

Federal Compliance Audit

Regional School Unit No. 38

June 30, 2019



Proven Expertise & Integrity

REGIONAL SCHOOL UNIT NO. 38

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JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional School Unit No. 38
Readfield, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Regional School Unit No. 38, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Regional School Unit No. 38'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 principle generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Regional School Unit No. 38 as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 12 and 65 through 72 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 Regional School Unit No. 38's basic financial statements. The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2019, on our consideration of Regional School Unit No. 38's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School Unit No. 38's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
December 29, 2019

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

(UNAUDITED)

The following management's discussion and analysis of the Regional School Unit No. 38's financial performance provides an overview of the Unit's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Unit's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above-mentioned financial statements have separate columns for the two different types of Unit activities. The types of activities presented for the Unit are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Unit's basic services are reported in governmental activities, which include regular instruction, special education, other instruction, student and staff support, system administration, school administration, transportation, operations and maintenance, other community service and program expenditures.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The Unit's daycare/after school program, food service, adult education and health center are reported here.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Unit, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Unit can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

reconciliations are presented on the page immediately following each governmental funds financial statement.

The Unit presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Unit's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Unit legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Unit maintains four proprietary funds, the daycare/after school program-Readfield, food service, adult education and the health center. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Unit. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Unit's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position of the Unit's governmental activities. The Unit's total net position for governmental activities increased by \$702,991 from \$5,810,327 to a balance of \$6,513,318 at the year end. For business-type activities, the Unit's total net position increased by \$34,282 from \$37,019 to a balance of \$71,301.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for the governmental activities to a deficit balance of \$3,612,405 at the end of the fiscal year. For business-type activities, the balance increased to a balance of \$50,462.

Table 1
Regional School Unit No. 38
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u> <u>(Restated)</u>	<u>2019</u>	<u>2018</u>
Assets:				
Current Assets	\$ 2,988,546	\$ 2,532,180	\$ 50,462	\$ 27,819
Noncurrent Assets	11,812,416	11,722,285	20,839	9,200
Total Assets	<u>14,800,962</u>	<u>14,254,465</u>	<u>71,301</u>	<u>37,019</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	395,252	520,157	-	-
Deferred Outflows Related to OPEB	158,090	152,626	-	-
Total Deferred Outflows of Resources	<u>553,342</u>	<u>672,783</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	2,830,359	2,354,836	-	-
Noncurrent Liabilities	5,769,743	6,589,757	-	-
Total Liabilities	<u>8,600,102</u>	<u>8,944,593</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	86,335	172,328	-	-
Deferred Inflows Related to OPEB	154,549	-	-	-
Total Deferred Inflows of Resources	<u>240,884</u>	<u>172,328</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	9,908,972	9,211,044	20,839	9,200
Restricted: Special Revenue Funds	45,066	13,892	-	-
Permanent Funds	171,685	172,232	-	-
Unrestricted (Deficit)	(3,612,405)	(3,586,841)	50,462	27,819
Total Net Position	<u>\$ 6,513,318</u>	<u>\$ 5,810,327</u>	<u>\$ 71,301</u>	<u>\$ 37,019</u>

Table 2
Regional School Unit No. 38
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues:				
<i>Program Revenues:</i>				
Charges for services	\$ 749,221	\$ 675,289	\$ 346,916	\$ 329,881
Operating grants & contributions	2,405,524	2,457,292	692,702	697,887
<i>General Revenue:</i>				
Support from towns	13,019,458	12,702,746	-	-
Grants & contributions not restricted to specific programs	3,666,384	3,584,175	-	-
Miscellaneous	144,601	151,705	41,297	758
Total revenues	<u>19,985,188</u>	<u>19,571,207</u>	<u>1,080,915</u>	<u>1,028,526</u>
Expenses				
Regular instruction	7,578,956	7,343,356	-	-
Special education	2,104,333	2,083,979	-	-
Other instruction	486,296	467,783	-	-
Student and staff support	1,728,071	1,686,943	-	-
System administration	601,792	634,214	-	-
School administration	1,057,705	994,685	-	-
Transportation	752,949	692,872	-	-
Operations and maintenance	2,122,772	2,198,557	-	-
Other community service	7,314	6,553	-	-
State of Maine on-behalf payments	1,660,427	1,704,728	-	-
Program expenditures	878,022	909,083	1,260,401	1,217,436
Unallocated depreciation (Note 4)	86,687	159,323	-	-
Interest on long-term debt	17,344	22,628	-	-
Total expenses	<u>19,082,668</u>	<u>18,904,704</u>	<u>1,260,401</u>	<u>1,217,436</u>
Equity transfer from members	<u>-</u>	<u>-</u>	<u>14,239</u>	<u>-</u>
Transfers	<u>(199,529)</u>	<u>(150,297)</u>	<u>199,529</u>	<u>150,297</u>
Change in Net Position	702,991	516,206	34,282	(38,613)
Net Position - July 1, Restated	<u>5,810,327</u>	<u>5,294,121</u>	<u>37,019</u>	<u>75,632</u>
Net Position - June 30	<u>\$ 6,513,318</u>	<u>\$ 5,810,327</u>	<u>\$ 71,301</u>	<u>\$ 37,019</u>

Revenues and Expenses

Revenues for the Unit's governmental activities increased by 1.89%, while total expenses increased by 0.71%. Increases in support from towns contributed to most of the Unit's overall change in revenues while increases in regular instruction, special education, other instruction, student and staff support, school administration, transportation and other community service contributed to the change in expenses from the previous year.

Revenues for the Unit's business-type activities increased by 5.09%, while total expenses increased by 3.53%. The increase in revenues was primarily due to miscellaneous while the increase in expenses was mainly the result of increases in salaries.

Financial Analysis of the Unit's Fund Statements

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

Table 3
Regional School Unit No. 38
Fund Balances - Governmental Funds
June 30,

	2019	2018
Major Funds:		
General Fund:		
Nonspendable	\$ 7,400	\$ 7,500
Assigned	600,000	600,000
Unassigned	458,327	205,739
Total Major Funds	\$ 1,065,727	\$ 813,239
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 45,066	\$ 13,892
Committed	2,690	2,537
Assigned	63,034	44,406
Unassigned	(2,309)	(8,249)
Capital Projects Fund:		
Unassigned	(318,465)	-
Permanent Funds:		
Restricted	171,685	172,232
Total Nonmajor Funds	\$ (38,299)	\$ 224,818

The general fund total fund balance increased by \$252,488 from the prior fiscal year due to revenues in excess of expenditures and transfers out. The nonmajor funds total fund balances decreased by \$263,117 from the prior fiscal year primarily due to activity in the capital projects fund.

Proprietary funds: The Unit's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Budgetary Highlights

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

The general fund actual revenues exceeded budgeted amounts by \$36,538. This was the result of nearly all revenue categories being receipted within or in excess of budgeted amounts.

The general fund actual expenditures were under budgeted amounts by \$815,950. All expenditure articles were under budget with the exception of transportation.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the Unit increased by \$101,770. This increase was a result of capital additions of \$784,056 less net disposals of \$6,253 and current year depreciation expense of \$676,033.

Table 4
Regional School Unit No. 38
Capital Assets (Net of Depreciation)
June 30,

	2019	2018
Land	\$ 565,793	\$ 234,912
Buildings, building improvements and land improvements	10,223,159	10,585,542
Furniture and fixtures	3,126	4,168
Machinery and equipment	324,464	281,270
Vehicles	716,713	625,593
Total	\$ 11,833,255	\$ 11,731,485

Debt

At June 30, 2019, the Unit had \$1.90 million in bonds and notes from direct borrowing payable outstanding versus \$2.51 million last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The FY 2020 budget could be impacted by reductions in state subsidy as a result of reduced state revenue projections. Curtailments in the state's biennial budget may serve to increase required local contributions and/or reductions in Unit spending.

Contacting the Unit's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Unit's finances and to show the Unit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Unit's Finance Department at 45 Millard Harrison Drive, Readfield, Maine 04355.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,899,997	\$ 21,652	\$ 1,921,649
Investments	582,825	-	582,825
Accounts receivable (net of allowance for uncollectibles)	27,443	-	27,443
Due from other governments	385,997	92,219	478,216
Prepaid items	7,400	-	7,400
Inventory	-	21,475	21,475
Internal balances	84,884	(84,884)	-
Total current assets	<u>2,988,546</u>	<u>50,462</u>	<u>3,039,008</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	565,793	-	565,793
Buildings and equipment, net of accumulated depreciation	11,246,623	20,839	11,267,462
Total noncurrent assets	<u>11,812,416</u>	<u>20,839</u>	<u>11,833,255</u>
TOTAL ASSETS	<u>14,800,962</u>	<u>71,301</u>	<u>14,872,263</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	395,252	-	395,252
Deferred outflows related to OPEB	158,090	-	158,090
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>553,342</u>	<u>-</u>	<u>553,342</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,354,304</u>	<u>\$ 71,301</u>	<u>\$ 15,425,605</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 15,735	\$ -	\$ 15,735
Accrued expenses	75,729	-	75,729
Accrued payroll	1,369,653	-	1,369,653
Loans payable	500,001	-	500,001
Current portion of long-term obligations	869,241	-	869,241
Total current liabilities	<u>2,830,359</u>	<u>-</u>	<u>2,830,359</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	737,674	-	737,674
Notes from direct borrowings payable	307,341	-	307,341
Accrued compensated absences	205,433	-	205,433
Net pension liability	446,679	-	446,679
Net OPEB liability	4,072,616	-	4,072,616
Total noncurrent liabilities	<u>5,769,743</u>	<u>-</u>	<u>5,769,743</u>
TOTAL LIABILITIES	<u>8,600,102</u>	<u>-</u>	<u>8,600,102</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	86,335	-	86,335
Deferred inflows related to OPEB	154,549	-	154,549
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>240,884</u>	<u>-</u>	<u>240,884</u>
NET POSITION			
Net investment in capital assets	9,908,972	20,839	9,929,811
Restricted: Special revenue funds	45,066	-	45,066
Permanent funds	171,685	-	171,685
Unrestricted (deficit)	(3,612,405)	50,462	(3,561,943)
TOTAL NET POSITION	<u>6,513,318</u>	<u>71,301</u>	<u>6,584,619</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 15,354,304</u>	<u>\$ 71,301</u>	<u>\$ 15,425,605</u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Regular instruction	\$ 7,578,956	\$ 563,638	\$ -	\$ -	\$ (7,015,318)	\$ -	\$ (7,015,318)
Special education	2,104,333	-	-	-	(2,104,333)	-	(2,104,333)
Other instruction	486,296	-	-	-	(486,296)	-	(486,296)
Student and staff support	1,728,071	-	-	-	(1,728,071)	-	(1,728,071)
System administration	601,792	-	-	-	(601,792)	-	(601,792)
School administration	1,057,705	-	-	-	(1,057,705)	-	(1,057,705)
Transportation	752,949	47,997	-	-	(704,952)	-	(704,952)
Operations and maintenance	2,122,772	-	-	-	(2,122,772)	-	(2,122,772)
Other community service	7,314	-	-	-	(7,314)	-	(7,314)
Program expenditures	878,022	137,586	745,097	-	4,661	-	4,661
State of Maine on-behalf payments	1,660,427	-	1,660,427	-	-	-	-
Unallocated depreciation (Note 4)*	86,687	-	-	-	(86,687)	-	(86,687)
Interest on long-term debt	17,344	-	-	-	(17,344)	-	(17,344)
Total governmental activities	19,082,668	749,221	2,405,524	-	(15,927,923)	-	(15,927,923)
Business-type activities:							
Daycare/afterschool program - Readfield	36,910	37,449	-	-	-	539	539
Food service	1,127,837	277,442	692,702	-	-	(157,693)	(157,693)
Adult education	27,701	32,025	-	-	-	4,324	4,324
Health center	67,953	-	-	-	-	(67,953)	(67,953)
Total business-type activities	1,260,401	346,916	692,702	-	-	(220,783)	(220,783)
Total government	\$ 20,343,069	\$ 1,096,137	\$ 3,098,226	\$ -	(15,927,923)	(220,783)	(16,148,706)

