

*TOWN OF BLUE HILL  
SCHOOL DEPARTMENT*

*FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS*

*FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018*

**BLUE HILL SCHOOL DEPARTMENT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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# James W. Wadman

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**CERTIFIED PUBLIC ACCOUNTANT**

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## *INDEPENDENT AUDITOR'S REPORT*

Members of the School Committee  
and the Superintendent of Schools  
Blue Hill School Department  
Blue Hill, ME 04614

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Blue Hill School Department (the Department) as of and for the fiscal year ended June 30, 2018, which collectively comprise the Department's basic financial statements as listed in the table of contents, including the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Blue Hill School Department, as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Blue Hill School Department are intended to present the financial position, the changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of the Town of Blue Hill that is attributable to the transactions of the Blue Hill School Department. They do not purport to, and do not, present fairly the financial position of the Town of Blue Hill as of June 30, 2018, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension disclosure information on pages 3 through 6 and 24 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blue Hill School Department's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the State of Maine, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and supplementary information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully Submitted,

***James W. Wadman, C.P.A.***

James W. Wadman, C.P.A.  
December 27, 2018

**BLUE HILL SCHOOL DEPARTMENT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**

The management of the Town of Blue Hill School Department (the School Department) offers readers of the School Department's financial statements this narrative overview and analysis of the financial activities of the School Department for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Position* – The assets of the School Department exceeded its liabilities at the fiscal year ending June 30, 2018 by \$2,695,731 (presented as “net position”). Of this amount, \$395,756 was reported as “unrestricted net position”. Unrestricted net position represent the amount available to be used to meet the School Department's ongoing obligations to citizens and creditors.

*Changes in Net Position* – The School Department's total net position increased by \$74,992 (a 2.9% increase) for the fiscal year ended June 30, 2018.

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the fiscal year ended June 30, 2018, the School Department's governmental funds reported a combined ending fund balance of \$1,002,536, an increase of \$527,132 in comparison with the prior year. Of this total fund balance, \$174,214 represents general unassigned fund balance. This unassigned fund balance represents approximately 3.0% of the total general fund expenditures for the fiscal year.

**Long-term Debt:**

The School Department's total long-term debt obligations increased \$776,856 (2,593.5%) during the current fiscal year. There was new debt obligations issued for \$550,001 during the current year for the purpose of capital improvements to the building and \$28,191 for a capital lease for copiers. An existing debt obligation for the capital improvements projects that had \$25,589 of the total \$338,861 loan drawn down in the prior year was recorded in full in the current year. Other existing debt obligations were retired according to schedule.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School Department's basic financial statements. The School Department's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary information. These components are described below:

**Government-wide Financial Statements**

The government-wide financial statements present the financial picture of the School Department from the economic resources measurement focus using the accrual basis of accounting and are designed to provide readers with a broad overview of the School Department's finances, in a manner similar to a private-sector business. They distinguish functions of the School Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of net position includes all assets of the School Department (including infrastructure) as well as all liabilities (including long-term debt), with the difference between the two reported as net position. The statement of activities shows how the School Department's net position changed during the year, regardless of the timing of related cash flows. The government-wide financial statements can be found on pages 7 - 8 of this report.

The government-wide financial statements include not only the School Department itself (known as the primary government), but also a legally separate entity - BHCS Boosters - for which the School Department is financially accountable. Financial information for this component unit is reported separately from the financial information for the primary government itself.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements include statements for two categories of activity – governmental funds and fiduciary funds.

The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to explain the differences between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School Department’s own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements. The fiduciary fund financial statements can be found on pages 11 - 12 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 13 - 23 of this report.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary), schedule of proportionate share of net pension liability, schedule of employer contributions and notes to historical pension information. Required supplementary information can be found on pages 24 - 27 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

The largest portion of the School Department’s net position (60.2%) reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The School Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the School Department’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.

	Governmental Activities	Business-type Activities	Total 2018	Total 2017
Current Assets	\$ 1,490,119	\$ 0	\$ 1,490,119	\$ 1,072,679
Capital Assets	\$ 2,386,217	\$ 0	\$ 2,386,217	\$ 2,172,726
<i>Total Assets</i>	\$ 3,876,336	\$ 0	\$ 3,876,336	\$ 3,245,405
Deferred Outflows	\$ 86,659	\$ 0	\$ 86,659	\$ 73,305
<i>Total Assets and Deferred Outflows</i>	\$ 3,962,996	\$ 0	\$ 3,962,996	\$ 3,318,710
Current Liabilities	\$ 597,681	\$ 0	\$ 597,681	\$ 565,972
Other Liabilities	\$ 653,895	\$ 0	\$ 653,895	\$ 62,261
Deferred Inflows	\$ 15,689	\$ 0	\$ 15,689	\$ 69,738
Net Position;				
Invested in Capital Assets	\$ 1,624,259	\$ 0	\$ 1,624,259	\$ 2,144,437
Restricted	\$ 675,716	\$ 0	\$ 675,716	\$ 95,742
Unrestricted	\$ 395,756	\$ 0	\$ 395,756	\$ 380,561
<i>Total Liabilities, Deferred Inflows, and Net Position</i>	\$ 3,962,996	\$ 0	\$ 3,962,996	\$ 3,318,710

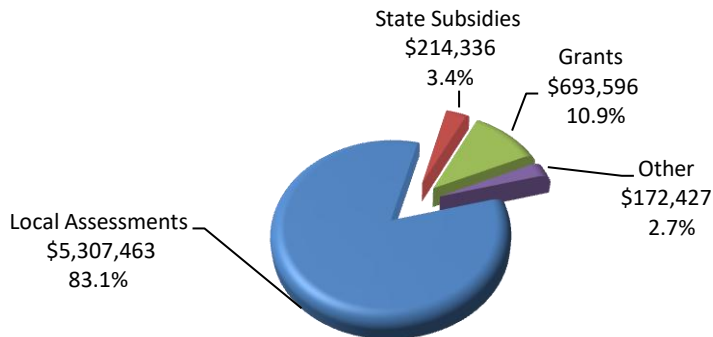
An additional portion of the School Department’s net position (25.1%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (14.7) may be used to meet the government’s ongoing obligations to citizens and creditors.

