

REGIONAL SCHOOL UNIT #50

BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

(With Independent Auditors' Report Thereon)



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INDEPENDENT AUDITORS' REPORT

To the Management of the
Regional School Unit No. 50

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional School Unit No. 50 as of and for the year ended June 30, 2018, which collectively comprise the School's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional School Unit No. 50, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 25 through 27 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. 50's financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the Regional School Unit No. 50'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional School Unit No. 50's internal control over financial reporting and compliance

Presque Isle, Maine
December 4, 2018

REGIONAL SCHOOL UNIT #50

Management's Discussion & Analysis

(Unaudited)

As management of the Regional School Unit #50, we offer readers of the Regional School Unit #50's financial statements this narrative overview and analysis of the financial activities of the Regional School Unit #50 for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets of the Regional School Unit #50 exceed liabilities by \$4,387,041, which represents the total net position of the District.
- The ending fund balance for all governmental funds (which includes the special revenue funds and the District's lunch program) was \$942,615. This is a \$283,129 decrease from the prior year totals.
- The General Fund reports a fund balance of \$840,578 which represents 9% of annual general fund expenditures.

USING THIS ANNUAL REPORT

The Regional School Unit #50's financial statements are comprised of a series of statements. The Statement of Net Position and the Statement of Activities provide an overview of the government as a whole and its activities. The Fund Financial Statements, which begin immediately after the Statement of Activities, provide a more detailed look at the governmental funds. Next are the notes to the financial statements, which provide information essential to a complete understanding of the data provided. Following the notes are the combining and individual fund schedules, including special revenues and non-major governmental funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present financial information in two statements -the Statement of Net Position and the Statement of Activities. These statements provide an overview of the government as a whole (similar to private-sector statements). All of the current year's revenues are taken into account regardless of when cash is received.

The Statement of Net Position provides a picture of the difference between assets and liabilities, which is called Net Position. The Statement of Activities provides a look at how the net position has changed from the prior year to the current year. Increases or decreases in net position can show whether the District is improving or deteriorating. In the statement of Net Position and the Statement of Activities, activities are classified as follows:

- Governmental Activities -Most of the District's basic services are reported here, including the instruction, operation of plant and transportation, intergovernmental revenue (primarily revenues from the State of Maine), and user fees finance most of these activities.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts which is used to maintain control over resources which have been segregated for specific activities or objectives. The Regional School Unit #50, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories; governmental funds and fiduciary funds.

The Fund Financial Statements provide details of the District's most significant funds, not the District as a whole. These statements located in the fund financial statements and begin after the governmental fund financial statements. Some funds are required to be established by state law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

- *Fiduciary funds* -These funds are used to account for monies held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Regional School Unit #50's operational programs. These funds consist of student activity accounts.

THE DISTRICT AS A WHOLE -STATEMENT OF NET POSITION and STATEMENT OF ACTIVITIES

The following information is a condensed version of the Statement of Net Position with GASB-34 implementation. The analysis below focuses on the net position of the District's governmental activities.

	Governmental Activities		
	2018	2017	2016
Current and other assets	\$ 4,092,466	\$ 2,056,468	\$ 1,867,522
Capital assets	4,117,316	4,114,262	4,226,042
Total assets	<u>8,209,782</u>	<u>6,170,730</u>	<u>6,093,564</u>
Deferred outflows	<u>171,568</u>	<u>236,564</u>	<u>125,166</u>
Current liabilities	756,940	858,871	568,079
Long-term debt outstanding	3,086,895	629,859	466,075
Total liabilities	<u>3,843,835</u>	<u>1,488,730</u>	<u>1,034,154</u>
Deferred inflows	<u>150,474</u>	<u>97,881</u>	<u>141,529</u>
Net Position:			
Invested in Capital Assets, net of related debt	3,937,499	4,086,085	4,142,170
Unrestricted	449,542	734,568	900,877
Total net position	<u>\$ 4,387,041</u>	<u>\$ 4,820,653</u>	<u>\$ 5,043,047</u>

The following summarizes the changes in net position of the District's governmental activities:

	Governmental Activities		
	2018	2017	2016
Revenue:			
Property taxes	\$ 3,916,347	\$ 3,872,770	\$ 3,729,646
Federal / State assistance	5,088,280	4,890,664	4,873,032
Intergovernmental revenue - MSRS	558,011	549,479	502,145
Other revenues	86,250	78,897	118,681
Total revenues	<u>9,648,888</u>	<u>9,391,810</u>	<u>9,223,504</u>
Expenses:			
Instruction	4,645,158	4,659,244	4,270,343
Applied technology	395,402	380,188	383,990
Other instruction	315,070	293,739	264,140
Pension expense - MSRS on behalf payments	558,011	549,479	502,145
Nutrition	110,951	105,442	87,954
Student/staff support	696,014	671,058	623,831
Administration	903,367	949,047	976,298
Operation and maintenance of plant	1,316,041	1,183,674	1,122,954
Transportation	756,711	822,332	825,151
Total expenses	<u>9,696,725</u>	<u>9,614,203</u>	<u>9,056,806</u>
Change in net position	<u>\$ (47,837)</u>	<u>\$ (222,393)</u>	<u>\$ 166,698</u>

The Regional School Unit #50's net position for the governmental funds decreased by \$47,837 during the fiscal year ended June 30, 2018.

