

REGIONAL SCHOOL UNIT NO. 19

Annual Financial Report

For the Year Ended June 30, 2019

REGIONAL SCHOOL UNIT NO. 19
Annual Financial Report
For the year ended June 30, 2019

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Independent Auditor's Report

Board of Directors
Regional School Unit No. 19
Newport, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 19 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 19 as of June 30, 2019, and the respective changes in financial position and budgetary comparison for the General Fund 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, the required supplementary information related to the net pension liability, and the required supplementary information related to the OPEB liabilities, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School Unit No. 19's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, including the detailed budgetary comparison, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the 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 other information is 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 November 14, 2019 on our consideration of the Regional School Unit No. 19's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regional School Unit No. 19's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional School Unit No. 19's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

November 14, 2019
South Portland, Maine

REGIONAL SCHOOL UNIT NO. 19
Management's Discussion and Analysis
June 30, 2019

In this section of the Annual Financial Report, we, the managers of Regional School Unit #19, discuss and analyze the School Unit's financial performance for the fiscal year ended June 30, 2019. Please read it in conjunction with the independent auditors' report on page 1-3, and the School Unit's Basic Financial Statements which begin on page 11.

FINANCIAL HIGHLIGHTS

The General Fund ended the year with a total fund balance of \$3,878,496, which was an increase from last year of \$702,595. \$1,944,937 of the fund balance is classified as assigned. The assigned fund balance is for the early payoff of an operating bond, reducing local assessments along with establishing a capital reserve fund. The District also finds it financially prudent to maintain a fund balance of 3% of the budget or approximately \$850,000.

At the end of the year, the School Unit's governmental activities had net position of \$13,160,097 of which \$-780,327 was unrestricted. The negative unrestricted fund balance is due to accounting rules that require pension and post-employment benefit liabilities to be reported on these statements which totaled \$4,665,585 at June 30, 2019.

Bonds and notes payable increased by \$5,495,434 from prior year-end. An additional \$9,084,090 bond was issued to fund the completion of the new middle school/high school project. \$3,588,656 in bond payments were made on the original middle school/high school bond along with bond and note payments on the District's operating bond, old middle school bond, and a renovation bond.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 13 and 14. These provide information about the activities of the School Unit as a whole and present a longer-term view of the School Unit's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the School Unit's operations in more detail than the government-wide statements by providing information about the School Unit's most significant funds. For governmental funds, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the School Unit acts solely as a trustee or agent for the benefit of those outside of the School Unit.

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the School Unit's individual funds.

Reporting the School Unit as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the School Unit's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the School Unit is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the School Unit's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the School Unit's operations during the year. These statements use the accrual basis of accounting, which is the basis used by private sector companies.

REGIONAL SCHOOL UNIT NO. 19
Management's Discussion and Analysis, Continued

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The School Unit's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the School Unit and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the local taxpayers or by the State of Maine in the form of annual foundation allocations and debt service subsidies. All the School Unit's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the School Unit's net position and changes in it. The School Unit's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) provide one measure of the School Unit's financial health, or financial position. Over time, increases or decreases in the School Unit's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the School Unit, however, you should consider non-financial factors as well, such as changes in the School Unit's average daily attendance or the property tax base of its member communities and the condition of the School Unit's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the School Unit into two kinds of activities:

Governmental activities - Most of the School Unit's basic services are reported here, including the instruction, guidance, co-curricular activities, food services, transportation, maintenance, and general administration. Annual assessments to member communities, State subsidies, tuition, fees, and federal grants finance most of these activities.

Fiduciary activities - The School Unit oversees several scholarship and agency funds, including the individual accounts established by each school for student activities. The School Unit is financially accountable for these accounts.

Reporting the School Unit's Most Significant Funds

Fund Financial Statements

In the Governmental Funds Balance Sheet on Page 15 and the Statement of Revenues, Expenditures and Changes in Fund Balances for Government Funds on Page 16, we divide the District into two kinds of Activities:

General Fund – Most of the District's basic series are reported here, including instruction, counseling, co-curricular activities, transportation, maintenance of plant and equipment, general administration. Local assessments, State subsidies, tuition and fees finance most of these activities.

Special Revenue Funds – Used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue accounts include the School Grants, Food Services, and Adult Education funds.

Capital Project Fund – Used to account for the construction expenditures related to the new school, as well as the bond proceeds and other revenues used to finance the construction.

REGIONAL SCHOOL UNIT NO. 19
Management's Discussion and Analysis, Continued

The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the School Unit as a whole. Laws and contracts require the School Unit to establish some funds, such as grants received under the Every Student Succeeds Act (ESSA) from the U.S. Department of Education. The School Unit's administration establishes many other funds to help it control and manage money for particular purposes. The School Unit has two types of funds as follows:

Governmental funds - Most of the School Unit's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the School Unit's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.

Trust and Agency funds - The School Unit oversees several Trust and Agency type accounts including the scholarship funds and individual accounts established by each school for student activities. The School Unit is financially accountable for the accounts.

The School Unit as Trustee

Reporting the School Unit's Fiduciary Responsibilities

The School Unit is the trustee, or fiduciary, for money raised by student activities. All of the School Unit's fiduciary activities are reported in separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 19 and 20. We exclude these resources from the School Unit's other financial statements because the School Unit cannot use these assets to finance its operations. The School Unit is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

REGIONAL SCHOOL UNIT NO. 19
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position and changes in net position of the School Unit's governmental activities.

Governmental Activities - Net Position

	2019	Restated 2018
ASSETS		
Current and other assets	\$ 22,513,927	\$ 38,981,697
Capital assets, net of accumulated depreciation	63,333,509	34,352,636
Total assets	85,847,436	73,334,333
Deferred outflows related of resources	723,370	660,496
Long-term liabilities	67,170,244	61,882,809
Other liabilities	5,922,590	2,143,989
Total liabilities	73,092,834	64,026,798
Deferred inflows of resources	317,875	231,028
Net investment in capital assets	13,846,926	11,211,107
Restricted	93,498	118,696
Unrestricted	(780,327)	(1,592,800)
Total net position	\$ 13,160,097	\$ 9,737,003

Governmental Activities - Change in Net Position

Program revenues:		
Charges for services	\$ 309,139	\$ 302,657
Operating grants and contributions	4,456,496	4,277,746
General revenues:		
Local assessments	11,462,221	11,336,206
State education subsidy	16,862,653	14,200,055
Investment earnings	474,753	430,335
Miscellaneous	93,211	161,924
Total revenues	33,658,473	30,708,923
Expenses:		
Regular instruction	11,224,239	11,025,844
Special education instruction	4,239,770	4,389,642
Other instruction	659,483	586,789
Student and staff support	1,824,614	1,629,695
System administration	388,908	453,833
School administration	1,235,798	1,205,186
Transportation	2,071,498	1,961,467
Facilities maintenance	2,424,022	2,281,927
Adult education	186,965	202,725
School lunch program	1,059,916	1,020,859
Other expenditures	1,868,744	425,069
MainePERS on-behalf payments	1,632,936	1,508,844
Interest on debt	1,418,486	1,191,113
Total expenses	30,235,379	27,882,993
Change in net position	\$ 3,423,094	\$ 2,825,930

REGIONAL SCHOOL UNIT NO. 19
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the School Unit's governmental activities was \$13,160,097. This was an increase of \$3,423,094. 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 was \$-780,327 at June 30, 2019. The negative unrestricted net position relates to a new accounting pronouncement (GASB 75) requiring school districts to record post-employment benefits as a liability on the Districts financial statements. For RSU 19 this was \$3,322,768 at June 30, 2019.

THE SCHOOL UNIT'S FUNDS

As the School Unit completed the year, its governmental funds (as presented in Statement 3) reported a combined fund balance of \$16,848,756.

The School Unit's General Fund balance of \$3,878,496 reported on Statement 4 occurs due to auditing standards that require accrued summer wages to be included in the prior year's budget. The School Unit books and the State of Maine NEO Financial System accurately reports this balance for the general fund.

