

Financial Statements

Town of Northport, Maine

June 30, 2021

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Town of Northport, Maine

June 30, 2021

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Independent Auditors' Report

**To the Selectboard
Town of Northport
Northport, Maine**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Northport, Maine, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Northport School Department's general fund and other governmental funds (special revenue funds), which represent 44%, 28%, and 62%, respectively, of the assets, fund balances/net position, and revenues of the Town of Northport, Maine. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the general fund and other governmental funds, is based solely on the report of the other auditors. 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 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 opinion.

Opinions

In our opinion, based on our audit and the report of other auditors, 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 Town of Northport, Maine, as of June 30, 2021, and the respective changes in financial position 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, the Schedule of the Town's Proportionate Share of the Net Pension Liability, the Schedule of the Town's Pension Contributions, the Schedule of the Town's Proportionate Share of the MEPERS Plan Net OPEB Liability, the Schedule of Changes in the Town's Total MMEHT Plan OPEB Liability and Related Ratios, the Schedule of Changes in the Town's Total MEABT Plan OPEB Liability and Related Ratios, and the Notes to the Schedules, as noted in the table of contents, 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 Town of Northport, Maine's basic financial statements. The combining and individual nonmajor fund financial statements 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 by us and other auditors. In our opinion, based on our audit, the procedures described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Purdy Powers & Company
Professional Association

Portland, Maine
March 2, 2022



Town of Northport

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- Northport, Maine 04849
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www.northportmaine.org

A community of neighbors, a tradition of caring since 1796.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Northport's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2021. Please read it in conjunction with the Town's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented next. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Town's finances is, "Is the Town as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and the current year change in net position. You can think of the Town's net position - the difference between assets (and deferred outflows) and liabilities (and deferred inflows) - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are indicators of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

The Statement of Activities reports the current year's change in net position. This statement includes all of the current year's revenues and expenses regardless of when cash is received or paid.

- Governmental activities - Most of the Town's basic services are reported here, including the fire protection, general administration, road maintenance, funding of education, county tax payments, cemetery care, health and sanitation, and recreation. Property and excise taxes, state and federal grants, and miscellaneous reimbursements and fees finance most of these activities.

Reporting the Town's Most Significant Funds' Fund Financial Statements

Our analysis of the Town's major funds begins with the fund financial statements on page 6 and provides detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, the Select Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's funds-governmental accounting approach is as follows:

- Governmental funds - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the 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 Town'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 Town'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 a reconciliation on pages 7 and 9.

THE TOWN AS A WHOLE

For the years ended June 30, 2021 and 2020, net position changed as follows:

	2021	2020
Governmental Activities		
Beginning net position	\$ 9,330,710	\$ 8,628,490
Prior period adjustments	13,877	-
Increase (decrease) in net position	<u>454,968</u>	<u>702,220</u>
Ending net position	<u>\$ 9,799,555</u>	<u>\$ 9,330,710</u>

That reflects an increase of 5% for governmental activities in 2021.

The Town's overall net position continues to grow, even if at a slower pace than in the previous year.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Building permits, planning board receipts, tax interest and charges, and fines
Health and sanitation	Landfill receipts and transfer station reimbursements
Public works	Local road assistance

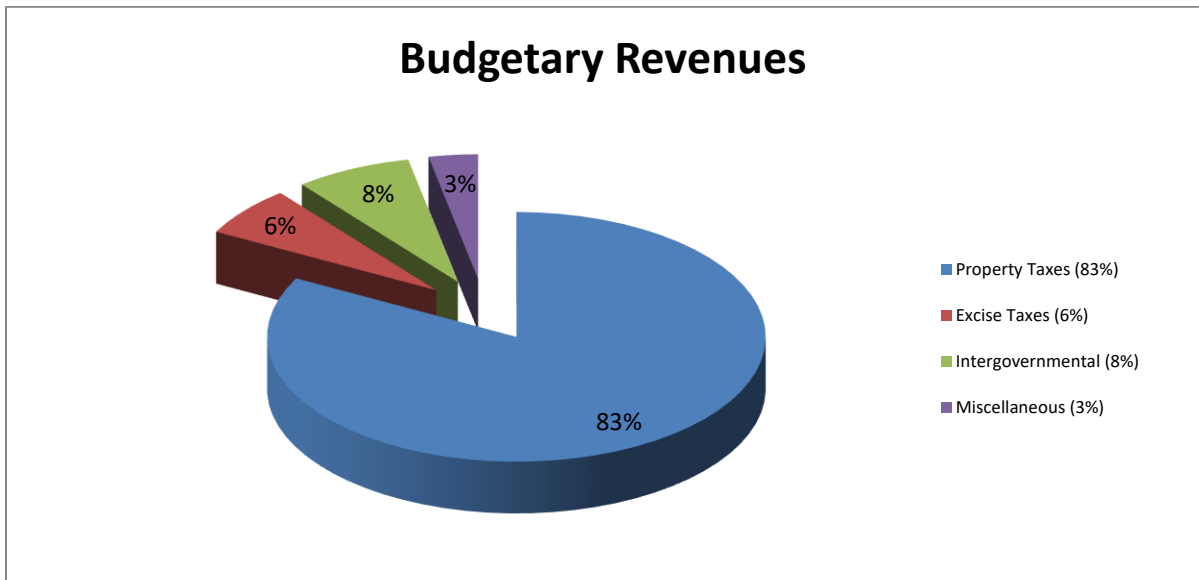
All other governmental revenues are reported as miscellaneous. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

THE TOWN'S FUNDS

The following schedule presents a summary of general fund revenues and expenditures on a budgetary basis for the fiscal years ended June 30, 2021 and 2020, and the amount and percentage of increases and decreases in relation to the prior year.

The Town's general fund operating fund revenues on a budgetary basis were as follows:

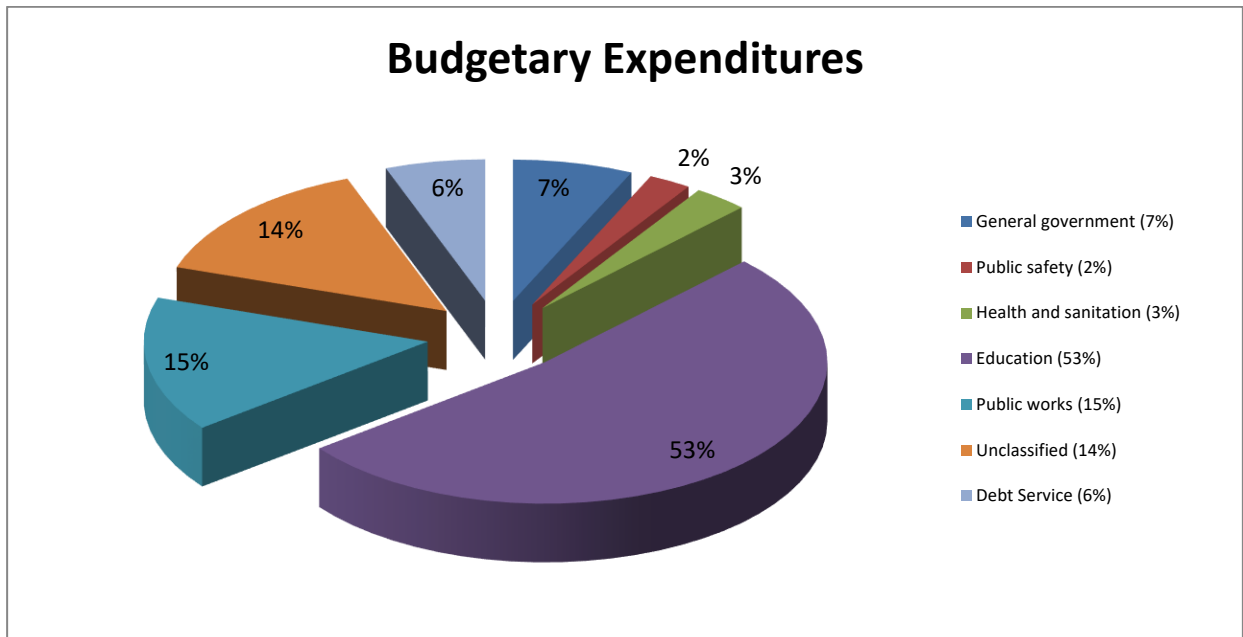
<u>Revenue</u>	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>from 2020</u>	<u>%</u> <u>Increase</u> <u>(Decrease)</u>
<i>Property taxes</i>	\$ 4,515,766	\$ 4,731,327	\$ (215,561)	(4.6)%
<i>Excise taxes</i>	352,995	338,693	14,302	4.2%
<i>Intergovernmental</i>	413,354	342,457	70,897	20.7%
<i>Miscellaneous</i>	<u>174,186</u>	<u>192,266</u>	<u>(18,080)</u>	<u>(9.4)%</u>
Total Revenue	<u>\$ 5,456,301</u>	<u>\$ 5,604,743</u>	<u>\$ (148,442)</u>	<u>(2.6)%</u>



Property tax revenue declined from 2020 because the Town reduced the mil rate, and intergovernmental revenue increased because of increases in municipal revenue sharing and homestead revenue from the state.

