special funding situation

A. *Plan Description (Continued)*

The State of Maine is a non-employer contributing entity in that the state pays the unfunded actuarial liability (UAL) on behalf of the teachers, while the School Department contributes the normal cost, which is actuarially calculated. The School Department has been enrolled in the MEPERS system since July 1, 2017. MEPERS is established under Maine law found in 5 MRSA Part 20. The authority to establish and amend benefit provisions rests with the State legislature.

B. *Funding Policy*

The School Department makes available to all full time employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), State Employees and Teachers Plan. The employee shall pay, through payroll deduction(s), his/her required contribution determined by MEPERS, 7.65%. The School shall pay its required contribution determined by MEPERS. This benefit shall be offered to eligible employees on the date of hire.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – RETIREMENT PLAN (CONTINUED)

C. *Pension Benefits*

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility of benefits upon reaching qualification) occurs upon the earning of 25 years of service credit for School Department employees.

Normal retirement age of State Employees and Teachers members is age 60 to 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.

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 statute for State employee and teacher members.

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

D. *Member and Employer Contributions*

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contributions rates are determined through actuarial valuations. For the year ended June 30, 2018, the member contribution rate was 7.65%, the School Department's contribution rate was 3.97% (normal cost), and the State of Maine contributed 15.65% (UAL).

E. *Revenue Recognition*

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred.

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

At June 30, 2018, the School Department reported a net pension liability of \$32,275. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The School Department proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At the June 30, 2016 measurement date, the School Department proportion was 0.000929%. At the June 30, 2017 measurement date, this proportion was 0.002221%.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – RETIREMENT PLAN (CONTINUED)

At June 30, 2018, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Differences between Expected and Actual Experience | \$ 1,357 | \$ 0 |
| Changes in Assumptions | 0 | 504 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 9,004 | 9,479 |
| Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions. | 16,767 | 1 |
| School Department Contributions Subsequent to the Measurement Date | <u>33,245</u> | <u>0</u> |
| Total | <u>\$ 60,373</u> | <u>\$ 9,984</u> |

F. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

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

| For the Year Ended June 30, | <u>Amount</u> |
|------------------------------------|-------------------------|
| 2019 | \$ 43,369 |
| 2020 | 8,534 |
| 2021 | 214 |
| 2022 | <u>(1,728)</u> |
| Total | <u>\$ 50,389</u> |

At June 30, 2018 the School Department's reported net pension liability was a portion of the total proportionate share of the collective net pension liability associated with the School Department's participation in the Teacher plan, as follows:

| | |
|------------------------------------------------------------------|--------------------------|
| School Department's Proportionate Share of Net Pension Liability | \$ 32,275 |
| State of Maine's Proportionate Share of Net Pension Liability | <u>822,890</u> |
| Total | <u>\$ 855,165</u> |

For the fiscal year ended June 30, 2018, the School Department recognized pension expense of \$98,832, State support of \$62,107, and on-behalf payments of \$69,211.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – RETIREMENT PLAN (CONTINUED)

G. *Actuarial Assumptions*

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

| | |
|-------------------------------------------|-----------------|
| ➤ Inflation | 2.75% |
| ➤ Salary Increases | 2.75% to 14.50% |
| ➤ Investment Rate of Return | 6.875% |
| ➤ Cost of Living Benefit Increases | 2.20% |

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Mortality Tables for males and females.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2016 are summarized in the following table:

| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|------------------------------|-------------------------------------------------------|
| US Equities | 30% | 6.0% |
| U.S. Government | 7.5% | 2.3% |
| Private Equity | 15% | 7.6% |
| Real Assets: | | |
| Real Estate | 10% | 5.2% |
| Infrastructure | 10% | 5.3% |
| Hard Assets | 5% | 5.0% |
| Traditional Credit | 7.5% | 3.0% |
| Alternative Credit | 5% | 4.2% |
| Diversifiers | <u>10%</u> | 5.9% |
| | <u>100%</u> | |

H. *Discount Rate*

The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that plan member contribution will be made 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.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – RETIREMENT PLAN (CONTINUED)

I. *Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the School Department’s proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the School Department proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.875%) or 1 percentage point higher (7.875%) than the current rate:

| | 1% Decrease <u>(5.875%)</u> | Current Discount Rate <u>(6.875%)</u> | 1% Increase <u>(7.875%)</u> |
|-----------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------|
| Proportionate Share of the Net Pension Liability | \$56,634 | \$32,275 | \$12,164 |

J. *Pension Plan Financial and Actuarial Information*

Additional financial information and actuarial information can be found in the Maine PERS 2017 Comprehensive Annual Financial Report available online at www.mainePers.org or by contacting the System at (207) 512-3100.