The total cost of governmental activities was \$11,118,848. However, many programs are subsidized by user fees, grants and contributions. Therefore, the ultimate cost to the taxpayers was \$9,696,725 after taking into consideration the program revenues. See the Statement of Activities -for greater detail.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

GOVERNMENTAL FUNDS

As indicated in the Financial Highlights, the Regional School Unit #50's governmental funds reported a fund balance of \$942,615, which represents a \$283,129 decrease. The general fund reports an unassigned fund balance of \$692,324. This unassigned amount (frequently referred to as the "District's surplus") represents a \$218,228 decrease over the June 30, 2017 unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceed budgeted revenues by \$81,982.

The following municipal revenue receipts were in excess of expectations and contributed to this increase:

Tuition	\$48,229
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Actual expenditures were under budget by \$525,750.

There was one line item which was over-expended, the School's nutrition transfer, for \$36,946.

After any transfers and utilization of prior year fund balance, if any, the change in fund balance was a \$218,228 decrease.

The bottom line is a general fund balance that decreased by \$255,088 and an unassigned fund balance which decreased by \$218,228. This was primarily due to the transfer of fund balance amounts to a new RSU which was established by several towns that withdrew from RSU #50.

CAPITAL ASSETS

Governmental activities capital assets net of depreciation totaled \$4,117,316 as of June 30, 2018, representing a \$3,054 increase from the prior year end. See financial statement note 9 for further details.

The most significant capital asset acquisitions by the District in 2017/18 were laptops and building renovations.

DEBT

The District currently had debt for a bus, was paid in full during the year.

Also, new debt issued in the amount of \$239,756 was used for laptops purchases. Also, a capital lease was entered into for building repairs of which \$2,452,850 remains in an escrow account to be used when renovations begin. See note 12 to the basic financial statements for further detailed information on the District's debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent, at 922 Dyer Brook Road, Dyer Brook, Maine 04747 / 207-757-8223 / fax 207-757-8257.

REGIONAL SCHOOL UNIT #50GOVERNMENT WIDE STATEMENTS OF NET POSITION
JUNE 30, 2018 and 2017

	GOVERNMENTAL ACTIVITIES	
	2018	2017
Assets		
Cash	\$ 1,192,596	\$ 1,539,583
Escrow fund deposit	2,452,850	-
Due from other governments	330,675	360,237
Prepaid expenses	98,254	135,114
Inventory	18,091	21,504
<i>Non-current capital assets</i>		
Property, plant and equipment	12,489,745	12,167,711
Accumulated depreciation	(8,372,429)	(8,053,449)
Total assets	<u>8,209,782</u>	<u>6,170,700</u>
Deferred outflows of resources		
Pensions	171,568	236,564
	<u>\$ 8,381,350</u>	<u>\$ 6,407,264</u>
Current liabilities		
Accounts payable	\$ 21,663	\$ 216,922
Accrued expenses	1,276	1,564
Contracts payable	674,062	612,208
Current portion of capital lease	59,939	28,177
<i>Non-current liabilities</i>		
Capital lease	2,572,728	-
Pension liability	473,643	583,334
Compensated absences	40,524	46,525
Total liabilities	<u>3,843,835</u>	<u>1,488,730</u>
Deferred inflows of resources		
Pensions	150,474	97,881
Net Position		
Investment in capital assets, net of related debt	3,937,499	4,086,085
Unrestricted	449,542	734,568
Total net position	<u>4,387,041</u>	<u>4,820,653</u>
	<u>\$ 8,381,350</u>	<u>\$ 6,407,264</u>

REGIONAL SCHOOL UNIT #50

BALANCE SHEETS - ALL GOVERNMENTAL FUNDS

JUNE 30, 2018

(with summarized financial information for the year ended June 30, 2017)

	Major funds		Non-major funds	2018	2017
	General	Special Revenue	Lunch	Totals	Totals
Assets:					
Cash	\$ 1,179,103	\$ -	\$ 13,493	\$ 1,192,596	\$ 1,539,583
Due from other funds	144,456	71,446	-	215,902	271,352
Due from other governments	187,212	128,324	15,139	330,675	360,237
Other receivables	-	-	-	-	-
Prepaid expenditures	98,254	-	-	98,254	135,114
Inventory	-	-	18,091	18,091	21,504
	<u>\$ 1,609,025</u>	<u>\$ 199,770</u>	<u>\$ 46,723</u>	<u>\$ 1,855,518</u>	<u>\$ 2,327,790</u>
Liabilities:					
Accounts payable	\$ 21,663	\$ -	\$ -	\$ 21,663	\$ 216,922
Withholding payable	1,276	-	-	1,276	1,564
Due to other funds	71,446	115,824	28,632	215,902	271,352
Contracts payable	674,062	-	-	674,062	612,208
Total liabilities	<u>768,447</u>	<u>115,824</u>	<u>28,632</u>	<u>912,903</u>	<u>1,102,046</u>
Fund Balance (Deficit):					
Non-spendable					
Inventory	-	-	18,091	18,091	21,504
Prepays	98,254	-	-	98,254	135,114
Restricted fund balance					
Federal/state programs	-	83,946	-	83,946	108,574
Capital Reserve	50,000	-	-	50,000	50,000
Unrestricted fund balance					
Unassigned	692,324	-	-	692,324	910,552
Total fund balance	<u>840,578</u>	<u>83,946</u>	<u>18,091</u>	<u>942,615</u>	<u>1,225,744</u>
	<u>\$ 1,609,025</u>	<u>\$ 199,770</u>	<u>\$ 46,723</u>	<u>\$ 1,855,518</u>	<u>\$ 2,327,790</u>
Total fund equity as noted above:				\$ 942,615	\$ 1,225,744
Amounts reported for governmental activities in the statement are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation and related debt:				3,937,499	4,086,085
Compensated absences are treated as long-term debt in the Statement of Net Position and reduces the fund balance:				(40,524)	(46,525)
Some liabilities, including net pension obligations, are not due and payable in the current periods and, therefore, are not reported in the funds net pension liability				(473,643)	(583,334)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:					
Deferred outflows of resources related to pensions				171,568	236,564
Deferred inflows of resources related to pensions				(150,474)	(97,881)
Total net position of governmental activities:				<u>\$ 4,387,041</u>	<u>\$ 4,820,653</u>