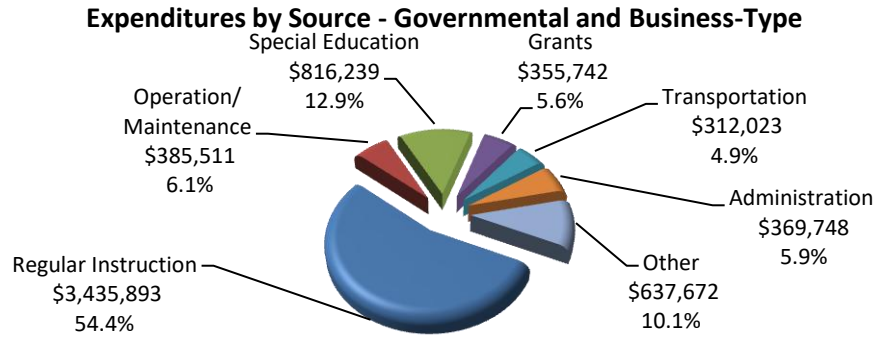
**Changes in Net Position**

Governmental activities increased the School Department’s net position by \$74,992. This increase was primarily due to conservative budgeting and controlled costs. The budget included funding to come from surplus.

	Governmental Activities	Business-type Activities	Total 2018	Total 2017
<i>Revenues;</i>				
Local Assessments	\$ 5,307,463	\$ 0	\$ 5,307,463	\$ 5,087,572
Program Revenues	\$ 47,563	\$ 0	\$ 47,563	\$ 51,231
State Subsidy	\$ 214,336		\$ 214,336	\$ 176,417
Other Grants	\$ 693,596		\$ 693,596	\$ 559,236
Other	\$ 124,864	\$ 0	\$ 124,864	\$ 17,056
<i>Total Revenues</i>	\$ 6,387,822	\$ 0	\$ 6,387,822	\$ 5,891,512
<i>Expenses;</i>				
System Administration	\$ 177,318	\$ 0	\$ 177,318	\$ 170,899
Transportation	\$ 312,023	\$ 0	\$ 312,023	\$ 272,234
Regular Instruction	\$ 3,435,893	\$ 0	\$ 3,435,893	\$ 3,345,630
Student/Staff Support	\$ 179,545	\$ 0	\$ 179,545	\$ 173,646
School Administration	\$ 192,430	\$ 0	\$ 192,430	\$ 196,935
Operation & Maintenance	\$ 385,511	\$ 0	\$ 385,511	\$ 412,504
Special Education	\$ 816,239	\$ 0	\$ 816,239	\$ 764,605
Other Instruction	\$ 43,314	\$ 0	\$ 43,314	\$ 43,620
School Lunch Program	\$ 171,225	\$ 0	\$ 171,225	\$ 172,292
State & Federal Grant Programs	\$ 355,742	\$ 0	\$ 355,742	\$ 254,863
State Retirement Contributions	\$ 243,588	\$ 0	\$ 243,588	\$ 215,377
<i>Total Expenses</i>	\$ 6,312,829	\$ 0	\$ 6,312,829	\$ 6,022,606
Changes in Net Position	\$ 74,992	\$ 0	\$ 74,992	\$ (131,094)

**Revenues by Source - Governmental and Business-Type**





**FINANCIAL ANALYSIS OF THE DEPARTMENT'S INDIVIDUAL FUNDS**

**Governmental Funds**

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

At the end of the fiscal year, the School Department's governmental funds reported ending fund balances of \$1,002,536, an increase of \$527,132 in comparison with the prior fiscal year. Approximately 17.4 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for new spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$112,542 positive variance in revenues. This is primarily due to conservative budgeting, which led to a significant increase in the state subsidy received.
- \$45,247 positive variance in expenditures/transfers. This is primarily due to conservative budgeting and the School Department keeping expenditures under control in order to stay within total budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The School Department's investment in capital assets for its governmental activities amounts to \$4,468,017, net of accumulated depreciation of \$2,081,800, leaving a net book value of \$2,386,217. There were current year additions of \$301,477 of building improvements and \$28,191 for copiers. There were current year retirements of old copiers with no net book value. There were no current year impairments. Additional information on the School Department's capital assets can be found in Note 2 of the notes to the financial statements on page 17 of this report.

**Debt**

The School Department has \$22,194 of capital leases and \$739,763 of bonded debt outstanding at the end of the fiscal year. The outstanding debt increased \$733,669 during the current fiscal year. Additional information on the School Department's long-term debt can be found in Note 5 of the notes to the financial statements on page 18 of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School Department's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the School Department's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Blue Hill School Department, P.O. Box 630, Blue Hill, ME 04614.



**BLUE HILL SCHOOL DEPARTMENT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

(Exhibit I)

	<u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>BHCS</u> <u>Boosters</u>
<u>Assets &amp; Deferred Outflows</u>		
<u>Assets</u>		
Due from Town	\$781,687	\$28,322
Due from Other Governments	\$706,069	
Inventory	\$2,364	
<u>Capital Assets</u>		
Land	\$53,794	
Other Capital Assets, net of Accumulated Depreciation	\$2,332,422	
Total Capital Assets	<u>\$2,386,217</u>	<u>\$0</u>
<u>Total Assets</u>	<u>\$3,876,336</u>	<u>\$28,322</u>
<u>Deferred Outflows of Resources</u>		
Related to Pensions	\$86,659	
<u>Total Deferred Outflows of Resources</u>	<u>\$86,659</u>	<u>\$0</u>
<u>Total Assets &amp; Deferred Outflows</u>	<u>\$3,962,996</u>	<u>\$28,322</u>
<u>Liabilities, Deferred Inflows and Net Position</u>		
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$93,424	
Obligation Under Contracted Salaries	\$351,566	
<u>Long-Term Liabilities</u>		
Net Pension Liability	\$2,034	
Obligation Under Compensated Absences	\$42,594	
<u>General Obligation Bonds Payable</u>		
Due within one year	\$147,441	
Due in more than one year	\$592,323	
<u>Capital Lease Payable</u>		
Due within one year	\$5,250	
Due in more than one year	\$16,944	
<u>Total Liabilities</u>	<u>\$1,251,575</u>	<u>\$0</u>
<u>Deferred Inflows of Resources</u>		
Related to Pensions	\$15,689	
<u>Total Deferred Inflows of Resources</u>	<u>\$15,689</u>	<u>\$0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	\$1,624,259	
Restricted	\$675,716	
Unrestricted	\$395,756	\$28,322
<u>Total Net Position</u>	<u>\$2,695,731</u>	<u>\$28,322</u>
<u>Total Liabilities, Deferred Inflows and Net Position</u>	<u>\$3,962,996</u>	<u>\$28,322</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**BLUE HILL SCHOOL DEPARTMENT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit II)

