

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2019

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Independent Auditor's Report

Board of Directors
Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59

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. 59 d/b/a Maine School Administrative District No. 59 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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. 59 d/b/a Maine School Administrative District No. 59, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 6 through 12 and 43 through 49 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's basic financial statements. The other supplementary information on Schedule 1 is presented for additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The reconciliation of audit adjustments to annual financial data submitted to Maine education financial system is presented as required by the laws of the State of Maine and is also not a required part of the basic financial statements.

The other supplementary information on Schedule 1, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System 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 Schedule 1, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to Maine education financial system are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019, on our consideration of the Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59'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 the Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59'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 the Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's internal control over financial reporting and compliance.

Brantner Shiodian & Associates

September 23, 2019

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Management's Discussion and Analysis (MD&A) (Unaudited)
June 30, 2019

As management of the Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59, we offer readers of the Unit's financial statements this narrative overview and analysis of the financial activities of the Unit for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

During the 2018 – 2019 school year Madison Junior High School, in collaboration with RSU 83 and RSU 74, open their doors to the Kennebec Valley Multiple Pathways Academy (KVMPA). The KVMPA offered a multiple-pathways learning experience to students at risk of chronic absenteeism in the three districts grades 7 – 9. The focus of the program was a hand-on approach to career exploration and targeted individual student interests to foster the intrinsic motivation to give the student a reason to come to school. The 2019 – 2020 school year will hold an expansion of the program to include grades 10 – 12.

Work still continues by all staff to enhance proficiency-based learning even through the mandate for a proficiency-based diploma was lifted. MSAD59 maintains giving students many ways to show understanding should be the driving force to achievement.

FINANCIAL HIGHLIGHTS

- The total balance of the Unit's governmental activities cash and cash equivalents at June 30, 2019 was \$3,078,415.
- Under the government-wide basis of reporting, the Unit's total net position increased by \$535,207.
- The Unit had originally budgeted a deficiency of \$658,650. There was a positive budget variance of \$678,133 which increases the budget-basis fund balance, which can be used to fund future expenditures and reduce the need for significant increases in local property taxes for the residents Madison, Maine.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Unit's basic financial statements. The Unit's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Unit's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Unit's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Unit is improving or deteriorating.

The statement of activities presents information showing how the Unit's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the Unit that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Unit include instruction, support services, operation and maintenance of plant, transportation,

administration, and food service. Capital assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 13 - 14 of this report.

The government-wide financial statements of this Unit have only one category.

Government activities – The Unit's basic services are included here, such as instruction, various support services, Unit and school administration, operation and maintenance of plant, student transportation, and interest on long-term liabilities. Local assessments and state and federal grants finance most of these activities.

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Unit's near-term financing requirements.

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

The Unit adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement is included in the required supplementary information portion of the financial statements.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the Unit cannot use these funds to finance its operations. The Unit uses agency funds to account for resources held for student groups. The basic fiduciary fund financial statements can be found on pages 19 - 20 of this report.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 - 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Unit, assets exceeded liabilities by \$6,806,055 as of June 30, 2019.

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

The Unit's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the Period Ending June 30, 2019 and 2018

	2019	2018
Current and other assets	\$ 3,296,596	\$ 3,218,569
Capital assets	<u>10,566,503</u>	<u>10,552,284</u>
Total Assets	<u>13,863,099</u>	<u>13,770,853</u>
Deferred outflows of resources	<u>349,836</u>	<u>363,785</u>
Current liabilities	1,132,698	1,065,136
Noncurrent liabilities	<u>6,118,292</u>	<u>4,486,922</u>
Total Liabilities	<u>7,250,990</u>	<u>5,552,058</u>
Deferred inflows of resources	<u>155,890</u>	<u>154,738</u>
Net Position		
Net investment in capital assets	7,102,336	6,592,284
Restricted	122,149	127,385
Unrestricted	<u>(418,430)</u>	<u>1,708,173</u>
Total Net Position	<u>\$ 6,806,055</u>	<u>\$ 8,427,842</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- Much of the Unit's bonded debt is paid by the State of Maine. The principal and interest portion of these debt payments made on behalf of the Unit is recorded as general revenue from state subsidy and totaled \$151,538 for the year ended June 30, 2019.
- The Unit recorded depreciation expense of \$603,900 and bond interest expense of \$33,230 for the year ended June 30, 2019.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Because of the State mandated change in the categories used for budget presentation, Total governmental fund expenditures for 2019 and 2018 are broken down as follows:

	2019	2018
REVENUES		
Charges for services and other	\$ 252,310	\$ 278,005
Operating grants and contributions	2,099,185	1,603,298
Capital grants and contributions	-	10,584
General revenues		
Local assessments	5,070,853	5,013,528
State subsidy	4,178,807	3,911,185
Interest income	20,049	13,040
Miscellaneous	18,421	12,565
Total Revenues	<u>11,639,625</u>	<u>10,842,205</u>
EXPENSES		
Regular instruction	3,976,346	3,794,113
Special education	1,451,509	1,461,638
Career and technical education	-	32,816
Other instruction	352,904	346,531
Student and staff support	839,766	841,593
System administration	309,845	307,917
School administration	648,617	669,073
On-behalf payments – State of Maine	458,892	450,537
Transportation	465,841	459,518
Facilities maintenance	1,274,666	1,374,338
Federal, state and local grants	888,355	735,482
Food service	403,697	419,324
Capital outlay	-	26,226
Interest on debt	33,230	36,133
Total Expenses	<u>11,103,668</u>	<u>10,955,239</u>
Excess (deficiency) of revenues over expenditures before special item	535,957	(113,034)
Special item – loss on sale of asset	<u>(750)</u>	<u>(5,943)</u>
CHANGE IN NET POSITION	<u>535,207</u>	<u>(118,977)</u>
NET POSITION, BEGINNING OF YEAR	8,427,842	8,546,819
Restatement of net position	<u>(2,156,994)</u>	<u>-</u>
NET POSITION, BEGINNING, RESTATED	<u>6,270,848</u>	<u>8,546,819</u>
NET POSITION, END OF YEAR	<u>\$ 6,806,055</u>	<u>\$ 8,427,842</u>

The narrative that follows discusses the operations of governmental activities.

- For the year ended June 30, 2019, the Unit's net position for governmental activities increased by \$535,207.
- During the year, the Unit received program specific operating grants and contributions totaling \$2,099,185. These grants and contributions represent resources that are restricted for use in particular programs and are meant to directly offset the Unit's costs for these various programs. Most of these grants and contributions come from state and federal sources.
- Expenses of governmental activities include depreciation expense of \$603,900. Depreciation expense has been allocated and is included in the various function/program expenses of the Unit.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- Charges for services represent revenues earned by the Unit in return for services provided by the Unit. These revenues consisted of school lunch revenues, tuition and other charges. Charges for services totaled \$252,310 for the year ended June 30, 2019.

- General revenues consist of all revenues that are not considered to be program revenues or charges for services. General revenues for the year ended June 30, 2019 totaled \$9,288,130. Of this amount \$5,070,853 was from local assessments paid by the Town of Madison, Maine and \$4,178,807 was from the State of Maine. \$38,470 came from interest and other miscellaneous sources.