The Town's general fund operating fund expenditures on a budgetary basis were as follows:

<u>Expenditures</u>	<u>2021 Amount</u>	<u>2020 Amount</u>	<u>Increase (Decrease) from 2020</u>	<u>% Increase (Decrease)</u>
<i>General government</i>	\$ 374,229	\$ 370,840	\$ 3,389	0.9%
<i>Public safety</i>	132,485	300,964	(168,479)	(56)%
<i>Health and sanitation</i>	169,556	147,831	21,725	14.7%
<i>Education</i>	2,794,197	2,627,193	167,004	6.4%
<i>Public works</i>	842,145	712,631	129,514	18.2%
<i>Unclassified</i>	779,354	737,666	41,688	5.7%
<i>Debt Service</i>	<u>310,572</u>	<u>318,998</u>	<u>(8,426)</u>	<u>(2.6)%</u>
Total Expenditures	<u>\$ 5,402,538</u>	<u>\$ 5,216,123</u>	<u>\$ 186,415</u>	<u>3.6%</u>



The Town bought a fire truck in 2020, which is why the 2021 public safety expenditures were so much lower. Public works spending increased because of a new, more expensive, plowing contract, as well as substantial road projects on Mountain Street, Cross Street, and Priest Road. Health and sanitation spending increased because of a new, more expensive, waste hauling contract for the transfer station.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget to actual comparison is shown on page 10.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2021, the Town had \$11.5 million invested in capital assets including fire trucks, equipment, buildings, and town owned roads. (See table below.)

	Governmental Activities	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Land	\$ 924,851	\$ 924,851
Buildings	4,663,836	4,582,615
Equipment	182,285	170,738
Vehicles	956,970	905,536
Infrastructure	<u>4,810,889</u>	<u>4,492,454</u>
Totals	<u>\$ 11,538,831</u>	<u>\$ 11,076,194</u>

The biggest changes during the year were the significant road work done on Ryan Road and Priest Road, which increased the overall value of the Town's infrastructure.

Debt

At year end, the Town had \$2,742,450 in long-term debt outstanding. The long-term debt is made up of three General Obligation Bonds outstanding for the Northport School Department as discussed in Note F.

The Town on its own has no debt obligation; the three bonds are for the school only.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ongoing removal of cabins from Point Lookout will continue to impact Town tax revenues. What effect that will have on tax base and mil rate are still unknown. The Town will have to begin to budget for a Town-wide property revaluation in the coming years; the last revaluation was completed in 2004. The Town will also have to begin setting aside reserves for a new Town Office, because the current building has heating, cooling, and structural concerns that will require it to be replaced. Unpredictable weather events and conditions may impact road repair and maintenance costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office.

Town of Northport
James Kossuth, Administrator
16 Beech Hill Road
Northport, ME 04849
Phone: (207)338-3819

Statement of Net Position

Town of Northport, Maine

As of June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 4,375,689
Investments	7,470
Accounts receivable	69,554
Taxes receivable	93
Tax liens receivable	93,587
Inventory	1,446
Tax acquired property	240
Capital assets, net of accumulated depreciation	8,859,628
Total Assets	13,407,707
Deferred Outflows	
Deferred outflows related to pension	52,890
Deferred outflows related to OPEB	49,885
Total Deferred Outflows	102,775
Liabilities	
Accounts payable	534,108
Accrued expenses	245,112
Taxes paid in advance	10,336
Accrued interest	13,315
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	228,994
Capital lease obligation	6,956
Accrued compensated absences	16,764
Portion due or payable after one year:	
Bonds payable	2,513,456
Net pension liability	35,420
Net OPEB liability	100,002
Total Liabilities	3,704,463
Deferred Inflows	
Deferred inflows related to pension	4,456
Deferred inflows related to OPEB	2,008
Total Deferred Inflows	6,464
Net Position	
Net investment in capital assets	6,110,222
Restricted, nonexpendable	14,026
Restricted, expendable	78,506
Unrestricted	3,596,801
Net Position	\$ 9,799,555

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

Statement of Activities

Town of Northport, Maine

For the Year Ended June 30, 2021

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities:					
General government	\$ 391,434	\$ 52,681	\$ -	\$ -	\$ (338,753)
Public safety	174,323	-	615	-	(173,708)
Health and sanitation	169,556	84,387	-	-	(85,169)
Education	3,235,237	2,038	640,439	-	(2,592,760)
Public works	609,059	-	33,128	-	(575,931)
Unclassified	798,282	-	1,323	-	(796,959)
On-behalf pension and OPEB	135,037	-	-	-	(135,037)
Interest on long-term debt	80,391	-	-	-	(80,391)
Total Governmental Activities	<u>\$ 5,593,319</u>	<u>\$ 139,106</u>	<u>\$ 675,505</u>	<u>\$ -</u>	(4,778,708)
General revenues:					
Taxes:					
Property taxes					4,506,766
Excise taxes					352,995
Interest income					15,787
Intergovernmental					178,228
On-behalf payments					135,037
Miscellaneous					44,863
Total General Revenues					<u>5,233,676</u>
Change in Net Position					454,968
Net position at beginning of year, as reported					9,330,710
Prior period adjustments					<u>13,877</u>
Net position at beginning of year, restated					<u>9,344,587</u>
Net Position at End of Year					<u>\$ 9,799,555</u>

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

Balance Sheet - Governmental Funds

Town of Northport, Maine

As of June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 4,313,074	\$ 62,615	\$ 4,375,689
Investments	-	7,470	7,470
Accounts receivable	19,208	50,346	69,554
Taxes receivable	93	-	93
Tax liens	93,587	-	93,587
Inventory	-	1,446	1,446
Due from other funds	118,012	247,158	365,170
Tax acquired property	240	-	240
Total Assets	\$ 4,544,214	\$ 369,035	\$ 4,913,249
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 533,571	\$ 537	\$ 534,108
Accrued expenses	232,553	12,559	245,112
Taxes paid in advance	10,336	-	10,336
Due to other funds	147,260	217,910	365,170
Total Liabilities	923,720	231,006	1,154,726
Deferred Inflows of Resources			
Unavailable revenue - property taxes	75,000	-	75,000
Total Deferred Inflows of Resources	75,000	-	75,000
Fund Balances			
Nonspendable:			
Special revenue funds	-	1,446	1,446
Permanent funds	-	12,580	12,580
Restricted:			
Special revenue funds	-	61,877	61,877
Permanent funds	-	16,629	16,629
Committed:			
General fund	599,351	-	599,351
Capital reserve fund	-	50,000	50,000
Assigned:			
General fund	1,752,668	-	1,752,668
Unassigned:			
Special revenue funds	-	(4,503)	(4,503)
General fund	1,193,475	-	1,193,475
Total Fund Balances	3,545,494	138,029	3,683,523
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,544,214	\$ 369,035	\$ 4,913,249

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

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Town of Northport, Maine

As of June 30, 2021

Total Fund Balances - Governmental Funds \$ 3,683,523

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 as assets in governmental
funds. The cost of capital assets, net of accumulated depreciation is: 8,859,628

Property tax revenues are presented on the modified accrual basis
of accounting in the governmental funds but in the Statement of
Activities, property tax revenue is reported under the accrual method.
The balance in unavailable revenue - property taxes in the
governmental funds as a deferred inflow is: 75,000

The following deferred outflows are not current assets or
financial resources and the following deferred inflows are not
current liabilities due and payable in the current period and
therefore are not reported in the Balance Sheet:

Deferred outflows related to pension	\$ 52,890	
Deferred outflows related to OPEB	49,885	
Deferred inflows related to pension	(4,456)	
Deferred inflows related to OPEB	<u>(2,008)</u>	
		96,311

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds. Long-term
and related liabilities at year-end consist of:

Bond payable	(2,742,450)	
Capital lease obligation	(6,956)	
Accrued compensated absences	(16,764)	
Net pension liability	(35,420)	
Net OPEB liability	(100,002)	
Accrued interest payable	<u>(13,315)</u>	
		<u>(2,914,907)</u>