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		<b><u>Net (Expense) Revenue and Changes in Net Position</u></b>	
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants</u></b>	<b><u>Governmental Activities</u></b>	<b><u>BHCS Boosters</u></b>
<b><u>Primary Government</u></b>					
<b><u>Governmental Activities</u></b>					
System Administration	\$177,318			(\$177,318)	
Transportation	\$312,023			(\$312,023)	
Regular Instruction	\$3,455,893			(\$3,455,893)	
Student and Staff Support	\$179,545			(\$179,545)	
School Administration	\$192,430			(\$192,430)	
Operation and Maintenance	\$385,511			(\$385,511)	
Special Education	\$816,239			(\$816,239)	
Other Instruction	\$43,314			(\$43,314)	
Federal and State Programs	\$355,742		\$372,988	\$17,246	
School Lunch Program	\$171,225	\$47,563	\$77,020	(\$46,642)	
State On-Behalf Contributions	\$243,588		\$243,588	\$0	
<b><u>Total Governmental Activities</u></b>	<b><u>\$6,332,829</u></b>	<b><u>\$47,563</u></b>	<b><u>\$693,596</u></b>	<b><u>(\$5,591,671)</u></b>	<b><u>\$0</u></b>
<b><u>Total Primary Government</u></b>	<b><u>\$6,332,829</u></b>	<b><u>\$47,563</u></b>	<b><u>\$693,596</u></b>	<b><u>(\$5,591,671)</u></b>	<b><u>\$0</u></b>
<b><u>Component Unit</u></b>					
BHCS Boosters Activities	\$28,714				(\$28,714)
<b><u>Total Component Unit</u></b>	<b><u>\$28,714</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(\$28,714)</u></b>
<b><u>General Revenues</u></b>					
Local Appropriations				\$5,307,463	
State Subsidies				\$214,336	
Bond Proceeds Forgiven at Closing				\$101,658	
Other Revenue				\$23,206	\$31,220
<b><u>Total Revenues</u></b>				<b><u>\$5,646,663</u></b>	<b><u>\$31,220</u></b>
<b><u>Changes in Net Position</u></b>					
<b><u>Net Position - Beginning</u></b>				<b><u>\$2,620,739</u></b>	<b><u>\$25,816</u></b>
<b><u>Net Position - Ending</u></b>				<b><u>\$2,675,731</u></b>	<b><u>\$28,322</u></b>

The Notes to the Financial Statements are an Integral Part of this Statement

**BLUE HILL SCHOOL DEPARTMENT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

(Exhibit III)

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Due from Town	\$781,687			\$781,687
Due from Other Governments	\$36,782	\$308,021	\$361,266	\$706,069
Due from Other Funds	\$184,332	\$253,774	\$164,802	\$602,909
Inventory			\$2,364	\$2,364
<u>Total Assets</u>	<u>\$1,002,801</u>	<u>\$561,795</u>	<u>\$528,432</u>	<u>\$2,093,028</u>
<u>Liabilities &amp; Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	\$40,500		\$52,923	\$93,424
Obligation Under Contracted Salaries	\$326,916		\$24,650	\$351,566
Due to Other Funds	\$418,577		\$184,332	\$602,909
Obligation Under Compensated Absences	\$42,594			\$42,594
<u>Total Liabilities</u>	<u>\$828,586</u>	<u>\$0</u>	<u>\$261,906</u>	<u>\$1,090,492</u>
<u>Fund Balances (Deficit)</u>				
Nonspendable			\$2,364	\$2,364
Restricted		\$561,795	\$111,557	\$673,352
Committed			\$150,000	\$150,000
Assigned			\$2,606	\$2,606
Unassigned	\$174,214			\$174,214
<u>Total Fund Balances (Deficit)</u>	<u>\$174,214</u>	<u>\$561,795</u>	<u>\$266,526</u>	<u>\$1,002,536</u>
<u>Total Liabilities &amp; Fund Balances</u>	<u>\$1,002,801</u>	<u>\$561,795</u>	<u>\$528,432</u>	<u>\$2,093,028</u>
<u>Total Fund Balance - Governmental Funds</u>				\$1,002,536
<i>Net position reported for governmental activities in the statement of net position are different because:</i>				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				\$2,386,217
Deferred outflows of resources related to pension plans				\$86,659
Deferred inflows of resources related to pension plans				(\$15,689)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds, including:				
Net Pension Liability				(\$2,034)
General Obligation Bonds Payable				(\$739,763)
Capital Leases Payable				(\$22,194)
<u>Net Position of Governmental Activities</u>				<u>\$2,695,731</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BLUE HILL SCHOOL DEPARTMENT**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit IV)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b><u>Revenue:</u></b>				
Local Appropriations	\$5,307,463			\$5,307,463
State Retirement & Post-Employment Benefit Contributions	\$243,588			\$243,588
State Subsidies	\$214,336			\$214,336
State & Federal Programs			\$497,570	\$497,570
Other Revenues	\$23,206			\$23,206
<b><u>Total Revenues</u></b>	<b><u>\$5,788,593</u></b>	<b><u>\$0</u></b>	<b><u>\$497,570</u></b>	<b><u>\$6,286,163</u></b>
<b><u>Expenditures:</u></b>				
<b><u>Current</u></b>				
General Operations	\$5,554,562			\$5,554,562
Federal Programs			\$522,677	\$522,677
State Retirement & Post-Employment Benefit Contributions	\$243,588			\$243,588
<b><u>Capital Outlay</u></b>		<b><u>\$329,668</u></b>		<b><u>\$329,668</u></b>
<b><u>Total Expenditures</u></b>	<b><u>\$5,798,150</u></b>	<b><u>\$329,668</u></b>	<b><u>\$522,677</u></b>	<b><u>\$6,650,495</u></b>
<b><u>Excess of Revenue over Expenditures</u></b>	<b><u>(\$9,557)</u></b>	<b><u>(\$329,668)</u></b>	<b><u>(\$25,106)</u></b>	<b><u>(\$364,332)</u></b>
<b><u>Other Financing Sources (Uses)</u></b>				
Bond Proceeds		\$761,615		\$761,615
Bond Proceeds Forgiven at Closing		\$101,658		\$101,658
Capital Lease Proceeds		\$28,191		\$28,191
Operating Transfers In	\$20,000		\$120,000	\$140,000
Operating Transfers Out	(\$120,000)		(\$20,000)	(\$140,000)
<b><u>Total Other Financing Sources (Uses)</u></b>	<b><u>(\$100,000)</u></b>	<b><u>\$891,464</u></b>	<b><u>\$100,000</u></b>	<b><u>\$891,464</u></b>
<b><u>Excess Revenues and Other Sources Over Expenditures and Other Uses</u></b>	<b><u>(\$109,557)</u></b>	<b><u>\$561,795</u></b>	<b><u>\$74,894</u></b>	<b><u>\$527,132</u></b>
<b><u>Beginning Fund Balance (Deficit)</u></b>	<b><u>\$283,771</u></b>	<b><u>\$0</u></b>	<b><u>\$191,633</u></b>	<b><u>\$475,404</u></b>
<b><u>Ending Fund Balance (Deficit)</u></b>	<b><u>\$174,214</u></b>	<b><u>\$561,795</u></b>	<b><u>\$266,526</u></b>	<b><u>\$1,002,536</u></b>
<b><u>Reconciliation to Statement of Activities, change in Net Position</u></b>				
Net Change in Fund Balance - Above				\$527,132
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds, including:				
Pension Plan (Deferred Outflows, Net Pension Liability, Deferred Inflows)				\$68,038
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position				
This amount represent long-term debt proceeds				(\$789,806)
This amount represent long-term debt payments				\$56,137
Governmental funds report capital outlays as expenditures, while in the Statement of Activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense				\$329,668
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.				(\$116,178)
<b><u>Changes in Net Position of Governmental Activities</u></b>				<b><u>\$74,992</u></b>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BLUE HILL SCHOOL DEPARTMENT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2018**