STATEMENT B (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(15,927,923)	(220,783)	(16,148,706)
General revenues:			
Support from towns	13,019,458	-	13,019,458
Grants and contributions not restricted to specific programs	3,666,384	-	3,666,384
Miscellaneous	144,601	41,297	185,898
Transfers	(199,529)	199,529	-
Total general revenues and transfers	16,630,914	240,826	16,871,740
Equity transfer from members	-	14,239	14,239
Change in net position	702,991	34,282	737,273
NET POSITION - JULY 1, RESTATED	5,810,327	37,019	5,847,346
NET POSITION - JUNE 30	\$ 6,513,318	\$ 71,301	\$ 6,584,619

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

REGIONAL SCHOOL UNIT NO. 38

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,629,601	\$ 270,396	\$ 1,899,997
Investments	500,000	82,825	582,825
Accounts receivable (net of allowance for uncollectibles)	26,397	1,046	27,443
Due from other governments	185,041	200,956	385,997
Prepaid items	7,400	-	7,400
Due from other funds	285,548	109,943	395,491
TOTAL ASSETS	<u>\$ 2,633,987</u>	<u>\$ 665,166</u>	<u>\$ 3,299,153</u>
LIABILITIES			
Accounts payable	\$ 12,935	\$ 2,800	\$ 15,735
Accrued expenses	75,729	-	75,729
Accrued payroll	1,369,653	-	1,369,653
Loans payable	-	500,001	500,001
Due to other funds	109,943	200,664	310,607
TOTAL LIABILITIES	<u>1,568,260</u>	<u>703,465</u>	<u>2,271,725</u>
FUND BALANCES (DEFICITS)			
Nonspendable - prepaid items	7,400	-	7,400
Restricted	-	216,751	216,751
Committed	-	2,690	2,690
Assigned	600,000	63,034	663,034
Unassigned	458,327	(320,774)	137,553
TOTAL FUND BALANCES (DEFICITS)	<u>1,065,727</u>	<u>(38,299)</u>	<u>1,027,428</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 2,633,987</u>	<u>\$ 665,166</u>	<u>\$ 3,299,153</u>

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

REGIONAL SCHOOL UNIT NO. 38

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

Total fund balances - governmental funds	\$ 1,027,428
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	11,812,416
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	395,252
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	158,090
Long-term obligations shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(1,272,732)
Notes from direct borrowings payable	(630,712)
Accrued compensated absences	(216,245)
Net pension liability	(446,679)
Net OPEB liability	(4,072,616)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(86,335)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	<u>(154,549)</u>
Net position of governmental activities	<u>\$ 6,513,318</u>

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

STATEMENT E

REGIONAL SCHOOL UNIT NO. 38

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

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Support from towns	\$ 12,954,458	\$ 65,000	\$ 13,019,458
Intergovernmental revenues	4,612,894	745,097	5,357,991
Charges for services	611,635	137,586	749,221
Miscellaneous	124,311	20,290	144,601
TOTAL REVENUES	18,303,298	967,973	19,271,271
EXPENDITURES			
Current:			
Regular instruction	7,420,837	-	7,420,837
Special education	2,045,910	-	2,045,910
Other instruction	438,412	-	438,412
Student and staff support	1,728,071	-	1,728,071
System administration	597,644	-	597,644
School administration	1,034,765	-	1,034,765
Transportation	1,018,381	-	1,018,381
Operations and maintenance	2,095,564	-	2,095,564
State of Maine on-behalf payments	946,510	-	946,510
Other community service	7,314	-	7,314
Capital outlay	-	318,539	318,539
Program expenditures	-	878,022	878,022
Debt service:			
Principal	535,058	-	535,058
Interest	17,344	-	17,344
TOTAL EXPENDITURES	17,885,810	1,196,561	19,082,371
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	417,488	(228,588)	188,900
OTHER FINANCING SOURCES (USES)			
Transfers in	-	4,324	4,324
Transfers (out)	(165,000)	(38,853)	(203,853)
TOTAL OTHER FINANCING SOURCES (USES)	(165,000)	(34,529)	(199,529)
NET CHANGE IN FUND BALANCES (DEFICITS)	252,488	(263,117)	(10,629)
FUND BALANCES (DEFICITS) - JULY 1	813,239	224,818	1,038,057
FUND BALANCES (DEFICITS) - JUNE 30	\$ 1,065,727	\$ (38,299)	\$ 1,027,428

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

REGIONAL SCHOOL UNIT NO. 38

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (10,629)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	769,817
Capital asset disposals	(6,253)
Depreciation expense	<u>(673,433)</u>
	<u>90,131</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>(119,441)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>900,947</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position	<u>(293,150)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	<u>(68,556)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(23,059)
Net pension liability	66,778
Net OPEB liability	<u>159,970</u>
	<u>203,689</u>
Change in net position of governmental activities (Statement B)	<u>\$ 702,991</u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Food Service	Other Enterprise Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 21,652	\$ -	\$ 21,652
Due from other governments	92,219	-	92,219
Due from other funds	-	39,006	39,006
Inventory	21,475	-	21,475
Total current assets	<u>135,346</u>	<u>39,006</u>	<u>135,346</u>
Noncurrent assets:			
Machinery and equipment	42,269	-	42,269
Less: accumulated depreciation	(21,430)	-	(21,430)
Total noncurrent assets	<u>20,839</u>	<u>-</u>	<u>20,839</u>
TOTAL ASSETS	<u>\$ 156,185</u>	<u>\$ 39,006</u>	<u>\$ 195,191</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ 123,890	\$ -	\$ 123,890
TOTAL LIABILITIES	<u>123,890</u>	<u>-</u>	<u>123,890</u>
NET POSITION			
Net investment in capital assets	20,839	-	20,839
Unrestricted (deficit)	11,456	39,006	50,462
TOTAL NET POSITION	<u>32,295</u>	<u>39,006</u>	<u>71,301</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 156,185</u>	<u>\$ 39,006</u>	<u>\$ 195,191</u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Food Service	Other Enterprise Funds	Total
OPERATING REVENUES			
Intergovernmental	\$ 692,702	\$ -	\$ 692,702
Charges for services	277,442	69,474	346,916
Miscellaneous	39,240	750	39,990
TOTAL OPERATING REVENUES	1,009,384	70,224	1,079,608
OPERATING EXPENSES			
Salaries	322,046	86,799	408,845
Benefits	77,963	9,221	87,184
Contractual services	445,429	24,135	469,564
Supplies	259,399	10,922	270,321
Repair and maintenance	11,309	-	11,309
Travel expenses	1,308	-	1,308
Depreciation	2,600	-	2,600
Other	7,783	1,487	9,270
TOTAL OPERATING EXPENSES	1,127,837	132,564	1,260,401
OPERATING INCOME (LOSS)	(118,453)	(62,340)	(180,793)
NONOPERATING REVENUES (EXPENSES)			
Equity transfer from members	14,239	-	14,239
Interest Income	1,307	-	1,307
Transfers in	135,000	68,853	203,853
Transfers (out)	-	(4,324)	(4,324)
TOTAL NONOPERATING REVENUES (EXPENSES)	150,546	64,529	215,075
CHANGES IN NET POSITION	32,093	2,189	34,282
NET POSITION - JULY 1	202	36,817	37,019
NET POSITION - JUNE 30	\$ 32,295	\$ 39,006	\$ 71,301

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Food Service	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 310,555	\$ 70,224	\$ 380,779
Intergovernmental receipts	616,544	-	616,544
Internal activity - receipts (payments) from/to other funds	37,759	(2,189)	35,570
Payments to employees	(322,046)	(86,799)	(408,845)
Payments to suppliers	(803,191)	(45,765)	(848,956)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(160,379)</u>	<u>(64,529)</u>	<u>(224,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	1,307	-	1,307
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,307</u>	<u>-</u>	<u>1,307</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Equity transfer from members	14,239		14,239
Transfers	135,000	64,529	199,529
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>149,239</u>	<u>64,529</u>	<u>213,768</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,072)	-	(24,072)
CASH AND CASH EQUIVALENTS - JULY 1	<u>45,724</u>	<u>-</u>	<u>45,724</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 21,652</u>	<u>\$ -</u>	<u>\$ 21,652</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (118,453)	\$ (62,340)	\$ (180,793)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	2,600	-	2,600
Changes in operating assets and liabilities:			
(Increase) decrease in due from other governments	(76,158)	-	(76,158)
(Increase) decrease in inventory	(6,127)	-	(6,127)
(Increase) decrease in due from other funds	-	(2,189)	(2,189)
(Decrease) increase in due to other funds	37,759	-	37,759
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (160,379)</u>	<u>\$ (64,529)</u>	<u>\$ (224,908)</u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 238,352
Investments	8,764
TOTAL ASSETS	<u>\$ 247,116</u>
LIABILITIES	
Due to other governments	\$ 125
Deposits held for others	246,991
TOTAL LIABILITIES	<u>\$ 247,116</u>

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Regional School Unit No. 38 was incorporated under the laws of the State of Maine. The Unit operates under the Board of Directors-superintendent form of government and provides the following services: regular instruction, special education, other instruction, student and staff support, system administration, school administration, transportation, operations and maintenance, other community service and program expenditures.