REGIONAL SCHOOL UNIT #50

COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized financial information for the year ended June 30, 2017)

	Major funds	Non-major funds		2018	2017
	General	Special Revenue	Lunch	Totals	Totals
Revenues					
Federal and State assistance	\$ 5,088,280	\$ 765,199	\$ 302,540	\$ 6,156,019	\$ 5,934,738
Property taxes	3,876,347	40,000	-	3,916,347	3,872,770
Tuition	273,229	2,486	-	275,715	245,696
Mainecare	-	8,679	-	8,679	18,476
Intergovernmental revenue - MSRS	558,011	-	-	558,011	549,479
Other revenues	86,250	-	69,990	156,240	153,069
Total revenues	9,882,117	816,364	372,530	11,071,011	10,774,228
Expenditures					
Instruction	4,847,277	805,217	-	5,652,494	5,603,246
Applied technology	395,402	-	-	395,402	380,188
Other	315,070	-	-	315,070	293,739
Pension expense - MSRS on behalf payments	558,011	-	-	558,011	549,479
Nutrition	-	-	488,978	488,978	460,759
Student / Staff support	719,913	-	-	719,913	671,058
Administration	903,367	-	-	903,367	949,047
Operation and maintenance of plant	1,251,614	-	-	1,251,614	1,229,719
Transportation	683,516	-	-	683,516	766,388
Total expenditures	9,674,170	805,217	488,978	10,968,365	10,903,623
Net change in fund balance	207,947	11,147	(116,448)	102,646	(129,395)
Other items					
Interfund transfer	(113,035)	-	113,035	-	-
Transfer to RSU 89	(350,000)	(35,775)	-	(385,775)	-
Fund balance (deficit) - July 1	1,095,666	108,574	21,504	1,225,744	1,355,139
Fund balance (deficit) - June 30	\$ 840,578	\$ 83,946	\$ 18,091	\$ 942,615	\$ 1,225,744

*See Independent Auditors' Report and
Notes to Financial Statements*

REGIONAL SCHOOL UNIT #50

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net changes in fund balances - all governmental funds	\$ 102,646	\$ (129,395)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	88,115	55,696
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded.	167,727	238,922
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	(7,898)	(39,603)
Compensated absences are not accrued in the governmental funds, but are accrued for the government-wide statement of net position. The change in compensated absences from prior year totals	6,001	2,689
Loss on disposal of fixed assets	(797)	-
Depreciation expense (footnote 9)	(403,631)	(350,702)
Change in net position of governmental activities	<u>\$ (47,837)</u>	<u>\$ (222,393)</u>

REGIONAL SCHOOL UNIT #50

STATEMENTS OF AGENCY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
JUNE 30, 2018 and 2017

				2018	2017
	<u>Private-Purpose Trust Funds</u>	<u>High School Activities</u>	<u>Elementary Activities</u>	<u>Fiduciary Fund Total</u>	<u>Fiduciary Fund Total</u>
Assets					
Cash	\$ 813	\$ 98,893	\$ 26,085	\$ 125,791	\$ 115,422
Investments	25,984	2,381	-	28,365	28,815
	<u>\$ 26,797</u>	<u>\$ 101,274</u>	<u>\$ 26,085</u>	<u>\$ 154,156</u>	<u>\$ 144,237</u>
Liabilities					
Due to student groups	<u>\$ 26,797</u>	<u>\$ 101,274</u>	<u>\$ 26,085</u>	<u>\$ 154,156</u>	<u>\$ 144,237</u>

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The financial statements of the District consist of all funds of the District and government entities that are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The District has no entities that are controlled or dependent on the District.

Government-wide and Fund financial statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District (the primary government) and its component units. For the most part, the effect of inter-fund activity has been removed from these financial statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate statements are provided for government funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Measurement Focus / Basis of Accounting / Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, a fiduciary fund type, have no measurement focus. Revenues, except for property taxes, are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the period or soon enough thereafter to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are due and payable.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The revenues susceptible to accrual are property taxes and state assistance. All other governmental fund revenues are recognized when received and are recognized as revenue at that time.

The District reports the following major governmental funds:

The *general fund* is the District's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue fund accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Federal Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Additionally, the District reports the following fund type(s):

Lunch program is used to account for resources restricted to, or designated for, the District's lunch program. State subsidies and fees collected from lunch sales along with food purchases and labor and other costs, such as materials and supplies, are accounted for in the fund.

Fiduciary Funds:

Private-purpose trust funds account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments, such as escheat property held in trust for the benefit of individuals or other governments. The District's Private-purpose trust fund is the scholarship fund.

Agency funds are clearing accounts used to account for assets held for other funds, governments, or individuals. Examples are a fund to hold property taxes collected by one government on behalf of other governments, a fund to hold employee withholding taxes until they are remitted to the appropriate authorities, and a fund to hold refundable construction performance bonds. Agency funds are custodial in nature; that is, their assets equal their liabilities. The District's Agency Fund is the Student Activity Fund.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's proprietary fund (if applicable) and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, 2) operating or capital grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Budgets

An operating budget is adopted each year for the general fund on the same modified accrual basis used to reflect actual revenues and expenditures. Special revenue funds do not have legally adopted budgets, but administratively approved project budgets.