(Exhibit V)

	<u>Assets</u>	<u>Student Activity &amp; Principal's Funds</u>
Cash and Cash Equivalents		<u>\$17,613</u>
<u>Total Assets</u>		<u><u>\$17,613</u></u>
	<u>Net Position</u>	
Unrestricted		<u>\$17,613</u>
<u>Total Net Position</u>		<u><u>\$17,613</u></u>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**BLUE HILL SCHOOL DEPARTMENT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit VI)

	<i>Student Activity &amp; Principal's Funds</i>
<u>Additions</u>	
Fundraising, etc.	<u>\$73,156</u>
<u>Deductions</u>	
Student Activities, etc.	<u>\$74,065</u>
<u>Changes in Net Position</u>	(\$909)
<u>Beginning Net Position</u>	<u>\$18,522</u>
<u>Ending Net Position</u>	<u><u>\$17,613</u></u>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**BLUE HILL SCHOOL DEPARTMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Blue Hill School Department (School Department) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the governmental accounting and financial reporting principles. The more significant of the Blue Hill School Department's accounting principles are described below.

**A. Financial Reporting Entity**

The Blue Hill School Department is a separate department of the Town of Blue Hill, Maine. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. The School Department has an elected school committee which has management responsibilities over all activities related to the public elementary and secondary education of the school department. The School Department is a member of School Union #93.

The accompanying financial statements present the government and its component unit, and entity for which the government is considered to be financially accountable. The component unit, although a legally separate entity, is, in substance, part of the government's operations. The School Department's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

*Discretely presented component unit:* BHCS Boosters is responsible for acting as a grant funding organization for the school and its activities and secures funds for the benefit of the school and its programs. BHCS Booster's activities are solely for the benefit of the school.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School Department. Fiduciary activities, whose resources are not available to finance the School Department's programs are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

For the year ended 6/30/18, the School Department has implemented GASB Statement #75, which accounts for the School Department's proportionate share of net other post employment benefit liability for the Maine Public Employees Retirement System.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*. Revenues and additions are recognized when transactions occur and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements have been met.

The Statement of Activities reported amounts as program revenues including 1) charges to students, adults or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported

as general revenues rather than as program revenues.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School Department.

The School Department reports the following major governmental funds:

The general fund is the School Department's primary operating fund. It accounts for all financial resources of the School Department, except those required to be accounted for in another fund.

The capital projects fund is used to account for the activity related to the school construction and improvement projects that have been approved by the tax payers.

The special revenue fund is used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Included in this fund type are the State and Federal Programs, the School Lunch Program and several other special programs.

The School Department also reports the following fiduciary funds:

The Student Activity Fund accounts for the receipt and disbursement of funds from student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the School Committee.

When both restricted and unrestricted resources are available for use, it is the School Department's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Assets, Liabilities and Net Position or Fund Equity

##### Due from Town

The Blue Hill School Department cash is maintained by the Town Treasurer. Warrants are submitted to the Town and checks are written by the Treasurer out of a separate checking account. Cash receipts are submitted to the Treasurer of the Town of Blue Hill. Receipts are prepared by the Treasurer and submitted to the School Department. All deposits of the Town are in banks insured by the Federal Government.

##### Accounts Receivable and Accounts Payable

All material receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

##### Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are accounted for using the consumption method. Under this method, inventories are recorded as expenditures when used rather than when purchased. Inventory in the School Lunch Program consist of food, supplies and U.S.D.A. Donated Commodities.



Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the asset constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment	5-10

Interfund Activity

Interfund receivables and payables arise from interfund activity and are recorded by all funds effected in the period in which transactions are executed.

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows or resources represent and acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The School Department has an item that qualifies as deferred outflows of resources, and it has an item that qualifies as a deferred inflow. Both items are related to pensions. These amounts are considered unavailable and will be recognized as an outflow of resources (expenditure) and an inflow of resources (revenue) in the period that the amounts become available.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions to / deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable pursuant to formal commitments or statutory requirements. Investments are reported at fair value. Investment income is recognized when earned and investment expenses are recorded when incurred.

Compensated Absences

Teachers may accumulate 120 days of sick leave at the rate of 15 days per year. Full time employees other than teachers accrue vacation and sick leave in varying amounts based on length of service. Vacation pay accumulation does not exceed a normal year's allowance. An obligation for compensated absences is recorded on the general fund balance sheet for compensated sick pay for employees eligible for retirement. Under the current contract provisions, teachers who have taught in Blue Hill for a minimum of fifteen years, have attained the age of fifty-five and are eligible to retire are entitled to thirty days of compensated sick pay at their per diem rate.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities financial statements. In the fund financial statements, governmental funds recognize the principal amount of debt issued as other financing sources.