Financial Analysis of the Unit's Funds

As noted earlier, the Unit uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the Unit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Unit's financing requirements. As the Unit completed the year, its governmental funds reported a combined fund balance of \$2,133,564, \$14,247 higher than the previous year. An analysis of transactions affecting the change in the combined fund balance of the Unit's governmental funds is as follows:

- Local assessments decreased by \$38,393 in 2019. Additionally, federal and state sources increased by \$911,888 from 2018.
- Charges for services and tuition contributed \$343,747 in total revenue during the year.

	2019	2018
Regular instruction	\$ 3,735,910	\$ 3,625,313
Special education	1,389,421	1,409,390
Career and technical education	-	32,816
Other instruction	344,031	340,053
Student and staff support	804,315	814,171
System administration	309,845	307,928
School administration	621,337	648,200
On-behalf payments – State of Maine	458,892	450,537
Transportation	478,262	405,098
Operation and maintenance of plant	1,418,028	1,163,500
Federal, State and Local Grants	897,097	646,085
Food service program	403,317	419,248
Principal	370,833	370,833
Interest and other charges	33,230	36,133
Capital outlays	-	26,226
Total Governmental Fund Expenditures	<u>\$11,264,518</u>	<u>\$10,695,531</u>

- The Unit's debt service totaled \$404,063 for the year. Of this amount, \$151,538 was paid directly by the State on behalf of the Unit and is included in the \$5,446,507 in state and federal source revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Capital Asset and Debt Administration - In addition to the information provided below, more information on the Unit's capital assets and debt can be found in the notes to the basic financial statements.

Restatement – Prior year net position was restated by (\$2,156,994) to account for OPEB liability relating to the Maine Education Association Benefits Trust's Health Plan (See note 10B).

Capital Assets – The summary of the capital assets, as of June 30, 2019, are the following:

	Beginning Balance	Additions	Retire- ments	Ending Balance
<i>Governmental Activities</i>				
Land	\$ 81,021	\$ -	\$ -	\$ 81,021
Buildings	17,406,130	462,873	-	17,869,003
Equipment and furniture	481,853	35,340	(25,189)	492,004
Vehicles	1,441,302	97,499	-	1,538,801
Land improvements	199,660	23,157	-	222,817
Total capital assets	19,609,966	618,869	(25,189)	20,203,646
Accumulated depreciation	<u>(9,057,682)</u>	<u>(603,900)</u>	<u>24,439</u>	<u>(9,637,143)</u>
Capital assets, net	<u>\$ 10,552,284</u>	<u>\$ 14,969</u>	<u>\$ (750)</u>	<u>\$ 10,566,503</u>

Debt Administration - A summary of the Unit's debt activity for the year ended June 30, 2019, is as follows:

	Beginning Balance, Restated	Additions	Principal Payments	Ending Balance	Total Interest Paid
Bonds payable	\$2,310,000	\$ -	\$ (370,833)	\$1,939,167	\$ 33,230
Net pension liability	389,962	181,128	(210,559)	360,531	N/A
Net OPEB liability	2,234,346	102,217	(170,283)	2,166,280	N/A
Compensated absences	119,476	7,585	(8,489)	118,572	N/A
Capital lease payable	<u>1,667,484</u>	<u>-</u>	<u>(133,742)</u>	<u>1,533,742</u>	<u>81,675</u>
Total	<u>\$6,721,268</u>	<u>\$ 290,930</u>	<u>\$ (893,906)</u>	<u>\$6,118,292</u>	<u>\$114,905</u>

General Fund Budgetary Highlights

Excess (deficiency) of revenues over expenditures and other uses of \$678,133 decreased a budgeted deficiency of \$658,650.

The Unit recognized revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP). The principal difference between the two methods is as follows:

- GAAP basis revenues and expenditures include teachers' retirement plan payments made by the state on behalf of the Unit. The Unit's budget basis revenues and expenditures do not include these revenues and expenditures.

During the year, actual revenues exceeded budgeted revenues by \$110,908.

Budgeted expenditures exceeded actual expenditures by \$567,225.

Our expenditures included increases in salaries for personnel based on negotiated contracts. Seventy two percent (72%) of our school budget was expended on salaries and benefits. Health insurance rates had a 4.65% increase for the 2018/2019 school year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2019-2020 budget is dependent upon the GPA from the state, and another determining factor has been the closing of the major tax contributor (Madison Paper Industries) to local taxes. LD 1699 has given additional revenue in the past to be used for adjustments, but this does not seem to be a consideration that will continue. The District continues to search for ways to reduce expenditures, but has to keep in mind costs for insurances, utilities, and salaries continue to rise. The District's capital improvement plan continues to upgrade windows, surveillance equipment, communications systems, heating systems, general building maintenance, and playing fields.

In helping to save costs, the District has researched consolidating bus routes, negotiated a maintenance agreement with RSU 74 to service their bus fleet, as well as, shared services such as PT, formed cooperative sports teams, shared academics, and joined the Western Maine Education Collaborative to save with professional development. We have three EMBRACE/FEDES grants in collaboration with RSU 74 and RSU 13 that will provide the three districts STEAM education (\$325,000) and an alternative education program for grades 7 – 9 (\$335,000) and grades 10-12 (\$263,000) – neither of which would be economically feasible for any one of the three districts to support independently. We have entered into a performance contract with an energy and environmental service company to continue to explore energy savings.