Deposits and investments

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

State statutes authorize the District to invest in obligations of the U.S. government, its agencies and instrumentalities, and other state and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost if actual historical is not available. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance are recorded as expenses.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives. Estimated useful lives are as follows:

Buildings	60 years
Building improvements	15 years
Vehicles and equipment	5-10 years

Inventories

The lunch program inventories are stated at net realizable.

Compensated Absences

The District has varying policies with regard to accruing sick leave, severance and vacation days. Upon reaching retirement age and ten years of service, an employee is paid the full amount of accumulated vacation days not taken, up to 30 days. This policy is a change from prior years, where payment was made even if an employee did not reach retirement age. The District's estimated financial liability for severance payments at June 30, 2018 and 2017 is \$40,524 and 46,525, respectively.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prepaid items

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. *Non-spendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District Board of Directors (the district's highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense. Actual results could differ from these estimates.

Pensions

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

2. COMMITMENTS AND CONTINGENCIES

Grant programs

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

3. PENSION PLAN

Description

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

Pension Benefits

The SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SETP 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 contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

Member and Employer 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. The contractually required contribution rates 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.

3. PENSION PLAN (cont'd)

SET Plan - Maine statute requires the State to contribute a portion of the School's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The School's contractually required contribution rate for the year ended June 30, 2018 was 11.68% of annual payroll. Contributions to the pension plan from the School were \$155,025 for the year ended June 30, 2018.

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

The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The School's proportion of the net pension liabilities were based on projections of the School's long-term share of contributions to the pension plans relative to the projected contributions of all participating School Administrative Units and the State (SET Plan), actuarially determined.

SET Plan - At June 30, 2018, the School reported a liability of \$473,643 for its proportionate share of the net pension liability.

At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,920	\$ -
Net difference between projected and actual investment earnings on pension plan investments	132,143	139,108
Changes in assumptions	-	7,397
Changes in proportion and differences between district contributions and proportionate share of contributions	19,505	3,969
	<u>\$ 171,568</u>	<u>\$ 150,474</u>

3. PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	2.75%	2.75%
Salary increases per year	2.75-9.0%	2.75-14.5%
Investment return per annum compounded annually	6.875%	6.875%
Cost of living benefit increases per annum	2.20%	2.20%

Mortality rates were based on the RP2014 Combined Mortality Table is used.

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%
	<u>100%</u>	

Discount Rate

The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' 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 liabilities.

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, 2018.

4. DEPOSITS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Maine or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The District's deposits were fully insured or collateralized as required by state statutes at June 30, 2018. The carrying amount of the District's deposits was \$1,192,596 and the bank balance was \$1,760,972.

Deposits have been collateralized as follows:

	<u>Par Value</u>	<u>Market Value</u>
Florida State BofE	\$ 29,000	\$ 30,713
Bridgewater MA	\$ 394,000	\$ 395,879
GNR 2012-131 A	\$ 208,000	\$ 195,079
Portland Water Dist.	\$ 218,000	\$ 220,963

5. USDA COMMODITIES - LUNCH PROGRAM

The lunch program receives and uses various commodities under an agreement with the United States Department of Agriculture (USDA). Commodity transactions for the year ended June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Commodities on hand - July 1	\$ 21,504	\$ 17,901
Commodities received during the year	19,344	29,907
	<u>40,848</u>	<u>47,808</u>
Commodities on hand - June 30	18,091	21,504
Commodities used during the year	<u>\$ 22,757</u>	<u>\$ 26,304</u>

6. FINANCIAL POSITION - LUNCH PROGRAM

	<u>2018</u>	<u>2017</u>
Cash	\$ 13,493	\$ 1,921
Due from governments	15,139	51,863
Inventories	18,091	21,504
	<u>\$ 46,723</u>	<u>\$ 75,288</u>
Due to general fund	\$ 28,632	\$ 53,784
Fund balance	18,091	21,504
	<u>\$ 46,723</u>	<u>\$ 75,288</u>

7. INTERFUND ACTIVITY AND BALANCES

At June 30, 2018, interfund balances are as follows:

		Due from		
		General fund	Special Revenue	Other fund
Due to	General fund		\$ 115,824	\$ 28,632
	Special revenue fund	\$ 71,446		
	Other funds			

The above balances reflect the fact that all the cash activity for special revenue programs flows through the general fund.

For the year ended June 30, 2018, \$113,035 of operating money was transferred to the lunch program.

8. CONTRACTS PAYABLE

The District's policy is to budget and reflect payments on teacher contracts on a cash basis. The statement of operating revenues, expenditures, and changes in fund balances for the year ended June 30, 2018, reflects actual expenditures according to generally accepted accounting principles and also to the legally enacted cash basis for teacher contracts.

9. FIXED ASSETS

The following is a summary of changes in capital assets:

	Balance 7/1/17	Additions	Deletions	Balance 6/30/18
<i>Asset:</i>				
Land	\$ 115,683	\$ -	\$ -	\$ 115,683
Land improvement	143,623	51,746	(23,343)	172,026
Building and improvements	9,010,144	62,041	-	9,072,185
Furniture/equipment	1,400,925	285,664	(62,105)	1,624,484
Food service equipment	70,904	8,032	-	78,936
Software	110,723	-	-	110,723
Playground	55,349	-	-	55,349
Vehicles	1,260,359	-	-	1,260,359
	<u>12,167,710</u>	<u>407,483</u>	<u>(85,448)</u>	<u>12,489,745</u>
<i>Accumulated depreciation</i>				
Land improvement	68,941	10,174	(4,668)	74,447
Building and improvements	5,884,867	189,252	(20,994)	6,053,125
Furniture/equipment	1,247,658	100,299	(58,989)	1,288,968
Food service equipment	72,952	2,534	-	75,486
Playground	51,716	-	-	51,716
Vehicles	727,314	101,371	-	828,685
	<u>8,053,448</u>	<u>403,630</u>	<u>(84,651)</u>	<u>8,372,427</u>
Net book value	<u>\$ 4,114,262</u>	<u>\$ 3,853</u>	<u>\$ (797)</u>	<u>\$ 4,117,318</u>

Depreciation is allocated as follows on the statement of activities:

Instruction \$100,299, Operation of plant \$199,426, Transportation \$101,371, nutrition \$2,535.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the period July 1, 2018 through December 4, 2018 for any possible disclosures. Major building renovation financing was secured during the 17-18 fiscal year. Funds have been received, but work to buildings is scheduled to be done during subsequent years.