Governmental Fund Balances

The School Department has identified June 30, 2018 fund balances on the balance sheet as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<u>Nonspendable</u>				
School Lunch Inventory			\$2,364	\$2,364
<u>Restricted</u>				
State and Federal Grants (see Exhibit A-1)			\$111,557	\$111,557
Capital Projects		\$561,795		\$561,795
<u>Committed</u>				
Secondary Tuition Reserve			\$65,000	\$65,000
Special Education Reserve			\$70,000	\$70,000
Capital Improvement Reserve			\$15,000	\$15,000
<u>Assigned</u>				
School Lunch Fund			\$2,606	\$2,606
<u>Unassigned</u>	\$174,214			\$174,214
<u>Total Fund Balances</u>	<u>\$174,214</u>	<u>\$561,795</u>	<u>\$266,526</u>	<u>\$1,002,536</u>

In accordance with GASB Statement 54, the Department classifies governmental fund balances as follows:

*Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or creditors, or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Town through formal action at the highest level of decision making authority and does not lapse at the end of the year.

*Assigned* - includes fund balance amounts that are intended to be used for specific purposes that are neither considered Restricted or Committed.

*Unassigned* - includes fund balance amounts that are not considered to be Non-spendable, Restricted, Committed or Assigned.

The School Department considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The School Board is authorized to make assignments pursuant to their appointment. Committed fund balances are determined based on the need of district meeting votes.

Net Position

Net position is required to be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted* - This component of net position consists of restrictions place on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulation of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$675,716 of restricted net position, of which enabling legislation restricts \$0.

*Unrestricted* - This component consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

E. Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Special Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the Superintendent level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

F. Estimates

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

Note 2 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$53,794	\$0	\$0	\$53,794
	<u>\$53,794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$53,794</u>
<u>Capital assets being depreciated</u>				
Buildings and Improvements	\$3,844,665	\$301,477	\$0	\$4,146,142
Equipment	\$264,513	\$28,191	\$24,624	\$268,080
<u>Total capital assets being depreciated</u>	<u>\$4,109,177</u>	<u>\$329,669</u>	<u>\$24,624</u>	<u>\$4,414,222</u>
<u>Less accumulated depreciation for</u>				
Buildings and Improvements	\$1,806,470	\$95,532	\$0	\$1,902,003
Equipment	\$183,776	\$20,645	\$24,624	\$179,797
<u>Total accumulated depreciation</u>	<u>\$1,990,246</u>	<u>\$116,178</u>	<u>\$24,624</u>	<u>\$2,081,800</u>
<u>Governmental Activities, Capital Assets, net</u>	<u>\$2,172,726</u>	<u>\$213,491</u>	<u>\$0</u>	<u>\$2,386,217</u>

Depreciation expense was charged to functions/programs of the primary government as follows;

Governmental Activities

Operation/Maintenance	\$99,567
System Administration	\$11,387
School Administration	\$584
Regular Instruction	\$350
School Lunch Program	\$2,602
Federal and State Programs	\$1,687
<u>Total Depreciation Expense - Governmental Activities</u>	<u>\$116,178</u>

Note 3 - Interfund Activity

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payable is classified as Due to Other Funds with an offsetting receivable classified as Due from Other Funds on the governmental fund financial statements. At June 30, 2018, the offsetting receivable and payable balances are \$602,909. The change in the balance of the accounts during the current fiscal year represent cash activity for the capital projects and special revenue grant programs.

Operating transfers in and out represent the transfer of funds to the school lunch program to help fund the program and funds to a reserve fund from the general fund. These transfers represent budgeted transfers from the general fund.

**Note 4 - Obligation Under Contracted Services**

An obligation for July 2018 and August 2018 salaries for employees under September 2017 through August 2018 contracts is being recorded on the general fund balance sheet. This obligation, along with the obligation for compensated absences, represents GAAP reporting for the school department as compared to the reporting method used by the school department. Under the reporting method used by the school department, July 2018 and August 2018 salaries are paid through the current year budget. See Exhibit C-1 for a reconciliation of the GAAP basis fund balances, the budget basis fund balances and the State MEDMS reporting, which is prepared by the school department and filed with the State.

**Note 5 - Long-Term Debt**

The following is a summary of Long-Term Debt transactions for the Blue Hill School Department for the fiscal year ended June 30, 2018:

<u>Long-Term Debt July 1, 2017</u>	\$28,289
Long-Term Debt Proceeds	\$789,806
Long-Term Debt Retired	(\$56,137)
<u>Long-Term Debt June 30, 2018</u>	<u>\$761,958</u>

In September 2012, the Blue Hill School Department entered into a financing agreement with Gorham Savings Leasing Group for the purpose of upgrading photocopiers. The debt is for 63 months with interest at 6.0%. The monthly payment totals \$344. The balance at June 30, 2018 was \$0. This lease is accounted for as a capital lease.

In September 2012, the Blue Hill School Department entered into a financing agreement with Gorham Savings Leasing Group for the purpose of upgrading photocopiers. The debt is for 63 months with interest at 6.0%. The monthly payment totals \$114. The balance at June 30, 2018 was \$0. This lease is accounted for as a capital lease.

In August 2017, the Blue Hill School Department entered into a financing agreement with Gorham Savings Leasing Group for the purpose of upgrading photocopiers. The debt is for 60 months with interest at 3.70%. The yearly payment totals \$6,071. The balance at June 30, 2018 was \$22,194. This lease is accounted for as a capital lease.

In July 2016, the School Department was issued a general obligation bond with Maine Municipal Bond Bank for the purpose of improving the school building. The bond was issued for \$338,861, with \$101,658 of that being forgiven at closing. The bond is for 5 years with annual payments of \$47,440.60, including interest at 0% per annum. As of June 30, 2018, the School Department has drawn down \$30,840 of the funds from the bond. The School Department is obligated to draw down these funds as expenses are incurred. The remaining balance of funds not drawn down have been accounted for as an accounts receivable, with a majority of the funds expected to be drawn down over the course of the next year.

In June 2017, the School Department was issued a general obligation bond with Bar Harbor Bank & Trust for the purpose of improving the school building. The bond was issued for \$1,500,000. The bond is for 15 years with annual principal payments of \$100,000, plus interest at 2.49% per annum. As of June 30, 2018, the School Department has drawn down \$550,001 of the funds from the bond. The School Department is obligated to draw down these funds as expenses are incurred. Repayment is based on the amount that is drawn down.

Annual debt service requirements to maturity, including estimated interest are as follows:

<i>Fiscal Year</i>		<i>Estimated</i>	
<i>Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$152,691	\$14,516	\$167,207
2020	\$152,885	\$11,832	\$164,717
2021	\$153,086	\$9,141	\$162,227
2022	\$153,295	\$6,442	\$159,737
2023	\$100,000	\$3,735	\$103,735
2024	\$50,001	\$1,245	\$51,246
	<u>\$761,958</u>	<u>\$46,910</u>	<u>\$808,868</u>

**Note 6 - Defined Benefit Employee Pension Plan**

**A. Plan Description**

Qualifying personnel of the Department participate in the Maine Public Employees Retirement System (System) State Employee and Teacher (SET) Plan. The plan is a multiple-employer, cost-sharing pension plan with a special funding situation. The State of Maine is the non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school systems contribute the normal cost, calculated actuarially, for their teacher members.