REQUEST FOR INFORMATION

The financial report is designed to provide information to the readers of the report with a general overview of the Unit's finances. If you have questions about this report or need any additional information, contact the Superintendent's Office at 205 Main St, Madison, Maine, 04950 or call (207) 696-3323.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 3,078,415
Receivable from other governments	206,998
Inventories	11,183
Capital assets not being depreciated	81,021
Capital assets being depreciated, net of accumulated depreciation	10,485,482
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Total assets	13,863,099
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	269,715
Deferred outflows related to OPEB	80,121
	<hr/>
Total deferred outflows of resources	349,836
	<hr/>
LIABILITIES	
Accounts payable and other accrued expenses	81,753
Accrued summer pay	1,050,945
Long-term liabilities	
Due within one year	
Capital leases payable	138,742
Bonds payable	370,833
Due in more than one year	
Capital leases payable	1,395,000
Bonds payable	1,568,334
Net pension liability	360,531
Net OPEB liability	2,166,280
Compensated absences	118,572
	<hr/>
Total liabilities	7,250,990
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	48,114
Deferred inflows related to OPEB	77,442
Unearned contributions	30,334
	<hr/>
Total deferred inflows of resources	155,890
	<hr/>
NET POSITION	
Net investment in capital assets	7,102,336
Restricted for	
Special revenue funds	122,149
Unrestricted (deficit)	(418,430)
	<hr/>
Total net position	\$ 6,806,055
	<hr/>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Regular instruction	\$ 3,976,346	\$ 155,055	\$ 218,409	\$ (3,602,882)
Special education	1,451,509	-	82,848	(1,368,661)
Other instruction	352,904	-	8,873	(344,031)
Student and staff support	839,766	-	35,451	(804,315)
System administration	309,845	-	-	(309,845)
School administration	648,617	-	27,280	(621,337)
On-behalf payments - State of Maine	458,892	-	458,892	-
Transportation	465,841	48,218	7,209	(410,414)
Facilities maintenance	1,274,666	-	5,252	(1,269,414)
Federal, state and other grants	888,355	-	874,194	(14,161)
School lunch program	403,697	49,037	367,521	12,861
Interest on long-term debt	33,230	-	13,256	(19,974)
Total governmental activities	<u>\$ 11,103,668</u>	<u>\$ 252,310</u>	<u>\$ 2,099,185</u>	<u>(8,752,173)</u>
General revenues				
Taxes				
Local assessments, levied for general purposes				4,954,891
Local assessments, levied for debt service				115,962
State subsidy				4,178,807
Interest income				20,049
Miscellaneous				18,421
Special item - loss on disposition of assets				<u>(750)</u>
Total general revenues and special item				<u>9,287,380</u>
Change in net position				<u>535,207</u>
NET POSITION - BEGINNING				8,427,842
Prior year restatement for OPEB reporting (Note 14)				<u>(2,156,994)</u>
NET POSITION - BEGINNING (RESTATED)				<u>6,270,848</u>
NET POSITION - ENDING				<u><u>\$ 6,806,055</u></u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,078,415	\$ -	\$ 3,078,415
Due from other funds	58,505	-	58,505
Receivable from other governments	4,606	202,392	206,998
Inventories	-	11,183	11,183
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,141,526</u>	<u>\$ 213,575</u>	<u>\$ 3,355,101</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 79,447	\$ -	\$ 79,447
Due to other funds	-	58,505	58,505
Accrued payroll items payable	2,305	-	2,305
Accrued summer teacher pay	1,018,024	32,921	1,050,945
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,099,776</u>	<u>91,426</u>	<u>1,191,202</u>
Deferred inflows of resources			
Unearned contributions	30,335	-	30,335
	<u> </u>	<u> </u>	<u> </u>
Fund balances			
Nonspendable for inventories	-	11,183	11,183
Restricted for grants	-	110,966	110,966
Unassigned	2,011,415	-	2,011,415
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,011,415</u>	<u>122,149</u>	<u>2,133,564</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,141,526</u>	<u>\$ 213,575</u>	<u>\$ 3,355,101</u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balance, governmental funds	\$ 2,133,564
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

10,566,503

Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Deferred outflows related to pensions	\$ 269,715		
Deferred outflows related to OPEB	80,121		
Deferred inflows related to pensions	(48,114)		
Deferred inflows related to OPEB	<u>(77,442)</u>		224,280

Some liabilities, (such as bonds payable, capital leases payable, net pension liability, and long-term compensated absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds payable	\$ (1,939,167)		
Lease payable	(1,533,742)		
Net pension liability	(360,531)		
Net OPEB liability	(2,166,280)		
Compensated absences	<u>(118,572)</u>		<u>(6,118,292)</u>

Net Position of Governmental Activities in the Statement of Net Position

\$ 6,806,055

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Assessments	\$ 5,050,135	\$ -	\$ 5,050,135
Intergovernmental	4,304,230	1,142,277	5,446,507
On-behalf payments - State of Maine	458,892	-	458,892
Tuition	155,055	-	155,055
Charges for services	48,218	49,037	97,255
Interest earnings	20,049	-	20,049
Miscellaneous	22,008	28,864	50,872
	<u>10,058,587</u>	<u>1,220,178</u>	<u>11,278,765</u>
Total revenues			
EXPENDITURES			
Current			
Regular instruction	3,735,910	-	3,735,910
Special education	1,389,421	-	1,389,421
Other instruction	344,031	-	344,031
Student and staff support	804,315	-	804,315
System administration	309,845	-	309,845
School administration	621,337	-	621,337
On-behalf payments - State of Maine	458,892	-	458,892
Transportation	478,262	-	478,262
Facilities maintenance	1,418,028	-	1,418,028
Federal, state and local grants	-	897,097	897,097
School lunch program	-	403,317	403,317
Debt service			
Principal	370,833	-	370,833
Interest and other charges	33,230	-	33,230
	<u>9,964,104</u>	<u>1,300,414</u>	<u>11,264,518</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>94,483</u>	<u>(80,236)</u>	<u>14,247</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	75,000	75,000
Transfers out	(75,000)	-	(75,000)
	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	19,483	(5,236)	14,247
FUND BALANCES - BEGINNING	<u>1,991,932</u>	<u>127,385</u>	<u>2,119,317</u>
FUND BALANCES - ENDING	<u><u>\$ 2,011,415</u></u>	<u><u>\$ 122,149</u></u>	<u><u>\$ 2,133,564</u></u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
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: \$ 14,247

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	\$ 618,869	
Depreciation	<u>(603,900)</u>	14,969

Some deferred outflows of resources and deferred inflows of resources related to pensions reported in the statement of activities do not require the use of current financial resources and these are not reported in governmental funds:

Deferred outflows/inflows related to pensions	\$ (21,564)	
Deferred inflows related to OPEB	<u>(6,607)</u>	(28,171)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(750)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

Lease payments	\$ 133,742	
Principal repaid	<u>370,833</u>	504,575

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net pension expense	\$ 29,433	
Accrued compensated absences	<u>904</u>	<u>30,337</u>

Change in net position of governmental activities	\$	<u><u>535,207</u></u>
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Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 131,951	\$ 89,171
Due from other funds	16,622	-
Investments	<u>1,672,563</u>	<u>1,232</u>
Total assets	<u>1,821,136</u>	<u>90,403</u>
LIABILITIES		
Due to other funds	-	16,622
Due to school groups	<u>-</u>	<u>73,781</u>
Total liabilities	<u>-</u>	<u>90,403</u>
NET POSITION		
Held in trust for scholarships and other purposes	<u><u>\$ 1,821,136</u></u>	<u><u>\$ -</u></u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2019

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net increase in fair value of investments	\$ 158,921
Interest and dividends	41,264
Contributions	<u>90</u>
Total additions	<u>200,275</u>
DEDUCTIONS	
Administrative	13,865
Scholarships	<u>40,930</u>
Total deductions	<u>54,795</u>
Change in net position	145,480
NET POSITION - BEGINNING	<u>1,675,656</u>
NET POSITION - ENDING	<u><u>\$ 1,821,136</u></u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59 was incorporated in 1962 under the laws of the State of Maine to provide educational services. The Unit was assigned a Regional School Unit number by the State Board of Education effective July 1, 2009 to comply with new legislation.

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

A. FINANCIAL REPORTING ENTITY

In evaluating the Unit as a reporting entity, management has addressed all potential component units for which the Unit may be financially accountable and, as such, should be included within the Unit's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Unit is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Unit. Additionally, the Unit is required to consider other organizations for which the nature and significance of their relationship with the Unit are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information of all activities of the Unit, except for fiduciary funds. Governmental activities, which normally are supported by assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Unit has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. 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; and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Assessments and other items not properly included among program revenues are reported instead as general revenues.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Unit segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and fiduciary activities. The governmental 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, when applicable. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

1. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Unit has presented the following major governmental funds:

General Fund

The general fund is the primary operating fund of the Unit and is always classified as a major fund. This fund is used to account for all financial resources not accounted for in other funds.

Special Revenue Funds

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. This fund includes federal and state grants for specific purposes and the school lunch program.