Also on July 1, 2018 several towns withdrew from RSU 50 and formed a new regional school unit. These towns included Mount Chase, Stacyville, Sherman, Patten and Moro Plantation. As a result of this withdrawal, \$385,775 of funds were transferred to the new RSU.

14. INVESTMENTS

Investments consist of the following:

	Temporary Cash and Equivalents	Government and Agency Issues	Corporate Stocks Bonds and Mortgage Backed Securities	Total
June 30, 2018				
Fair value	\$ -	\$ -	\$ 28,365	\$ 28,365
Cost	-	-	26,038	26,038
Unrealized gain (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,327</u>	<u>\$ 2,327</u>
June 30, 2017				
Fair value	\$ -	\$ -	\$ 28,815	\$ 28,815
Cost	-	-	26,038	26,038
Unrealized gain (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,777</u>	<u>\$ 2,777</u>

The following summarizes the relationship between cost and market values of invested assets:

	Cost	Market	Excess of Market Over Cost
Balance at end of year	\$ 26,038	\$ 28,365	\$ 2,327
Balance at beginning of year	\$ 26,038	\$ 28,815	2,777
Increase in unrealized appreciation			(450)
Realized gain (loss) for the year			-
Total gain (loss) for the year			<u>\$ (450)</u>

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank or investment company failure, investments may not be returned. The fiduciary funds does not have a policy with respect to custodial credit risk for investments. As of June 30, 2018, those funds' investments totaled \$28,365, which were not collateralized or insured.

15. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used by the District in estimating its fair value disclosures for financial instruments and are unchanged from prior years:

- Cash, cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Investments: The fair values of investments are based on quoted market prices for those or similar investments.

The estimated fair values of the District's financial instruments are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,192,596	\$ 1,192,596
Investments	\$ 28,365	\$ 28,365

Fair Value Measurements

The following table presents the District's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

Fair Value Measurements at Reporting Date Using

	Fair Value	Quoted Prices In Active Markets (Level 1)
Cash and cash equivalents	\$ 1,192,596	\$ 1,192,596
Investments	\$ 28,365	\$ 28,365

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund				Adult Education			
	Budget		Actual	Variance Favorable (Unfavorable)	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues								
State assistance	\$ 4,840,201	\$ 5,088,280	\$ 5,088,280	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	4,000,383	3,876,344	3,876,347	3	40,000	40,000	40,000	-
Tuition	225,000	225,000	273,229	48,229	-	-	2,486	2,486
Other	52,500	52,500	86,250	33,750	-	-	-	-
Total revenues	<u>9,118,084</u>	<u>9,242,124</u>	<u>9,324,106</u>	<u>81,982</u>	<u>40,000</u>	<u>40,000</u>	<u>42,486</u>	<u>2,486</u>
Expenditures								
Regular instruction	3,309,584	3,309,584	3,122,817	186,767	50,011	50,011	34,146	15,865
Special Education	1,740,892	1,740,892	1,678,976	61,916	-	-	-	-
Other instruction	359,007	359,007	313,159	45,848	-	-	-	-
Career & Technical Education	395,402	395,402	395,402	-	-	-	-	-
All other	78,000	78,000	114,946	(36,946)	-	-	-	-
Student/staff support	776,682	776,682	716,545	60,137	-	-	-	-
Administration								
District	427,091	427,091	420,779	6,312	-	-	-	-
School	578,691	578,691	525,722	52,969	-	-	-	-
Operation and maintenance of plant	1,319,753	1,319,753	1,228,520	91,233	-	-	-	-
Transportation	732,982	732,982	675,468	57,514	-	-	-	-
Total Expenditures	<u>9,718,084</u>	<u>9,718,084</u>	<u>9,192,334</u>	<u>525,750</u>	<u>50,011</u>	<u>50,011</u>	<u>34,146</u>	<u>15,865</u>
Net change in fund balance	<u>\$ (600,000)</u>	<u>\$ (475,960)</u>	<u>131,772</u>	<u>\$ 607,732</u>	<u>\$ (10,011)</u>	<u>\$ (10,011)</u>	<u>8,340</u>	<u>\$ 18,351</u>
Other items								
Transfer to RSU 89			(350,000)					
Fund balance								
(non-GAAP budgetary basis) - July 1			1,095,666				24,342	
(non-GAAP budgetary basis) - June 30			877,438				32,682	
Adjustments to generally accepted accounting principles								
Prepaid items			(36,860)				-	
Fund balance (GAAP basis)			<u>\$ 840,578</u>				<u>\$ 32,682</u>	

REGIONAL SCHOOL UNIT #50

Schedule of School's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System State Employee and Teacher Plan (SET)

Last 10 Fiscal Years *

	<u>2018**</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SET Plan</u>				
School's proportion of the net pension liability	0.0326%	0.0330%	0.0288%	0.0298%
School's proportionate share of the net pension liability	\$ 473,643	\$ 583,334	\$ 388,685	\$ 321,809
School's covered payroll	\$ 3,904,904	\$ 4,378,318	\$ 4,001,156	\$ 4,032,249
School's proportion share of the net pension liability as a percentage of its covered-employee payroll	12.13%	13.32%	9.71%	7.98%

* Only four years of information available.