**B. Pension Benefits**

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit for State employees and teachers. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members.

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

**C. Member and Employer Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. For the year ended June 30, 2018, the member contribution rate was 7.65% and the employer contribution rate was 3.97% of applicable member compensation. The employer is also responsible for contributing 11.68% of all federally funded member compensation. The State of Maine, as a non-employer contributing entity, pays 11.08% of the applicable member compensation into the System.

The required contributions paid into the System for the year ended June 30, 2018 and the previous two years are as follows:

<u>For the year ended June 30,</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>State of Maine Contributions</u>	<u>Applicable Member Compensation</u>
2018	\$165,728	\$86,005	\$240,035	\$2,166,385
2017	\$164,435	\$72,403	\$215,377	\$2,149,472
2016	\$157,967	\$69,569	\$246,552	\$2,064,923

**D. Revenue Recognition**

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school systems on behalf of their employees. This leave contributions toward the net pension liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those School Systems contributing towards the net pension liability of the plan using grant funding.

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

At June 30, 2018, the School Department reported a net pension liability of \$2,034. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The School Department's proportion of the net pension liability was based on a projection of the School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2018, the School Department's proportion was .0001%, which was a decrease of .0001% from its proportion measured at June 30, 2017.

For the fiscal year ended June 30, 2018, the School Department recognized pension expense of \$17,970. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$86	\$0
Changes in Assumptions	\$0	\$32
Net Difference between projected and actual investment earnings on pension plan investments	\$568	\$597
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$0	\$15,060
Employer contributions made subsequent to measurement date	<u>\$86,005</u>	<u>\$0</u>
	<u>\$86,659</u>	<u>\$15,689</u>

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

<u>Year ended June 30,</u>	
2019	\$70,973
2020	\$91
2021	\$14
2022	(\$109)

F. Actuarial Assumptions

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

Inflation	2.75%
Salary Increases	2.75% - 14.50% at selected years of service
Investment Rate of Return	6.875%, net of administrative and pension plan investment expense
Cost of Living Benefit Increases	2.20%

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the Entry Age Normal actuarial funding method. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30%	6.0%
U.S. Government	8%	2.3%
Private Equity	15%	7.6%
Real Assets:		
Real Estate	10%	5.2%
Infrastructure	10%	5.3%
Natural Resources	5%	5.0%
Traditional Credit	8%	3.0%
Alternative Credit	5%	4.2%
Diversifiers	10%	5.9%
	<u>100%</u>	

G. Discount Rate

The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Department's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the School Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.875%) or 1 percentage point higher (7.875%) than the current rate:

	<u>1% Decrease (5.875%)</u>	<u>Current Discount Rate (6.875%)</u>	<u>1% Increase (7.875%)</u>
Proportionate Share of the Net Pension Liability	\$3,568	\$2,034	\$766

I. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the System's 2017 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

Note 7 - Other Post Employment Benefits

A. Plan Description

Qualifying personnel of the Department participate in the Group Life Insurance Plan for Retired State Employees and Teachers as provided by the Maine Public Employees Retirement System (SET Plan) The plan is a multiple-employer, cost sharing plan with a special funding situation. As of June 30, 2017 there were 220 employers, including the State of Maine participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the Plan.

The Group Life Insurance Plan for Retired Participating Local District (PLD) (PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. As of June 30, 2017, there were 138 employers participating in the plan.

B. Benefits

The Group Life Insurance Plans (the Plans) provide basis 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 a rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

C. Funding Policy

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 for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit monthly a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

D. Actuarial Methods and Assumptions

The collective total OPEB liability for the plans was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the funding methodologies. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Experience gains and losses, i.e., actual decreases or increases in the liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Significant Actuarial Assumptions

Inflation	2.75%
Salary Increases	2.75% - 14.50% at selected years of service
Investment Rate of Return	6.875%, net of administrative and pension plan investment expense
Participation Rates for Future Retirees	100% of those currently enrolled



Conversion Charges	Apply to the cost of active group life insurance, not retiree group life insurance
Form of Benefit Payment	Lump Sum

For the School Department employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females.

E. On-Behalf Payments

As mentioned in Section A. above, contributions are made by the System for participating retired teachers. The summary below provides the School Department's allocation of these contributions as well as the proportionate share of the Net OPEB liability. The Net OPEB Liability is not recorded on the School Department financial statements since it is a liability of the State of Maine and not a liability of the School Department.

	<i>Allocation of:</i>		
	<u><i>On-Behalf Payments</i></u>	<u><i>Benefits Expense</i></u>	<u><i>Net OPEB Liability</i></u>
2017	\$3,553	\$4,362	\$39,206

Note 8 - Restricted Net Position

The School Department reports restricted net position totaling \$675,716 on its statement of net position. This restricted net position represent the nonspendable and restricted fund balances detailed in the governmental fund balance note above.

Note 9 - Commitments and Contingencies

The School Department participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time, however, the School Department does not believe such amounts would be significant.

Note 10 - Risk Management

The School Department is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School Department carries commercial insurance. The School Department also participates in a public entity risk pool sponsored by the Maine School Management Association for worker's compensation and unemployment compensation. Based on the coverage provided by the Maine School Management Association risk pool as well as coverage provided by commercial insurance purchased, the School Department is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2018.

Note 11 - Pending Litigation

According to management, there are no matters that would result in material adverse losses, claims or assessments against the Blue Hill School Department through the date of the audit report.