2. Fiduciary Funds (not included in government-wide statements)

The Unit has presented the following fiduciary funds:

Private Purpose Trust Funds

Private purpose trust funds are funds held by the Unit in a trustee capacity and are accounted for in essentially the same manner as private entity. Capital maintenance of private purpose funds is critical. The Unit accounts for the activities of scholarship accounts using this fund type.

Agency Funds

Agency funds account for assets held by the Unit in a purely custodial capacity and include student activity funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

The revenues susceptible to accrual are assessments and intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Unit holds an annual budget meeting in May at which time a formal operating budget for the general fund is voted upon for the upcoming fiscal year. After the first budget vote a referendum is held at the Town of Madison to approve the initial budget results and assessments are levied against the member towns.

Payments made by the State of Maine to the Maine Public Employees Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund in accordance with generally accepted accounting principles.

Appropriations for the general fund lapse at the end of the fiscal year.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the Unit's fiscal year.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS

1. Cash, Cash Equivalents and Investments

For purposes of the statement of net position, demand deposits include all checking accounts of the Unit. Additional information is presented in Note 2.

Investments are carried at fair value. Additional information, including the composition of investments, is presented in Note 2.

2. Inventories

Inventories of food and supplies for the food service program are valued at the lower of cost or market value using the first in, first out method.

3. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as "due to/from fiduciary funds".

4. Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities have been eliminated.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Improvements	25-100 years
Machinery and Equipment	3-30 years
Vehicles	5-10 years

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

5. Capital Assets (Continued)

The Unit has no assets that it considers to be infrastructure. Assets such as parking lots are capitalized as improvements in accordance with the Unit's capitalization policy.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

6. Long-term Debt

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

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of general obligation bonds, capital leases, net pension liability, net OPEB liability, and compensated absences liability.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

The Unit's vacation time is non-vesting. Sick leave can accrue and carry year to year for all employees to specified maximums. Compensated absences liability is reported in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

7. Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the State Employees and Teachers (SET) Pension Plan and OPEB Plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the SET plans. 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.

8. Use of Estimates

Preparation of the Unit's financial statements 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.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

9. Government-wide Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Unit or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

10. Governmental Fund Balances

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

Nonspendable, such as fund balances associated with inventories or prepaid expenses. The nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance category includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Unit's fund balance can be committed through passage of a resolution by a simple majority vote of the Unit's Board of Directors.

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. The Superintendent is authorized to assign amounts for the Unit, not to exceed \$5,000 per purpose and not to exceed \$200,000 in total, in accordance with the fund balance policy adopted by the Board of Directors. The Board of Directors has the authority to assign funds, or remove or change the assignment of funds with a simple majority vote.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Unit fund balance policy addresses the requirements of GASB 54. For expenditures that qualify for multiple categories, amounts will be first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

11. Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This statement improves financial reporting by increasing the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The statement is effective for periods beginning after December 15, 2019. The effect of this Statement on the Unit's financial statements is not known at this time.

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The statement is effective for periods beginning after December 15, 2018. The effect of this Statement on the Unit's financial statements is not known at this time.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Unit's deposits may not be returned to it. The Unit does not have a deposit policy for custodial credit risk. As of June 30, 2019, the Unit reported deposits of \$3,299,537 with bank balances of \$3,474,738. Of the Unit's total bank balance of \$3,474,738, \$3,000,030 was exposed to custodial credit risk. The entire exposed amount was collateralized by underlying securities held by the related bank, which were in the bank's name.

Deposits have been reported as follows:

Reported in governmental funds	\$ 3,078,415
Reported in fiduciary funds	<u>221,122</u>
Total deposits	<u>\$ 3,299,537</u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

Statutes authorize the Unit to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the Unit can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The trust and agency fund is also authorized to invest in various instruments in accordance with laws of the State of Maine.

The 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 Unit's investments at June 30, 2019 are as follows:

Mutual funds	\$ 25,704
US Agency debt securities	327,707
Debt mutual funds	84,127
Certificates of deposit	1,232
Corporate bonds	75,349
Common stock	<u>1,159,676</u>
Total investments	<u>\$ 1,673,795</u>

All of the Unit's investments at June 30, 2019 are valued using quoted market prices (Level 1 inputs).

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the Unit will not be able to recover the value of its investments. The Unit does not have an investment policy for custodial credit risk. The Unit's investments of \$327,707 in U.S. Agency securities, \$75,349 in corporate bonds, and \$1,159,676 in common stock are exposed to custodial credit risk as the investments are not in the Unit's name. They are registered in the name of the bank's or broker's custodian, as applicable.

Concentration of Credit Risk: The Unit does not have any investments that meet the criteria to be classified as a concentration of credit risk investment.

Interest Rate Risk: The Unit does not have a policy related to investment rate risk. The Unit is required to disclose the interest rate risk of its debt investments as follows:

	Due in less than one year	Due in 1-5 years	Due in more than five years
U.S. Agency debt securities	\$ 49,912	\$ 267,350	\$ 10,445
Debt mutual Funds	84,127	-	-
Corporate bonds	34,960	40,389	-

Investments of \$1,673,795 have been reported in the fiduciary funds.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 3. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Retirements/ Disposals	Balance June 30, 2019
<i>Capital assets not being depreciated</i>				
Land	\$ 81,021	\$ -	\$ -	\$ 81,021
<i>Capital assets being depreciated</i>				
Buildings	17,406,130	462,873	-	17,869,003
Equipment	481,853	35,340	(25,189)	492,004
Vehicles	1,441,302	97,499	-	1,538,801
Land improvements	199,620	23,157	-	222,817
Total capital assets being depreciated	<u>19,528,945</u>	<u>618,869</u>	<u>(25,189)</u>	<u>20,122,625</u>
<i>Less accumulated depreciation</i>				
Buildings	(7,794,863)	(481,707)	-	(8,276,570)
Equipment	(284,573)	(23,643)	24,439	(283,777)
Vehicles	(915,704)	(87,619)	-	(1,003,323)
Land improvements	(62,542)	(10,931)	-	(73,473)
Total accumulated depreciation	<u>(9,057,682)</u>	<u>(603,900)</u>	<u>24,439</u>	<u>(9,637,143)</u>
Total capital assets being depreciated, net	<u>10,471,263</u>	<u>14,969</u>	<u>(750)</u>	<u>10,485,482</u>
Capital assets, net	<u>\$ 10,552,284</u>	<u>\$ 14,969</u>	<u>\$ (750)</u>	<u>\$10,566,503</u>

Depreciation expense was charged to governmental activities as follows:

Regular instruction	\$ 17,847
Transportation	91,450
Operation and maintenance of plant	<u>494,603</u>
Total depreciation expense	<u>\$ 603,900</u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2019:

	Balance June 30, 2018, Restated	Increases	Decreases	Balance, June 30, 2019	Portion due within one year
General Obligation Bonds					
<i>Maine Municipal Bond Bank</i>					
2000 Series D Madison Elementary School construction bonds due in annual principal installments and semi-annual interest installments through November 2021; interest varies from 4.76% to 5.751%	\$ 1,070,000	\$ -	\$ (267,500)	\$ 802,500	\$ 267,500
<i>Skowhegan Savings Bank</i>					
Capital projects bond due in annual principal installments and semi-annual interest installments through July 2029; interest at 2.800%	<u>1,240,000</u>	<u>-</u>	<u>(103,333)</u>	<u>1,136,667</u>	<u>103,333</u>
Total general obligation bonds	2,310,000	-	(370,833)	1,939,167	370,833
Capital Leases	1,667,484	-	(133,742)	1,533,742	138,742
Net pension liability	389,962	181,128	(210,559)	360,531	N/A
Net OPEB liability	2,234,346	102,217	(170,283)	2,166,280	N/A
Compensated Absences	<u>119,476</u>	<u>7,585</u>	<u>(8,489)</u>	<u>118,572</u>	<u>N/A</u>
Total long-term liabilities	<u>\$ 6,721,268</u>	<u>\$ 290,930</u>	<u>\$ (893,906)</u>	<u>\$ 6,118,292</u>	<u>\$ 504,575</u>