Net Position - Governmental Activities \$ 9,799,555

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Town of Northport, Maine

For the Year Ended June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 4,515,766	\$ -	\$ 4,515,766
Excise taxes	352,995	-	352,995
Intergovernmental	413,354	440,379	853,733
On-behalf pension and OPEB payments	135,037	-	135,037
Miscellaneous	186,389	13,367	199,756
Total Revenues	5,603,541	453,746	6,057,287
Expenditures			
Current			
General government	374,229	-	374,229
Public safety	132,485	-	132,485
Health and sanitation	169,556	-	169,556
Education	2,794,197	480,786	3,274,983
Education - on-behalf payments	135,037	-	135,037
Public works	842,145	-	842,145
Unclassified	779,663	-	779,663
Debt service - principal	228,994	-	228,994
- interest	81,578	-	81,578
Total Expenditures	5,537,884	480,786	6,018,670
Revenues Over (Under) Expenditures	65,657	(27,040)	38,617
Other Financing Sources (Uses)			
Operating transfers in	50	35,000	35,050
Operating transfers out	(35,000)	(50)	(35,050)
Total Other Financing Sources (Uses)	(34,950)	34,950	-
Revenues and Other Sources Over Expenditures and Other Uses	30,707	7,910	38,617
Fund balances at beginning of year, as reported	3,514,787	116,242	3,631,029
Prior period adjustment	-	13,877	13,877
Fund balances at beginning of year, restated	3,514,787	130,119	3,644,906
Fund Balances at End of Year	\$ 3,545,494	\$ 138,029	\$ 3,683,523

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Town of Northport, Maine

As of June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 38,617

Amounts reported for governmental activities in the Statement of Activities 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 as depreciation expense. This is the amount by which depreciation expense differed from capital asset additions in the current period:

Additions to capital assets	\$ 478,237	
Depreciation expense	<u>(298,744)</u>	
		179,493

Debt and capital lease proceeds provide current resources to governmental funds, but issuing debt and capital lease obligations increase long-term liabilities in the Statement of Net Position. Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

This is the amount of repayment of debt obligations in the current period:

Principal portion of capital lease obligation payments	6,712	
Principal portion of debt service payments	<u>228,994</u>	
		235,706

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 the governmental funds:

Change in accrued compensated absences	(4,006)	
Change in accrued interest payable	1,187	
Adjustment to net pension and OPEB liabilities and related deferred inflows and outflows for the Northport School Department	15,961	
Adjustment to net OPEB liability and related deferred inflows and outflows for the Town of Northport	<u>(2,990)</u>	
		10,152

Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The current year change in unavailable revenue - property tax revenue reported in the governmental funds and not in the Statement of Activities is:

(9,000)

Change in Net Position of Governmental Activities

\$ 454,968

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

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund

Town of Northport, Maine

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 4,505,837	\$ 4,505,837	\$ 4,515,766	\$ 9,929
Excise taxes	-	352,995	352,995	-
Intergovernmental revenues				
State revenue sharing	83,131	83,131	104,970	21,839
State road assistance	-	33,128	33,128	-
Homestead exemption	85,131	85,131	85,028	(103)
Other	3,201	4,676	190,228	185,552
Miscellaneous revenues	611	317,667	174,186	(143,481)
Total Revenues	4,677,911	5,382,565	5,456,301	73,736
Expenditures				
Current				
General government	462,316	500,318	374,229	126,089
Public safety	142,715	148,814	132,485	16,329
Health and sanitation	164,081	248,468	169,556	78,912
Education	3,534,264	3,717,579	2,794,197	923,382
Public works	1,085,403	1,469,905	842,145	627,760
Unclassified	823,806	832,155	779,354	52,801
Debt service - principal	228,994	228,994	228,994	-
- interest	81,578	81,578	81,578	-
Total Expenditures	6,523,157	7,227,811	5,402,538	1,825,273
Revenues Over (Under) Expenditures	(1,845,246)	(1,845,246)	53,763	1,899,009
Other Financing Sources (Uses)				
Utilization of assigned fund balance	1,732,568	1,732,568	-	(1,732,568)
Utilization of unassigned fund balance	175,000	175,000	-	(175,000)
Operating transfers in	62,777	62,777	12,827	(49,950)
Operating transfers out	(64,354)	(64,354)	(64,354)	-
Total Other Financing Sources (Uses)	1,905,991	1,905,991	(51,527)	(1,957,518)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 60,745	\$ 60,745	2,236	\$ (58,509)
Budgetary fund balance at beginning of year			3,272,639	
Budgetary Fund Balance at End of Year			\$ 3,274,875	

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

Notes to Financial Statements

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies

The Town of Northport, Maine operates under a Selectboard form of government. The accounting policies of the Town of Northport, Maine conform to United States generally accepted accounting principles (GAAP). The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

The basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Northport has no component units.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support. Currently, the Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred outflows and inflows of resources, fund equity, revenues, and expenditures.

Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. 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 sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization as stipulated by the specific trust instrument.

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 is related to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

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

Modified Accrual

Governmental funds 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 within 60 days after year-end. 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 is recognized when due.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

The Town'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.

Investments

The Town follows GASBS No. 31, Accounting and Reporting of Certain Investments and External Investment Pools. Under GASBS No. 31, certain investments held by governments are reported at their fair value in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenditures and changes in fund balance.

Inventories

Inventories consisting of food and supplies are accounted for at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Accounts Receivable

Accounts receivable are stated at the amount the Town expects to collect from outstanding balances. Town management closely monitors outstanding balances and records an allowance for doubtful accounts as necessary based upon historical trends of bad debts as well as a detailed review of current year receivables and their aging. Management has estimated no allowance for doubtful accounts is necessary as of June 30, 2021.

Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$10,000 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 method.

Estimated useful lives are as follows: buildings and improvements, 20 to 40 years; infrastructure, 5 to 40 years; and vehicles and equipment, 3 to 25 years.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Accrued Compensated Absences

Under the terms of personnel policies, personal time off is granted in varying amounts. The Town accrues unpaid personal time off when earned (or estimated to be earned) by the employee.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies - Continued

Budget

The Town of Northport'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:

- Early in the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the inhabitants of the Town of Northport was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
- The budget was adopted subsequent to passage by the inhabitants of the Town.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund loan receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide presentation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. Since not all funds maintain a separate cash account, cash is pooled in the General Fund cash account and activity for individual funds are recorded through the General Fund and each respective individual fund through the recognition of a "due to/due from" as appropriate. The due to/from other funds balances are subject to elimination upon consolidation in the government-wide presentation. All interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized as an expense in the period incurred.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies - Continued

Long-Term Obligations - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes 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 and so will not be recognized as an expense or expenditure until that time. The Town has two items that meet this criterion: the deferred other postemployment benefits (OPEB) related to the Town and the deferred pension, related to the Northport School Department. These items are reported in the statement of net position.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items: 1) unavailable revenue, which results from property taxes, which arises under the modified accrual basis of accounting that qualifies for reporting in this category and is reported in the governmental funds balance sheet and 2) deferred inflows related to the OPEB liability, which is reported in the statement of net position. The Northport School Department also has one type of item, deferred pensions, which is reported in the statement of net position.

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note G and the required supplementary information following the financial statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies - Continued

Pensions - Continued

In general, the Northport School Department recognizes a net pension liability, which represents the School Department's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Maine Public Employees Retirement System (MainePERS). The net pension liability is measured as of the School Department's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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 Teachers Pension Plan (TPP) and additions to/deductions from the TPP's fiduciary net position have been determined on the same basis as they are reported by the TPP. 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.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the Town's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Maine Municipal Employees Health Trust, an agent single-employer defined benefit postretirement healthcare plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies - Continued

Revenue Recognition - Property Taxes

The Town's property tax for the current year was levied August 1, 2020, on the assessed value listed as of April 1, 2020, for all real and personal property located in the Town. Taxes were due September 30, 2020 and March 1, 2021. Interest on unpaid taxes commenced on October 1, 2020 and March 2, 2021, at 8% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as unavailable revenue from property taxes.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$60,745 for the year ended June 30, 2021.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Government-wide Fund Net Position

Government-wide net position is divided into three components:

Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position - consist of net assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - All other net asset positions are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed through constitutional provisions or enabling legislation.

Committed - resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note A - Summary of Significant Accounting Policies - Continued

Governmental Fund Balances - Continued

Assigned - resources neither restricted nor committed for which a government has a stated intended use as established by the Selectboard or a body or official to which the Selectboard has designated the authority to assign amounts for specific purposes.

Unassigned - resources which cannot be properly classified in one of the other four categories.