CAPITAL ASSET, OTHER LIABILITIES, AND DEBT ADMINISTRATION

Capital Assets

The School Unit's fiscal year 2019 capital budget included the financing of a new bus and van for our transportation department. The School Unit also replaced the burner for the boiler at the bus garage. The District also repaved a portion of the Somerset Elementary School driveway along with rebuilding the parking lot at the bus garage. Outside of the budget is the new middle/high school construction. The middle school side of the new building opened with the beginning of the 2019-2020 school year and we are look forward to moving the high school into the new building later this year.

Other Liabilities

Other obligations include accrued compensated absences for teachers and various capital leases.

Debt

At year-end, the School Unit had \$61,891,809 in bonds and notes outstanding. \$58,816,108 of the debt relates to the new middle/high school project. An additional \$2,015,250 remains on the bonds for the Sebec and Somerset schools. At year-end, there was a balance of \$1,043,508 on the Districts stabilization bond. This bond was paid off in July 2019 as part of the 2020 budget. The remaining approximately \$17,000 relates to a renovation bond that will be paid off in the 2020 budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Members of the School Unit's Board of Directors increased the fiscal year 2020 budget by 6.4%. The local assessments to the towns increased by an average of 2.3%. Major increases to the budget included paying off the Districts stabilization bond along with contractual wage increases and benefit cost increases (+7%). The District used fund balance to pay off the stabilization bond along with another \$340,000 from fund balance to reduce the local assessments. The 2020 budget also included a new athletic director position at the middle school along with a new nurse position.

CONTACTING THE SCHOOL 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 School Unit's finances and to show the School Unit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Unit's Finance Director, Joe Chadbourne at 207-368-5091.

BASIC FINANCIAL STATEMENTS

REGIONAL SCHOOL UNIT NO. 19
Statement of Net Position
June 30, 2019

	Governmental activities
ASSETS	
Cash and cash equivalents	\$ 21,966,057
Accounts receivable	12,531
Due from other governments	524,621
Inventory	10,718
Capital assets, not being depreciated	49,427,814
Capital assets, net of accumulated depreciation	13,905,695
Total assets	85,847,436
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	591,833
Deferred outflows of resources related to OPEB	131,537
Total deferred outflows of resources	723,370
LIABILITIES	
Accounts payable	3,998,275
Accrued payroll and benefits	1,666,896
Accrued interest	257,419
Noncurrent liabilities:	
Due within one year	4,230,821
Due in more than one year	62,939,423
Total liabilities	73,092,834
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	174,567
Deferred inflows of resources related to OPEB	143,308
Total deferred inflows of resources	317,875
NET POSITION	
Net investment in capital assets	13,846,926
Restricted	93,498
Unrestricted	(780,327)
Total net position	\$ 13,160,097

See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
Statement of Activities
For the year ended June 30, 2019

Function/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities
Governmental activities:					
Regular instruction	\$ 11,224,239	30,053	1,171,953	-	(10,022,233)
Special education	4,239,770	-	648,077	-	(3,591,693)
Other instruction	659,483	88,089	-	-	(571,394)
Student and staff support	1,824,614	-	-	-	(1,824,614)
System administration	388,908	-	-	-	(388,908)
School administration	1,235,798	-	-	-	(1,235,798)
Transportation	2,071,498	8,282	-	-	(2,063,216)
Facilities maintenance	2,424,022	2,100	-	-	(2,421,922)
Adult education	186,965	13,300	80,777	-	(92,888)
School lunch program	1,059,916	167,315	853,136	-	(39,465)
Other programs	1,868,744	-	69,617	-	(1,799,127)
MainePERS - on-behalf payments	1,632,936	-	1,632,936	-	-
Interest on debt	1,418,486	-	-	-	(1,418,486)
Total governmental activities	30,235,379	309,139	4,456,496	-	(25,469,744)
Total primary government	\$ 30,235,379	309,139	4,456,496	-	(25,469,744)

General revenues:

Local assessments 11,462,221

Grants and contributions not restricted to specific programs:

State education subsidy 16,755,309

Other intergovernmental 107,344

Investment earnings 474,753

Miscellaneous 93,211

Total general revenues 28,892,838

Change in net position 3,423,094

Net position - beginning, restated 9,737,003

Net position - ending \$ 13,160,097

See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
Balance Sheet
Governmental Funds
June 30, 2019

	General	Grant Fund	Construction Capital Project	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 5,714,931	-	16,224,206	26,920	21,966,057
Accounts receivable	10,281	-	-	-	10,281
Due from other governments	187,600	292,628	-	44,393	524,621
Interfund loans receivable	244,503	-	-	13,511	258,014
Inventory	-	-	-	10,718	10,718
Total assets	\$ 6,157,315	292,628	16,224,206	95,542	22,769,691
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	627,854	1,159	3,362,116	7,146	3,998,275
Accrued payroll and benefits	1,650,965	13,679	-	2,252	1,666,896
Interfund loans payable	-	184,292	1,110	70,362	255,764
Total liabilities	2,278,819	199,130	3,363,226	79,760	5,920,935
Fund balances:					
Restricted	-	93,498	-	-	93,498
Committed	-	-	12,860,980	15,782	12,876,762
Assigned	1,944,937	-	-	-	1,944,937
Unassigned	1,933,559	-	-	-	1,933,559
Total fund balances	3,878,496	93,498	12,860,980	15,782	16,848,756
Total liabilities and fund balances	\$ 6,157,315	292,628	16,224,206	95,542	
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.					63,333,509
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:					
Accrued compensated absences					(157,096)
Accrued interest					(257,419)
Capital leases					(455,754)
Bonds and notes payable					(61,891,809)
Net pension liability, including related deferred inflows and outflows of resources					(925,551)
OPEB liability, including related deferred inflows and outflows of resources					(3,334,539)
Net position of governmental activities					\$ 13,160,097

See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2019

	General	Grant Fund	Construction Capital Project	Other Governmental Funds	Totals
Revenues:					
Local assessments	\$ 11,342,221	-	-	120,000	11,462,221
Intergovernmental	18,569,781	1,766,005	-	906,878	21,242,664
Charges for services	51,972	-	-	179,014	230,986
Interest	78,740	-	396,013	-	474,753
Other revenues	169,763	76,485	-	1,601	247,849
Total revenues	30,212,477	1,842,490	396,013	1,207,493	33,658,473
Expenditures:					
Current:					
Regular instruction	9,667,613	-	-	-	9,667,613
Special education	4,239,770	-	-	-	4,239,770
Other instruction	657,552	-	-	-	657,552
Student and staff support	1,841,925	-	-	-	1,841,925
System administration	659,578	-	-	-	659,578
School administration	1,235,798	-	-	-	1,235,798
Transportation	2,095,703	-	-	-	2,095,703
Facilities maintenance	2,421,419	-	-	-	2,421,419
Adult education	-	-	-	186,965	186,965
School lunch	-	-	-	1,057,187	1,057,187
Other programs	-	1,868,744	-	-	1,868,744
MainePERS - on-behalf payments	1,632,936	-	-	-	1,632,936
Debt service					
Principal	3,550,104	-	-	-	3,550,104
Interest	1,468,838	-	-	-	1,468,838
Capital outlay	190,445	-	26,166,638	-	26,357,083
Total expenditures	29,661,681	1,868,744	26,166,638	1,244,152	58,941,215
Excess (deficiency) of revenues over (under) expenditures	550,796	(26,254)	(25,770,625)	(36,659)	(25,282,742)
Other financing sources (uses):					
Proceeds from lease issuance	190,445	-	-	-	190,445
Proceeds from bond issuance	-	-	9,084,090	-	9,084,090
Transfers in	778	2,688	-	36,736	40,202
Transfers out	(39,424)	(778)	-	-	(40,202)
Total other financing sources (uses)	151,799	1,910	9,084,090	36,736	9,274,535
Net change in fund balances	702,595	(24,344)	(16,686,535)	77	(16,008,207)
Fund balances, beginning of year, restated	3,175,901	117,842	29,547,515	15,705	32,856,963
Fund balances, end of year	\$ 3,878,496	93,498	12,860,980	15,782	16,848,756