General obligation bonds payable

Future maturities of general obligation bonds are as follows:

Year ended June 30	Principal	Interest/ Credits	Total
2020	\$ 370,833	\$ 30,368	\$ 401,201
2021	370,834	27,553	398,387
2022	370,833	24,581	395,414
2023	103,334	21,690	125,024
2024	103,333	18,795	122,128
2025-2029	516,667	50,637	567,304
2030	<u>103,333</u>	<u>1,435</u>	<u>104,768</u>
	<u>\$1,939,167</u>	<u>\$ 175,059</u>	<u>\$ 2,114,226</u>

In accordance with Maine law, no school district shall incur debt for specific purposes in excess of certain percentages of State valuation of member municipalities. At June 30, 2019, the Unit was in compliance with these limitations.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Obligations under capital leases

The Unit financed building energy efficiency improvements with a capital lease expiring in 2030 and an equipment lease expiring in 2020. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

As of June 30, 2019, the Unit had recorded \$1,900,000 in building energy efficiency improvements related to an outstanding capital lease. Amortization of these assets is included with depreciation expense.

Minimum future lease payments under capital leases as of June 30, 2019 are:

2020	\$ 214,230
2021	199,052
2022	192,617
2023	186,183
2024	184,748
2025-2029	861,273
2030	<u>162,672</u>
	2,000,775
Less amount representing interest	<u>(467,033)</u>
Present value of minimum lease payments	<u>\$ 1,533,742</u>

NOTE 6. INTERFUND TRANSACTIONS

During the course of normal operations, the Unit has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payable balances at June 30, 2019, arising from these transactions and interfund transfers were as follows:

	Receivables	Payables	Transfers In	Transfers Out
General fund	\$ 58,505	\$ -	\$ -	\$(75,000)
Special revenue fund	-	58,505	75,000	-
Private purpose trust funds	16,622	-	-	-
Agency funds	<u>-</u>	<u>16,622</u>	<u>-</u>	<u>-</u>
	<u>\$ 75,127</u>	<u>\$ 75,127</u>	<u>\$75,000</u>	<u>\$(75,000)</u>

In the year ended June 30, 2019, the Unit made budgeted transfers of \$75,000 from the general fund to the special revenue fund for school food service budgeted activity.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 7. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable, adding back any unspent proceeds. The Unit's net investment in capital assets was calculated as follows at June 30, 2019:

Capital assets	\$ 20,203,645
Accumulated depreciation	(9,637,142)
Related capital leases payable	(1,525,000)
Related bonds payable	<u>(1,939,167)</u>
Total balance	<u>\$ 7,102,336</u>

NOTE 8. RESTRICTED FUND BALANCE - SPECIAL REVENUE FUNDS

At June 30, 2019, the Unit maintained restricted fund balances in its special revenue funds for the following programs:

D. Brown endowment	\$ 679
Cents for kids	16,278
Campaign readiness	11
Dental grants	130
Food service	26,819
Maine Arts Commission	20
New Balance community grant	4,388
Transition	5,563
MMK Drug Free community grant	1,196
Insurance reimbursements	14,814
E-rate reimbursement fund	10,363
Oak Grove Foundation	559
Scholarship donations	2,610
Van purchase grant	14,634
Track donation	18,333
Food Pantry	1,687
Other	<u>4,065</u>
	<u>\$ 122,149</u>

NOTE 8. COMMITMENTS

At June 30, 2019, the Unit was committed to \$32,959 for preventative boiler maintenance until 2021.

NOTE 9. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's State Employee and Teacher (SET) Plan. The SET plan is a cost-sharing multiple employer defined benefit plan with a special funding situation, established by the Maine State legislature. The State of Maine is a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits

Benefit terms are established in Maine statute. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting 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. Normal retirement age for State employees and teachers is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

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

Contributions

Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Contributions - SET Plan

SET plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required to contribute 11.08% of compensation for non-federally funded employees. The Unit is required to contribute 3.97% of compensation to cover the normal costs for non-federally funded employees. The Unit is also required to contribute 15.65% of compensation for federally funded employees.

The contributions for the year ended June 30, 2019 were as follows:

	Covered Payroll	Contribution Percentage	Contribution Amount
Employee contribution	\$ 4,572,641	7.65%	\$ 349,807
State DOE contribution for non-federally funded employees	4,141,623	11.08%	458,892
Employer contribution for normal costs of non-federally funded employees	4,141,623	3.97%	164,422
Employer contribution for federally funded employees	431,018	15.65%	67,454

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The System separately accounts for the two groups within the SET plan, state employees being one group, and teachers the second group. Amounts disclosed for the SET plan reflect only the teachers' group portion, where applicable.

The collective net pension liability measured as of June 30, 2018 was as follows:

	<u>SET Plan</u>
Plan collective total pension liability	\$ 9,099,129,498
Less plan net position	<u>(7,749,686,754)</u>
Plan collective net pension liability	<u>\$ 1,349,442,744</u>

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

	<u>SET Plan</u>
Unit's proportionate share of the net pension liability	\$ 360,531
State's proportionate share of the net pension liability associated with the Unit	<u>4,465,249</u>
Total	<u>\$ 4,825,780</u>

The net pension liability for the Unit was measured as of June 30, 2018, and the total collective pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Unit's proportionate share percentage of the collective net pension liability for the SET Plan was 0.026717%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.026847%, at the prior measurement date of June 30, 2017.

Pension Expense and Revenue

For the year ended June 30, 2019, the Unit recognized pension expense of \$223,379 related to the SET Plan, made up of the Unit's proportionate share of plan pension expense \$39,483, specific liabilities \$163,222 and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$20,674, and recognized revenue of \$332,247 for support provided by the State.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources

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

	SET Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 11,011	\$ -
Changes of assumptions	22,678	-
Net difference between projected and actual investment earnings on pension plan investments	-	46,870
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,733	1,244
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>229,293</u>	<u>-</u>
Total	<u>\$ 269,715</u>	<u>\$48,114</u>

\$229,293 reported as deferred outflows related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	SET Plan Amount
2020	\$ 34,981
2021	3,287
2022	(33,366)
2023	<u>(12,594)</u>
	<u>\$ (7,692)</u>

Actuarial Assumptions, Discount Rate, and Pension Plan Fiduciary Net Position

Information on the pension plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net pension liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and Pension Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at [www.maineopers.org/Publications/Publications.htm#Annual Reports](http://www.maineopers.org/Publications/Publications.htm#Annual%20Reports).

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE

The Group Life Insurance Plan for Retired State Employees and Teachers (the SET Plan) is a multiple-employer cost sharing plan with a special funding situation. The State is also a non-employer contributing entity in that the State pays contributions for retired public-school teachers in the plan.