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

REGIONAL SCHOOL UNIT #50

Schedule of School Contributions
Maine Public Employees Retirement System State Employee and Teacher Plan (SET)

Last 10 Fiscal Years *

	<u>2018*</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SET Plan</u>				
Contractually required contribution	\$ 155,025	\$ 147,111	\$ 134,438	\$ 106,854
Contributions in relation to the contractually required contribution	<u>\$ (155,025)</u>	<u>\$ (147,111)</u>	<u>\$ (134,438)</u>	<u>\$ (106,854)</u>
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 3,904,904	\$ 4,378,318	\$ 4,001,156	\$ 4,032,249
Contributions as a percentage of covered- employee payroll	3.97%	3.36%	3.36%	2.65%

* Only four years of information available

REGIONAL SCHOOL UNIT #50

COMBINED BALANCE SHEETS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2018
(with summarized financial information for the year ended June 30, 2017)

	<u>Adult Education</u>	<u>Federal Programs</u>	<u>State Programs</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
<i>Assets:</i>					
Due from other governments	\$ -	\$ 115,824	\$ 12,500	\$ 128,324	\$ 108,994
Due from other funds	32,682	-	38,764	71,446	108,574
	<u>\$ 32,682</u>	<u>\$ 115,824</u>	<u>\$ 51,264</u>	<u>\$ 199,770</u>	<u>\$ 217,568</u>
<i>Liabilities</i>					
Due to other funds	\$ -	\$ 115,824	\$ -	\$ 115,824	\$ 108,994
	<u>-</u>	<u>115,824</u>	<u>-</u>	<u>115,824</u>	<u>108,994</u>
<i>Fund Balance:</i>					
Restricted	32,682	-	51,264	83,946	108,574
	<u>\$ 32,682</u>	<u>\$ 115,824</u>	<u>\$ 51,264</u>	<u>\$ 199,770</u>	<u>\$ 217,568</u>

REGIONAL SCHOOL UNIT #50

COMBINED SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(with summarized financial information for the year ended June 30, 2017)

	Adult Education	Federal Programs	State and Other Programs	2018 Totals	2017 Totals
Revenues					
Federal and State assistance	\$ -	\$ 742,399	\$ 31,479	\$ 773,878	\$ 775,777
Property taxes	40,000	-	-	40,000	30,000
Fees / Miscellaneous	2,486	-	-	2,486	3,835
Total revenues	<u>42,486</u>	<u>742,399</u>	<u>31,479</u>	<u>816,364</u>	<u>809,612</u>
Expenditures					
Salaries / benefits	25,040	694,937	3,516	723,493	687,709
Contracted Services	5,432	-	-	5,432	45,575
Travel	550	4,398	1,188	6,136	6,773
Supplies	2,417	14,360	2,504	19,281	19,324
Equipment	-	-	-	-	13,234
Other	707	28,704	21,464	50,875	126,674
	<u>34,146</u>	<u>742,399</u>	<u>28,672</u>	<u>805,217</u>	<u>899,289</u>
Net change in fund balance	8,340	-	2,807	11,147	(89,677)
Transfer to RSU 89	-	-	(35,775)	(35,775)	-
Fund balance - July 1	<u>24,342</u>	<u>-</u>	<u>84,232</u>	<u>108,574</u>	<u>198,251</u>
Fund balance - June 30	<u>\$ 32,682</u>	<u>\$ -</u>	<u>\$ 51,264</u>	<u>\$ 83,946</u>	<u>\$ 108,574</u>

REGIONAL SCHOOL UNIT #50

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - FEDERAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2018

	Title IA	Title V Guidance	Teacher Quality Title IIA	Title IA Reallocation	Pre-K Handicapped	CIPS	Rural Achievement Title VI	21st Century	Local Entitlement	Totals
Revenues										
Federal grants received through the State of Maine	\$ 360,397	\$ 66,309	\$ 38,974	\$ 905	\$ 3,408	\$ 20,000	\$ 8,306	\$ 41,831	\$ 202,269	\$ 742,399
Expenditures										
Salaries / benefits	359,493	65,321	38,974	-	3,408	3,265	4,530	41,831	178,115	694,937
Contracted Services	-	-	-	-	-	-	-	-	-	-
Travel	49	-	-	-	-	276	1,076	-	2,997	4,398
Supplies	105	-	-	-	-	-	-	-	14,255	14,360
Equipment	-	-	-	-	-	-	-	-	-	-
Other	750	988	-	905	-	16,459	2,700	-	6,902	28,704
Total expenses:	360,397	66,309	38,974	905	3,408	20,000	8,306	41,831	202,269	742,399
Net change in fund balance	-	-	-	-	-	-	-	-	-	-
Fund balance - July 1	-	-	-	-	-	-	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGIONAL SCHOOL UNIT #50

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - STATE AND OTHER PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2018