See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
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 (from Statement 4)	\$	(16,008,207)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following are changes related to capital assets:

capital outlay	26,432,828	
depreciation expense	(694,868)	
loss on disposal of assets	(1,007,051)	24,730,909

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The following are changes in long term debt balances:

proceeds from bond issuance	(9,084,090)	
proceeds from capital lease issuance	(190,445)	
principal payments on bonds and notes	3,588,656	
principal payments on leases	277,324	(5,408,555)

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 interest		11,800
Accrued compensated absences		(3,448)
Net pension liability		(14,970)
OPEB liability		139,538
Deferred inflows/outflows of resources related to pensions		(52,404)
Deferred inflows/outflows of resources related to OPEB		28,431

Change in net position of governmental activities (see Statement 2)	\$	3,423,094
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See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the year ended June 30, 2019

	General Fund			
	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Local assessments	\$ 11,342,221	11,342,221	11,342,221	-
Intergovernmental	16,892,556	16,892,556	16,936,845	44,289
Charges for services	-	-	51,972	51,972
Interest	1,500	1,500	78,740	77,240
Other revenues	70,000	70,000	169,763	99,763
Total revenues	28,306,277	28,306,277	28,579,541	273,264
Expenditures:				
Current:				
Regular instruction	9,772,985	9,772,985	9,667,613	105,372
Special education	4,387,356	4,387,356	4,239,770	147,586
Other instruction	713,335	713,335	657,552	55,783
Student and staff support	1,933,731	1,933,731	1,841,925	91,806
System administration	1,008,268	1,008,268	967,428	40,840
School administration	1,247,466	1,247,466	1,235,798	11,668
Transportation	2,058,465	2,058,465	2,095,703	(37,238)
Facilities maintenance	2,533,445	2,533,445	2,421,419	112,026
Debt service	4,911,092	4,911,092	4,711,092	200,000
Total expenditures	28,566,143	28,566,143	27,838,300	727,843
Excess (deficiency) of revenues over (under) expenditures	(259,866)	(259,866)	741,241	1,001,107
Other financing sources (uses):				
Budgeted use of fund balance	339,866	339,866	-	(339,866)
Transfers in	-	-	778	778
Transfers out	(80,000)	(80,000)	(39,424)	40,576
Total other financing sources (uses)	259,866	259,866	(38,646)	(298,512)
Net change in fund balance	-	-	702,595	702,595
Fund balance, beginning of year			3,175,901	
Fund balance, end of year			\$ 3,878,496	

See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private- purpose Trusts	Agency funds
ASSETS		
Cash and cash equivalents	\$ 307,253	201,261
Investments	2,008	-
Total assets	309,261	201,261
LIABILITIES		
Due to the General Fund	2,250	-
Amounts held for others	-	201,261
Total liabilities	2,250	201,261
NET POSITION		
Held in trust	307,011	-
Total net position	\$ 307,011	-

See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2019

	Private- purpose Trusts
Additions:	\$
Investment income	1,765
Donations	34,811
Total additions	36,576
Deductions:	
Scholarships	36,062
Total deductions	36,062
Change in fiduciary net position	514
Net position, beginning of year	306,497
Net position, end of year	\$ 307,011

See accompanying notes to basic financial statements.

REGIONAL SCHOOL UNIT NO. 19
Notes to Basic Financial Statements

THE REPORTING ENTITY

Regional School Unit No. 19 was organized in 2009 under the laws of the State of Maine. The School Unit is administered by a twenty member Board of School Directors and encompasses the Towns of Corinna, Dixmont, Etna, Hartland, Newport, Palmyra, Plymouth, and St. Albans.

This report includes all funds of the School Unit. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the School Unit and/or its members, or whether the activity is conducted within the geographic boundaries of the School Unit and is generally available to its members.

It is the School Unit's judgment, based on all pertinent facts derived from the analysis of these criteria that there are no entities that would be considered potential component units within the School Unit that should be included as part of these basic financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Regional School Unit No. 19 conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Basis of Presentation

The School Unit's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School Unit as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of the governmental activities of the School Unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School Unit's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School Unit.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Fund Financial Statements:

During the year, the School Unit segregates transactions related to certain School Unit functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School Unit at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

The School Unit uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most functions of the School Unit are financed. The acquisition, use, and balances, of the School Unit's expendable financial resources, and the related liabilities, are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the School Unit's major governmental funds.

General Fund - The General fund is the general operating fund of the School Unit. All revenues not allocated by law or contractual agreement to another fund are accounted for in this fund. Paid from the fund are the general operating expenditures, the fixed charges, and the capital improvement costs not paid through other funds.

Grant Fund - Transactions related to resources obtained and used under certain federal, state, and local grants upon which restrictions are imposed and transactions related to the proceeds of special revenue sources (other than expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Construction Capital Project - The Construction Capital Project Fund is used to account for the funding sources (e.g., bond proceeds) and related capital outlay for the school construction project.

2. Fiduciary and Agency Fund Types:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension-trust funds, investment-trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School Unit under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School Unit's programs. The School Unit's only trust fund is a private-purpose trust which accounts for a scholarship program for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School Unit's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program and other programs for which the School Unit acts as a fiscal agent.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus

1. Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School Unit are included on the Statement on Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private-purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School Unit, available means expected to be received within one year of fiscal year-end.

Nonexchange transactions, in which the School Unit receives value without directly giving equal value in return, include local assessments, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School Unit must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School Unit on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

E. Budgetary Accounting

A budget is formally adopted for the General Fund each year by a referendum vote, and is prepared on a basis consistent with U.S. generally accepted accounting principles except for Maine Public Employees Retirement System (MainePERS) – on-behalf payments. Other special revenue funds, school lunch fund and capital project funds do not have legally adopted budgets but have adopted budgets through formal authorizations by the Board of School Directors and through grant agreements.

Deposits and Investments - The School Unit has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Investments are stated at fair market value.

Assessments - In accordance with the provisions of Title 20A, the directors of Regional School Unit No. 19 assess each member community a proportionate share of the additional revenues required to meet current year budgeted expenditures. Each member's proportionate share is based upon its percentage of the total valuation of the School Unit.

Interfund Transactions - During the course of normal operations, the School Unit has several transactions between funds including expenditures and transfers of resources to provide services. These transactions are reported as transfers.

Inventories - School Lunch inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventories include the value of the U. S. Department of Agriculture commodities donated to the School Lunch Program.

Capital Assets - Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

Buildings	25-80 years
Machinery and Equipment	5-30 years
Improvements	10-40 years
Vehicles	5-12 years

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences - Under terms of union contracts and personnel administration policies, employees are granted sick time in varying amounts and are, in some cases, entitled to payment for unused sick time upon termination or retirement. Vested and accumulated compensated absences have been recorded as a liability in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Pensions and OPEB - For purposes of measuring the net pension liability, the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, deferred inflows and outflows of resources related to OPEB, pension expense, and OPEB expense, information about the fiduciary net positions of the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), Maine Education Association Benefits Trust (MEABT) plan, and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments (if any) are reported at fair value.

Deferred Inflows and Outflows of Resources - In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental activities have deferred outflows and inflows that relate to the net pension liability and the OPEB liability, which include the School Unit's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between School Unit contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

Fund Balance - Governmental Funds fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the School Unit is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The voters at the School Unit budget meeting have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Portions of the General Fund fund balance may be assigned for future periods by management. Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the School Unit's practice to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the government's practice to use committed or assigned resources first, and then unassigned resources as they are needed.