Other Post-Employment Benefits (OPEB)

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

Contributions

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

Net OPEB Liability

The System separately accounts for the two groups within the SET plan, state employees being one group, and teachers the second group. Amounts disclosed for the SET plan reflect only the teachers' group portion, where applicable.

The collective net OPEB liability measured as of June 30, 2018 was as follows:

	<u>SET Plan</u>
Plan collective total OPEB liability	\$ 97,555,504
Less plan net fiduciary position	<u>(59,648,294)</u>
Plan collective net OPEB liability	<u>\$ 37,907,210</u>

The total portion of the net OPEB liability that was associated with the Unit were as follows:

	<u>SET Plan</u>
Unit's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Unit	<u>152,383</u>
Total	<u>\$ 152,383</u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

A. MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM – GROUP LIFE INSURANCE (CONTINUED)

Net OPEB Liability (Continued)

The net OPEB liability for the Unit was measured as of June 30, 2018, and the total collective OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. Because of the special funding situation in which the State pays the total dollar amount of each year's annual required contribution, the Unit's proportionate share percentage of the collective net OPEB liability for the SET Plan was 0.0%, and the entire net OPEB liability is reported by the State of Maine.

OPEB Expense and Revenue

For the year ended June 30, 2019, the Unit recognized OPEB expense of \$14,707 related to the SET Plan and recognized revenue of \$14,707 for support provided by the State, and recognized offsetting revenue and expense of \$13,905 for payments made by the State on-behalf of the Unit pursuant to the special funding situation of the SET Plan.

Actuarial Assumptions, Discount Rate, and OPEB Plan Fiduciary Net Position

Information on the OPEB plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net OPEB liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and OPEB Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at [www.maineopers.org/Publications/Publications.htm#Annual Reports](http://www.maineopers.org/Publications/Publications.htm#Annual%20Reports).

B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN

The Unit sponsors a post-retirement benefit plan providing an implicit rate subsidy of 45% based on the blended single premium for the retiring employee (hereafter referred to as the Plan). Under State law, the blended premium is determined by blending rates for active members and retired members. The Plan is a single-employer OPEB plan administered by the Maine Education Association Benefits Trust (MEABT).

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*.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN (CONTINUED)

Benefits Provided

Under the Plan, MEABT provides a partial premium rate subsidy for retirees that have participated in the MEA Benefits Trust 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). For those Unit employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B.

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

Inactive retirees or beneficiaries	59
Active employees	<u>120</u>
Total	<u>179</u>

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

The Unit's total Plan OPEB liability of \$2,166,280 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Changes in the Total Plan OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 2,234,346
Changes for the year:	
Service Cost	22,784
Interest	79,433
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(92,931)
Benefit payments	<u>(77,352)</u>
Net changes	<u>(68,066)</u>
Balance at June 30, 2019	<u>\$ 2,166,280</u>

This is the first valuation performed. The changes that are provided in the deferred inflows and outflows are related to the change in the discount rate between the beginning of the measurement date (3.58%) and the end of the measurement date (3.87%). No other changes in assumptions were made.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN (CONTINUED)

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

For the year ended June 30, 2019, The Unit recognized OPEB expense of \$86,728 related to the Plan. At June 30, 2019, The Unit reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	77,442
Employer contributions after measurement date	<u>80,121</u>	<u>-</u>
Total	<u>\$ 80,121</u>	<u>\$ 77,442</u>

\$80,121 reported as deferred outflows related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:	
2019	\$ (15,489)
2020	(15,489)
2021	(15,489)
2022	(15,489)
2023	<u>(15,486)</u>
Total	<u>\$ (77,442)</u>

Actuarial Assumptions - Plan - The total OPEB liability in the June 30, 2018 actuarial valuation for the Plan was determined using assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

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

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

Discount Rate - Plan - The rate used to measure the total OPEB liability for the Plan was 3.87% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN (CONTINUED)

Sensitivity of the Total Plan OPEB Liability to Changes in the Discount Rate - Changes in the discount rate affect the measurement of the Total OPEB Liability (TOL). Lower discount rates produce higher TOL and higher discount rates produce a lower TOL. The following table presents the Unit's total OPEB liability related to the Plan calculated using the discount rate of 3.87%, as well as what the 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	\$ 2,512,918	\$ 2,166,280	\$ 1,885,885
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 2,512,918</u>	<u>\$ 2,166,280</u>	<u>\$ 1,885,885</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 16.0%. A one percent increase in the discount rate decreases the NOL by approximately 12.9%.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates - Changes in the healthcare trend rate affect the measurement of the Total OPEB Liability (TOL). Lower healthcare trend rates produce higher TOL and higher healthcare trend rates produce a lower TOL. The following table presents the Unit's total OPEB liability related to the Plan calculated using the current healthcare cost trend rate, as well as what the 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:

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	<u>\$ 1,871,810</u>	<u>\$ 2,166,280</u>	<u>\$ 2,529,748</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 13.6%. A one percent increase in the healthcare trend rate increases the NOL by approximately 16.8%.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 11. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Unit is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The Unit maintains various commercial insurance policies to mitigate these risks to an acceptable level and to limit the Unit's exposure to losses.

The Unit is a member of the Maine School Management Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Unit pays an annual premium to the Fund for its worker's compensation coverage. The Unit's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member Units for claims in excess of \$500,000 with an excess limit of \$25,000,000.

The Unit is also a member of the Maine School Management Association - Unemployment Compensation Trust Fund ("MSMA"). MSMA was created to formulate, develop and administer a program of modified self-funding for MSMA's membership, obtain lower costs for unemployment compensation coverage and develop a comprehensive loss control program. The Unit contributes to MSMA based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. If the reserve is higher than is determined by the actuary, excess contributions are returned to the member. The annual rate set by MSMA's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its own excess of claims over reserve.

NOTE 12. JOINTLY GOVERNED ORGANIZATION

The Unit and various entities in the region jointly operate a vocational education school. A separate legal entity known as the Somerset Career and Technical Center (SCTC) was established by State law and is governed by a nine-member board, of which one member represents the Unit. Complete financial statements for the SCTC can be obtained from the Somerset Career and Technical Center; 61 Academy Circle, Skowhegan, Maine, 04976.