	Maine ITV	Proficiency Based Education	Melmac	MLTI	Butler Foundation Outdoor Education	Stumpage	I3 Reading Recovery	Library	Special Education	Dental Health	Cole Professional Development	Mainecare	Totals
Revenues													
Grants	\$ -	\$ -	\$ 7,000	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ 9,000	\$ 8,679	\$ 31,479
Expenditures													
Salaries / benefits	-	-	2,176	-	1,340	-	-	-	-	-	-	-	3,516
Travel	-	-	963	-	-	-	-	-	-	-	225	-	1,188
Supplies	-	-	1,145	-	-	-	-	445	-	800	114	-	2,504
Other	-	-	-	6,000	-	-	-	-	-	-	8,661	6,803	21,464
Total expenses:	-	-	4,284	6,000	1,340	-	-	445	-	800	9,000	6,803	28,672
Net change in fund balance	-	-	2,716	-	(1,340)	-	-	(445)	-	-	-	1,876	2,807
Transfer to RSU 89	(9,308)	(2,009)	-	-	(968)	(862)	-	-	-	-	-	(22,628)	(35,775)
Fund balance - July 1	22,538	4,864	-	-	3,684	862	160	623	87	-	-	51,414	84,232
Fund balance - June 30	\$ 13,230	\$ 2,855	\$ 2,716	\$ -	\$ 1,376	\$ -	\$ 160	\$ 178	\$ 87	\$ -	\$ -	\$ 30,662	\$ 51,264

REGIONAL SCHOOL UNIT #50

SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - LUNCH PROGRAM
FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	<u>2018</u> <u>Totals</u>	<u>2017</u> <u>Totals</u>
Revenues		
Lunches		
Children / Adult / Ala Carte	\$ 69,990	\$ 74,172
Subsidies - State of Maine	302,540	286,773
	<u>372,530</u>	<u>360,945</u>
Expenditures		
Food	196,844	191,968
Labor	262,472	244,818
Other	29,662	23,973
	<u>488,978</u>	<u>460,759</u>
Change in net assets	(116,448)	(99,814)
Transfer from General Fund	113,035	103,475
Fund balance - July 1	<u>21,504</u>	<u>17,843</u>
Fund balance - June 30	<u>\$ 18,091</u>	<u>\$ 21,504</u>

REGIONAL SCHOOL UNIT #50

RECONCILIATION OF FINANCIAL STATEMENTS
TO THE MAINE EDUCATIONAL DATA MANAGEMENT SYSTEM (MEDMS)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Adult Education</u>	<u>Special Revenue Funds</u>	<u>Lunch Fund</u>	<u>Total</u>
Balance per MEDMS June 30, 2018	\$ 742,315	\$ 32,682	\$ 51,264	\$ 18,091	\$ 844,352
Expenditure adjustments: Prepaid expenditures	98,263	-	-	-	98,263
Balance per financial statements June 30, 2018	<u>\$ 840,578</u>	<u>\$ 32,682</u>	<u>\$ 51,264</u>	<u>\$ 18,091</u>	<u>\$ 942,615</u>

REGIONAL SCHOOL UNIT #50

SOUTHERN AROOSTOOK HIGH SCHOOL ACTIVITIES
SCHEDULE OF TRANSACTIONS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1	Receipts	Disbursements	Transfer	Balance June 30
Athletic Club	\$ 872	\$ 4,446	\$ 4,299	\$ -	\$ 1,019
AYBL boys/girls	(36)	486	450	-	-
Band	619	-	30	-	589
Basketball gate	6,209	8,467	13,854	-	822
Book fair	43	2,034	2,077	-	-
Classes:					
2015	1	-	-	-	1
2016	160	-	160	-	-
2017	31	-	31	-	-
2018	1,221	8,690	9,654	-	257
2019	(21)	1,616	586	-	1,009
2020	(24)	515	-	-	491
2021	(144)	105	-	-	(39)
2022	302	260	600	-	(38)
2025	-	700	-	-	700
Concessions	74	-	-	-	74
Cheering	232	527	218	-	541
Drama	1,379	-	-	-	1,379
Family Fund	(24)	-	-	-	(24)
General	1,386	5,921	5,875	-	1,432
Junior high	(72)	-	-	-	(72)
Middle school softball	(44)	1,212	1,168	-	-
Project Graduation	584	691	-	-	1,275
Hoop Camps	2,299	1,510	649	-	3,160
School/Soda Fund	226	5,352	5,714	-	(136)
Soccer Camp	35	440	200	-	275
Student Council	1,453	1,208	1,180	-	1,481
Varsity Club	320	-	85	-	235
Varsity Boys Basketball	355	-	100	-	255
Varsity Girls Basketball	(8)	1,553	2,449	-	(904)
Varsity Girls Soccer	1,606	4,471	2,121	-	3,956
World Strides	2,531	9,718	3,608	-	8,641
Yearbook	(3,091)	3,010	964	-	(1,045)
	<u>\$ 18,474</u>	<u>\$ 62,932</u>	<u>\$ 56,072</u>	<u>\$ -</u>	<u>\$ 25,334</u>

Represented by Bank:	\$ 27,901
Cash on hand	801
Less: O/S Checks	3,368
Balance per books	<u>\$ 25,334</u>

*See independent auditor's report
and notes to financial statements*

REGIONAL SCHOOL UNIT #50

SOUTHERN AROOSTOOK ELEMENTARY SCHOOL ACTIVITIES
SCHEDULE OF TRANSACTIONS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1	Receipts	Disbursements	Transfers	Balance June 30
Boston trip	\$ 7,421	\$ 29,497	\$ 32,287	\$ -	\$ 4,631
Migrant	(251)	-	-	654	403
Pre-K-5 fundraisers	1,931	8,918	9,473	(654)	722
4th Grade	268	1,531	1,571	-	228
General/Headstart	330	1,100	1,100	-	330
Playground	4,022	1,000	1,480	-	3,542
School store	193	2,174	1,991	-	376
Share/Emergency	355	252	125	-	482
Wellness fund	572	10	-	-	582
	<u>\$ 14,841</u>	<u>\$ 44,482</u>	<u>\$ 48,027</u>	<u>\$ -</u>	<u>\$ 11,296</u>