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable and capital leases and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the School Unit or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School Unit's net investment in capital assets was calculated as follows at June 30, 2019:

Capital assets	\$ 79,830,790
Accumulated depreciation	(16,497,281)
Unspent bond proceeds	12,860,980
Bonds and notes payable	(61,891,809)
Capital leases	(455,754)
Net investment in capital assets	<u>\$ 13,846,926</u>

Use of Estimates - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis vs. GAAP Basis – General Fund

The School Unit's General Fund budget is prepared on a basis consistent with generally accepted accounting principles (U.S. GAAP) except for Maine Public Employees Retirement System (MainePERS) – on-behalf payments, which are not budgeted. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Statement 6) is prepared on the budgetary basis.

Also, as required by generally accepted accounting principles (GAAP), the School Unit has recorded a revenue and expenditure for MainePERS contributions made by the State of Maine on behalf of the School Unit. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$1,632,936. These amounts have been included as intergovernmental revenue and an education expenditure on Statement 2 and in the General Fund on Statement 4 (GAAP basis). There is no effect on the fund balance at the end of the year.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Overspent Appropriations

The following appropriations were overspent for the year ended June 30, 2019:

Transportation	\$ 37,238
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DEPOSITS

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the School Unit's deposits may not be returned to it. The School Unit does not have a deposit policy for custodial credit risk. As of June 30, 2019, the School Unit reported deposits of \$22,474,571 with a bank balance of \$22,946,537. Of the School Unit's bank balance of \$22,946,537, the entire amount was covered by FDIC or by additional insurance purchased on behalf of the School Unit by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$21,966,057
Reported in fiduciary funds	508,514
Total deposits	<u>\$22,474,571</u>

INVESTMENTS

At June 30, 2019, the School Unit had one investment in mutual funds reported in the fiduciary funds of \$2,008. As mutual funds are not considered securities, they are exempt from credit risk disclosure requirements.

The School Unit categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The mutual funds are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk – While the School Unit does not have a formal policy with regard to interest rate risk, its practice is to invest in liquid investments planned to coincide with the cash needs during the year.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is minimized by only holding investments authorized by Maine State statutes. Maine statutes authorize the School Unit to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual interfund receivable and payable balances and interfund transfers at June 30, 2019 were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 244,503	-	778	39,424
Grant Fund	-	184,292	2,688	778
Construction Capital Project	-	1,110	-	-
Nonmajor Governmental Funds:				
School Lunch	-	70,362	36,736	-
Adult Education	13,511	-	-	-
Fiduciary Funds:				
Private-purpose Trust	-	2,250	-	-
Total interfund balances	\$ 258,014	258,014	40,202	40,202

FUND BALANCE

As of June 30, 2019, fund balance components consisted of the following:

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Construction Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted:					
Federal, state and local grants	\$ -	93,498	-	-	93,498
Total restricted	-	93,498	-	-	93,498
Committed:					
Adult education	-	-	-	15,782	15,782
Capital projects	-	-	12,860,980	-	12,860,980
Total committed	-	-	12,860,980	15,782	12,876,762
Assigned:					
Subsequent year's budget	339,866	-	-	-	339,866
Future capital reserve	500,000	-	-	-	500,000
Use of fund balance – Etna Dixmont	61,563	-	-	-	61,563
Early repayment of operating bond	1,043,508	-	-	-	1,043,508
Total assigned	1,944,937	-	-	-	1,944,937
Unassigned	1,933,559	-	-	-	1,933,559
Total fund balance	\$ 3,878,496	93,498	12,860,980	15,782	16,848,756

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Restated Balance July 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	200,363	-	1,164	199,199
Construction in progress	23,164,777	26,063,838	-	49,228,615
Total capital assets, not being depreciated	23,365,140	26,063,838	1,164	49,427,814
Capital assets, being depreciated:				
Land improvements	371,843	84,000	19,899	435,944
Buildings	25,867,487	-	1,748,614	24,118,873
Equipment	1,961,047	168,386	100,033	2,029,400
Vehicles	3,752,815	116,604	50,660	3,818,759
Total capital assets, being depreciated	31,953,192	368,990	1,919,206	30,402,976
Less accumulated depreciation for:				
Land improvements	340,209	14,166	18,246	336,129
Buildings	11,706,660	433,074	778,197	11,361,537
Equipment	1,728,951	47,539	66,216	1,710,274
Vehicles	2,939,912	200,089	50,660	3,089,341
Total accumulated depreciation	16,715,732	694,868	913,319	16,497,281
Total capital assets being depreciated, net	15,237,460	(325,878)	1,005,887	13,905,695
Governmental activities capital assets, net	\$38,602,600	25,737,960	1,007,051	63,333,509

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 478,753
Other instruction	1,931
System administration	4,179
Facilities maintenance	2,603
Transportation	204,673
School lunch program	2,729
Total depreciation expense	\$ 694,868

In FY 2018, the School Unit closed its Hartland Elementary School but the building and related equipment were retained until the School Unit determined how it would dispose of the assets. In FY 2019, portable equipment from the Hartland School was transferred to other schools within the School Unit and the building and non-portable equipment was transferred to the Town of Hartland. The current year disposals reflect the disposition of the Hartland School building and related equipment.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

In FY 2019, the School Unit discovered that a construction invoice and related retainage should have been recognized as capital expenditures in the prior fiscal year in the capital projects fund and as an addition to construction in progress in the Statement of Net Position. The beginning balance of construction in progress and total capital assets have been restated by \$4,249,964.

LONG-TERM DEBT

A. Changes in Long-term Liabilities

The following is a summary of long-term liability transactions of the School Unit for the year ended June 30, 2019:

	<u>Restated Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$55,091,990	9,084,090	3,327,779	60,848,301	3,760,338
Notes from direct borrowings and direct placements	1,304,385	-	260,877	1,043,508	260,877
Capital leases	542,633	190,445	277,324	455,754	209,606
Net pension liability	1,327,847	14,970	-	1,342,817	-
OPEB liability	3,462,306	-	139,538	3,322,768	-
Accrued compensated absences	153,648	3,448	-	157,096	-
Governmental activities long-term liabilities	\$61,882,809	9,292,953	4,005,518	67,170,244	4,230,821

B. Bonds Payable and Notes Payable from Direct Borrowings and Direct Placements

The School Unit has outstanding general obligation bonds and notes from direct borrowings and direct placements totaling \$60,848,301 and \$1,043,508, respectively. Bonds payable and notes from direct borrowings and direct placements at June 30, 2019 are comprised of the following individual issues:

	<u>Date of issue</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Balance 6/30/19</u>
Bonds payable:					
School Construction – Revolving	06/03/2009	\$ 363,884(a)	0.00%	07/25/2019	16,907
School Construction	10/25/2001	13,435,000	3.23-5.13%	11/01/2021	2,015,250
School Construction	11/02/2017	52,349,530	1.34-4.07%	11/01/2037	49,732,054
School Construction	04/24/2019	9,084,090	1.72%-3.764%	11/01/2039	9,084,090
Total bonds					\$ 60,848,301
Notes from direct borrowings and direct placements:					
Stabilization Note	06/11/2013	2,800,000	4.00%	11/01/2022	1,043,508
Total bonds and notes payable					\$ 61,891,809

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

(a) The original amount of the loan was for \$1,212,947, of which \$849,063 has been forgiven by the State.

The annual requirements to amortize all bond obligations payable as of June 30, 2019 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,760,338	1,615,120	5,375,458
2021	3,743,431	1,587,064	5,330,495
2022	3,743,431	1,536,850	5,280,281
2023	3,071,680	1,482,158	4,553,838
2024	3,071,680	1,422,920	4,494,600
2025-2029	15,358,406	6,088,434	21,446,840
2030-2034	15,358,406	3,888,127	19,246,533
2035-2039	12,740,929	1,124,200	13,865,129
2040	-	8,328	8,328
Total	\$ 60,848,301	18,753,201	79,601,502

The annual requirements to amortize all notes from direct borrowings and direct placements payable as of June 30, 2019 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 260,877	36,651	297,528
2021	260,877	26,131	287,008
2022	260,877	15,696	276,573
2023	260,877	5,260	266,137
Total	\$ 1,043,508	83,738	1,127,246

C. Capital Leases

The School Unit has entered into lease agreements as lessee for financing the purchases of photocopiers, technology, school buses, and other vehicles. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The leases are reported in the Statement of Net Position.