The Unit's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Unit has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Unit has chosen not to do so.

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

Implementation of New Accounting Standards

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

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Unit's food service funds, daycare/afterschool programs, adult education and the health center are categorized as business-type activities. All other activities of the Unit are categorized as governmental.

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Unit's functions and business-type activities (instruction, operations and maintenance, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (support from Towns, certain intergovernmental revenues and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

1. Governmental Funds:

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Fund

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

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Unit that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unit or its citizenry. The Unit's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Unit:

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

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

The Unit's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Unit has no component units that are fiduciary in nature.

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

Basis of Accounting

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

1. Accrual

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

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

Budget

The Unit'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.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$17,356,788
Add: On-behalf payments	946,510
Total GAAP basis	<u>\$18,303,298</u>
Expenditures per budgetary basis	\$17,104,300
Add: On-behalf basis	946,510
Total GAAP basis	<u>\$18,050,810</u>

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

1. Early in the second half of the year the Unit prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Unit was called for the purpose of adopting the proposed budget after public notice of the meeting was given.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. The budget was adopted subsequent to passage by the inhabitants of the Unit.

Deposits and Investments

The Unit's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Unit's policy to value investments at fair value. None of the Unit's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Unit Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Regional School Unit No. 38 has no formal investment policy but instead follows the State of Maine Statutes.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Unit consists of school nutrition supplies and food on hand at the end of the year.

Interfund Receivables and Payables

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

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

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$413,440 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$20,000 or more for buildings and improvements, \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

Estimated useful lives are as follows:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of bonds and notes from direct borrowings payable, accrued compensated absences, net pension liability and net OPEB liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB

For purposes of measuring the District'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 Public Employees Retirement System OPEB 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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Education Association Benefits Trust (MEABT), which determined the School's fiduciary net position as a single employer defined benefit plan based on information provided solely by MEABT to complete the actuarial report. Additions to/deductions from the MEABT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MEABT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Fund Balance

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

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

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

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Unit. The inhabitants of the Unit through Unit meetings are the highest level of decision-making authority of the Unit. Commitments may be established, modified, or rescinded only through a District meeting vote.

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

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Unit has deferred outflows related to pensions and deferred outflows related to OPEB. These items are reported in the statement of net position.

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Unit will not be able to recover its deposits. The Unit does not have a policy covering custodial credit risk for deposits. However, the Unit maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2019, the Unit's deposits amounting to \$2,660,001 were comprised of bank deposits of \$2,856,212. All of these amounts were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk or were collateralized by an irrevocable stand-by letter of credit held by the financial institution in the Unit's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 509,023
Savings accounts	88,861
Sweep accounts	<u>2,258,328</u>
	<u>\$ 2,856,212</u>

Investments:

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

At June 30, 2019, of the Unit's investment in certificates of deposit of \$591,589 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

The Unit's certificates of deposit had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	\$ 591,589	\$ -	\$ 508,764	\$ 82,825
	<u>\$ 591,589</u>	<u>\$ -</u>	<u>\$ 508,764</u>	<u>\$ 82,825</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk - Statutes for the State of Maine authorize the Unit to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Unit does not have an investment policy on credit risk. Generally, the Unit invests excess funds in cash management accounts and various insured certificates of deposit.

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Receivables</u> <u>(Due from)</u>	<u>Payables</u> <u>(Due to)</u>
General fund	\$ 285,548	\$ 109,943
Nonmajor special revenue funds	109,943	200,664
Enterprise funds	39,006	123,890
	<u>\$ 434,497</u>	<u>\$ 434,497</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

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

	Balance, 7/1/18	Additions	Disposals	Balance, 6/30/19
<u>Governmental Activities:</u>				
Non-depreciated assets:				
Land	\$ 234,912	\$ -	\$ -	\$ 234,912
Construction in progress	-	330,881	-	330,881
	<u>234,912</u>	<u>330,881</u>	<u>-</u>	<u>565,793</u>
Depreciated assets:				
Land improvements	342,915	27,900	-	370,815
Buildings and improvements	19,244,588	107,032	(78,105)	19,273,515
Vehicles	1,690,126	191,483	(209,829)	1,671,780
Equipment	1,317,566	112,521	(459,579)	970,508
	<u>22,595,195</u>	<u>438,936</u>	<u>(747,513)</u>	<u>22,286,618</u>
Less: accumulated depreciation	<u>(11,107,822)</u>	<u>(673,433)</u>	<u>741,260</u>	<u>(11,039,995)</u>
	<u>11,487,373</u>	<u>(234,497)</u>	<u>(6,253)</u>	<u>11,246,623</u>
Net capital assets	<u>\$ 11,722,285</u>	<u>\$ 96,384</u>	<u>\$ (6,253)</u>	<u>\$ 11,812,416</u>
<u>Business-type Activities:</u>				
Depreciated assets:				
Equipment	\$ 28,030	\$ 14,239	\$ -	\$ 42,269
	<u>28,030</u>	<u>14,239</u>	<u>-</u>	<u>42,269</u>
Less: accumulated depreciation	<u>(18,830)</u>	<u>(2,600)</u>	<u>-</u>	<u>(21,430)</u>
Net capital assets	<u>\$ 9,200</u>	<u>\$ 11,639</u>	<u>\$ -</u>	<u>\$ 20,839</u>
<u>Current Year Depreciation:</u>				
Regular instruction				\$ 291,824
Special education				58,423
Other instruction				47,884
Administration				4,148
School administration				35,403
Operations and maintenance				44,293
Transportation				104,771
District-wide				86,687
Total governmental activities depreciation				<u>673,433</u>
School lunch				2,600
Total depreciation expense				<u>\$ 676,033</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - SHORT-TERM DEBT

On March 12, 2019, the School District issued a bond anticipation note through Androscoggin Bank in anticipation of the approved bond issuance to take place in November 2019. The note allowed principal draws up to \$5,800,000 at 3.09% interest with a maturity date of November 7, 2019.

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Balance, 7/1/18	Additions	Reductions	Balance, 6/30/19
Bond anticipation note	\$ -	\$ 500,001	\$ -	\$ 500,001

NOTE 6 - LONG-TERM DEBT

The general fund of the Unit is used to pay for all long-term debt. The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance 7/1/18	Additions	Reductions	Balance, 6/30/19	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 1,807,790	\$ -	\$ (535,058)	\$ 1,272,732	\$ 535,058
Notes from direct borrowings payable	703,451	293,150	(365,889)	630,712	323,371
Totals	<u>\$ 2,511,241</u>	<u>\$ 293,150</u>	<u>\$ (900,947)</u>	<u>\$ 1,903,444</u>	<u>\$ 858,429</u>

The following is a summary of the bonds outstanding as of June 30, 2019:

\$8,500,000, Bond payable to Maine Municipal Bond Bank. Interest is charged at a fixed rate varying from 4.676% to 5.751% but in November 2016 the bond was refinanced and interest credits were scheduled over the remainder of the bond payments to fully credit the interest being charged annually. Annual principal payments of \$425,000. Maturity in November of 2020.	\$ 850,000
\$2,026,154, Bond payable to Maine Municipal Bond Bank. Interest is charged at a fixed rate varying from 3.050% to 5.250%. Annual principal payments of \$101,308. Maturity in November of 2022.	405,232
\$175,000, Bond payable to Maine Municipal Bond Bank. Interest is charged at a fixed rate varying from 4.676% to 5.751% but in November 2016 when the bond was refinanced and interest credits were scheduled over the remainder of the bond payments to fully credit the interest being charged annually. Annual principal payments of \$8,750. Maturity in November of 2020.	<u>17,500</u>
Total bonds payable	<u>\$ 1,272,732</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

	Bonds Payable		
	Principal	Interest	Total
2020	\$ 535,058	\$ 24,265	\$ 559,323
2021	535,058	6,685	541,743
2022	101,308	2,659	103,967
2023	101,308	-	101,308
	<u>\$ 1,272,732</u>	<u>\$ 33,609</u>	<u>\$ 1,306,341</u>

A summary of the outstanding notes from direct borrowings payable is as follows:

The district leases energy improvements (Maranacook) under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring September of 2020 with a 4.290% fixed interest rate. Annual principal and interest payments are \$93,025.	\$ 89,198
The district leases energy improvements (Manchester) under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring September of 2020 with a 4.290% fixed interest rate. Annual principal and interest payments are \$11,879.	11,390
The district leases energy improvements (Mt. Vernon) under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring September of 2020 with 4.290% fixed interest rate. Annual principal and interest payments are \$6,695.	6,420
The district leases energy improvements (Readfield) under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring September of 2020 with a 4.600% fixed interest rate. Annual principal and interest payments are \$16,466.	15,742

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The district leases a Region wide energy conservation equipment under a non-cancelable lease agreement dated July of 2010. The term of the lease is for a ten year period expiring July of 2022, with a 4.800% fixed interest rate. Annual principal and interest payments are \$49,524.	135,365
The district leases a bus under a non-cancelable lease agreement dated October 14, 2016. The term of the lease is for a Three year period expiring October of 2019, with a 2.510% interest rate. Annual principal and interest payments are \$22,525.	21,973
The district leases Apple computers under a cancelable lease agreement dated September 20, 2017. The term of the lease is for a Three year period expiring September of 2020, with a 2.910% fixed interest rate. Annual principal and interest payments are \$23,785.	45,572
The district leases a Bus under a cancelable lease agreement dated September 22, 2017. The term of the lease is for a three year period expiring October of 2020, with a 2.850% fixed interest rate. Annual principal and interest payments are \$23,028.	44,159
The district leases a Bus under a cancelable lease agreement dated March 20, 2018. The term of the lease is for a three year period expiring March of 2020, with a 3.550% fixed interest rate. Annual principal and interest payments are \$23,835.	45,247
The district leases Chevy Truck and Kubota Tractor under a lease agreement dated September 6, 2018. The term of the lease is for a four year period expiring September 6, 2021, with a 3.930% fixed interest rate. Annual principal payments and interest payments are \$13,004.	36,137
The district leases a Bus under a cancelable lease agreement dated Feburary 11, 2019. The term of the lease is for a four year period expiring Feburary of 2022, with a 3.700% fixed interest rate. Annual principal and interest payments are \$16,568.	46,241
The district leases a Bus under a cancelable lease agreement dated August 24, 2018. The term of the lease is for a four year period expiring March of 2021, with a 3.930% fixed interest rate. Annual principal and interest payments are \$23,963.	66,588

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The district lease photocopiers under a lease agreement dated August 23, 2018. The term of the lease is a four year period expiring in August 2021, with a 3.930% fixed interest rate. Annual principal and interest payments are \$23,996.