Represented by Cash in Bank:	\$ 13,358
Less: Outstanding Checks	<u>2,062</u>
	<u>\$ 11,296</u>

REGIONAL SCHOOL UNIT #50

KATAHDIN ELEMENTARY SCHOOL ACTIVITIES
SCHEDULE OF TRANSACTIONS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1	Receipts	Disbursements	Transfers	Balance June 30
Grade 6 Funds	\$ 137	\$ 3,295	\$ 3,295	\$ (137)	\$ -
After School Fund	1,104	2,168	1,313	137	2,096
Chorus/Band	-	527	-	-	527
Celebration of Life	9,091	11,532	9,622	-	11,001
Book fair	(1,380)	4,839	3,459	-	-
5th Grade Boston Trip	3,487	15,497	18,984	-	-
King Foundation Grant	28	-	-	-	28
Library book fund	-	125	-	-	125
Student activities	595	18,346	18,054	-	887
Sunshine fund	-	300	175	-	125
	<u>\$ 13,062</u>	<u>\$ 56,629</u>	<u>\$ 54,902</u>	<u>\$ -</u>	<u>\$ 14,789</u>

Represented by Cash in Bank:	\$ 16,292
Add: outstanding deposits	2,181
Less: outstanding checks	3,684
	<u>\$ 14,789</u>

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

To the Management of the
Regional School Unit No. 50

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional School Unit No. 50, as of and for the year ended June 30, 2018, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 50's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 50's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 50's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we noted no deficiencies in internal control that we consider to be material weaknesses as described above. However, other material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional School Unit No. 50's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Presque Isle, Maine
December 4, 2018

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Management of
Regional School Unit No. 50

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 50's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 50's major federal programs for the year ended June 30, 2018. Regional School Unit No. 50's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Regional School Unit No. 50's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional School Unit No. 50's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional School Unit No. 50's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 50 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Regional School Unit No. 50 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional School Unit No. 50's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 50's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements Regional School Unit No. 50 as of and for the year ended June 30, 2018, and have issued our report thereon dated December 4, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Presque Isle, Maine
December 4, 2018

REGIONAL SCHOOL UNIT #50

SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures	
<u>Pass through the State of Maine:</u>				
<i>U.S. Department of Education</i>				
Disadvantaged I.A.S.A.	84.010	013-05A-3107-13	\$	360,397
Title IA - Relocation	84.010	013-05A-3106-13		905
<i>Special Education Cluster</i>				
* Local Entitlement IDEA	84.027	013-05A-3046-12	202,269	
* Preschool Grant	84.173	013-05A-6247-23	<u>3,408</u>	205,677
Title IIA - Improving Teacher Quality	84.367	013-05A-3042-11		38,974
21st Century	84.287	013-05A-1102-13		41,831
CIPS	84.377	013-05A-3106-13		20,000
Rural Low Income grant	84.144	013-05A-3305-03		8,306
<i>U.S. Department of Agriculture</i>				
<i>Child Nutrition Cluster</i>				
National School Lunch Program	10.555	013-05A-3024-05	160,774	
Special Lunch Program	10.555	013-05A-3023-05	4,717	
School Food Equipment	10.555	013-05A-3075-05	8,088	
National School Lunch Program	10.555	013-05A-3125-05	4,731	
Summer Food Program	10.559	013-05A-3016-05	5,508	
Summer Food Program Admin	10.559	013-05A-3018-05	566	
National School Lunch Program	10.555	013-05A-3022-05	25,885	
National After School Snack Program	10.555	013-05A-3020-05	6,331	
National School Breakfast Program	10.553	013-05A-3014-05	<u>89,372</u>	305,972
Donated foods	10.550	N/A		19,348
Fresh Fruits / Vegetables	10.582	013-05A-3028-05		31,240
<u>Pass through other Agencies:</u>				
* Title V Guidance	84.215E	N/A		<u>66,309</u>
Total Federal Awards			<u>\$</u>	<u><u>1,098,959</u></u>

* Indicates major program

Notes:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the RSU #50. All federal awards received are included on the schedule.

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

See independent auditor's report
and notes to financial statements

REGIONAL SCHOOL UNIT #50

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Local Entitlement
84.173	Preschool Grant
84.215E	Title V Guidance

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	Y
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Section II - Financial Statement Findings: None noted.

Section III - Federal Award Findings and Questioned Costs: None Noted.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH MAINE STATE STATUTE REQUIREMENTS**

To the Management of the
Regional School Unit No. 50

We audited the financial statements of the Regional School Unit No. 50 as of and for the year ended June 30, 2018, and have issued my report thereon dated December 4, 2018.

The management of the Regional School Unit No. 50 is responsible for the School's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of the Regional School Unit No. 50.

Title 20-A Sec 6051 requires certain written assurances with respect to school audits. Our audit of compliance with the laws and regulations consisted of, at a minimum, the following:

1. A determination of whether or not the school has complied with budget content requirements pursuant to section 15693, subsection 1 and cost center summary budget.
2. A determination of whether or not the school has exceeded its authority to expend funds.
3. A determination of whether or not the annual financial data submitted to the department is correct.
4. A determination of whether or not the school was in compliance with applicable provisions of the Essential Programs and Services Funding Act pursuant to chapter 606-B, subsection 15671.

The results of our tests indicate that, for the items tested, the Regional School Unit No. 50 complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for items not tested, the Regional School Unit No. 50 was not in compliance with Maine laws and regulations.

Presque Isle, Maine
December 4, 2018