The following items have been capitalized under capital leases as of June 30, 2019:

Photocopiers	\$59,649
School buses	291,479
Other vehicles	22,112

The leased technology has not been capitalized as individual assets are below the School Unit's capitalization threshold.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The following is a schedule of future minimum lease payments under the capital leases at June 30, 2019:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 209,606	15,328	224,934
2021	106,122	8,996	115,118
2022	83,889	4,985	88,874
2023	45,414	1,724	47,138
2024	10,723	163	10,886
Total	\$ 455,754	31,196	486,950

NET PENSION LIABILITY

General Information about the Pension Plan

Plan Description - Teaching-certified employees of the School Unit are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The SET Plan provides 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. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For SET members, normal retirement age is 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 reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by statute.

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Maine statute requires the State to contribute a portion of the School 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. Employees are required to contribute 7.65% of their annual pay. The School Unit's contractually required contribution rate for the year ended June 30, 2019, was 15.05% of annual payroll of which 3.97% of payroll was required from the School Unit and 11.08% was required from the State. Contributions to the pension plan from the School Unit were \$460,841 for the year ended June 30, 2019.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

NET PENSION LIABILITY, CONTINUED

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

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

School Unit's proportionate share of the net pension liability	\$ 1,342,817
State's proportionate share of the net pension liability	
associated with the School Unit	11,874,974
Total	\$ 13,217,791

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 School Unit's proportion of the net pension liability was based on a projection of the School 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 School Unit's proportion was 0.0995%. For the year ended June 30, 2019, the School Unit recognized a net pension expense of \$1,808,247 and revenue of \$1,280,032 for support provided by the State.

At June 30, 2019, the School Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,012	-
Changes in assumption	84,466	-
Net difference between projected and actual earnings on pension plan investments	-	174,567
Changes in proportion and differences between School Unit contributions and proportionate share of contributions	5,514	-
School Unit contributions subsequent to the measurement date	460,841	-
Total	\$ 591,833	174,567

An amount of \$460,841 is reported as deferred outflows of resources related to pensions resulting from School Unit contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

NET PENSION LIABILITY, CONTINUED

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

<u>Year ended June 30:</u>	
2019	\$ 74,193
2020	53,403
2021	(124,273)
2022	(46,898)

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75% to 14.50% per year
Investment return	6.75% per annum, compounded annually
Cost of living benefit increases	2.20% per annum

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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 of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30%	6.0%
U.S. government	7.5%	2.3%
Private equity	15%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Natural resources	5%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5%	4.2%
Diversifiers	10%	5.9%
Total	100%	

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

NET PENSION LIABILITY, CONTINUED

Discount Rate - The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local RSUs 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 of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Unit's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School Unit's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the School Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School Unit's proportionate share of the net pension liability	\$ 2,481,525	1,342,817	394,457

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2019.

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

General Information about the OPEB Plan

Plan Description - The School Unit sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Education Association Benefits Trust (MEABT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided - MEABT provides healthcare insurance benefits for retirees and their dependents. The employee must have participated in the MEABT health plan for the 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 45% of the blended single premium for the retiree only. Under State laws, the blended premium is determined by blending rates for active members and retired members. The retiree pays 55% of the blended premium rate for coverage selected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree and or spouse.

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employee entitled to but not yet receiving benefits	-
Active employees	<u>307</u>
Total	<u>408</u>

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

The School Unit's total OPEB liability of \$3,322,768 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 3,462,306
Changes for the year:	
Service Cost	31,810
Interest	122,836
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(167,193)
Benefit payments	<u>(126,991)</u>
Net changes	<u>(139,538)</u>
Balance at June 30, 2019	\$ <u>3,322,768</u>

Change in assumptions reflects a change in the discount rate from 3.58% to 3.87%.

For the year ended June 30, 2019, The School Unit recognized OPEB expense (gain) of \$36,432. At June 30, 2019, The School Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption or other inputs	\$ -	143,308
School Unit's contributions subsequent to measurement date	<u>131,537</u>	-
Total	\$ <u>131,537</u>	<u>143,308</u>

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

\$131,537 is reported as deferred outflows of resources related to OPEB resulting from School Unit contributions subsequent to the measurement date will be recognized as a reduction of the total 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:

Year ended June 30:	
2020	\$ (23,885)
2021	(23,885)
2022	(23,885)
2023	(23,885)
2024	(23,885)
Thereafter	(23,885)

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation for the total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Not reported
Salary increases	2.75% - 14.50% per year
Discount rate	3.87% per annum
Healthcare cost trend rates - Pre-Medicare	5.55% for 2018 grading over 15 years to 3.73%
Healthcare cost trend rates - Medicare	3.72% for 2018 grading over 15 years to 2.81%
Retirees' share of the benefit related costs	55% of the blended premium rate with a State subsidy for the remaining 45% of the blended premium rate

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - The rate used to measure the total OPEB liability was 3.87% per annum. Since the plan is pay as you go and is not funded, the discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the School Unit's total OPEB liability calculated using the discount rate of 3.87%, as well as what the School Unit's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 3,954,596	3,322,768	2,828,963

REGIONAL SCHOOL UNIT NO. 19
Notes to the Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE, CONTINUED

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School Unit's total OPEB liability calculated using the healthcare cost trend rates, as well as what the School Unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

		Healthcare Cost	
	1% Decrease	Trend Rates	1% Increase
Total OPEB liability	\$ 2,803,323	3,322,768	3,989,822

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

General Information about the OPEB Plan

Plan Description - The School Unit sponsors a post-retirement benefit plan providing group term life insurance to retiring Teachers. The plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements. MPERS issues a publicly available financial report that is available at www.maineopers.org.

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

Contributions - Premium rates are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims. The State of Maine is required to remit the total dollar amount of each year's annual required contribution. Contributions to the OPEB plan by the State of Maine on-behalf of the School Unit were \$29,741 for the year ended June 30, 2019. Employers and employees are not required to contribute to the OPEB plan.

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

At June 30, 2019, the School Unit reported no liability related to the plan. The State of Maine's proportionate share of the net OPEB liability associated with the School Unit was \$325,935 as of June 30, 2019. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School Unit's proportion of the net OPEB liability was based on a projection of the School Unit's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the School Unit's proportion was 0.00%.

For the year ended June 30, 2019, the School Unit recognized OPEB expense and revenues of \$29,741 for support provided by the State. At June 30, 2019, the School Unit reported no deferred outflows of resources nor deferred inflows of resources related to the OPEB plan.

REGIONAL SCHOOL UNIT NO. 19
Notes to Basic Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75% - 14.50%
Investment rate of return	6.75%

Mortality rates were based on the RP2014 Total Dataset Healthy Annuity Mortality Table, for males and females, with adjustments ranging 104% to 120% based on actuarially determined demographic differences.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.0%	6.0%
Real estate	5.0%	5.2%
Traditional credit	16.0%	3.0%
US Government Securities	9.0%	2.3%
Total	100.0%	

Discount Rate - The rate used to measure the total OPEB liability for the plan was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plans fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in a separately issued MPERS financial report.

COMMITMENTS

As of June 30, 2019, the School Unit had outstanding commitments with contractors for improvements at the Sebasticook and Somerset schools, as well as for the construction of the new Nokomis middle-high school. Of the contracted amounts, approximately \$450,000 remained for the Sebasticook and Somerset Schools and \$9.3 million remained for the Nokomis middle-high school.

REGIONAL SCHOOL UNIT NO. 19
Notes to Basic Financial Statements, Continued

COMMITMENTS, CONTINUED

The School Unit participates in a number of federally assisted grant programs. Although the programs have been audited in compliance with the Single Audit Act, as amended, these programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for, or including, the year ended June 30, 2019, have not yet been completed. Accordingly, the School Unit's compliance with applicable grant requirements will be established at some future date. The amount, if any, of the expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School Unit expects such amounts, if any, to be immaterial.