66,680

Total notes from direct borrowings payable

\$ 630,712

The following is a summary of outstanding notes from direct borrowings principal and interest requirements for the following fiscal years ending June 30:

	Notes from Direct Borrowings Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 323,371	\$ 24,923	\$ 348,294
2021	185,459	12,245	197,704
2022	121,882	5,174	127,056
	<u>\$ 630,712</u>	<u>\$ 42,342</u>	<u>\$ 673,054</u>

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	<u>Balance 7/1/18 (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, 6/30/19</u>	<u>Current Portion</u>
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 193,186	\$ 23,059	\$ -	\$ 216,245	\$ 10,812
Net pension liability	513,457	411,641	(478,419)	446,679	-
Net OPEB liability	4,232,586	178,115	(338,085)	4,072,616	-
Totals	<u>\$4,939,229</u>	<u>\$ 612,815</u>	<u>\$ (816,504)</u>	<u>\$4,735,540</u>	<u>\$ 10,812</u>

Please see Notes 15, 16 and 18 for detailed information on each of the other long-term obligations.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - OPERATING LEASES

A summary of the outstanding operating leases payable is as follows:

The Unit leases MLTI Laptops under a non-cancelable lease agreement dated June of 2013, renewed in 2017. The term of the lease is for a four-year period expiring in June of 2020. Quarterly principal and interest payments are \$5,751.

The Unit leases MLTI Laptops under a non-cancelable lease agreement dated June of 2013, renewed in 2017. The term of the lease is for a four-year period expiring in June of 2020. Quarterly principal and interest payments are \$22,562.

The Unit leases MLTI Laptops under a non-cancelable lease agreement dated 2017. The term of the lease is for a four-year period expiring in June of 2020. Monthly principal and interest payments are \$1,050.

The Unit leases MLTI Laptops under a non-cancelable lease agreement dated 2017. The term of the lease is for a four-year period expiring in June of 2020. Monthly principal and interest payments are \$1,400.

The Unit leases MLTI Laptops under a non-cancelable lease agreement dated 2017. The term of the lease is for a four-year period expiring in June of 2020. Monthly principal and interest payments are \$1,400.

The Unit leases MLTI Laptops under a non-cancelable lease agreement dated 2017. The term of the lease is for a four-year period expiring in June of 2020. Monthly principal and interest payments are \$560.

Year Ending	
June 30:	
<u>2020</u>	<u>\$ 139,656</u>
Total lease payments	<u><u>\$ 139,656</u></u>

NOTE 9 - NONSPENDABLE FUND BALANCE

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

General Fund:	
Prepaid Items	<u><u>\$ 7,400</u></u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - RESTRICTED FUND BALANCES

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

Nonmajor Special Revenue Funds (Schedule D)	\$ 45,066
Nonmajor Permanent Funds (Schedule F)	<u>171,685</u>
	<u>\$ 216,751</u>

NOTE 11 - COMMITTED FUND BALANCES

At June 30, 2019, the Unit had the following committed fund balances:

Nonmajor Special Revenue Funds (Schedule D)	<u>\$ 2,690</u>
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NOTE 12 - ASSIGNED FUND BALANCES

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

General Fund:	
Reserved for FY 2020 Budget	\$ 600,000
Nonmajor Special Revenue Funds (Schedule D)	<u>63,034</u>
	<u>\$ 663,034</u>

NOTE 13 - DEFICIT FUND BALANCES

At June 30, 2019 the Unit had the following deficit fund balances:

Clearing account	\$ 2,309
Minor projects	<u>318,465</u>
	<u>\$ 320,774</u>

NOTE 14 - EXPENDITURES OVER APPROPRIATIONS

The Unit had the following expenditures over appropriations for the year ended June 30, 2019:

Transportation (Article 9)	<u>\$ (318)</u>
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On June 19, 2019 the School Board approved an article transfer to cover the over expenditures for these articles.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - ACCRUED COMPENSATED ABSENCES

The Unit's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the Unit's liability for compensated absences is \$216,245.

NOTE 16 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 and by contract with other participating employers under applicable statutory provisions. As of June 30, 2018, there were 236 employers, including the State of Maine, participating in the plan.

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

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Unit's teachers are required to contribute 7.65% of their compensation to the retirement system. The Unit's payroll for teachers covered by this program was approximately \$8,542,512 for the year ended June 30, 2019. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 11.08% of the Unit's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$946,510 for the year ended June 30, 2019. Title 5 of the Maine Revised Statutes Annotated also requires the Unit to contribute at an actuarially determined normal cost rate of 3.97%, which totaled \$362,135 for 2019. In addition, the Unit is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 11.68% of compensation and totaled \$42,297 the year ended June 30, 2019.

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

At June 30, 2019, the Unit reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Unit. The amount recognized by the Unit as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Unit were as follows:

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Unit's proportionate share of the net pension liability	\$ 446,679
State's proportionate share of the net pension liability associated with the Unit	<u>9,001,581</u>
Total	<u>\$ 9,448,260</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on a projection of the Unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Units and the State, actuarially determined. At June 30, 2018, the Unit's proportion was 0.033101%, which was a decrease of 0.00225% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Unit recognized total pension expense of \$1,616,291 and revenue of \$1,644,157 for support provided by the State of Maine. At June 30, 2019, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SET Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,642	\$ -
Changes of assumptions	28,097	-
Net difference between projected and actual earnings on pension plan investments	-	58,068
Changes in proportion and differences between contributions and proportionate share of contributions	(1)	28,267
Contributions subsequent to the measurement date	<u>353,514</u>	<u>-</u>
Total	<u>\$ 395,252</u>	<u>\$ 86,335</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$353,514 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SET Plan
Plan year ended June 30:	
2019	\$ 18,257
2020	(5,914)
2021	(41,338)
2022	(15,600)
2023	-
Thereafter	-

Actuarial Methods and Assumptions

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

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses, and changes are amortized over ten-year periods beginning on the date as of which they occur.

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

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2018, compounded annually.

Salary Increases, Merit and Inflation - state employees, 2.75% to 8.75% per year; teachers, 2.75% to 14.50% per year.

Mortality Rates - For active members and non-disabled retirees the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 2.20% per annum for the year ended June 30, 2018.

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2018 for each of the Plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Discount Rate	1% Increase
<u>SET Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Unit's proportionate share of the net pension liability	\$ 825,463	\$ 446,679	\$ 131,213

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

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

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2018, this was three years for the SET Plan.

Differences between Expected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

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

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2018, there were 220 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

Benefits Provided

The Group Life Insurance Plan (the Plan) 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 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount, or \$2,500.

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. 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. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2019 was approximately \$21,449.

OPEB Liabilities and OPEB Expense

For the year ended June 30, 2019, the Unit recognized net OPEB expense of \$44,136 and revenue of \$44,136 for support provided by the State of Maine.

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

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the Unit's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the Unit and/or the Unit retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the Unit concerning administration of this Plan. Title 24-A Chapter 81 of the

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criterion of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Active members	179
Retirees and spouses	<u>101</u>
Total	<u><u>280</u></u>

Cost Sharing Provisions/Contributions

Retirees are eligible for a State subsidy of 45% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 55% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Employee/Retiree Premium Amounts:

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

<u>Pre-Medicare</u>	<u>Employee</u>	<u>Employee/ Spouse</u>	<u>Employee/ Child(ren)</u>	<u>Family</u>
Choice Plus	\$710	\$1,601	\$1,257	\$1,949
Standard \$200 Ded	\$767	\$1,729	\$1,358	\$2,105
Standard \$1,000 Ded	\$644	\$1,451	\$1,139	\$1,766
<u>Medicare</u>				
Medicare-Eligible Retirees	\$450	\$944	N/A	N/A

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

At June 30, 2019, the Unit reported a liability of \$4,072,616 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date. The Unit's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the Unit recognized OPEB revenue of \$10,885. At June 30, 2019, the Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MEABT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	154,549
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	158,090	-
Total	<u>\$ 158,090</u>	<u>\$ 154,549</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

\$158,090 were reported as deferred outflows of resources related to OPEB resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>MEABT</u>
Plan year ended June 30:	
2019	\$ (30,910)
2020	(30,910)
2021	(30,910)
2022	(30,910)
2023	(30,909)
Thereafter	-

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.87% per annum for June 30, 2018 was based upon a measurement date of June 28, 2018. The sensitivity of total OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.87%	3.87%	4.87%
Total OPEB liability	\$ 4,767,201	\$ 4,072,616	\$ 3,516,666
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 4,767,201</u>	<u>\$ 4,072,616</u>	<u>\$ 3,516,666</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 3,489,099	\$ 4,072,616	\$ 4,799,495
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,489,099</u>	<u>\$ 4,072,616</u>	<u>\$ 4,799,495</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

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

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Assumptions

Significant actuarial assumptions employed by the actuary for economic purposes are based on GASB 75 paragraph 36. Assumptions other than the discount rate are based on historical and future projections of long-term health care rates:

Discount Rate - 3.87% per annum.

Trend Assumptions:

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Pre-Medicare - Initial trend of 5.55% applied in FYE 2018 grading over 15 years to 3.73% per annum.

Medicare - Initial trend of 3.72% applied in FYE 2018 grading over 15 years to 2.81% per annum.

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

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2018 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of June 30, 2018, they are as follows:

Retirement Rates - Rates vary for plans based on age and service

Rates of Turnover - Rates vary for plans based on service

Disability Incidence - Rates vary for plans based on age

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

Family Enrollment Composition - It is assumed that 80% is married with an eligible spouse.