**BLUE HILL SCHOOL DEPARTMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit VII)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenue:</u></b>				
Local Appropriations	\$5,307,463	\$5,307,463	\$5,307,463	\$0
State Subsidies	\$125,000	\$125,000	\$214,336	\$89,336
Miscellaneous Receipts	\$0	\$0	\$23,206	\$23,206
<b><u>Total Revenues</u></b>	<b><u>\$5,432,463</u></b>	<b><u>\$5,432,463</u></b>	<b><u>\$5,545,005</u></b>	<b><u>\$112,542</u></b>
<b><u>Expenditures:</u></b>				
System Administration	\$165,818	\$165,818	\$165,932	(\$114)
Transportation	\$267,208	\$267,208	\$312,023	(\$44,816)
Regular Instruction	\$3,474,556	\$3,474,556	\$3,494,991	(\$20,435)
Student and Staff Support	\$184,726	\$184,726	\$179,545	\$5,181
School Administration	\$204,214	\$204,214	\$200,542	\$3,671
Operation & Maintenance of Building	\$378,059	\$378,059	\$333,385	\$44,674
Special Education	\$867,283	\$867,283	\$816,239	\$51,044
Other Instruction	\$49,356	\$49,356	\$43,314	\$6,042
<b><u>Total Expenditures</u></b>	<b><u>\$5,591,218</u></b>	<b><u>\$5,591,218</u></b>	<b><u>\$5,545,971</u></b>	<b><u>\$45,247</u></b>
<b><u>Excess of Revenues over Expenditures</u></b>	<b><u>(\$158,756)</u></b>	<b><u>(\$158,756)</u></b>	<b><u>(\$967)</u></b>	<b><u>\$157,789</u></b>
<b><u>Other Financing Sources (Uses):</u></b>				
Operating Transfers In	\$20,000	\$20,000	\$20,000	\$0
Operating Transfers Out	(\$188,674)	(\$188,674)	(\$120,000)	\$68,674
<b><u>Excess Revenues and Other Sources over Expenditures and Other Uses</u></b>	<b><u>(\$327,430)</u></b>	<b><u>(\$327,430)</u></b>	<b><u>(\$100,967)</u></b>	<b><u>\$226,463</u></b>
<b><u>Beginning Fund Balance - Budget Basis</u></b>	<b><u>\$317,775</u></b>	<b><u>\$317,775</u></b>	<b><u>\$317,775</u></b>	<b><u>\$0</u></b>
<b><u>Ending Fund Balance - Budget Basis</u></b>	<b><u>(\$9,656)</u></b>	<b><u>(\$9,656)</u></b>	<b><u>\$216,808</u></b>	<b><u>\$226,463</u></b>

**BLUE HILL SCHOOL DEPARTMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit VIII)

<i>Last 10 Fiscal Years</i>	<i>For the Fiscal Year Ended June 30,</i>			
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Proportion of Net Pension Liability	0.0001%	0.0002%	0.0034%	0.0114%
Proportionate Share of the Net Pension Liability (Asset)	\$2,034	\$2,668	\$45,823	\$123,190
Covered Employee Payroll	\$2,166,385	\$2,149,472	\$2,064,923	\$2,128,753
Proportionate Share of the Net Pension Liability (Asset) as a % Of Its Covered Employee Payroll	0.094%	0.124%	2.219%	5.787%
Plan Total Pension Liability	\$13,484,886,512	\$13,069,954,948	\$12,616,287,054	\$12,320,158,783
Plan Fiduciary Net Position	\$10,893,291,864	\$9,960,335,390	\$10,242,097,022	\$10,337,615,927
Plan Net Pension Liability	\$2,591,594,648	\$3,109,619,558	\$2,374,190,032	\$1,982,542,856
Plan Fiduciary Net Position as a % Of the Total Pension Liability	80.781%	76.208%	81.182%	83.908%
Plan Covered Employee Payroll	\$1,860,230,663	\$1,816,435,084	\$1,699,160,889	\$1,676,857,294
Plan Net Pension Liability as a % Of the Covered Employee Payroll	139.316%	171.194%	139.727%	118.230%

\* Amounts presented for each fiscal year were determined as of June 30 of the previous year. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available

**BLUE HILL SCHOOL DEPARTMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit IX)

<i>Last 10 Fiscal Years</i>	<i>For the Fiscal Year Ended June 30,</i>			
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$86,005	\$72,403	\$69,569	\$61,854
Actual Contribution	(\$86,005)	(\$72,403)	(\$69,569)	(\$61,854)
Contribution Deficiency	\$0	\$0	\$0	\$0
Covered Employee Payroll	\$2,166,385	\$2,149,472	\$2,064,923	\$2,128,753
Contributions as a % of Covered Employee Payroll	3.970%	3.368%	3.369%	2.906%

\* Amounts presented for each fiscal year were determined as of June 30 of the previous year. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available

**BLUE HILL SCHOOL DEPARTMENT**  
**NOTES TO HISTORICAL PENSION INFORMATION**  
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Note 1 - Actuarial Methods and Assumptions**

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2017, is as follows:

**A. Actuarial Cost Method**

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

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

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

**B. Asset Valuation Method**

An actuarial value of assets is used for determining employer contributions. The use of an actuarial value of assets for this purpose helps mitigate volatility in contribution rates that might otherwise occur due to fluctuations in market conditions. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

**C. Amortization**

The net pension liability is amortized on a level percentage of payroll over the amortization period then in effect in statutory and constitutional requirements. The statutory and constitutional requirements include an amendment to the Maine Constitution approved in November 1995 that requires the State of Maine to fund the unfunded actuarial liability existing on June 30, 1996, over a period not to exceed 31 years beginning on July 1, 1997, and not later than June 30, 2028. The amendment prohibits the creation of new unfunded liabilities in the Plan except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires the use of actuarially sound current cost accounting, reinforcing existing statutory requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Inflation	2.75%
Salary Increases	2.75% - 14.50% at selected years of service
Investment Rate of Return	6.875%, net of administrative and pension plan investment expense
Cost of Living Benefit Increases	2.20%

For members, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The first year is recognized as pension expense and the remaining years as shown as either deferred outflows of resources or deferred inflows of resources. There were no changes in assumptions for the fiscal year ended June 30, 2017.