RISK MANAGEMENT

The School 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 School Unit either carries commercial insurance or participates in a public entity risk pool, which is sponsored by the Maine School Management Association (MSMA) for both Workers' Compensation coverage and Property and Casualty coverage. Based on the coverage provided by the pool described above, as well as coverage provided by commercial insurance purchased, the School Unit is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2019.

PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2019, the School Unit determined that an expenditure for the new school construction should have been recognized in FY 2018 as accounts payable in the construction fund and as part of the construction in progress asset on the statement of net position. The beginning fund balance for the Construction Capital Project fund and the beginning balance of capital assets have been restated for the amount that should have been accrued in the prior fiscal year.

In addition, the School Unit has restated beginning net position in the government-wide Statement of Net Position to account for the addition of the School Unit's total OPEB liability for an implicit liability related to retiree health insurance through the Maine Education Association Benefits Trust (MEABT). The School Unit's net position was decreased as of July 1, 2019 by \$3,502,508.

The following is a summary of the effect of the restatements:

	Construction CP Fund Fund Balance (<u>Stmt. 4</u>)	Governmental Activities Net Position (<u>Stmt. 2</u>)
Fund balance/net position as previously reported	\$ 33,797,479	13,239,511
Construction expenditures and related retainage	(4,249,964)	-
OPEB liability recorded	-	(3,462,306)
Deferred outflows related to OPEB recorded	-	(40,202)
Fund balance, net position as restated	\$ 29,547,515	9,737,003

REGIONAL SCHOOL UNIT NO. 19
Notes to Basic Financial Statements, Continued

SUBSEQUENT EVENTS

On July 22, 2019, the School Unit paid off the Stabilization Bond held with Skowhegan Savings bank, for a total payment of \$1,043,508 and interest of \$9,377. The original maturity date of the bond was November 1, 2022.

In July 2019, the School Unit entered into an agreement with the Town of Corinna to convey to the Town the Corinna Elementary School, including the parcel of land. The School Unit will continue to use the portable building for an alternative education program until January 1, 2020, at which time the School Unit will convey the portable building to the Town of Corinna.

In July 2019, the School Unit entered into an agreement with the Town of Newport to convey to the Town the Newport Elementary School, including the parcel of land.

In August 2019, the School Unit entered into an agreement with the Town of St. Albans to convey to the Town the St. Albans Consolidated School, including the parcel of land.

REGIONAL SCHOOL UNIT NO. 19
Required Supplementary Information

Schedule of School Unit's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System State Employee and Teacher Plan
Last 10 Fiscal Years*

	<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
School Unit's proportion of the net pension liability	0.0995%	0.0914%	0.1063%	0.0802%	0.0800%
School Unit's proportionate share of the net pension liability	\$1,342,817	1,327,847	1,878,703	1,082,133	863,843
State's proportionate share of the net pension liability associated with the School Unit	11,874,974	12,851,444	16,446,183	13,408,849	10,639,197
Total	\$13,217,791	14,179,291	18,324,886	14,490,982	11,503,040
School Unit's covered payroll	12,032,125	11,809,413	12,180,503	12,189,864	11,943,865
School Unit's proportion share of the net pension liability as a percentage of its covered payroll	11.16%	11.24%	15.42%	8.88%	7.23%
Plan fiduciary net position as a percentage of of the total pension liability	82.90%	80.78%	76.21%	81.18%	83.91%

* Only five years of information available.

** The amounts presented for each fiscal year were determined as of the prior fiscal year.

REGIONAL SCHOOL UNIT NO. 19
Required Supplementary Information, Continued

Schedule of School Unit Contributions
Maine Public Employees Retirement System State Employee and Teacher Plan
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$460,841	477,675	396,806	409,265	323,032
Contributions in relation to the contractually required contribution	(460,841)	(477,675)	(396,806)	(409,265)	(323,032)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School Unit's covered payroll	11,552,631	12,032,125	11,809,413	12,180,503	12,189,864
Contributions as a percentage of covered payroll	3.99%	3.97%	3.36%	3.36%	2.65%

* Only five years of information available.

REGIONAL SCHOOL UNIT NO. 19
Required Supplementary Information, Continued

Schedule of Changes in the School Unit's Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2019</u>
Total OPEB Liability	
Service cost	\$ 31,810
Interest	122,836
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(167,193)
Benefit payments	<u>(126,991)</u>
Net change in total OPEB Liability	(139,538)
 Total OPEB liability - beginning	 <u>3,462,306</u>
Total OPEB liability - ending	\$ <u><u>3,322,768</u></u>
 Covered-employee payroll	 \$ 14,615,222
Total OPEB liability as a percentage of covered-employee payroll	22.73%

* Only one year of information available.

REGIONAL SCHOOL UNIT NO. 19
Required Supplementary Information, Continued

Schedule of School Unit's Proportionate Share of the Net OPEB Liability
Last 10 Fiscal Years*

	<u>2019**</u>	<u>2018**</u>
<u>SET OPEB Plan</u>		
School Unit's proportion of the net OPEB liability	0.000%	0.000%
School Unit's proportionate share of the net OPEB liability	\$ -	-
State's proportionate share of the net OPEB liability associated with the School Unit	<u>325,935</u>	<u>310,021</u>
<u>Total</u>	<u>\$325,935</u>	<u>310,021</u>
 Plan fiduciary net position as a percentage of of the total pension liability	 48.04%	 47.29%

* Only two years of information available.

** The amounts presented for each fiscal year were determined as of the prior fiscal year.

REGIONAL SCHOOL UNIT NO. 19
Required Supplementary Information, Continued

Notes to Required Supplementary Information

Net Pension Liability

Changes of Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in the most recent valuation:

	<u>2018</u>	<u>2016</u>	<u>2015</u>
Discount rate	6.75%	7.125%	7.125%
Inflation rate	2.75%	2.75%	3.5%
Salary increases	2.75% - 14.5%	2.75% - 14.5%	3.5% - 13.5%

In 2015, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

In 2016, and going forward, mortality rates were based on the RP2014 Total Data Set Health Annuitant Mortality Table.

Total OPEB Liability – Health Insurance

Changes of Benefit Terms - None

Changes of Assumptions – Changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	Discount Rate
2019	3.87%
2018	3.58%

Net OPEB Liability – Group Term Life Insurance

Changes of Benefit Terms - None

Changes of Assumptions - None

Fiscal Year	Discount Rate
2019	6.75%
2018	6.875%

*This schedule is intended to show information for ten years, but only the years in which a change occurred have been displayed. Additional year's information will be displayed as it becomes available.

COMBINING AND INDIVIDUAL FUND STATEMENTS

These statements provide a more detailed view of the "basic financial statements" presented in the preceding subsection.

Combining statements are presented when there is more than one fund of a given fund type.