NOTE 13. CONTINGENCIES

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

The Unit participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Unit's compliance with applicable grant requirements may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to Basic Financial Statements
June 30, 2019

NOTE 14. RESTATEMENT OF BEGINNING NET POSITION

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*, the Unit restated its beginning net position on the government-wide statements by (\$2,156,994), to record net OPEB liability of (\$2,234,346) and deferred outflows of \$77,352.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2019, the date the financial statements were available to be issued.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Budget and Actual (with Budget to GAAP Differences)
General Fund
For the year ended June 30, 2019

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Budget to GAAP Differences**	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Changes*</u>	<u>Final</u>			
REVENUES						
Assessments	\$ 5,050,135	\$ -	\$ 5,050,135	\$ 5,050,135	\$ -	\$ 5,050,135
Intergovernmental	4,268,549	-	4,268,549	4,304,230	-	4,304,230
On-behalf payments-State of Maine	-	-	-	-	458,892	458,892
Tuition	107,385	-	107,385	155,055	-	155,055
Charges for services	48,218	-	48,218	48,218	-	48,218
Interest earnings	9,000	-	9,000	20,049	-	20,049
Miscellaneous	5,500	-	5,500	22,008	-	22,008
Total revenues	9,488,787	-	9,488,787	9,599,695	458,892	10,058,587
EXPENDITURES						
Current						
Regular instruction	3,944,525	(75,300)	3,869,225	3,735,910	-	3,735,910
Special education	1,627,208	-	1,627,208	1,389,421	-	1,389,421
Other instruction	271,973	72,100	344,073	344,031	-	344,031
Student and staff support	844,612	-	844,612	804,315	-	804,315
System administration	341,055	-	341,055	309,845	-	309,845
School administration	649,604	-	649,604	621,337	-	621,337
On-behalf payments-State of Maine	-	-	-	-	458,892	458,892
Transportation	604,534	(30,000)	574,534	478,262	-	478,262
Facilities maintenance	1,521,426	33,200	1,554,626	1,554,591	(136,563)	1,418,028
Debt service						
Principal	267,500	-	267,500	267,500	103,333	370,833
Interest and other charges	-	-	-	-	33,230	33,230
Total expenditures	10,072,437	-	10,072,437	9,505,212	458,892	9,964,104
Excess (deficiency) of revenues over expenditures	(583,650)	-	(583,650)	94,483	-	94,483
OTHER FINANCING SOURCES (USES)						
Use of unassigned carryover fund balance	658,650	-	658,650	-	-	-
Transfers out	(75,000)	-	(75,000)	(75,000)	-	(75,000)
Total other financing sources and uses	583,650	-	583,650	(75,000)	-	(75,000)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,483</u>	<u>-</u>	<u>19,483</u>
FUND BALANCES - BEGINNING				<u>1,991,932</u>	<u>-</u>	<u>1,991,932</u>
FUND BALANCES - ENDING				<u>\$ 2,011,415</u>	<u>\$ -</u>	<u>\$ 2,011,415</u>

* Authorized transfers of budget lines as allowed under Maine statute and use of additional revenue

** - Adjustments necessary to convert the general funds' net change in fund balances on the budget basis to a GAAP basis are provided below:

Net change in fund balances - budget basis	\$ 19,483
On behalf payments revenue	458,892
On behalf payments expenditures	(458,892)
Net change in fund balances - GAAP basis	<u>\$ 19,483</u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2019

	Budgeted Amounts			Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Changes*</u>	<u>Final</u>		
REVENUES					
Assessments	\$ 5,050,135	\$ -	\$ 5,050,135	\$ 5,050,135	\$ -
Intergovernmental	4,268,549	-	4,268,549	4,304,230	35,681
Tuition	107,385	-	107,385	155,055	47,670
Charges for services	48,218	-	48,218	48,218	-
Interest earnings	9,000	-	9,000	20,049	11,049
Miscellaneous	5,500	-	5,500	22,008	16,508
Total revenues	9,488,787	-	9,488,787	9,599,695	110,908
EXPENDITURES					
Current					
Regular instruction	3,944,525	(75,300)	3,869,225	3,735,910	133,315
Special education	1,627,208	-	1,627,208	1,389,421	237,787
Other instruction	271,973	72,100	344,073	344,031	42
Student and staff support	844,612	-	844,612	804,315	40,297
System administration	341,055	-	341,055	309,845	31,210
School administration	649,604	-	649,604	621,337	28,267
Transportation	604,534	(30,000)	574,534	478,262	96,272
Facilities maintenance	1,521,426	33,200	1,554,626	1,554,591	35
Debt service					
Principal	267,500	-	267,500	267,500	-
Total expenditures	10,072,437	-	10,072,437	9,505,212	567,225
Excess (deficiency) of revenues over expenditures	(583,650)	-	(583,650)	94,483	678,133
OTHER FINANCING SOURCES (USES)					
Use of unassigned carryover fund balance	658,650	-	658,650	-	658,650
Transfers out	(75,000)	-	(75,000)	(75,000)	-
Total other financing sources and uses	583,650	-	583,650	(75,000)	658,650
Net change in fund balances	\$ -	\$ -	\$ -	19,483	\$ 19,483
FUND BALANCES - BEGINNING				1,991,932	
FUND BALANCES - ENDING				<u>\$ 2,011,415</u>	

* Authorized transfers of budget lines as allowed under Maine statute and use of additional revenue

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of the Unit's Proportionate Share of the Net Pension Liability
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Unit's proportion of the net pension liability	0.026717%	0.026846%	0.025452%	0.022294%	0.026057%	0.027348%				
Unit's proportionate share of the net pension liability	\$ 360,531	\$ 389,962	\$ 449,651	\$ 300,995	\$ 281,502	\$ 434,792				
State's proportionate share of the net pension liability associated with the Unit	<u>4,465,249</u>	<u>4,825,070</u>	<u>6,029,433</u>	<u>4,744,429</u>	<u>4,134,909</u>	<u>6,056,526</u>				
Total	<u>\$ 4,825,780</u>	<u>\$ 5,215,032</u>	<u>\$ 6,479,084</u>	<u>\$ 5,045,424</u>	<u>\$ 4,416,411</u>	<u>\$ 6,491,318</u>				
Unit's covered-employee payroll	\$ 4,392,665	\$ 4,342,889	\$ 4,306,090	\$ 4,253,841	\$ 4,586,858	\$ 5,348,408				
Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.21%	8.98%	10.44%	7.08%	6.14%	8.13%				
Plan fiduciary net position as a percentage of the total pension liability **	85.17%	83.35%	79.05%	83.55%	86.46%	76.85%				

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

** Plan net position and collective net pension liability reflect only the teachers' group portion of the SET plan

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of Unit Pension Contributions
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 210,559	\$ 178,719	\$ 174,731	\$ 147,222	\$ 160,451	\$ 42,870				
Contributions in relation to the contractually required contribution	<u>(210,559)</u>	<u>(178,719)</u>	<u>(174,731)</u>	<u>(147,222)</u>	<u>(160,451)</u>	<u>(42,870)</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Unit's covered-employee payroll	\$ 4,392,665	\$ 4,342,889	\$ 4,306,090	\$ 4,253,841	\$ 4,586,858	\$ 5,348,408				
Contributions as a percentage of covered-employee payroll	4.79%	4.12%	4.06%	3.46%	3.50%	0.80%				

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of the Unit's Proportionate Share of the Net OPEB Liability
State Employees and Teachers Group Life Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Unit's proportion of the net OPEB liability	0.000000%	0.000000%								
Unit's proportionate share of the net OPEB liability	\$ -	\$ -								
State's proportionate share of the net OPEB liability associated with the Unit	<u>152,383</u>	<u>158,329</u>								
Total	<u><u>\$ 152,383</u></u>	<u><u>\$ 158,329</u></u>								
Unit's covered-employee payroll	\$ 2,994,000	\$ 3,131,000								
Unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%								
Plan fiduciary net position as a percentage of the total OPEB liability **	61.14%	60.11%								

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

** Plan net position and collective net OPEB liability reflect only the teachers' group portion of the SET plan

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of Unit OPEB Contributions
State Employees and Teachers Group Life Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ -	\$ -								
Contributions in relation to the contractually required contribution	-	-								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Unit's covered-employee payroll	\$ 2,994,000	\$ 3,131,000								
Contributions as a percentage of covered-employee payroll	0.00%	0.00%								