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

Administrative expenses - Included in the per capita claims cost

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

Salaries - Were not available from the client and were assumed using the Teachers/Age Service Salary scatter from the State Retirement Agency. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were assumed to be the midpoint of each service group. Those under 1 year of service, the date was assumed to be January 1, 2018 and all other groups were assumed to be hired on July 1 of each service midpoint.

Rate of Mortality:

Healthy Annuitants - Based on 99% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Healthy Employees - Based on 99% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Healthy Annuitant Mortality Tables after the end of the Total Employee Mortality Table, both projected using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Disabled Annuitants - Based on 108% and 105% of the RP2014 Total Dataset Disabled Annuitant Mortality Table, respectively for males and females, projected from the 2006 base rates using the RPEC_2015 model with an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Retiree Continuation Percentage:

Retirees currently in the Group Companion Plan (Medicare participants) are assumed to remain in the Group Companion Plan.

Retirees who are currently age 64 or over age 65 and enrolled in a Pre-Medicare plan are assumed to never be eligible for Medicare and are assumed to remain enrolled in the Pre-Medicare plan.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Retirees who are currently under age 64 and enrolled in a Pre-Medicare plan are assumed to be eligible for Medicare and are assumed to remain in the Pre-Medicare plan until age 64 and enroll in the Group Companion plan at age 65.

Spouses who are currently in the Pre-Medicare plan will follow the same assumptions as the retired member; if the member is never eligible for Medicare the spouse is not either.

Significant actuarial assumptions employed by the actuary for claims and expense purposes are the based on the actual community rated premiums of the entire group. As of June 30, 2018, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through June 30, 2018 and projects through 2019 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

Medical Plan Election - Employees are assumed to continue in their current medical plan for their entire career. 50% of retirees are assumed to switch from the Choice Plan to the Standard plan.

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Group Companion Plan, all retirees under age 64 and current actives with a date of hire before 3/31/1986.

Changes in Total OPEB Liability

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

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2019, there were no differences between expected and actual experience.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2018. For the fiscal year ended June 30, 2019, there were no changes in assumptions.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Unit's Finance Department at 45 Millard Harrison Drive, Readfield, Maine 04355

NOTE 19 - DEFERRED COMPENSATION PLAN

The Unit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all Unit employees as part of a collective bargaining agreement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 20 - RISK MANAGEMENT

The Unit 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 Unit carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine School Management Association.

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

NOTE 21 - CONTINGENCIES

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

The Unit participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Unit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 may be impaired. In the opinion of the Unit, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Regional School Unit No. 38 receives subsidy funding payments through the State of Maine. The State subsidy payment amount is adjusted quarterly for the Unit's share of MaineCare Seed, which is the required local share of MaineCare revenue that the State pays on behalf of the Unit and then recovers through the ED 279. Adjustments made by the State in the fiscal year of 2020 could include expenditures from the fiscal year of 2019 that would normally be accrued. The actual amount cannot be determined at this time. However, it is the position of the Regional School Unit No. 38 that this practice is consistent with the formal recommendation of the Maine Department of Education to all Maine units concerning this matter.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 22 - LETTER OF CREDIT

At June 30, 2019, the Unit has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at Camden National Bank. This letter of credit, which expires at the close of business on January 16, 2020, authorizes draws only up to the amount of \$300,000.00. There were no draws for the year ended June 30, 2019.

NOTE 23 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Unit's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 24 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2017 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). The beginning net position was restated by \$4,079,960. The resulting restatement decreased net position from \$9,890,287 to \$5,810,327.

NOTE 25 - SUBSEQUENT EVENT

On October 31, 2019, the Unit issued a general obligation bond in the amount of \$5,843,710. The term of the bond is for a fifteen-year period with yearly principal and interest payments of \$389,581 and fixed interest rates varying from 1.610% to 3.005%.

Required Supplementary Information

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

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

REGIONAL SCHOOL UNIT NO. 38

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 813,239	\$ 813,239	\$ 813,239	\$ -
Resources (Inflows):				
Support from towns	12,954,458	12,954,458	12,954,458	-
Intergovernmental revenues:				
State subsidy	3,616,792	3,616,792	3,616,792	-
Other	79,000	79,000	49,592	(29,408)
Charges for services:				
Tuition	550,000	550,000	563,638	13,638
Transportation	40,000	40,000	47,997	7,997
Proceeds from sale of assets	-	-	2,076	2,076
Insurance proceeds	-	-	6,687	6,687
Miscellaneous revenues	80,000	80,000	115,548	35,548
Amounts Available for Appropriation	<u>18,133,489</u>	<u>18,133,489</u>	<u>18,170,027</u>	<u>36,538</u>
Charges to Appropriations (Outflows):				
Regular instruction	7,627,120	7,597,120	7,420,837	176,283
Special education	2,364,094	2,349,094	2,045,910	303,184
Other instruction	450,400	450,400	438,412	11,988
Student and staff support	1,856,948	1,856,948	1,728,071	128,877
System administration	624,333	624,333	597,644	26,689
School administration	1,098,134	1,098,134	1,034,765	63,369
Transportation	983,699	1,018,699	1,018,381	318
Operations and maintenance	2,219,045	2,199,045	2,095,564	103,481
Debt service:				
Principal	535,058	535,058	535,058	-
Interest	17,344	17,344	17,344	-
Other community service	9,076	9,076	7,314	1,762
Transfers to other funds	135,000	165,000	165,000	-
Total Charges to Appropriations	<u>17,920,250</u>	<u>17,920,250</u>	<u>17,104,300</u>	<u>815,950</u>
Budgetary Fund Balance, June 30	<u>\$ 213,239</u>	<u>\$ 213,239</u>	<u>\$ 1,065,727</u>	<u>\$ 852,488</u>
Utilization of assigned fund balance	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ (600,000)</u>

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

REGIONAL SCHOOL UNIT NO. 38

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SET Plan:</u>					
Unit's proportion of the net pension liability	0.03%	0.04%	0.04%	0.03%	0.03%
Unit's proportionate share of the net pension liability	\$ 446,679	\$ 513,457	\$ 649,213	\$ 455,935	\$ 375,026
State's proportionate share of the net pension liability associated with the Unit	<u>9,001,581</u>	<u>9,348,838</u>	<u>\$ 11,296,578</u>	<u>\$ 8,979,229</u>	<u>\$ 7,448,248</u>
Total	<u>\$ 9,448,260</u>	<u>\$ 9,862,295</u>	<u>\$ 11,945,791</u>	<u>\$ 9,435,164</u>	<u>\$ 7,823,274</u>
Unit's covered-employee payroll	\$ 8,604,078	\$ 7,847,279	\$ 8,278,271	\$ 7,945,154	\$ 7,977,611
Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.19%	6.54%	7.84%	5.74%	4.70%
Plan fiduciary net position as a percentage of the total pension liability	85.17%	80.78%	76.21%	81.18%	83.91%

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

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SET Plan:</u>					
Contractually required contribution	\$ 353,514	\$ 341,581	\$ 321,507	\$ 312,722	\$ 265,543
Contributions in relation to the contractually required contribution	<u>(353,514)</u>	<u>(341,581)</u>	<u>(321,507)</u>	<u>(312,722)</u>	<u>(265,543)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Unit's covered-employee payroll	\$ 8,542,512	\$ 8,604,078	\$ 7,847,279	\$ 8,278,271	\$ 7,945,154
Contributions as a percentage of covered-employee payroll	4.14%	3.97%	4.10%	3.78%	3.34%

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

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

REGIONAL SCHOOL UNIT NO. 38

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>SET Life Insurance:</u>			
Proportion of the net OPEB liability	0.00%	0.00%	0.00%
Unit's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Unit	<u>235,061</u>	<u>226,875</u>	<u>-</u>
Total	<u>\$ 235,061</u>	<u>\$ 226,875</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,604,078	\$ 7,847,279	\$ 8,278,271
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	48.04%	47.29%	0.00%

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

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

REGIONAL SCHOOL UNIT NO. 38

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

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 7/1/17 (Reporting July 1, 2018)	\$4,232,586	\$ -	\$4,232,586
Changes for the year:			
Service cost	28,284	-	28,284
Interest	149,831	-	149,831
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(185,459)	-	(185,459)
Contributions - employer	-	152,626	(152,626)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(152,626)	(152,626)	-
Administrative expense	-	-	-
Net changes	<u>(159,970)</u>	<u>-</u>	<u>(159,970)</u>
Balances at 6/30/18 (Reporting June 30, 2019)	<u>\$ 4,072,616</u>	<u>\$ -</u>	<u>\$ 4,072,616</u>

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

REGIONAL SCHOOL UNIT NO. 38

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

	<u>2019</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	28,284
Interest (includes interest on service cost)	149,831
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(185,459)
Benefit payments, including refunds of member contributions	<u>(152,626)</u>
Net change in total OPEB liability	\$ (159,970)
Total OPEB liability - beginning	\$ 4,232,586
Total OPEB liability - ending	\$ 4,072,616
<u>Plan fiduciary net position</u>	
Contributions - employer	152,626
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(152,626)
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 4,072,616</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered payroll	\$ 8,521,824
Net OPEB liability as a percentage of covered payroll	47.8%

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

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

REGIONAL SCHOOL UNIT NO. 38
 SCHEDULE OF CONTRIBUTIONS - OPEB
 LAST 10 FISCAL YEARS*

	2019	2018	2017
<u>SET Life Insurance:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 8,542,512	\$ 8,604,078	\$ 7,847,279
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

	2019
<u>MEABT:</u>	
Employer contributions	\$ 152,626
Benefit payments	(152,626)
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 8,521,824
Contributions as a percentage of covered payroll	0.00%

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

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Changes of Assumptions

For both the SET Pension and OPEB Plans, the discount rate was reduced from 6.875% to 6.75.

The funding method for the OPEB MEABT Plan was changed from Projected Unit Credit funding to Entry Age Normal funding method.