GENERAL FUND

The General Fund is the general operating fund of the School Unit. All revenues that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

REGIONAL SCHOOL UNIT NO. 19
General Fund
Comparative Balance Sheets
June 30, 2019 and 2018

		2019	2018
ASSETS			
Cash and cash equivalents	\$	5,714,931	4,837,161
Accounts receivable		10,281	3,230
Due from other governments		187,600	10,428
Interfund loans receivable		244,503	150,833
Total assets	\$	6,157,315	5,001,652
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable		627,854	96,047
Accrued payroll and benefits		1,650,965	1,729,704
Total liabilities		2,278,819	1,825,751
Fund balance:			
Assigned		1,944,937	339,867
Unassigned		1,933,559	2,836,034
Total fund balance		3,878,496	3,175,901
Total liabilities and fund balance	\$	6,157,315	5,001,652

REGIONAL SCHOOL UNIT NO. 19
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2019
(with comparative actual amounts for the year ended June 30, 2018)

	2019		Variance positive (negative)	2018 Actual
	Budget	Actual		
Revenues:				
Local assessments	\$ 11,342,221	11,342,221	-	11,227,220
Intergovernmental:				
State subsidy	16,857,556	16,755,309	(102,247)	14,096,406
State agency clients	25,000	74,192	49,192	44,401
Medicaid	10,000	21,835	11,835	21,021
Other intergovernmental	-	85,509	85,509	82,628
Total intergovernmental	16,892,556	16,936,845	44,289	14,244,456
Charges for services:				
Tuition	-	30,053	30,053	24,218
Transportation	-	8,282	8,282	5,189
Event admission	-	11,537	11,537	10,149
Rent	-	2,100	2,100	4,920
Total charges for services	-	51,972	51,972	44,476
Interest	1,500	78,740	77,240	14,472
Other revenues:				
J.R.O.T.C.	60,000	76,552	16,552	62,499
Refunds	-	41,756	41,756	61,001
Sale of school property	-	5,087	5,087	11,000
Miscellaneous	10,000	46,368	36,368	89,923
Total other revenues	70,000	169,763	99,763	224,423
Total revenues	28,306,277	28,579,541	273,264	25,755,047
Expenditures:				
Current:				
Regular instruction	9,772,985	9,667,613	105,372	9,420,771
Special education	4,387,356	4,239,770	147,586	3,760,795
Career and technical education	-	-	-	161,039
Other instruction	713,335	657,552	55,783	578,310
Student and staff support	1,933,731	1,841,925	91,806	1,637,238
System administration	1,008,268	967,428	40,840	560,247
School administration	1,247,466	1,235,798	11,668	1,205,186
Transportation	2,058,465	2,095,703	(37,238)	1,898,172
Facilities maintenance	2,533,445	2,421,419	112,026	2,317,877
Debt service	4,911,092	4,711,092	200,000	1,857,451
Total expenditures	28,566,143	27,838,300	727,843	23,397,086

REGIONAL SCHOOL UNIT NO. 19
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, Continued

	2019			2018 Actual
	Budget	Actual	Variance positive (negative)	
Excess (deficiency) of revenues over (under) expenditures	\$ (259,866)	741,241	1,001,107	2,357,961
Other financing sources (uses):				
Budgeted use of fund balance	339,866	-	(339,866)	-
Transfers in	-	778	778	-
Transfers out	(80,000)	(39,424)	40,576	(20,683)
Total other financing sources (uses)	259,866	(38,646)	(298,512)	(20,683)
Net change in fund balance	-	702,595	702,595	2,337,278
Fund balance, beginning of year		3,175,901		838,623
Fund balance, end of year	\$	3,878,496		3,175,901

OTHER GOVERNMENTAL FUNDS

REGIONAL SCHOOL UNIT NO. 19
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds		
	School Lunch	Adult Education	Totals
ASSETS			
Cash and cash equivalents	\$ 25,538	1,382	26,920
Due from other governments	42,560	1,833	44,393
Interfund loans receivable	-	13,511	13,511
Inventory	10,718	-	10,718
Total assets	\$ 78,816	16,726	95,542
LIABILITIES AND FUND DEFICITS			
Liabilities:			
Accounts payable	7,146	-	7,146
Accrued payroll and benefits	1,308	944	2,252
Interfund loans payable	70,362	-	70,362
Total liabilities	78,816	944	79,760
Fund balances:			
Committed	-	15,782	15,782
Total fund balances	-	15,782	15,782
Total liabilities and fund balances	\$ 78,816	16,726	95,542

REGIONAL SCHOOL UNIT NO. 19
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2019

	Special Revenue Funds		
	School Lunch	Adult Education	Totals
Revenues:			
Local assessments	\$ -	120,000	120,000
Intergovernmental	853,136	53,742	906,878
Charges for services	167,315	11,699	179,014
Other revenues	-	1,601	1,601
Total revenues	1,020,451	187,042	1,207,493
Expenditures:			
Current:			
Adult education	-	186,965	186,965
School lunch	1,057,187	-	1,057,187
Total expenditures	1,057,187	186,965	1,244,152
Excess (deficiency) of revenue over (under) expenditures	(36,736)	77	(36,659)
Other financing sources (uses):			
Transfer in	36,736	-	36,736
Total other financing sources (uses)	36,736	-	36,736
Net change in fund balances	-	77	77
Fund balances, beginning of year	-	15,705	15,705
Fund balances, end of year	\$ -	15,782	15,782

MAJOR SPECIAL REVENUE FUNDS

REGIONAL SCHOOL UNIT NO. 19
Special Revenue Funds - Grant Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2019

		Fund balances (deficits) beginning of year	Revenues Federal/ State revenues	Other revenues	Expenditures Program expenditures	Transfers	Fund balances end of year
Federal programs:							
2001	Teacher incentive fund	\$ 262	-	-	-	(262)	-
2300	Title IA - disadvantaged	-	1,016,441	-	1,016,054	-	387
2310	Program improvement	(401)	31,026	-	29,408	-	1,217
2500	Local entitlement	1,993	566,970	-	566,970	-	1,993
2510	IDEA preschool	31	6,915	-	6,915	-	31
2640	Title IVA - student support and academic enrichment	-	557	-	557	-	-
2670	Title VI - rural education	-	27,075	-	27,075	-	-
2700	Title IIA - supporting effective instruction	-	96,854	-	96,854	-	-
Total federal programs		1,885	1,745,838	-	1,743,833	(262)	3,628
Other programs:							
2010	Lawrence O'Tool grant	7,369	-	-	4,239	-	3,130
2020	Bridge year program	5,321	-	2,132	-	-	7,453
2030	Broadcasting	500	-	-	-	-	500
2060	ME community grant	140	-	-	-	(140)	-
2080	Other local grants	10,786	-	4,611	6,797	-	8,600
2090	United Way homeless	103	-	700	639	-	164
2100	Barr grant	5,002	-	37,012	40,484	-	1,530
2130	MELMAC	20,089	-	-	5,404	-	14,685
2140	Project care	65	-	-	-	(65)	-
2200	Dental	166	-	-	-	(166)	-
2209	National board certification	(453)	20,167	-	22,402	2,688	-
2210	After school	5,123	-	-	-	-	5,123
2232	Proficiency based transition	45,243	-	-	20,760	-	24,483
2233	PEPG grant	4,600	-	-	-	-	4,600
2240	Depot	3,239	-	27,035	21,384	-	8,890
2280	MaineESP	145	-	-	-	(145)	-
2420	Reading recovery	8,519	-	4,995	2,802	-	10,712
Total other programs		115,957	20,167	76,485	124,911	2,172	89,870
Total		\$ 117,842	1,766,005	76,485	1,868,744	1,910	93,498

SCHEDULES

REGIONAL SCHOOL UNIT NO. 19
Combining Schedule of Cash Receipts, Disbursements, and Changes in Balances
Fiduciary Funds - Agency Funds
School Activity Funds
For the year ended June 30, 2019

				Balance			Balance
				July 1, 2018	Additions	Deductions	June 30, 2019
Activity Fund:							
Corinna Elementary School	Schedule 2	\$	9,943	7,651	11,207	6,387	
Etna-Dixmont School	Schedule 3		9,673	18,430	21,341	6,762	
Newport Elementary School	Schedule 4		8,260	12,256	11,531	8,985	
Nokomis Regional High School	Schedule 5		138,277	137,925	154,255	121,947	
Sebasticook Valley Middle School	Schedule 6		24,500	26,927	31,059	20,368	
Somerset Valley Middle School	Schedule 7		21,247	32,737	27,813	26,171	
St. Albans Consolidated School	Schedule 8		10,181	6,149	5,689	10,641	
Total			\$	222,081	242,075	262,895	201,261

REGIONAL SCHOOL UNIT NO. 19
Corinna Elementary School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2019

	Balances (deficits) July 1, 2018	Receipts	Disbursements	Balances June 30, 2019
21st century	\$ 22	-	22	-
Charity	15	-	15	-
Discretionary fund P-K-4	3,067	-	2,409	658
General elementary	6,601	2,652	3,990	5,263
Library elementary	316	4,269	4,238	347
Postage	(78)	730	533	119
Totals	\$ 9,943	7,651	11,207	6,387