Use of Restricted Resources

The Town has no formal fund balance policy. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Pending Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of government entities that lease. The standard requires all leases which have a lease term exceeding 12 months to be recognized as a lease liability and a leased asset at the commencement of the lease term. The new leasing standard will apply for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact of adoption on its financial statements.

Note B - Cash and Investments

The Town conducts all its banking and investment transactions with its depository banks and investment firm.

Custodial Credit Risk

At June 30, 2021, the carrying amount of the Town's deposits was \$4,375,689 and the bank balance was \$4,416,271. The difference between the carrying amount and the bank balance relates to deposits in transit, outstanding checks and cash on hand at year-end.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy on custodial credit risk. As of June 30, 2021, \$3,916,271 of the Town's bank balance of \$4,416,271 was exposed to credit risk as follows:

Collateralized with securities held by the pledging financial institution	<u>\$ 3,916,271</u>
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Notes to Financial Statements - Continued

Town of Northport, Maine

Note B - Cash and Investments - Continued

Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks and bonds and mutual funds.

Interest Rate Risk

In accordance with the Town's investment policy, to the extent possible, investment maturities will be matched with anticipated cash requirements. At June 30, 2021, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Maturity</u>		
			<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Corporate stocks	<u>\$ 7,470</u>	<u>\$ 7,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is minimized by diversifying investments held. At June 30, 2021, the Town had no investments subject to credit risk.

Concentration of Credit Risk

The Town does not have an investment policy on concentration of credit risk. At June 30, 2021, the Town held the following common stock which represented greater than 5% of the total investments held: AT&T \$6,101 and Comcast \$1,369.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy on custodial credit risk. As of June 30, 2021, the Town had no investments subject to custodial credit risk.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note C - Capital Assets

A summary of capital asset activity for the year ended June 30, 2021 follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements/ In-service</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 924,851	\$ -	\$ -	\$ 924,851
Depreciable Assets:				
Buildings	4,582,615	81,221	-	4,663,836
Equipment	170,738	27,147	(15,600)	182,285
Vehicles	905,536	51,434	-	956,970
Infrastructure	<u>4,492,454</u>	<u>318,435</u>	<u>-</u>	<u>4,810,889</u>
Totals at historical cost	11,076,194	478,237	(15,600)	11,538,831
Less Accumulated Depreciation:				
Buildings	605,208	124,435	-	729,643
Equipment	92,336	12,277	(15,600)	89,013
Vehicles	571,426	61,437	-	632,863
Infrastructure	<u>1,127,089</u>	<u>100,595</u>	<u>-</u>	<u>1,227,684</u>
Total accumulated depreciation	<u>2,396,059</u>	<u>298,744</u>	<u>(15,600)</u>	<u>2,679,203</u>
Capital Assets, Net	<u>\$ 8,680,135</u>	<u>\$ 179,493</u>	<u>\$ -</u>	<u>\$ 8,859,628</u>

Depreciation expense was charged to the following functions:

General government	\$ 10,209
Public safety	52,838
Education	131,729
Public works	85,349
Unclassified (Harbor)	<u>18,619</u>
Total governmental activities depreciation expense	<u>\$ 298,744</u>

Notes to Financial Statements - Continued

Town of Northport, Maine

Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2021 consisted of the following individual fund receivables and payables:

	Receivables <u>Due from</u>	Payables <u>(Due to)</u>	Net Internal <u>Balances</u>
Governmental Activities			
General Fund:			
<i>Special Revenue Funds:</i>			
School Lunch	\$ 537	\$ -	
Capital Reserve	-	(50,000)	
Title IA	80,267	-	
Title IVA	-	(39,856)	
IDEA	14,993	-	
IDEA Preschool	11,487	-	
Title VI REAP	-	(1,919)	
Title IIA	-	(32,493)	
Fresh Fruit and Vegetables	2,152	-	
Insurance Fund	-	(2,783)	
Maine Community Foundation	-	(431)	
Whole Kids	-	(200)	
Amazon Smiles	-	(213)	
Cobe Grant	-	(812)	
Withdrawal Grants	-	(3,032)	
Maine Agriculture	-	(25)	
Private Library Grant	-	(11,280)	
Proficiency Based Education	-	(4,216)	
CARES Act	2,786	-	
CRF2	<u>5,790</u>	<u>-</u>	
	118,012	(147,260)	\$ (29,248)

Notes to Financial Statements - Continued

Town of Northport, Maine

Note D - Interfund Receivables and Payables - Continued

Special Revenue Funds:

General Fund:

School Lunch	-	(537)	
Capital Reserve	50,000	-	
Title IA	-	(80,267)	
Title IVA	39,856	-	
IDEA	-	(14,993)	
IDEA Preschool	-	(11,487)	
Title VI REAP	1,919	-	
Title IIA	32,493	-	
Fresh Fruit and Vegetables	-	(2,152)	
Insurance Fund	2,783	-	
Maine Community Foundation	431	-	
Whole Kids	200	-	
Amazon Smiles	213	-	
Cobe Grant	812	-	
Withdrawal Grants	3,032	-	
Maine Agriculture	25	-	
Private Library Grant	11,280	-	
Proficiency Based Education	4,216	-	
CARES Act	-	(2,786)	
CRF2	-	(5,790)	
	<u>147,260</u>	<u>(118,012)</u>	29,248

Other Special Revenue Fund:

Withdrawal Grants	-	(3,032)	
Title IA	76,137	-	
Title IVA	-	(39,856)	
IDEA	3,032	-	
IDEA Preschool	11,487	-	
Title VI REAP	-	(1,919)	
Title IIA	1,919	(34,412)	
School Lunch	-	(1,441)	
Fresh Fruit and Vegetables	1,441	-	
CARES Act	2,786	-	
CRF fund	2,917	(2,919)	
CRF2	179	-	
ESSER II	-	(16,319)	
	<u>99,898</u>	<u>(99,898)</u>	-
	<u>247,158</u>	<u>(217,910)</u>	<u>29,248</u>
Net Governmental Activities	<u>\$ 365,170</u>	<u>\$ (365,170)</u>	<u>\$ -</u>

Notes to Financial Statements - Continued

Town of Northport, Maine

Note D - Interfund Receivables and Payables - Continued

Interfund balances resulted from (1) the Town pooling cash in the General Fund for other funds disclosed above, for greater efficiency and physical control, (2) the time lag between the dates that interfund goods or reimbursable expenditures occur, or (3) the time lag between the dates payments between funds are made.

Note E - Interfund Transfers

Interfund transfers are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year consisted of the following amounts:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<u>General Fund:</u>			
<i>Special Revenue Fund:</i>			
School Lunch	\$ -	\$ (35,000)	
<i>Trust Fund:</i>			
Wyman Needy	<u>50</u>	<u>-</u>	
	50	(35,000)	\$ (34,050)
 Special Revenue Funds:			
<i>General Fund:</i>			
School Lunch	35,000	-	
<i>Trust Fund:</i>			
Wyman Needy	<u>-</u>	<u>(50)</u>	
	<u>35,000</u>	<u>(50)</u>	<u>34,050</u>
Total Interfund Transfers	<u>\$ 35,050</u>	<u>\$ (35,050)</u>	<u>\$ -</u>

Notes to Financial Statements - Continued

Town of Northport, Maine

Note F - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One Year</u>
Governmental Activities:					
General obligation debt	\$ 2,971,444	\$ -	\$ 228,994	\$ 2,742,450	\$ 228,994
Capital lease obligation	13,668	-	6,712	6,956	6,956
Net pension liability	32,850	2,570	-	35,420	-
Net OPEB liability	58,605	41,397	-	100,002	-
Compensated absences	<u>12,758</u>	<u>17,877</u>	<u>13,871</u>	<u>16,764</u>	<u>16,764</u>
	<u>\$ 3,089,325</u>	<u>\$ 61,844</u>	<u>\$ 249,577</u>	<u>\$ 2,901,592</u>	<u>\$ 252,714</u>

Long-Term Debt

At June 30, 2021 long-term debt consisted of the following:

Northport School Department 2016 General Obligation Bond, interest rates varying from 1.16% to 3.492% with annual principal payments of \$150,000. The bond matures in 2037.

\$ 2,400,000

Northport School Department 2004 General Obligation Bond, interest rates varying from 3.557% to 7.497% with annual principal payments of \$52,511. The bond matures in 2024.

210,040

Northport School Department 2005 General Obligation Bond, interest rate at 4.000% with annual principal payments of \$26,483. The bond matures in 2025.