Other Supplementary Information

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

- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Schedule of Net Position - Nonmajor Enterprise Funds
- Combining Schedule of Revenues, Expenditures and Changes in Net Position - Nonmajor Enterprise Funds
- Combining Schedule of Cash Flows - Nonmajor Enterprise Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Regular Instruction (Article 2)				
Elementary (Primary) Instruction	\$ 3,399,374	\$ 3,369,374	\$ 3,303,843	\$ 65,531
Secondary Instruction	4,036,350	4,036,350	3,938,576	97,774
Student Transportation - Field Trips	21,158	21,158	11,084	10,074
ESL	35,780	35,780	35,388	392
Gifted & Talented	134,458	134,458	131,946	2,512
Total	7,627,120	7,597,120	7,420,837	176,283
Special Education (Article 3)				
Administration	188,104	188,104	159,281	28,823
Resource Room	715,015	700,015	675,362	24,653
Self Contained	1,004,627	1,004,627	872,310	132,317
Tutor	4,787	4,787	1,120	3,667
Social Worker	7,765	7,765	4,238	3,527
Health	111,522	111,522	342	111,180
Psychological	129,735	129,735	111,901	17,834
Speech	202,539	202,539	218,507	(15,968)
Occupational Therapy	-	-	2,451	(2,451)
Total	2,364,094	2,349,094	2,045,910	303,184
Other Instruction (Article 5)				
Co-Curricular	91,158	91,158	79,136	12,022
Summer Program - Elementary	7,319	7,319	5,171	2,148
Athletics	351,923	351,923	354,105	(2,182)
Total	450,400	450,400	438,412	11,988

SCHEDULE A (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Student and Staff Support (Article 6)				
Guidance	316,629	316,629	297,495	19,134
Library	267,425	267,425	258,139	9,286
Technology	634,990	634,990	645,883	(10,893)
Assessment	76,379	76,379	71,128	5,251
Other Support Services	18,872	18,872	19,641	(769)
Health	340,422	340,422	317,178	23,244
Curriculum and Imp of Instruction	168,085	168,085	88,000	80,085
Staff Training	34,146	34,146	30,607	3,539
Total	<u>1,856,948</u>	<u>1,856,948</u>	<u>1,728,071</u>	<u>128,877</u>
System Administration (Article 7)				
School Board	92,110	92,110	76,055	16,055
Superintendent	247,008	247,008	228,262	18,746
Business Office	283,015	283,015	293,314	(10,299)
Fiscal Services	2,200	2,200	13	2,187
Total	<u>624,333</u>	<u>624,333</u>	<u>597,644</u>	<u>26,689</u>
School Administration (Article 8)				
Principal's Office	1,098,134	1,098,134	1,034,765	63,369
Total	<u>1,098,134</u>	<u>1,098,134</u>	<u>1,034,765</u>	<u>63,369</u>
Transportation (Article 9)	<u>983,699</u>	<u>1,018,699</u>	<u>1,018,381</u>	<u>318</u>
Operations and Maintenance (Article 10)				
Maintenance of Plant	527,768	527,768	594,148	(66,380)
Care of Buildings	951,273	951,273	906,223	45,050
Maintenance of Buildings	514,654	494,654	445,227	49,427
Capital Improvement	225,350	225,350	149,966	75,384
Total	<u>2,219,045</u>	<u>2,199,045</u>	<u>2,095,564</u>	<u>103,481</u>
Debt Service (Article 11)				
Principal	535,058	535,058	535,058	-
Interest	17,344	17,344	17,344	-
Total	<u>552,402</u>	<u>552,402</u>	<u>552,402</u>	<u>-</u>
Other Expenditures (Article 12)	<u>9,076</u>	<u>9,076</u>	<u>7,314</u>	<u>1,762</u>
Transfers to Other Funds				
Transfer to Health Program	30,000	30,000	30,000	-
Transfer to School Lunch Program	105,000	135,000	135,000	-
Total	<u>135,000</u>	<u>165,000</u>	<u>165,000</u>	<u>-</u>
Total Departmental Operations	<u>\$ 17,920,250</u>	<u>\$ 17,920,250</u>	<u>\$ 17,104,300</u>	<u>\$ 815,950</u>

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

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 181,536	\$ 88,860	\$ 270,396
Investments	-	-	82,825	82,825
Accounts receivable (net of allowance for uncollectibles)	1,046	-	-	1,046
Due from other governments	200,956	-	-	200,956
Due from other funds	109,943	-	-	109,943
TOTAL ASSETS	<u>\$ 311,945</u>	<u>\$ 181,536</u>	<u>\$ 171,685</u>	<u>\$ 665,166</u>
LIABILITIES				
Accounts payable	\$ 2,800	\$ -	\$ -	\$ 2,800
Loans payable	-	500,001	-	500,001
Due to other funds	200,664	-	-	200,664
TOTAL LIABILITIES	<u>203,464</u>	<u>500,001</u>	<u>-</u>	<u>703,465</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	45,066	-	171,685	216,751
Committed	2,690	-	-	2,690
Assigned	63,034	-	-	63,034
Unassigned	(2,309)	(318,465)	-	(320,774)
TOTAL FUND BALANCES (DEFICITS)	<u>108,481</u>	<u>(318,465)</u>	<u>171,685</u>	<u>(38,299)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 311,945</u>	<u>\$ 181,536</u>	<u>\$ 171,685</u>	<u>\$ 665,166</u>

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

REGIONAL SCHOOL UNIT NO. 38

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

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Support form towns	\$ 65,000	\$ -	\$ -	\$ 65,000
Intergovernmental revenue	745,097	-	-	745,097
Charges for services	137,586	-	-	137,586
Interest income	-	74	923	997
Other	11,163	-	8,130	19,293
TOTAL REVENUES	<u>958,846</u>	<u>74</u>	<u>9,053</u>	<u>967,973</u>
EXPENDITURES				
Capital outlay	-	318,539	-	318,539
Program expenses	868,422	-	9,600	878,022
TOTAL EXPENDITURES	<u>868,422</u>	<u>318,539</u>	<u>9,600</u>	<u>1,196,561</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>90,424</u>	<u>(318,465)</u>	<u>(547)</u>	<u>(228,588)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,324	-	-	4,324
Transfers (out)	(38,853)	-	-	(38,853)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,529)</u>	<u>-</u>	<u>-</u>	<u>(34,529)</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	55,895	(318,465)	(547)	(263,117)
FUND BALANCES (DEFICITS) - JULY 1	<u>52,586</u>	<u>-</u>	<u>172,232</u>	<u>224,818</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 108,481</u>	<u>\$ (318,465)</u>	<u>\$ 171,685</u>	<u>\$ (38,299)</u>

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

Special Revenue Funds

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

REGIONAL SCHOOL UNIT NO. 38

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

	Adult Education	Local Town Meeting	Maine Arts Community Grant	Adult Ed. College Transition	Wellness Grants
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ 847	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	5,321	-
Due from other funds	30,632	305	-	-	1,676
TOTAL ASSETS	\$ 31,479	\$ 305	\$ -	\$ 5,321	\$ 1,676
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	5,321	-
TOTAL LIABILITIES	-	-	-	5,321	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	31,479	-	-	-	1,676
Committed	-	305	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	31,479	305	-	-	1,676
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 31,479	\$ 305	\$ -	\$ 5,321	\$ 1,676

REGIONAL SCHOOL UNIT NO. 38

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

	MS MEF Grant	A.E. Maine Education Foundation	Health Center State Grant	MELMAC Grant	GEAR UP Grant
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	5,773	-	4,471
Due from other funds	2,079	100	-	2,900	-
TOTAL ASSETS	\$ 2,079	\$ 100	\$ 5,773	\$ 2,900	\$ 4,471
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,800
Due to other funds	-	-	5,773	-	1,671
TOTAL LIABILITIES	-	-	5,773	-	4,471
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	100	-	2,900	-
Committed	2,079	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	2,079	100	-	2,900	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 2,079	\$ 100	\$ 5,773	\$ 2,900	\$ 4,471

REGIONAL SCHOOL UNIT NO. 38

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

	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -
Due from other governments	61,430	104,510	-	1,562
Due from other funds	-	-	295	-
TOTAL ASSETS	\$ 61,430	\$ 104,510	\$ 295	\$ 1,562
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	61,430	104,510	-	1,562
TOTAL LIABILITIES	61,430	104,510	-	1,562
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	295	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	-	295	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 61,430	\$ 104,510	\$ 295	\$ 1,562

REGIONAL SCHOOL UNIT NO. 38

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

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	NEA Foundation Grant	Employee Laptop Fee
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ 199	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-
Due from other funds	-	-	46,200	11	10,396
TOTAL ASSETS	\$ -	\$ 199	\$ 46,200	\$ 11	\$ 10,396
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,508	-	-	-
TOTAL LIABILITIES	-	2,508	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	11	-
Assigned	-	-	46,200	-	10,396
Unassigned	-	(2,309)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	(2,309)	46,200	11	10,396
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 199	\$ 46,200	\$ 11	\$ 10,396

REGIONAL SCHOOL UNIT NO. 38

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

	Tech Fiscal Service	Local Ent. Pre-School	ME Agriculture in the Classroom	Title IVA
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	1,826	-	-
Due from other funds	6,438	-	1,205	-
TOTAL ASSETS	\$ 6,438	\$ 1,826	\$ 1,205	\$ -
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,826	-	-
TOTAL LIABILITIES	-	1,826	-	-
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	-	1,205	-
Committed	-	-	-	-
Assigned	6,438	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	6,438	-	1,205	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 6,438	\$ 1,826	\$ 1,205	\$ -

REGIONAL SCHOOL UNIT NO. 38

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

	Title VI Rural Low Income	Title IIA	Goldman Sachs Grant	Local Grant Extra Curricular	Total
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ 1,046
Due from other governments	9,466	6,597	-	-	200,956
Due from other funds	-	-	-	7,706	109,943
TOTAL ASSETS	\$ 9,466	\$ 6,597	\$ -	\$ 7,706	\$ 311,945
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,800
Due to other funds	9,466	6,597	-	-	200,664
TOTAL LIABILITIES	9,466	6,597	-	-	203,464
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	7,706	45,066
Committed	-	-	-	-	2,690
Assigned	-	-	-	-	63,034
Unassigned	-	-	-	-	(2,309)
TOTAL FUND BALANCES (DEFICITS)	-	-	-	7,706	108,481
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 9,466	\$ 6,597	\$ -	\$ 7,706	\$ 311,945