NOTE 6 – INTERFUND ACTIVITY

Interfund balances at June 30, 2018, consisted of the following:

| | |
|---------------------------------|-------------------|
| Due To | |
| General Fund | \$ 57,518 |
| Non-Major Special Revenue Funds | <u>81,536</u> |
| Total | <u>\$ 139,054</u> |
| Due From | |
| General Fund | \$ 44,764 |
| Non-Major Special Revenue Funds | <u>94,290</u> |
| Total | <u>\$ 139,054</u> |

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

During the year ended June 30, 2018 the Department transferred \$35,000 from the general fund to the food service program.

Transfers are used to (1) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – GOVERNMENTAL FUND BALANCES

The Northport School Department has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. When both restricted and unrestricted resources are available for use, it is the School Department’s policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the School Department’s policy to use committed or assigned resources first, then unassigned resources as they are needed.

The General Fund unassigned fund balance total of \$79,010 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at June 30, 2018 follows.

Non-Spendable

| | |
|----------------------------|---------------|
| School Hot Lunch Inventory | \$ <u>887</u> |
|----------------------------|---------------|

Restricted

| | |
|-----------------------------|-------------------------|
| Insurance Fund | 1,287 |
| Lowe’s Greenhouse | 2,124 |
| Private Library | 10,000 |
| Maine Community Foundation | 140 |
| Whole Kids | 200 |
| Proficiency Based Education | <u>4,216</u> |
| Total | \$ <u>17,967</u> |

Committed

| | |
|--------------------------------------------|--------------------------|
| Appropriated for Subsequent Fiscal Years | \$ 297,480 |
| Appropriated for Special Education Reserve | <u>25,000</u> |
| Total | \$ <u>322,480</u> |

Assigned

| | |
|-------------------|-------------------------|
| For FY 2018/2019 | \$ 64,600 |
| Withdrawal Grants | <u>5,945</u> |
| Total | \$ <u>70,545</u> |

Unassigned

| | |
|----------------------|-------------------------|
| IDEA | \$ (8,403) |
| Maine Agriculture | (79) |
| School Lunch Program | (9,088) |
| General Fund | <u>79,010</u> |
| Total | \$ <u>61,440</u> |

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – RISK MANAGEMENT

The School 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 School carries commercial insurance. There have been no significant reductions in insurance coverage's during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 9 – CONCENTRATIONS

The Town of Northport provided \$2,781,262 (92% of Governmental Fund revenues) during the fiscal year ended June 30, 2018.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Northport School Department participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Northport School Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the School Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The School Department has entered into a contract with a local company to provide bus services for its students. This contract is in effect through June 30, 2021 and calls for monthly payments of between \$7,000 and \$7,400 through the term of the agreement.

NOTE 11 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Northport School Department utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the School Board and must be approved at a Public Meeting.

B. - Excess of Expenditures over Appropriations

Per Exhibit VII, for the year ended June 30, 2018, expenditures did not exceed appropriations both in total and at each budget line.

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. - Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of June 30, 2018, three individual fund held deficit balances.

| | |
|-----------------------------------------|---------------------------|
| IDEA | \$ (8,403) |
| Maine Agriculture | (79) |
| School Lunch Program (Net of Inventory) | <u>(9,088)</u> |
| Total | <u>\$ (17,570)</u> |

Management is working to restore these funds' balances to surplus positions.

NOTE 12 – OPEB PLANS

The Northport School Department provides certain other postemployment benefits to its employees through the following plans:

I. Group Life Insurance Plan - Maine Public Employees Retirement System (MEPERS)

Plan Description

Qualifying personnel of the School Department participate in the Maine Public Employees Retirement System, including that system's Group Life Insurance Plan. This plan is a multiple employer, cost-sharing OPEB plan with a special funding situation. The State of Maine is a non-employer contributing entity in that the state pays 100% of the actuarially determined contributions for retirees.

Benefits

Under the GLI OPEB plan, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

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

At June 30, 2018, the School Department reported a net OPEB liability of \$0, as the State of Maine's non-employer contributing entity required participation level is 100%. At June 30, 2018 the School Department's reported net OPEB liability was a portion of the total proportionate share of the collective net OPEB liability associated with the School Department's participation in the Teacher plan, as follows:

**NORTHPORT SCHOOL DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 – OPEB PLANS (CONTINUED)

| | |
|---------------------------------------------------------------|------------------|
| School Department’s Proportionate Share of Net OPEB Liability | \$ 0 |
| State of Maine’s Proportionate Share of Net OPEB Liability | <u>18,132</u> |
| Total | <u>\$ 18,132</u> |

For the fiscal year ended June 30, 2018, the School Department recognized OPEB expense of \$2,017, State support of \$2,017, and on-behalf payments of \$1,643.