132,410
\$ 2,742,450

Notes to Financial Statements - Continued

Town of Northport, Maine

Note F - Long-Term Liabilities - Continued

The annual requirements to amortize long-term debt are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 228,994	\$ 76,865	\$ 305,859
2023	228,994	70,847	299,841
2024	228,994	64,816	293,810
2025	228,990	57,884	286,874
2026	176,478	51,954	228,432
2027-2031	750,000	203,606	953,606
2032-2036	750,000	88,926	838,926
2037-2041	<u>150,000</u>	<u>2,550</u>	<u>152,550</u>
	<u>\$ 2,742,450</u>	<u>\$ 617,448</u>	<u>\$ 3,359,898</u>

Capital Lease Obligation:

The present value of the capital lease obligation and future years' minimum lease payments are as follows:

Year ending June 30,	
2022	<u>\$ 7,208</u>
	7,208
Less amount representing interest (at 3.63%)	<u>(252)</u>
Obligation under capital leases	<u>\$ 6,956</u>

As of June 30, 2021, the gross amount of fixed assets associated with the capital lease obligation was \$33,577 with accumulated depreciation of \$12,032.

Note G - Pension - Northport School Department

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

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

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. 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, 2015. 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.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note G - Pension - Northport School Department - Continued

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.

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.

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, 2021, the member contribution rate was 7.65%, the School Department's contribution rate was 4.16% (normal cost), and the State of Maine contributed 14.96% (UAL).

Notes to Financial Statements - Continued

Town of Northport, Maine

Note G - Pension - Northport School Department - Continued

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.

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

At June 30, 2021, the School Department reported a net pension liability of \$35,420. The net pension liability was measured as of June 30, 2020, 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, 2020 measurement date, the School Department proportion was 0.002170%. At the June 30, 2019 measurement date, the School Department proportion was 0.002241%.

At June 30, 2021, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,133	\$ 750
Changes in assumptions		-
Net difference between projected and actual earnings on pension plan investments	1,468	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1	3,706
School Department contributions subsequent to the measurement date	50,288	-
Total	<u>\$ 52,890</u>	<u>\$ 4,456</u>

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,	
2022	\$ 46,292
2023	(453)
2024	1,304
2025	1,291
Total	<u>\$ 48,434</u>

Notes to Financial Statements - Continued

Town of Northport, Maine

Note G - Pension - Northport School Department - Continued

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

At June 30, 2021, 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	\$	35,420
State of Maine's proportionate share of net pension liability		<u>1,188,745</u>
Total	\$	<u>1,224,165</u>

For the fiscal year ended June 30, 2021, the School Department recognized pension expense of \$197,537, State support of \$157,637, and on-behalf payments of \$132,479.

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75% to 14.50%
Investment Rate of Return	6.75%
Cost of Living Benefit Increases	2.20%

For the School Department employees, the mortality rate is based on the RP2014 Combined 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.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note G - Pension - Northport School Department - Continued

Actuarial Assumptions - Continued

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, 2020 are summarized in the following table:

	Target <u>Allocation</u>	Long-Term Expected Real Rate <u>of Return</u>
U.S. 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>	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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.

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 6.75%, 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount <u>Rate (6.75%)</u>	1% Increase <u>(7.75%)</u>
Proportionate Share of the Net Pension Liability	\$ 61,428	\$ 35,420	\$ 13,742

Notes to Financial Statements - Continued

Town of Northport, Maine

Note G - Pension - Northport School Department - Continued

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2020 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

Note H - Postemployment Benefits Other than Pensions (OPEB)

The Town of Northport provides certain other postemployment benefits to its employees through the following plans:

Northport School Department - 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 Provided

Under the GLI OPEB plan, MEPERS 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.

Contributions

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

Northport School Department - Group Life Insurance Plan - Maine Public Employees Retirement System (MEPERS) - Continued

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

At June 30, 2021, 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, 2021, 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:

School Department's proportionate share of net OPEB liability	\$	-
State of Maine's proportionate share of net OPEB liability		<u>22,784</u>
Total	\$	<u>22,784</u>

For the fiscal year ended June 30, 2021, the School Department recognized OPEB expense of \$2,523, State support of \$2,523, and on-behalf payments of \$2,558.

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 2020 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

Northport School Department - Group Health Insurance Plan - Maine Education Association Benefits Trust (MEABT)

Plan Description

Qualifying personnel of the School participate in the MEABT Group Health Plan. This plan is a single-employee OPEB plan not administered through a trust or similar arrangement. Accordingly, no assets are accumulated within the plan for the payment of future benefits.

Benefits Provided

Under the Health Plan, MEABT provides healthcare and life insurance benefits for retirees and their dependents. School employees over the age 55 with at least 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 55% of the single coverage premium and 100% of the family coverage premium. At June 30, 2020 there were 20 active employees participating in this plan and no inactive employees, retirees or beneficiaries entitled to and/or receiving benefits.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

Northport School Department - Group Health Insurance Plan - Maine Education Association Benefits Trust (MEABT) - Continued

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

The School's total Health Plan OPEB liability reported as of June 30, 2021 of \$72,781 was measured as of June 30, 2020 and was determined by an actuarial valuation at that date. For the year ended June 30, 2021 the School recognized OPEB expense of \$5,575 related to the Health Plan. At June 30, 2021 the School reported deferred inflows of resources and deferred outflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,629	\$ -
Changes in assumptions	22,694	2,008
Total	<u>\$ 47,323</u>	<u>\$ 2,008</u>

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

For the Year Ended June 30,		
2022		\$ 5,629
2023		5,629
2024		5,629
2025		5,629
2026		5,629
Thereafter		17,170
Total		<u>\$ 45,315</u>

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Salary Increases	2.75%
Discount Rate	2.21%
Healthcare Cost Trend Rates (Non-Medicare)	6.21% for 2020, grading to 3.25% in 2040
Healthcare Cost Trend Rates (Medicare)	0.00% for 2020, grading to 3.25% in 2040
Retirees' Share of Benefit Costs	55% of projected premiums

Notes to Financial Statements - Continued

Town of Northport, Maine

Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

Northport School Department - Group Health Insurance Plan - Maine Education Association Benefits Trust (MEABT) - Continued

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

For the Health Plan, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females. The discount rate of 2.21% used to measure the Health Plan OPEB liability was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

The following presents the School's total OPEB liability related to the Health Plan calculated using the discount rate of 2.21%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 93,991	\$ 72,781	\$ 56,659

The following presents the School's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates as noted above, as well as what the liability would be if it were calculated using a discount rate that 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Health Care Cost Trend Rates	1% Increase
Total OPEB liability	\$ 55,052	\$ 72,781	\$ 97,028

Town of Northport - Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan)

Plan Description

Eligible Town employees are provided with health and life insurance through Maine Municipal Employees Health Trust (MMEHT Plan). The MMEHT Plan is a single-employer defined benefit OPEB plan. The Town's Board of Selectmen has authority to establish and amend the benefit terms. Employees are eligible if over the age of 55 with at least five years of service at retirement.

Benefits Provided

The MMEHT Plan provides healthcare and life insurance benefits for retirees and their dependents through payment of 100% of insurance premiums for single and family coverage. For employees eligible for Medicare, Medicare Parts A and B are primary coverage and the MMEHT Plan will determine a family member's benefit allowance based on applicable Medicare statutes and regulations.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

Town of Northport - Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan) - Continued

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the MMEHT Plan benefit terms:

Inactive employees (or beneficiaries) currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>2</u>
	<u>2</u>

Contributions

The Town's contributions are determined by a rate set out by MMEHT. Contributions from the Town for the MMEHT Plan year ended December 31, 2021 were \$666. Employees are generally required to contribute 25% of the cost of the Plan, unless the employee's contract with the Town states otherwise.

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

At June 30, 2021, the Town reported an OPEB liability of \$27,221. The OPEB liability was measured as of January 1, 2021, and was determined by an actuarial valuation as of that date.