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of Changes in Net OPEB Liability and Related Ratios -
Postretirement State Employees and Teachers Healthcare Plan
For the Year Ended June 30, 2019

	Year Ended June 30, 2019 Actuarial Valuation Date <u>June 30, 2018</u>
<u>Total OPEB Liability</u>	
Service cost (BOY)	\$ 22,784
Interest (includes interest on service cost)	79,433
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(92,931)
Benefit payments, including refunds of member contributions	<u>(77,352)</u>
Net change in total OPEB liability	\$ (68,066)
 Total OPEB liability - beginning	 \$ 2,234,346
Total OPEB liability - ending	<u>\$ 2,166,280</u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	77,352
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(77,352)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	-
 Plan fiduciary net position - beginning	 -
Plan fiduciary net position - ending	<u>-</u>
 Net OPEB liability - ending	 <u>\$ 2,166,280</u>
 Covered employee payroll	 <u>\$ 5,455,593</u>
Net OPEB liability as a percentage of covered employee payroll	<u>39.7%</u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Budget and Assessment
For the Year Ended June 30, 2019

BUDGET REQUIREMENTS

Total budget requirements	<u>\$ 10,147,437</u>
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REDUCTIONS OF REQUIREMENTS

Estimated revenues and transfers in	4,438,652
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Utilization of fund balance	<u>658,650</u>
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Total reductions of requirements	<u>5,097,302</u>
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Net budget requirements	<u><u>\$ 5,050,135</u></u>
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ASSESSMENTS

Madison	<u><u>\$ 5,050,135</u></u>
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**Report on Compliance
With the Requirements of the
Maine School Finance Act**

Board of Directors

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59

We audited the financial statements of the Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59 as of and for the year ended June 30, 2019, and have issued our report thereon dated September 23, 2019.

The management of the Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59 is responsible for the Unit's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Unit's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of the Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59.

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

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits as indicated in federal Office of Management and Budget circulars.
2. Budgetary controls were in place.
3. A determination of whether or not the annual financial data submitted to the department is correct.
4. A determination of whether the Unit has exceeded its authority to expend funds, as provided by the total budget summary article.
5. The Unit has complied with applicable provisions of the Essential Services and Program Funding Act.
6. A determination of whether the school administrative unit has complied with the applicable provisions of the unexpended balances requirements established under section 15004.
7. The Unit has complied with transfer limitations between budget cost centers pursuant to section 1485, subsection 4.
8. The Unit has complied with budget content requirements pursuant to section 15693, subsection 1 and cost center summary budget format requirements pursuant to sections 1305C, 1485, 1701C and 2307.

The results of our tests indicate that, for the items tested, Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59 complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59 was not in compliance with Maine laws and regulations.

Brantner Thibodeau & Associates

September 23, 2019

Regional School Unit #59 d/b/a Maine School Administrative District 59
Reconciliation of Audit Adjustments to the Annual Financial Data
Submitted to Maine Education Financial System
For the Year Ended June 30, 2019

	General Fund	Special Revenue	Totals
<i>June 30 balance as per MEFS</i>	\$ 2,011,416	\$ 49,725	\$ 2,061,141
Fund balance adjustment	-	-	-
Unreported funds	-	89,427	89,427
Rounding	(1)	2	1
Adjusted beginning fund balances	2,011,415	139,154	2,150,569
Revenue adjustments	-	11,560	11,560
Expenditure adjustments	-	(28,565)	(28,565)
<i>Audited GAAP Basis Fund Balance</i>	<u>\$ 2,011,415</u>	<u>\$ 122,149</u>	<u>\$ 2,133,564</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**

Board of Directors

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's basic financial statements, and have issued our report thereon dated September 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59'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 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 the 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, or material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59'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.

Barbara Shiodian & Associates

September 23, 2019



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

Board of Directors
Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's major federal programs for the year ended June 30, 2019. Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59'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. 59 d/b/a Maine School Administrative District No. 59'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. 59 d/b/a Maine School Administrative District No. 59's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59 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. 59 d/b/a Maine School Administrative District No. 59'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. 59 d/b/a Maine School Administrative District No. 59'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.

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

Brantner Whibodian & Associates

September 23, 2019

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Disbursements/ Expenditures
U.S. Department of Education			
<i>Passed through State of Maine Department of Education</i>			
Title IA disadvantaged	84.010A	13-05A-3107-13	\$ 318,266
Title IIA Improving teacher quality	84.367A	13-05A-3042-11	34,210
Student support - Title IVA Teacher and Principal Training	84.424	13-05A-3345-66	26,207
Title VI Rural and Low Income Schools	84.358B	13-05A-3305-03	18,281
<i>Special Education Cluster</i>			
Special Education Grants to States - Local entitlement	84.027A	13-05A-3046-12	194,706
Special Education - Preschool handicapped	84.173A	13-05A-6247-23	1,566
<i>Total Special Education Cluster</i>			<u>196,272</u>
<i>Passed through University of Maine Farmington</i>			
Gaining Early Awareness and Readiness for Undergraduate Program	84.334S	Unknown	<u>33,687</u>
Total U.S. Department of Education			<u>626,923</u>
U.S. Department of Agriculture			
<i>Passed through State of Maine Department of Education</i>			
Fresh fruit and vegetables	10.582	13-05A-3028-05	21,063
<i>Child Nutrition Cluster</i>			
National school lunch program	10.555	13-05A-3024-05	197,991
School breakfast program	10.553	13-05A-3014-05	82,818
<i>Total Child Nutrition Cluster</i>			<u>280,809</u>
Total U.S. Department of Agriculture			<u>301,872</u>
Total expenditures of federal awards			<u>\$ 928,795</u>

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

PURPOSE OF THE SCHEDULE

The Uniform Guidance requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of the Unit for the fiscal year ended June 30, 2019. The reporting entity is defined in the Notes to the Financial Statements of Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59.

2. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of 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).

- a. Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. The Uniform Guidance establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the Unit have been identified in the Schedule of Findings and Questioned Costs.

3. BASIS OF ACCOUNTING

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the Unit's general-purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general-purpose financial statements.

4. INDIRECT COST RATE

The Unit has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

5. NONCASH AWARDS

The amount of \$15,110 reported on the schedule is the value of commodities received by the Unit during the current year and priced as prescribed by USDA is included in the National school lunch program total.

6. CHILD NUTRITION CLUSTER

The Unit commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Unit assumes it expends federal monies first.

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP - *Unmodified opinion*

Internal control over financial reporting

- Material weakness(es) identified? - ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? - ☐ yes ☒ no

Noncompliance material to financial statements noted? - ☐ yes ☒ no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? - ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weakness(es)? - ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs - *Unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? - ☐ yes ☒ no

Identification of major programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.027A and 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs - \$750,000

Auditee qualified as low-risk auditee? - ☒ yes ☐ no

Regional School Unit No. 59 d/b/a Maine School Administrative District No. 59
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II — Financial Statement Findings

None

*Criteria or specific
requirement*

Condition

Context

Recommendation

Management's response

Section III — Federal Award Findings and Questioned Costs

None

*Criteria or specific
requirement*

Condition

Context

Recommendation

Management's response