No deferred inflows of resources or deferred outflows of resources arising in connection with this plan are reportable by the School Department given that the State of Maine is obligated to fund 100% of the actuarially required contributions attributable to retirees.

Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2017 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

II. Group Health Insurance Plan – Maine Education Association Benefits Trust (MEABT)

The School Department provides health insurance benefits to its employees through a group plan administered through the Maine Education Association Benefits Trust. Under this plan, retirees are eligible to continue such coverage post-employment, with the premium cost being born by the State of Maine and the retirees, with no ongoing financial obligation on the part of the School Department. The amount, if any, of OPEB liability and similar amounts arising from any implicit rate subsidy existing under this plan has not been determined.

NOTE 13 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through, December 28, 2018, the date on which the financial statements were available to be issued.

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EXHIBIT IX

NORTHPORT SCHOOL DEPARTMENT INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

School Committee, Superintendent and Business Manager
NORTHPORT SCHOOL DEPARTMENT
Northport, Maine

We have audited the financial statements of the Northport School Department for the year ended June 30, 2018, and have issued our report thereon dated December 28, 2018.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary for the circumstances.

In connection with our audit, we reviewed the budgetary controls in place, the Annual Financial Data submitted to the Maine Department of Education's NEO System for the year ended June 30, 2018, and the School's compliance with applicable provisions of the Maine School Finance Act of 1985 and the Maine School Finance Act of 1995 as we considered necessary in the circumstances.

We were not engaged to and we did not perform our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not required to perform a Single Audit because the level of Federal Expenditures did not require such.

As per 20-A MRSA §6051, sub-§1, Sec. A-2 thru A-5, as enacted by PL 2009, Northport School Department has complied with the following determinations:

- Northport School Department has complied with budget content requirements pursuant to section 15693, subsection 1 and cost center summary budget format requirements pursuant to sections 1305-C, 1485, 1701-C and 2307.
- Northport School Department has not exceeded its authority to expend funds, as provided by the total budget summary article.
- Northport School Department has complied with the applicable provisions of the unexpended balances requirements established under section 15004.
- Northport School Department has complied with the presentation of a schedule of expenditures of federal awards.

The results of our procedures indicate that with respect to the items tested, the Northport School Department complied in all material respects with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Northport School Department was in noncompliance with, or in violation, of those provisions.

The attached Exhibit X serves as a reconciliation between audited financial statement balances and those as submitted by Northport School Department to the Department of Education's NEO System.

This report is intended for the information of the School Committee, Superintendent, Business Manager and the Department of Education. However, this report is a matter of public record and its distribution is not limited.



SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
December 28, 2018

**NORTHPORT SCHOOL DEPARTMENT
RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL
DATA SUBMITTED TO THE NEO FINANCIAL SYSTEM
JUNE 30, 2018**

| | General Fund (100 Series) | Special Revenue Funds (200 Series and Fund 6000) | <u>Total</u> |
|--------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------|------------------|
| June 30, 2018 Balance as Per NEO Financial System | \$ 457,407 | \$ 7,228 | \$464,635 |
| Audit Adjustments | 8,682 | 0 | 8,682 |
| Rounding and Immaterial Differences | <u>1</u> | <u>1</u> | <u>2</u> |
| Audited GAAP Basis Fund Balance - June 30, 2018 | <u>\$ 466,090</u> | <u>\$ 7,229</u> | <u>\$473,319</u> |
| Total Fund Balance Per Exhibit III | | | <u>\$473,319</u> |