Changes in Total MMEHT OPEB liability during the year are as follows:

	Total MMEHT Plan OPEB Liability
Balance at June 30, 2020	\$ 24,248
Changes for the year:	
Service costs	1,053
Interest	689
Changes of assumptions	1,508
Benefit payments	<u>(277)</u>
Net changes	<u>2,973</u>
Balance at June 30, 2021	<u>\$ 27,221</u>

The change in assumptions reflects a change in the discount rate from 2.74% in 2020 to 2.12% in 2021. There were no other changes in assumption since the last valuation.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

Town of Northport - Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan) - Continued

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$3,269 related to the MMEHT Plan. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12	\$ -
Changes in assumptions	2,550	-
Total	<u>\$ 2,562</u>	<u>\$ -</u>

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

For the Year Ended June 30,	
2022	\$ 2,060
2023	502
Total	<u>\$ 2,562</u>

Actuarial Assumptions

The total OPEB liability in the January 1, 2021 actuarial valuation for the MMEHT Plan was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.12%
Salary increases	2.75%, average, including inflation
Healthcare cost trend rates (applied with a grading over 14 years to 4.00% per annum)	
Pre-Medicare Medical	8.20%
Pre-Medicare Drug	8.45%
Medicare Medical	4.90%
Medicare Drug	8.45%
Administrative and claims expense	3.00%

Mortality rates for the MMEHT Plan were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

The actuarial assumptions used in the January 1, 2021 valuation for the MMEHT Plan were based on the results of an actuarial experience study covering the period June 30, 2012 through June 30, 2015.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note H - Postemployment Benefits Other than Pensions (OPEB) - Continued

Town of Northport - Group Health Insurance Plan - Maine Municipal Employees Health Trust (MMEHT Plan) - Continued

Sensitivity of the Total MMEHT Plan OPEB Liability to Changes in the Discount Rate

The following presents the Town's total OPEB liability calculated using a discount rate of 2.12%, as well as what the Town's OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.12%) or 1% higher (3.12%) than the current rate:

	1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB liability	\$ 30,877	\$ 27,221	\$ 24,146

Sensitivity of the Total MMEHT Plan OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Town's total OPEB liability, as well as what the Town's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 24,093	\$ 27,221	\$ 30,908

Note I - Risk Management

The Town 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 Town either carries commercial insurance or is effectively self-insured. Currently, the Town carries commercial insurance for any risks of loss to which it may be exposed.

Based on the coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2021.

Note J - Commitments

The Town has entered into separate agreements with unrelated third parties for certain services. Future required payments under the agreements are as follows:

	2022	2023	Total
Animal control	\$ 2,500	\$ 2,500	\$ 5,000
Septage removal	8,000	8,000	16,000
Plowing and sanding	143,000	143,000	286,000
Mowing	10,217	5,821	16,038
	<u>\$ 163,717</u>	<u>\$ 159,321</u>	<u>\$ 323,038</u>

Notes to Financial Statements - Continued

Town of Northport, Maine

Note K - Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Budgetary Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$	2,236
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Sources/inflows of resources - reconciling items

The Town does not budget for revenues received in assigned fund balance accounts:

Interest income	1,085
Mooring fees	6,170
Miscellaneous	3,827

Transfers from other funds are inflows of budgetary resources but are not transfers for financial reporting purposes	30,475
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Uses/outflows of resources - reconciling items

The Town expends from reserve funds outside of its general fund that are recognized in the general fund under generally accepted accounting principles	(2,086)
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Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(11,000)</u>
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Generally Accepted Accounting Principles Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ <u>30,707</u>
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The difference between the general fund balance reported according to generally accepted accounting principles and the general fund balance reported according to the budgetary basis of accounting is accounted by the ending balances (shown in Note L) of the Digital Mapping Fund, Cemetery Reserve Fund, Wyman Park, Fire Truck Replacement, Sand/Salt Shed, Marine Reserve Fund, First Responders Equipment Reserve, Children's Community Christmas Reserve, and Records Prevention Reserve assigned fund balances.

Notes to Financial Statements - Continued

Town of Northport, Maine

Note L - Assigned Fund Balance

At June 30, 2021 the assigned general fund balance consisted of the following:

	Balance at <u>7/1/2020</u>	Transfers/ <u>Appropriations</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance at <u>6/30/2021</u>
Personal Time	\$ 12,123	\$ -	\$ -	\$ -	\$ 12,123
Town Hall Building	41,266	-	-	-	41,266
Planning Board	4,492	2,500	2,075	1,298	7,769
AED	120	-	-	120	-
Animal Control	7,845	8,750	1,565	8,295	9,865
Roads and Bridges	680,403	200,000	384,119	661,671	602,851
Cemetery	12,511	10,000	-	9,779	12,732
General Assistance	1,522	2,500	1,323	3,392	1,953
Snowmobile Reimbursement	212	-	152	212	152
Northport Harbor Fund	18,186	10,000	5,124	9,972	23,338
Northport Needy Families	1,274	-	600	-	1,874
Northport Warm Neighbors Fund	11,472	-	1,100	-	12,572
Broadband	-	-	1,250	-	1,250
Transfer Station	90,081	70,000	84,387	165,556	78,912
Children's Community Christmas	1,283	-	5	309	979
Records Preservation Reserve	16,503	-	1,185	-	17,688
Digital Mapping Fund	10,295	(1,777)	43	-	8,561
Cemetery Capital Reserve Fund	2,743	-	564	-	3,307
Wyman Park	3,837	-	17	-	3,854
Fire Truck Replacement	7,892	9,000	3,333	-	20,225
Sand/Salt Shed	16,501	-	74	-	16,575
Marine Reserve Fund	117,444	-	6,686	-	124,130
First Responders Equip. Reserve	65,650	9,354	296	-	75,300
Education	453,581	2,516,332	183,315	2,829,197	324,031
Education - MainePERS	398,930	(50,000)	-	-	348,930
Tree Growth Reimbursement	1,250	-	1,267	1,250	1,267
Veterans Exemption Reimb.	1,073	-	1,164	1,073	1,164
	<u>\$ 1,978,489</u>	<u>\$ 2,786,659</u>	<u>\$ 679,644</u>	<u>\$ 3,692,124</u>	<u>\$ 1,752,668</u>

Notes to Financial Statements - Continued

Town of Northport, Maine

Note M - Fund Balance

Fund balance consisted of the following as of June 30, 2021:

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Fund Balances:			
Nonspendable fund balance:			
School Lunch	\$ -	\$ 1,446	\$ 1,446
Cemetery Trust	-	5,080	5,080
Wyman Needy Trust	-	5,000	5,000
Christmas Charity	-	2,500	2,500
Total Nonspendable fund balance	-	14,026	14,026
Restricted fund balance:			
Unemployment Reserve	-	29,522	29,522
Student Activities	-	11,354	11,354
Insurance Fund	-	2,783	2,783
Cobe Grant	-	812	812
Private Library	-	10,743	10,743
Maine Community Foundation	-	432	432
Whole Kids	-	200	200
Proficiency Based Education	-	4,216	4,216
Maine Agriculture	-	25	25
Amazon Smiles	-	213	213
Food Service	-	1,577	1,577
Cemetery Trust	-	16,448	16,448
Wyman Needy Trust	-	13	13
Christmas Charity	-	168	168
Total Restricted fund balance	-	78,506	78,506
Committed fund balance:			
General Fund - School appropriations	599,351	-	599,351
Capital reserves	-	50,000	50,000
Total Committed fund balance	599,351	50,000	649,351
Assigned fund balance:			
General Fund (See Note L)	1,752,668	-	1,752,668
Total Assigned fund balance	1,752,668	-	1,752,668
Unassigned fund balance (deficit):			
IDEA	-	(4,503)	(4,503)
General fund	1,193,475	-	1,193,475
Total Unassigned fund balance (deficit)	1,193,475	(4,503)	1,188,972
Total Fund Balances	\$ 3,545,494	\$ 138,029	\$ 3,683,523

Notes to Financial Statements - Continued

Town of Northport, Maine

Note N - Prior Period Adjustment

For the fiscal year ended June 30, 2021, the Northport School Department implemented Government Accounting Standards Board GASB Statement No. 84 - *Fiduciary Activities*. As a result of implementing GASB Statement No. 84, the Town has restated beginning net position in the government-wide statement of net position as well as the beginning fund balance in the combining statement of revenues, expenditures, and changes in fund balances nonmajor funds. The restatement increases beginning net position and beginning fund balance by \$13,877.