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

REGIONAL SCHOOL UNIT NO. 38

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

	Adult Education	Local Town Meeting	Maine Arts Community Grant	Adult Ed. College Transition	Wellness Grants
REVENUES					
Support from towns	\$ 65,000	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	34,237	-	2,250	7,966	-
Charges for services	104,428	-	-	-	-
Other	4,903	-	-	-	150
TOTAL REVENUES	<u>208,568</u>	<u>-</u>	<u>2,250</u>	<u>7,966</u>	<u>150</u>
EXPENDITURES					
Program expenses	173,337	-	2,250	7,966	224
TOTAL EXPENDITURES	<u>173,337</u>	<u>-</u>	<u>2,250</u>	<u>7,966</u>	<u>224</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,324	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	39,555	-	-	-	(74)
FUND BALANCES (DEFICITS) - JULY 1	<u>(8,076)</u>	<u>305</u>	<u>-</u>	<u>-</u>	<u>1,750</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 31,479</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,676</u>

REGIONAL SCHOOL UNIT NO. 38

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

	MS MEF Grant	A.E. Maine Education Foundation	Health Center State Grant	MELMAC Grant	GEAR UP Grant
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	6,884	-	32,853	-	33,526
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	<u>6,884</u>	<u>-</u>	<u>32,853</u>	<u>-</u>	<u>33,526</u>
EXPENDITURES					
Program expenses	6,683	-	-	5,106	33,526
TOTAL EXPENDITURES	<u>6,683</u>	<u>-</u>	<u>-</u>	<u>5,106</u>	<u>33,526</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>201</u>	<u>-</u>	<u>32,853</u>	<u>(5,106)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	(32,853)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(32,853)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	201	-	-	(5,106)	-
FUND BALANCES (DEFICITS) - JULY 1	<u>1,878</u>	<u>100</u>	<u>-</u>	<u>8,006</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 2,079</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 2,900</u>	<u>\$ -</u>

REGIONAL SCHOOL UNIT NO. 38

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

	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
REVENUES				
Support from towns	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	184,860	342,628	-	1,562
Charges for services	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	<u>184,860</u>	<u>342,628</u>	<u>-</u>	<u>1,562</u>
EXPENDITURES				
Program expenses	184,860	342,628	48	1,562
TOTAL EXPENDITURES	<u>184,860</u>	<u>342,628</u>	<u>48</u>	<u>1,562</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(48)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	(48)	-
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>-</u>	<u>343</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295</u>	<u>\$ -</u>

REGIONAL SCHOOL UNIT NO. 38

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

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	NEA Foundation Grant	Employee Laptop Fee
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	6,000	34,474	-	-	-
Charges for services	-	-	22,559	-	3,999
Other	-	1,030	-	-	-
TOTAL REVENUES	<u>6,000</u>	<u>35,504</u>	<u>22,559</u>	<u>-</u>	<u>3,999</u>
EXPENDITURES					
Program expenses	-	37,640	11,630	-	969
TOTAL EXPENDITURES	<u>-</u>	<u>37,640</u>	<u>11,630</u>	<u>-</u>	<u>969</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,000</u>	<u>(2,136)</u>	<u>10,929</u>	<u>-</u>	<u>3,030</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(2,136)	10,929	-	3,030
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>(173)</u>	<u>35,271</u>	<u>11</u>	<u>7,366</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ (2,309)</u>	<u>\$ 46,200</u>	<u>\$ 11</u>	<u>\$ 10,396</u>

REGIONAL SCHOOL UNIT NO. 38

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

	Tech Fiscal Service	Local Ent. Pre-School	ME Agriculture in the Classroom	Title IVA
REVENUES				
Support from towns	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	5,274	-	1,190
Charges for services	6,600	-	-	-
Other	-	-	-	-
TOTAL REVENUES	<u>6,600</u>	<u>5,274</u>	<u>-</u>	<u>1,190</u>
EXPENDITURES				
Program expenses	<u>1,931</u>	<u>5,274</u>	<u>205</u>	<u>1,190</u>
TOTAL EXPENDITURES	<u>1,931</u>	<u>5,274</u>	<u>205</u>	<u>1,190</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,669</u>	<u>-</u>	<u>(205)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,669	-	(205)	-
FUND BALANCES (DEFICITS) - JULY 1	<u>1,769</u>	<u>-</u>	<u>1,410</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 6,438</u>	<u>\$ -</u>	<u>\$ 1,205</u>	<u>\$ -</u>

REGIONAL SCHOOL UNIT NO. 38

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

	Title VI Rural Low Income	Title IIA	Goldman Sachs Grant	Local Grant Extra Curricular	Total
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ 65,000
Intergovernmental revenue	25,791	25,602	-	-	745,097
Charges for services	-	-	-	-	137,586
Other	-	-	-	5,080	11,163
TOTAL REVENUES	<u>25,791</u>	<u>25,602</u>	<u>-</u>	<u>5,080</u>	<u>958,846</u>
EXPENDITURES					
Program expenses	25,791	25,602	-	-	868,422
TOTAL EXPENDITURES	<u>25,791</u>	<u>25,602</u>	<u>-</u>	<u>-</u>	<u>868,422</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,080</u>	<u>90,424</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	4,324
Transfers (out)	-	-	-	-	(38,853)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,529)</u>
NET CHANGE IN FUND BALANCES	-	-	-	5,080	55,895
FUND BALANCES (DEFICITS), JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,626</u>	<u>52,586</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,706</u>	<u>\$ 108,481</u>

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

Capital Projects Funds

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

REGIONAL SCHOOL UNIT NO. 38

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

	Minor Projects	Totals
ASSETS		
Cash and cash equivalents	\$ 181,536	\$ 181,536
TOTAL ASSETS	<u>\$ 181,536</u>	<u>\$ 181,536</u>
LIABILITIES		
Loans payable	\$ 500,001	\$ 500,001
TOTAL LIABILITIES	<u>500,001</u>	<u>500,001</u>
FUND BALANCES (DEFICITS)		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	(318,465)	(318,465)
TOTAL FUND BALANCES (DEFICITS)	<u>(318,465)</u>	<u>(318,465)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 181,536</u>	<u>\$ 181,536</u>

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

REGIONAL SCHOOL UNIT NO. 38

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

	<u>Minor Projects</u>	<u>Totals</u>
REVENUE		
Interest income	\$ 74	\$ 74
TOTAL REVENUE	<u>74</u>	<u>74</u>
EXPENDITURES		
Capital outlay	<u>318,539</u>	<u>318,539</u>
TOTAL EXPENDITURES	<u>318,539</u>	<u>318,539</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(318,465)	(318,465)
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (318,465)</u>	<u>\$ (318,465)</u>

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

Permanent Funds

Permanent funds are used to account for assets held by Regional School Unit No. 38 that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unit or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of scholarships.

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2019

	Manchester Elementary Arts	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
ASSETS						
Cash and cash equivalents	\$ -	\$ 408	\$ 2,701	\$ 11,558	\$ 3,853	\$ 10,639
Investments	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 408	\$ 2,701	\$ 11,558	\$ 3,853	\$ 10,639
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	408	2,701	11,558	3,853	10,639
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	-	408	2,701	11,558	3,853	10,639
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 408	\$ 2,701	\$ 11,558	\$ 3,853	\$ 10,639

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
 JUNE 30, 2019

	Marion Tucker Memorial	Senior Citizens	John Stone Scholarship	Katie Piper	David McPhedran	Benjamin Barclay
ASSETS						
Cash and cash equivalents	\$ 3,848	\$ -	\$ 3,718	\$ 364	\$ 7,954	\$ 2,800
Investments	-	10,485	-	16,301	23,672	-
TOTAL ASSETS	<u>\$ 3,848</u>	<u>\$ 10,485</u>	<u>\$ 3,718</u>	<u>\$ 16,665</u>	<u>\$ 31,626</u>	<u>\$ 2,800</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	3,848	10,485	3,718	16,665	31,626	2,800
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>3,848</u>	<u>10,485</u>	<u>3,718</u>	<u>16,665</u>	<u>31,626</u>	<u>2,800</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,848</u>	<u>\$ 10,485</u>	<u>\$ 3,718</u>	<u>\$ 16,665</u>	<u>\$ 31,626</u>	<u>\$ 2,800</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2019

	Maranacook Com. Alumni Schol. Fund	Steve DeAngelis Scholarship	Luke Hopkins	Lloyd Jewett	Wendy Williams	Total
ASSETS						
Cash and cash equivalents	\$ 16,643	\$ 4,273	\$ 11,804	\$ 935	\$ 7,362	\$ 88,860
Investments	32,367	-	-	-	-	82,825
TOTAL ASSETS	\$ 49,010	\$ 4,273	\$ 11,804	\$ 935	\$ 7,362	\$ 171,685
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	49,010	4,273	11,804	935	7,362	171,685
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	49,010	4,273	11,804	935	7,362	171,685
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,010	\$ 4,273	\$ 11,804	\$ 935	\$ 7,362	\$ 171,685

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

REGIONAL SCHOOL UNIT NO. 38

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

	Manchester Elementary Arts	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
REVENUES						
Interest income	\$ -	\$ -	\$ 1	\$ 6	\$ 2	\$ 5
Other	115	-	-	-	-	-
TOTAL REVENUES	<u>115</u>	<u>-</u>	<u>1</u>	<u>6</u>	<u>2</u>	<u>5</u>
EXPENDITURES						
Other	300	100	-	-	-	250
TOTAL EXPENDITURES	<u>300</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
NET CHANGE IN FUND BALANCES	(185)	(100)	1	6	2	(245)
FUND BALANCES - JULY 1	<u>185</u>	<u>508</u>	<u>2,700</u>	<u>11,552</u>	<u>3,851</u>	<u>10,884</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ 2,701</u>	<u>\$ 11,558</u>	<u>\$ 3,853</u>	<u>\$ 10,639</u>

REGIONAL SCHOOL UNIT NO. 38

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

	Marion Tucker Memorial	Senior Citizens	John Stone Scholarship	Katie Piper	David McPhedran	Benjamin Barclay
REVENUES						
Interest income	\$ 2	\$ 157	\$ 2	\$ 70	\$ 256	\$ -
Other	200	-	150	-	300	2,800
TOTAL REVENUES	<u>202</u>	<u>157</u>	<u>152</u>	<u>70</u>	<u>556</u>	<u>2,800</u>
EXPENDITURES						
Other	500	150	150	2,000	2,000	-
TOTAL EXPENDITURES	<u>500</u>	<u>150</u>	<u>150</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(298)	7	2	(1,930)	(1,444)	2,800
FUND BALANCES - JULY 1	<u>4,146</u>	<u>10,478</u>	<u>3,716</u>	<u>18,595</u>	<u>33,070</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ 3,848</u>	<u>\$ 10,485</u>	<u>\$ 3,718</u>	<u>\$ 16,665</u>	<u>\$ 31,626</u>	<u>\$ 2,800</u>