REGIONAL SCHOOL UNIT NO. 19
Etna-Dixmont School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2019

	Balances July 1, 2018	Receipts	Disbursements	Transfers	Balances June 30, 2019
EDS school	\$ 316	-	-	(316)	-
Field trips	222	-	-	(222)	-
General fund	3,422	5,567	6,108	-	2,881
Juice	552	3,146	3,267	-	431
Library	903	5,669	5,513	-	1,059
Music	5	-	-	(5)	-
Scholarship	1,389	477	1,200	-	666
Sports	601	-	-	(601)	-
Toothacker	1,168	1,581	1,105	-	1,644
Yearbook	1,095	-	-	(1,095)	-
Activities	-	1,990	4,148	2,239	81
Totals	\$ 9,673	18,430	21,341	-	6,762

REGIONAL SCHOOL UNIT NO. 19
Newport Elementary School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2019

	Balances July 1, 2018	Receipts	Disbursements	Balances June 30, 2019
21st century	\$ 195	-	-	195
Band	155	-	-	155
Coop games	31	-	-	31
Dress down	290	573	300	563
Fundraising	600	-	-	600
General	11	-	-	11
Grants	665	-	-	665
Health	1,044	-	-	1,044
Library	620	6,793	6,650	763
PBIS	185	-	-	185
Postage	1,045	1,139	1,202	982
Recycling	512	-	-	512
School project	2,533	3,546	2,896	3,183
Sunshine	218	205	327	96
Title 1	156	-	156	-
Totals	\$ 8,260	12,256	11,531	8,985

REGIONAL SCHOOL UNIT NO. 19
Nokomis High School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2019

	Balances July 1, 2018	Receipts	Disbursements	Transfers	Balances (deficits) June 30, 2019
Alternative ed	\$ 101	1,900	1,959	-	42
Alternative ed produce	41	-	-	-	41
Art	12	-	-	-	12
Athletics	627	1,246	2,055	390	208
Automotive	707	-	-	-	707
BARR grant	647	34,415	37,797	-	(2,735)
Broadcasting	7,021	2,105	5,258	-	3,868
Burgundy and White Award	250	-	-	-	250
C. Lutz Oak Grove grant	-	-	-	220	220
CD account	208	11	-	-	219
Chemistry club	37	-	-	-	37
Class of 2017	991	-	-	-	991
Class of 2018	2,036	-	1,483	147	700
Class of 2019	9,082	7,977	11,812	160	5,407
Class of 2020	1,015	10,340	4,237	-	7,118
Class of 2021	-	1,660	798	-	862
Class of 2022	-	507	-	-	507
Cooking club	712	-	428	-	284
D. Leaver Oak Grove grant	-	-	-	500	500
Drama	7,278	5,473	4,973	(50)	7,728
FBLA	558	5,323	5,441	-	440
Flag pole	500	-	-	-	500
Food service	1,791	200	135	-	1,856
Garden club	237	288	325	60	260
General	3,037	11,735	3,688	(6,960)	4,124
Grants - Fraudenberger	205	-	-	-	205
Grants - Oak Grove	1,401	-	230	500	1,671
Graphics	11,235	1,068	821	(613)	10,869
Hanish	11	-	-	-	11
History	1	-	-	-	1
Horticulture	3,834	-	-	-	3,834
JMG	2,154	432	1,026	500	2,060
JROTC	13,674	15,570	13,713	(1,927)	13,604

continued

REGIONAL SCHOOL UNIT NO. 19
Nokomis High School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances, Continued
For the year ended June 30, 2019

		Balances July 1, 2018	Receipts	Disbursements	Transfers	Balances (deficits) June 30, 2019
Kern Kelly Oak Grove grant	\$	-	-	1,700	1,700	-
Key club		2,831	1,643	3,750	1,377	2,101
Latin club		282	2,808	2,473	-	617
Library		1,068	77	19	(64)	1,062
Literacy		38	-	-	-	38
M. Brown Oak Grove grant		-	-	993	1,000	7
Math team		100	-	-	-	100
Media journalism		415	-	-	-	415
MELMAC		5,958	220	2,176	1,265	5,267
NHS		387	2,290	2,230	(195)	252
Nokomis outing club		443	-	-	-	443
Nokomis school garden		152	-	68	-	84
P.E.A.C.E. team		42	-	-	-	42
Phys. Ed		840	-	-	-	840
Princ. - academic		6,890	4,465	9,105	930	3,180
Project graduation		16,617	4,225	5,706	-	15,136
Recycling club		58	-	-	-	58
Renaissance		446	-	-	-	446
Resource officer		300	-	-	-	300
S. Dubai Oak Grove grant		-	-	675	800	125
Scholarships		5,000	8,000	13,000	-	-
Science		128	-	-	-	128
Spanish club		218	-	-	-	218
Special olympics		2,009	108	733	-	1,384
Student senate		1,665	1,549	956	-	2,258
Table gaming		33	-	-	-	33
Tech - computer		85	-	30	-	55
Unified basketball		300	450	198	-	552
VIP		345	35	-	-	380
Warrior provisions		-	4,128	2,128	-	2,000
Yearbook		6,966	7,325	12,136	260	2,415
Checking other		15,258	352	-	-	15,610
Totals	\$	138,277	137,925	154,255	-	121,947

REGIONAL SCHOOL UNIT NO. 19
Sebasticook Valley Middle School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2019

	Balances (deficits) July 1, 2018	Receipts	Disbursements	Balances (deficits) June 30, 2019
Athletics	\$ 1,688	416	1,925	179
Book fair	359	2,182	2,165	376
Camp scholarship	5,625	-	1,643	3,982
Dress down	145	115	100	160
General	(532)	2,625	2,338	(245)
Grade 5	827	412	586	653
Grade 6	697	390	738	349
Grade 7	1,291	-	419	872
Grade 8	1,898	4,459	5,483	874
Library	696	114	-	810
Oak Grove foundation	789	-	-	789
Postage	(144)	753	687	(78)
Show chorus	2,723	1,700	1,425	2,998
Student council	3,636	4,821	5,284	3,173
SVMS	4,600	8,552	8,065	5,087
JMG	-	363	201	162
SVMS student	202	25	-	227
Totals	\$ 24,500	26,927	31,059	20,368

REGIONAL SCHOOL UNIT NO. 19
Somerset Valley Middle School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2019

	Balances July 1, 2018	Receipts	Disbursements	Balances (deficits) June 30, 2019
6th grade fund	\$ 631	345	345	631
Anthony Tucker scholarship	184	-	-	184
Boston	2,828	5,329	6,027	2,130
Duane Atkins scholarship	350	-	-	350
Food pantry	200	562	-	762
Arts booster	-	2,719	-	2,719
Health fund account	1,266	-	-	1,266
Library	1,221	5,469	5,202	1,488
Life skills	1,541	-	90	1,451
PBIS	138	88	-	226
Postage	179	790	1,134	(165)
PTF	409	143	-	552
Sports	3,335	1,989	1,557	3,767
Student council	1,128	-	-	1,128
Student fund	6,047	14,295	12,335	8,007
YAP	750	-	-	750
Yearbook	1,040	1,008	1,123	925
Totals	\$ 21,247	32,737	27,813	26,171

REGIONAL SCHOOL UNIT NO. 19
St. Albans Consolidated School Student Activity Funds
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2019

	Balances July 1, 2018	Receipts	Disbursements	Transfers	Balances June 30, 2019
Administration	\$ 2,393	92	257	-	2,228
Central office	70	544	505	-	109
General purpose	2,936	579	390	50	3,175
Library account	456	-	-	-	456
PTF	3,057	4,818	4,207	(50)	3,618
Student account	553	76	100	-	529
Sunshine	716	40	230	-	526
Totals	\$ 10,181	6,149	5,689	-	10,641