Combining Balance Sheet
Nonmajor Governmental Funds - Other Governmental Funds

Town of Northport, Maine

As of June 30, 2021

	Special Revenue	Permanent Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 40,876	\$ 21,739	\$ 62,615
Investments	-	7,470	7,470
Accounts receivable	50,346	-	50,346
Inventory	1,446	-	1,446
Due from other funds	247,158	-	247,158
Total Assets	\$ 339,826	\$ 29,209	\$ 369,035
Liabilities and Fund Balances			
Liabilities			
Accounts payable	537	-	537
Accrued expenses	12,559	-	12,559
Due to other funds	217,910	-	217,910
Total Liabilities	231,006	-	231,006
Fund Balances (Deficits)			
Nonspendable	1,446	12,580	14,026
Restricted	61,877	16,629	78,506
Committed	50,000	-	50,000
Unassigned	(4,503)	-	(4,503)
Total Fund Balances	108,820	29,209	138,029
Total Liabilities and Fund Balances	\$ 339,826	\$ 29,209	\$ 369,035

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Other Governmental Funds**

Town of Northport, Maine

For the Year Ended June 30, 2021

	Special Revenue	Permanent Funds	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$ 440,379	\$ -	\$ 440,379
Interest income	-	94	94
Net investment return	-	590	590
Lot sale	-	550	550
Miscellaneous	12,133	-	12,133
Net Revenues	452,512	1,234	453,746
Expenditures			
Education	480,786	-	480,786
Miscellaneous expenses	-	-	-
Capital outlay	-	-	-
Total Expenditures	480,786	-	480,786
Revenues Over (Under) Expenditures	(28,274)	1,234	(27,040)
Other Financing Sources (Uses)			
Operating transfers - in	35,000	-	35,000
Operating transfers - out	-	(50)	(50)
Total Other Financing Sources (Uses)	35,000	(50)	34,950
Revenues and Other Sources Over Expenses and Other Uses	6,726	1,184	7,910
Fund balances at beginning of year, as reported	88,217	28,025	116,242
Prior period adjustment	13,877	-	13,877
Fund balances at beginning of year, restated	102,094	28,025	130,119
Fund Balances at End of Year	\$ 108,820	\$ 29,209	\$ 138,029

See accompanying independent auditors' report.

Combining Balance Sheet
Permanent Funds - Trust Funds

Town of Northport, Maine

As of June 30, 2021

	<u>Cemetery</u>	<u>Wyman Needy</u>	<u>Christmas Charity</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 14,058	\$ 5,013	\$ 2,668	\$ 21,739
Investments	<u>7,470</u>	<u>-</u>	<u>-</u>	<u>7,470</u>
Total Assets	<u>\$ 21,528</u>	<u>\$ 5,013</u>	<u>\$ 2,668</u>	<u>\$ 29,209</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances				
Nonspendable	5,080	5,000	2,500	12,580
Restricted	<u>16,448</u>	<u>13</u>	<u>168</u>	<u>16,629</u>
Total Fund Balances	<u>21,528</u>	<u>5,013</u>	<u>2,668</u>	<u>29,209</u>
Total Liabilities and Fund Balances	<u>\$ 21,528</u>	<u>\$ 5,013</u>	<u>\$ 2,668</u>	<u>\$ 29,209</u>

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds - Trust Funds**

Town of Northport, Maine

For the Year Ended June 30, 2021

	<u>Cemetery</u>	<u>Wyman Needy</u>	<u>Christmas Charity</u>	<u>Total</u>
Revenues				
Interest income	\$ 60	\$ 22	\$ 12	\$ 94
Net investment return	590	-	-	590
Lot sale	550	-	-	550
Net Revenues	1,200	22	12	1,234
Expenditures				
Current	-	-	-	-
Total Expenditures	-	-	-	-
Revenues Over Expenditures	1,200	22	12	1,234
Other Financing Sources (Uses)				
Operating transfers - out	-	(50)	-	(50)
Total Other Financing Uses	-	(50)	-	(50)
Revenues and Other Sources Over (Under) Expenses and Other Uses	1,200	(28)	12	1,184
Fund balances at beginning of year	20,328	5,041	2,656	28,025
Fund Balances at End of Year	<u>\$ 21,528</u>	<u>\$ 5,013</u>	<u>\$ 2,668</u>	<u>\$ 29,209</u>

See accompanying independent auditors' report.

Schedule of Valuation, Assessment and Collection of Taxes

Town of Northport, Maine

For the Year Ended June 30, 2021

Valuation

Real estate	\$ 294,824,750
Personal property	<u>640,000</u>

Total Valuation \$ 295,464,750

Assessment

Valuation x Rate - \$295,464,750 x .01525	\$ 4,505,837
Supplemental taxes	<u>316</u>

Total Assessment Charged to Tax Collector \$ 4,506,153

Collection and Credits

Cash collections	\$ 4,435,741
Tax abatements	<u>1,206</u>

Total Collection and Credits 4,436,947

2021 Taxes and Liens Receivable - June 30, 2021 \$ 69,206

See accompanying independent auditors' report.

Schedule of Departmental Operations (1 of 3)

Town of Northport, Maine

For the Year Ended June 30, 2021

	Beginning Balance	Appropriations	Budget Transfer	Other Credits	Total Available	Expended	Balances	
							Lapsed	Carried
General Government								
Office operations	\$ -	\$ 47,000	\$ -	\$ 20,311	\$ 67,311	\$ 55,060	\$ 12,251	\$ -
Assessing	-	23,250	-	-	23,250	23,250	-	-
Administration	-	185,908	-	-	185,908	183,713	2,195	-
Payroll taxes	-	26,000	-	-	26,000	23,615	2,385	-
Employee benefits	-	31,000	-	-	31,000	23,002	7,998	-
Personal time	12,123	-	-	-	12,123	-	-	12,123
Contingency	-	10,000	-	-	10,000	8,468	1,532	-
Town Hall operations	-	20,000	-	1,355	21,355	19,161	2,194	-
Town Hall building	41,266	-	-	-	41,266	-	-	41,266
Legal	-	20,000	-	-	20,000	2,802	17,198	-
Planning Board	4,492	2,500	-	2,075	9,067	1,298	-	7,769
Code Enforcement office	-	22,000	-	14,261	36,261	17,083	19,178	-
Northport Village Corp.	-	15,000	-	-	15,000	15,000	-	-
Digital mapping	-	-	1,777	-	1,777	1,777	-	-
	<u>57,881</u>	<u>402,658</u>	<u>1,777</u>	<u>38,002</u>	<u>500,318</u>	<u>374,229</u>	<u>64,931</u>	<u>61,158</u>
Public Safety								
Fire department	-	61,150	11,000	2,385	74,535	74,535	-	-
Fire department chief's salary	-	7,000	-	-	7,000	3,948	3,052	-
Emergency management	-	3,000	-	-	3,000	2,500	500	-
AED	120	-	-	-	120	120	-	-
Ambulance	-	16,504	-	-	16,504	16,504	-	-
First response medical team	-	12,200	(9,354)	2,053	4,899	4,899	-	-
Insurance	-	23,000	-	-	23,000	20,750	2,250	-
Street lights	-	1,500	-	-	1,500	934	566	-
E911 signs	-	-	-	96	96	-	96	-
Animal control	7,845	8,750	-	1,565	18,160	8,295	-	9,865
	<u>7,965</u>	<u>133,104</u>	<u>1,646</u>	<u>6,099</u>	<u>148,814</u>	<u>132,485</u>	<u>6,464</u>	<u>9,865</u>

See accompanying independent auditors' report.

Schedule of Departmental Operations (2 of 3)

Town of Northport, Maine

For the Year Ended June 30, 2021

	Beginning Balance	Appropriations	Budget Transfer	Other Credits	Total Available	Expended	Balances	
							Lapsed	Carried
Public Works								
Roads and bridges	\$ 680,403	\$ 200,000	\$ -	\$ 384,119	\$ 1,264,522	\$ 661,671	\$ -	\$ 602,851
Snow removal and sanding	-	205,000	-	383	205,383	180,474	24,909	-
	<u>680,403</u>	<u>405,000</u>	<u>-</u>	<u>384,502</u>	<u>1,469,905</u>	<u>842,145</u>	<u>24,909</u>	<u>602,851</u>
Health & Sanitation								
Septage contract	-	4,000	-	-	4,000	4,000	-	-
Transfer station	<u>90,081</u>	<u>70,000</u>	<u>-</u>	<u>84,387</u>	<u>244,468</u>	<u>165,556</u>	<u>-</u>	<u>78,912</u>
	<u>90,081</u>	<u>74,000</u>	<u>-</u>	<u>84,387</u>	<u>248,468</u>	<u>169,556</u>	<u>-</u>	<u>78,912</u>
Unclassified								
Cemetery	12,511	10,000	-	-	22,511	9,779	-	12,732
Social services	-	7,500	-	-	7,500	7,500	-	-
County tax	-	742,829	-	-	742,829	742,829	-	-
General assistance	1,522	2,500	-	1,323	5,345	3,392	-	1,953
Wyman Needy Fund	-	-	-	50	50	50	-	-
Wyman Park Maintenance Fund	-	800	-	-	800	800	-	-
Snowmobile club payment	212	-	-	152	364	212	-	152
Northport Harbor Fund	18,186	10,000	-	5,124	33,310	9,972	-	23,338
Northport needy families	1,274	-	-	600	1,874	-	-	1,874
Northport scholarship	-	5,000	-	-	5,000	3,500	1,500	-
Northport Warm Neighbors Fund	11,472	-	-	1,100	12,572	-	-	12,572
Abatements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,320</u>	<u>(1,320)</u>	<u>-</u>
	<u>45,177</u>	<u>778,629</u>	<u>-</u>	<u>8,349</u>	<u>832,155</u>	<u>779,354</u>	<u>180</u>	<u>52,621</u>

See accompanying independent auditors' report.