REGIONAL SCHOOL UNIT NO. 38

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

	Maranacook Com. Alumni Schol. Fund	Steve DeAngelis Scholarship	Luke Hopkins	Lloyd Jewett	Wendy Williams	Total
REVENUES						
Interest income	\$ 411	\$ 2	\$ 6	\$ -	\$ 3	\$ 923
Other	55	2,000	-	-	2,510	8,130
TOTAL REVENUES	<u>466</u>	<u>2,002</u>	<u>6</u>	<u>-</u>	<u>2,513</u>	<u>9,053</u>
EXPENDITURES						
Other	3,400	200	-	300	250	9,600
TOTAL EXPENDITURES	<u>3,400</u>	<u>200</u>	<u>-</u>	<u>300</u>	<u>250</u>	<u>9,600</u>
NET CHANGE IN FUND BALANCES	(2,934)	1,802	6	(300)	2,263	(547)
FUND BALANCES - JULY 1	<u>51,944</u>	<u>2,471</u>	<u>11,798</u>	<u>1,235</u>	<u>5,099</u>	<u>172,232</u>
FUND BALANCES - JUNE 30	<u>\$ 49,010</u>	<u>\$ 4,273</u>	<u>\$ 11,804</u>	<u>\$ 935</u>	<u>\$ 7,362</u>	<u>\$ 171,685</u>

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

Enterprise Funds

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2019

	Daycare/ After School Program Readfield	Adult Education	Health Center	Total Other Enterprise Funds
ASSETS				
Current assets:				
Due from other funds	\$ 5,404	\$ -	\$ 33,602	\$ 39,006
TOTAL ASSETS	<u>\$ 5,404</u>	<u>\$ -</u>	<u>\$ 33,602</u>	<u>\$ 39,006</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ -	-	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Unrestricted	5,404	-	33,602	39,006
TOTAL NET POSITION	<u>5,404</u>	<u>-</u>	<u>33,602</u>	<u>39,006</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,404</u>	<u>\$ -</u>	<u>\$ 33,602</u>	<u>\$ 39,006</u>

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

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Daycare/ After School Program Readfield	Adult Education	Health Center	Total Other Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 37,449	\$ 32,025	\$ -	\$ 69,474
Miscellaneous	-	-	750	750
TOTAL OPERATING REVENUES	<u>37,449</u>	<u>32,025</u>	<u>750</u>	<u>70,224</u>
OPERATING EXPENSES				
Salaries	23,498	15,625	47,676	86,799
Benefits	2,164	812	6,245	9,221
Contractual services	5,186	8,349	10,600	24,135
Supplies	6,062	1,861	2,999	10,922
Other	-	1,054	433	1,487
TOTAL OPERATING EXPENSES	<u>36,910</u>	<u>27,701</u>	<u>67,953</u>	<u>132,564</u>
OPERATING INCOME (LOSS)	<u>539</u>	<u>4,324</u>	<u>(67,203)</u>	<u>(62,340)</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in	-	-	68,853	68,853
Transfers (out)	-	(4,324)	-	(4,324)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>(4,324)</u>	<u>68,853</u>	<u>64,529</u>
CHANGES IN NET POSITION	539	-	1,650	2,189
NET POSITION - JULY 1	<u>4,865</u>	<u>-</u>	<u>31,952</u>	<u>36,817</u>
NET POSITION - JUNE 30	<u>\$ 5,404</u>	<u>\$ -</u>	<u>\$ 33,602</u>	<u>\$ 39,006</u>

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

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Daycare/ After School Program Readfield	Adult Education	Health Center	Total Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 37,449	\$ 32,025	\$ 750	\$ 70,224
Internal activity - receipts (payments) from/to other funds	(539)	-	(1,650)	(2,189)
Payments to employees	(23,498)	(15,625)	(47,676)	(86,799)
Payments to suppliers	(13,412)	(12,076)	(20,277)	(45,765)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>-</u>	<u>4,324</u>	<u>(68,853)</u>	<u>(64,529)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers	-	(4,324)	68,853	64,529
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(4,324)</u>	<u>68,853</u>	<u>64,529</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of fixed assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 539	\$ 4,324	\$ (67,203)	\$ (62,340)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Changes in operating assets and liabilities:				
(Increase) decrease in due from other funds	(539)	-	(1,650)	(2,189)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 4,324</u>	<u>\$ (68,853)</u>	<u>\$ (64,529)</u>

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

General Capital Assets

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Regular Instruction	\$ 101,228	\$ 8,879,473	\$ 197,888	\$ -	\$ 9,178,589
Special Education	38,400	2,894,701	1,566	-	2,934,667
Other Instruction	19,200	1,983,287	78,723	-	2,081,210
Administration	-	219,878	18,899	-	238,777
School Administration	19,200	1,417,902	91,955	-	1,529,057
Operations and Maintenance	19,200	1,606,581	158,931	-	1,784,712
Transportation	3,114	118,909	1,625,068	-	1,747,091
District Wide	365,451	2,523,598	469,259	-	3,358,308
School Lunch	-	-	42,269	-	42,269
Total General Capital Assets	565,793	19,644,329	2,684,558	-	22,894,680
Less: Accumulated Depreciation	-	(9,421,170)	(1,640,255)	-	(11,061,425)
Net General Capital Assets	<u>\$ 565,793</u>	<u>\$ 10,223,159</u>	<u>\$ 1,044,303</u>	<u>\$ -</u>	<u>\$ 11,833,255</u>

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

REGIONAL SCHOOL UNIT NO. 38

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

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
Regular Instruction	\$ 9,131,008	\$ 124,266	\$ (76,685)	\$ 9,178,589
Special Education	2,973,720	-	(39,053)	2,934,667
Other Instruction	2,126,263	-	(45,053)	2,081,210
Administration	233,386	12,463	(7,072)	238,777
School Administration	1,561,556	-	(32,499)	1,529,057
Operations and Maintenance	1,730,284	66,226	(11,798)	1,784,712
Transportation	1,793,271	157,648	(203,828)	1,747,091
District Wide	3,280,619	409,214	(331,525)	3,358,308
School Lunch	28,030	14,239	-	42,269
Total General Capital Assets	22,858,137	784,056	(747,513)	22,894,680
Less: Accumulated Depreciation	(11,126,652)	(676,033)	741,260	(11,061,425)
Net General Capital Assets	<u>\$ 11,731,485</u>	<u>\$ 108,023</u>	<u>\$ (6,253)</u>	<u>\$ 11,833,255</u>

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through State of Maine - Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	13-3024	\$ -	\$ 188,277
Special Milk Program for Children	10.556	13-3014	-	48,793
Subtotal Child Nutrition Cluster			<u>-</u>	<u>237,070</u>
Food Distribution Cluster:				
Commodity Supplemental Food Program	10.565	N/A	-	30,532
Subtotal Food Distribution Cluster			<u>-</u>	<u>30,532</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>267,602</u>
U.S. Department of Education				
Passed through State of Maine - Department of Education:				
Adult Education-Basic Education to States	84.002A	13-6296	-	1,562
Title I Grants to Local Educational Agencies	84.010	13-3107	-	184,860
			<u>-</u>	<u>186,422</u>
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	13-3046	-	342,628
Special Education Preschool Grants	84.173	13-6247	-	5,274
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>347,902</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	N/A	-	33,526
Rural Education	84.358	13-3305	-	25,791
Supporting Effective Instruction State Grants	84.367	13-3042	-	25,602
Student Support and Academic Enrichment Program	84.424	N/A	-	1,190
Total U.S. Department of Education			<u>-</u>	<u>620,433</u>
U.S. Department of Health & Human Services				
Passed through State of Maine - Department of Education:				
Family Planning Services	93.217	13-2652	-	6,000
Total U.S. Department of Health & Human Services			<u>-</u>	<u>6,000</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 894,035</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Regional School Unit No. 38 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Regional School Unit No. 38, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Regional School Unit No. 38.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Regional School Unit No. 38 has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Food Donation Program

The Regional School Unit No. 38 reports commodities consumed on the Schedule at the fair value [or entitlement value]. The Government allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities.



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

Board of Directors
Regional School Unit No. 38
Readfield, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Regional School Unit No. 38 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 38's basic financial statements, and have issued our report thereon dated December 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 38's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 38's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 38's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional School Unit No. 38's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
December 29, 2019



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Regional School Unit No. 38
Readfield, Maine

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 38's compliance with the types of compliance requirements described in the *OMB Circular Supplement* that could have a direct and material effect on each of Regional School Unit No. 38's major federal programs for the year ended June 30, 2019. Regional School Unit No. 38's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Regional School Unit No. 38's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional School Unit No. 38's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional School Unit No. 38's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 38 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Regional School Unit No. 38 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional School Unit No. 38's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 38's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
December 29, 2019

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
In accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.556	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None



INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Board of Directors
Regional School Unit No. 38
Readfield, Maine

We have audited the financial statements of Regional School Unit No. 38 for the year ended June 30, 2019 and have issued our report thereon dated December 29, 2019. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Regional School Unit No. 38's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, Regional School Unit No. 38 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Regional School Unit No. 38 was in noncompliance with, or in violation of, those provisions.

Management has determined that no adjustments were necessary to the fiscal books of the Unit and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the Board of Directors, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
December 29, 2019

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REGIONAL SCHOOL UNIT NO. 38

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
 SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2019

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (3000)	Total
June 30 Balance per Maine Education Financial System	\$ 1,065,728	\$ 16,278	\$ -	\$ 1,082,006
Other Adjustments:				
Fund 1500 Adult Education	-	31,479	-	31,479
Fund 7200 Clearing Account	-	(2,309)	-	(2,309)
Fund 9100 MLTI Student Fee	-	46,200	-	46,200
Fund 9110 Employee Laptop Fee	-	10,396	-	10,396
Fund 9120 Tech Fiscal Service	-	6,438	-	6,438
Rounding	(1)	(1)	-	(2)
Audited GAAP Basis Fund balance June 30	<u>\$ 1,065,727</u>	<u>\$ 108,481</u>	<u>\$ -</u>	<u>\$ 1,174,208</u>