**NORTHPORT SCHOOL DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

| Federal Grantor Pass Through Grantor <u>Program Title</u> | Federal CFDA <u>Number</u> | Pass Thru Grantor <u>Number</u> | <u>Federal Expenditures</u> |
|---------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------|----------------------------------------|
| U.S. Department of Agriculture Passed Through Maine Department of Education: | | | |
| <i>Child Nutrition Cluster</i> | | | |
| <i>Special Milk Program for Children</i> | | | |
| Breakfast SNP | 10.553 | 013-05A-3014-05 | \$ 5,402 |
| <i>National School Lunch Program</i> | | | |
| Section 4 Funds SNP | 10.555 | 013-05A-3022-05 | 3,874 |
| Section II Funds SNP | 10.555 | 013-05A-3024-05 | 22,005 |
| Other | 10.555 | 013-05A-3125-05 | 647 |
| After School Snack Program | 10.555 | 013-05A-3020-05 | <u>1,252</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 33,180</u> |
| U.S. Department of Education Passed Through Maine Department of Education | | | |
| <i>Special Education Grants to States</i> | | | |
| Local Entitlement IDEA | 84.027 | 013-05A-3046-12 | \$ 40,858 |
| Preschool Grants IDEA | 84.173A | 013-05A-6247-00 | 1,068 |
| <i>Improving Teacher Quality State Grants</i> | | | |
| No Child Left Behind - Improving Teacher Quality LEA Grants | 84.367 | 013-05A-3042-11 | 10,479 |
| <i>Title I Grants to Local Education Agencies</i> | | | |
| Student Support & Academic Enrichment | 84.424 | 013-05A-3125-13 | 9,856 |
| No Child Left Behind - Disadvantaged | 84.010 | 013-05A-3107-13 | <u>32,113</u> |
| Total Passed Through Maine Department of Education | | | <u>\$ 94,374</u> |
| Direct Program | | | |
| <i>Title VI Rural Grant</i> | 84.358A | N/A | <u>\$ 16,614</u> |
| Total U.S. Department of Education | | | <u>\$ 110,988</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 144,168</u> |

SCHEDULE I

**NORTHPORT SCHOOL DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
JUNE 30, 2018**

| | <u>6/30/18</u> | <u>6/30/17</u> | <u>6/30/16</u> |
|-------------------------------------------------------------------------------------------------------------|-------------------|-------------------|----------------|
| School Department's Proportion of Net Pension Liability | <u>0.002221%</u> | <u>0.0000929%</u> | <u>0.00%</u> |
| School Department's Proportionate Share of the Net Pension Liability | \$ 32,275 | \$ 16,412 | \$ 0 |
| State of Maine's Proportionate Share of the Net Pension Liability | <u>822,890</u> | <u>608,460</u> | <u>0</u> |
| Total | <u>\$ 855,165</u> | <u>\$ 624,872</u> | <u>\$ 0</u> |
| School Department's Covered Payroll | <u>\$ 706,262</u> | <u>\$ 479,390</u> | <u>\$ 0</u> |
| School Department's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll | <u>4.57%</u> | <u>3.42%</u> | <u>0.00%</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | <u>83.35%</u> | <u>76.21%</u> | <u>83.55%</u> |

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.

SCHEDULE II**NORTHPORT SCHOOL DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT
PENSION CONTRIBUTIONS
JUNE 30, 2018**

| | <u>6/30/18</u> | <u>6/30/17</u> | <u>6/30/16</u> |
|--------------------------------------------------|-----------------|-----------------|-----------------|
| Contractually Required Contribution | \$ 35,789 | \$ 26,482 | \$ 17,430 |
| Actual Contribution | <u>(35,789)</u> | <u>(26,482)</u> | <u>(17,430)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered Payroll | \$ 801,457 | \$ 706,262 | \$ 479,390 |
| Contributions as a Percentage of Covered Payroll | <u>4.47%</u> | <u>3.75%</u> | <u>3.64%</u> |

Amounts presented for each fiscal year were determined as of June 30. The data above was determined for the Department's fiscal years indicated, which differs from the reporting time frames used in Schedule I. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.

SCHEDULE III

**NORTHPORT SCHOOL DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DEPARTMENT'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY
JUNE 30, 2018**

| | <u>6/30/18</u> |
|-------------------------------------------------------------------------------------------------------------------|-------------------|
| School Department's Proportion of Net OPEB Liability | <u>0.00%</u> |
| School Department's Proportionate Share of the Net OPEB Liability | \$ 0 |
| State of Maine's Proportionate Share of the Net OPEB Liability | <u>18,132</u> |
| Total | <u>\$ 18,132</u> |
| School Department's Covered Employee Payroll | <u>\$ 706,262</u> |
| School Department's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll | <u>0.00%</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | <u>60.11%</u> |
| Contractually Required Contributions | \$ 0 |
| Contributions Made in Relation to Contractually Required Amounts | <u>(0)</u> |
| Contribution Excess (Deficiency) | <u>\$ 0</u> |
| Town's Covered Employee Payroll | \$ 706,262 |
| Contributions as a Percentage of Covered Employee Payroll | 0.00% |

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.