Schedule of Departmental Operations (3 of 3)

Town of Northport, Maine

For the Year Ended June 30, 2021

	Beginning Balance	Appropriations	Budget Transfer	Other Credits	Total Available	Expended	Other Debits	Balances	
								Lapsed	Carried
Education									
Education	\$ 851,061	\$ 2,668,203	\$ 50,000	\$ 183,315	\$ 3,752,579	\$ 2,794,197	\$ 35,000	\$ -	\$ 923,382
Debt Service	-	310,572	-	-	310,572	310,572	-	-	-
Assigned Accounts									
Education - MainePERS	398,930	-	(50,000)	-	348,930	-	-	-	348,930
Children's Community Christmas Reserve	1,283	-	-	5	1,288	309	-	-	979
Records Preservation Reserve	16,503	-	-	1,185	17,688	-	-	-	17,688
Digital Mapping Reserve	10,295	-	(1,777)	43	8,561	-	-	-	8,561
Cemetery Capital Reserve	2,743	-	-	564	3,307	-	-	-	3,307
Wyman Park	3,837	-	-	17	3,854	-	-	-	3,854
Fire Truck Replacement	7,892	20,000	(11,000)	3,333	20,225	-	-	-	20,225
Sand/Salt Shed	16,501	-	-	74	16,575	-	-	-	16,575
First Responders Equipment Reserve	65,650	-	9,354	296	75,300	-	-	-	75,300
Marine Reserve Fund	117,444	-	-	6,686	124,130	-	-	-	124,130
	641,078	20,000	(53,423)	12,203	619,858	309	-	-	619,549
	<u>\$ 2,373,646</u>	<u>\$ 4,792,166</u>	<u>\$ -</u>	<u>\$ 716,857</u>	<u>\$ 7,882,669</u>	<u>\$ 5,402,847</u>	<u>\$ 35,000</u>	<u>\$ 96,484</u>	<u>\$ 2,348,338</u>

See accompanying independent auditors' report.

Schedule of the Town's Proportionate Share of the Net Pension Liability

Town of Northport, Maine Northport School Department

Last ten fiscal years*

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Town's proportion of the net pension liability (asset)	0.002170%	0.002241%	0.002882%	0.002221%	0.000929%	0.000000%
Town's proportionate share of the net pension liability (asset)	\$ 35,420	\$ 32,850	\$ 38,891	\$ 32,275	\$ 16,412	\$ -
State's proportionate share of the net pension liability (asset) associated with the Town	<u>1,188,745</u>	<u>1,011,440</u>	<u>843,030</u>	<u>822,890</u>	<u>608,460</u>	<u>-</u>
Total	\$ 1,224,165	\$ 1,044,290	\$ 881,921	\$ 855,165	\$ 624,872	\$ -
Town's covered-employee payroll	<u>\$ 1,021,224</u>	<u>\$ 949,778</u>	<u>\$ 801,457</u>	<u>\$ 706,262</u>	<u>\$ 479,390</u>	<u>\$ -</u>
Town's portortionate share of the net pension liability (asset) as a percentage of its covered employee payroll	3.47%	3.46%	4.85%	4.57%	3.42%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	81.03%	84.52%	85.17%	83.35%	76.21%	83.55%

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

See accompanying independent auditors' report.

Schedule of the Town's Pension Contributions

Town of Northport, Maine Northport School Department

Last ten fiscal years*

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Contractually required contribution	\$ 50,288	\$ 44,028	\$ 39,759	\$ 35,789	\$ 26,482	\$ 17,430
Contributions in relation to the contractually required contribution	<u>50,288</u>	<u>44,028</u>	<u>39,759</u>	<u>35,789</u>	<u>26,482</u>	<u>17,430</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	<u>\$ 1,057,033</u>	<u>\$ 1,021,224</u>	<u>\$ 949,778</u>	<u>\$ 801,457</u>	<u>\$ 706,262</u>	<u>\$ 479,280</u>
Contributions as a percentage of covered-employee payroll	4.76%	4.31%	4.19%	4.47%	3.75%	3.64%

*The amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year, which differs from the timeframes used in the Schedule of the Town's Proportionate Share of the Net Pension Liability. Retroactive information is not required to be presented. A full ten year schedule will be displayed as it becomes available.

See accompanying independent auditors' report.

Schedule of the Town's Proportionate Share of the MEPEERS Plan Net OPEB Liability

Town of Northport, Maine Northport School Department

Last ten fiscal years*

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Town's proportion of net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State of Maine's proportionate share of the net pension liability	<u>22,784</u>	<u>21,324</u>	<u>22,700</u>	<u>18,132</u>
Total	<u>\$ 22,784</u>	<u>\$ 21,324</u>	<u>\$ 22,700</u>	<u>\$ 18,132</u>
Town's covered employee payroll	<u>\$ 1,021,224</u>	<u>\$ 949,778</u>	<u>\$ 801,457</u>	<u>\$ 706,262</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	49.51%	62.29%	61.14%	60.11%
Contractually required contributions	\$ -	\$ -	\$ -	\$ -
Contributions made in relation to contractually required amounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

*The 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 ten year schedule will be displayed as it becomes available.

See accompanying independent auditors' report.

Schedule of the Town's Proportionate Share of the MEABT Plan Net OPEB Liability

Town of Northport, Maine Northport School Department

Last ten fiscal years*

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Total OPEB Liability:			
Service cost	\$ 2,283	\$ 1,924	\$ 2,059
Interest	1,282	1,131	1,042
Changes in benefit terms	(14,769)	-	-
Differences between expected and actual experience	27,708	-	-
Changes of assumptions or other inputs	21,920	4,012	(2,869)
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	38,424	7,067	232
Total OPEB liability, beginning of year	<u>34,357</u>	<u>27,290</u>	<u>27,058</u>
Total OPEB liability, end of year	<u>\$ 72,781</u>	<u>\$ 34,357</u>	<u>\$ 27,290</u>
Covered employee payroll	\$ 978,063	\$ 836,020	\$ 813,645
Net OPEB liability as a percentage of covered employee payroll	7.44%	4.11%	3.35%

*The 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 ten year schedule will be displayed as it becomes available.

See accompanying independent auditors' report.

Schedule of Changes in the Town's Total MMEHT Plan OPEB Liability and Related Ratios

Town of Northport, Maine

Last ten fiscal years*

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability:				
Service cost	\$ 1,053	\$ 761	\$ 837	\$ 812
Interest	689	797	685	709
Changes of benefits	-	(490)	-	-
Differences between expected and actual experience	-	36	-	(64)
Changes of assumptions or other inputs	1,508	4,635	(1,597)	(35)
Benefit payments	<u>(277)</u>	<u>(327)</u>	<u>(314)</u>	<u>(284)</u>
Net change in total OPEB liability	2,973	5,412	(389)	1,138
Total OPEB liability, beginning of year	<u>24,248</u>	<u>18,836</u>	<u>19,225</u>	<u>18,087</u>
Total OPEB liability, end of year	<u>\$ 27,221</u>	<u>\$ 24,248</u>	<u>\$ 18,836</u>	<u>\$ 19,225</u>
Covered employee payroll	\$ 96,682	\$ 96,682	\$ 87,779	\$ 87,779
Net OPEB liability as a percentage of covered employee payroll	28.20%	25.08%	21.46%	21.90%

*The amounts presented for each fiscal year were determined as of January 1 of the current fiscal year. The first year of implementation was June 30, 2018. Therefore, only four years are shown. A full ten year schedule will be displayed as it becomes available.

See accompanying independent auditors' report.

Notes to the Required Supplemental Information

Town of Northport, Maine

Notes to the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions

The information presented in the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions was determined as part of the actuarial valuation at the dates indicated.

The information presented relates solely to the Town of Northport School Department and not to the System as a whole.

Notes to the Schedule of Changes in the Town's Total MMEHT Plan OPEB Liability and Related Ratios

There were no changes to benefit terms aside from changes in claims costs and contributions which will reflect market changes in healthcare costs during the year ended June 30, 2021.

There were no changes in size of the population during the year ended June 30, 2021.

Changes in assumptions for the year ended June 30, 2021 included an decrease in the discount rate from 2.74% to 2.12%.

See accompanying independent auditors' report.