**BLUE HILL SCHOOL DEPARTMENT**  
**BUDGET vs. ACTUAL EXPENDITURES**  
**GENERAL OPERATING FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit A-1)

	<u>Budget</u>	<u>Actual</u>	<u>Reimbursements From Other Towns</u>	<u>Variance Unexpended or (Overdraft)</u>
<u>System Administration</u>	\$165,818	\$410,253	\$244,322	(\$114)
<u>Pupil Transportation</u>	\$267,208	\$312,023	\$0	(\$44,816)
<u>Regular Instruction</u>	\$3,474,556	\$3,494,991	\$0	(\$20,435)
<u>Student and Staff Support</u>	\$184,726	\$179,545	\$0	\$5,181
<u>School Administration</u>	\$204,214	\$200,542	\$0	\$3,671
<u>Operation of Building;</u>	\$378,059	\$333,385	\$0	\$44,674
<u>Special Education;</u>	\$867,283	\$920,343	\$104,104	\$51,044
<u>Other Instruction</u>	\$49,356	\$43,314	\$0	\$6,042
<u>Food Services</u>	\$68,674	\$0	\$0	\$68,674
<u>Reserve Transfers</u>	\$120,000	\$120,000	\$0	\$0
<u>Totals</u>	<u>\$5,779,893</u>	<u>\$6,014,397</u>	<u>\$348,425</u>	<u>\$113,921</u>
			<u>\$6,014,397</u>	
			Less Reimbursements	(\$348,425)
<i>Expenditures classified as operating transfers out</i>				(\$120,000)
			<u>\$5,545,971</u>	
<i>Compensated Absences Accrual Adjustment</i>				\$8,590
			<u>\$5,554,562</u>	
			<u>\$5,554,562</u>	

**BLUE HILL SCHOOL DEPARTMENT**  
**SCHEDULE OF GRANT AND OTHER PROGRAMS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit B-1)

	<i>Balance</i> <i>July 1, 2017</i>	<i>Total</i> <i>Revenues</i> <i>Recognized</i>	<i>Expenditures</i>	<i>Operating</i> <i>Transfers In</i>	<i>Balance</i> <i>June 30, 2018</i>
<i><u>Learning Programs:</u></i>					
Title I	\$46,620	\$125,358	\$142,387	\$0	\$29,591
Title IV	\$0	\$30,278	\$4,150	\$0	\$26,128
Title V	\$0	\$10,000	\$10,000	\$0	\$0
Local Entitlement	\$37,563	\$94,721	\$94,678	\$0	\$37,606
Local Entitlement Preschool	\$0	\$225	\$225	\$0	\$0
Transition Grant	\$3,601	\$0	\$84	\$0	\$3,518
BEEM Grant	(\$5)	\$0	\$0	\$0	(\$5)
Small Rural Schools	\$0	\$65,233	\$65,233	\$0	\$0
Class Size Reduction Grant	\$4,844	\$47,173	\$37,298	\$0	\$14,719
<i><u>Total Learning Programs</u></i>	<u>\$92,623</u>	<u>\$372,988</u>	<u>\$354,054</u>	<u>\$0</u>	<u>\$111,557</u>
<i><u>School Nutrition Programs:</u></i>					
School Lunch Program	\$48,813	\$114,996	\$158,888	\$0	\$4,921
U.S.D.A Donated Commodities	\$197	\$9,586	\$9,734	\$0	\$49
<i><u>Total School Nutrition Programs</u></i>	<u>\$49,010</u>	<u>\$124,582</u>	<u>\$168,622</u>	<u>\$0</u>	<u>\$4,970</u>
<i><u>Total Grant and Other Programs</u></i>	<u>\$141,633</u>	<u>\$497,570</u>	<u>\$522,677</u>	<u>\$0</u>	<u>\$116,526</u>

**BLUE HILL SCHOOL DEPARTMENT**  
**COMBINED BALANCE SHEET - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2018**

(Exhibit B-2)

	<u>Grant/Other Programs (Exhibit B-1)</u>	<u>Secondary Tuition</u>	<u>Special Education Reserve</u>	<u>Capital Improvement Reserve</u>	<u>Total Special Revenue Funds</u>
<u>Assets</u>					
Due from Other Funds	\$14,802	\$65,000	\$70,000	\$15,000	\$164,802
Due from Other Governments	\$361,266				\$361,266
Inventory	\$2,364				\$2,364
<u>Total Assets</u>	<u>\$378,432</u>	<u>\$65,000</u>	<u>\$70,000</u>	<u>\$15,000</u>	<u>\$528,432</u>
<u>Liabilities &amp; Fund Balances</u>					
<u>Liabilities</u>					
Accounts Payable	\$52,923				\$52,923
Accrued Salaries	\$24,650				\$24,650
Due to Other Funds	\$184,332	\$0	\$0	\$0	\$184,332
<u>Total Liabilities</u>	<u>\$261,906</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$261,906</u>
<u>Fund Balances</u>					
Nonspendable	\$2,364				\$2,364
Restricted	\$111,557				\$111,557
Committed		\$65,000	\$70,000	\$15,000	\$150,000
Assigned	\$2,606				\$2,606
<u>Total Fund Balances</u>	<u>\$116,526</u>	<u>\$65,000</u>	<u>\$70,000</u>	<u>\$15,000</u>	<u>\$266,526</u>
<u>Total Liabilities &amp; Fund Balances</u>	<u>\$378,432</u>	<u>\$65,000</u>	<u>\$70,000</u>	<u>\$15,000</u>	<u>\$528,432</u>



**BLUE HILL SCHOOL DEPARTMENT**

(Exhibit B-3)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****ALL SPECIAL REVENUE FUNDS****FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Grant Programs</u>	<u>School Lunch</u>	<u>Secondary Tuition</u>	<u>Special Education Reserve</u>	<u>Capital Improvement Reserve</u>	<u>Total Special Revenue Funds</u>
<b><u>Revenues:</u></b>						
State Administered Federal Programs - Exhibit B-1	\$372,988	\$77,020	\$0	\$0	\$0	\$450,008
Meal Sales and Other	\$0	\$47,563	\$0	\$0	\$0	\$47,563
<b><u>Total Revenues</u></b>	<b><u>\$372,988</u></b>	<b><u>\$124,582</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$497,570</u></b>
<b><u>Expenditures:</u></b>						
State Administered Federal Programs - Exhibit B-1	\$354,054	\$168,622	\$0	\$0	\$0	\$522,677
<b><u>Total Expenditures</u></b>	<b><u>\$354,054</u></b>	<b><u>\$168,622</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$522,677</u></b>
<b><u>Excess Revenues over Expenditures</u></b>	<b><u>\$18,934</u></b>	<b><u>(\$44,040)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(\$25,106)</u></b>
<b><u>Other Financing Sources</u></b>						
Operating Transfers In	\$0	\$0	\$50,000	\$70,000	\$0	\$120,000
Operating Transfers Out	\$0	\$0	(\$20,000)	\$0	\$0	(\$20,000)
<b><u>Excess Revenues and Other Sources over Expenditures</u></b>	<b><u>\$18,934</u></b>	<b><u>(\$44,040)</u></b>	<b><u>\$30,000</u></b>	<b><u>\$70,000</u></b>	<b><u>\$0</u></b>	<b><u>\$74,894</u></b>
<b><u>Beginning Fund Balance</u></b>	<b><u>\$92,623</u></b>	<b><u>\$49,010</u></b>	<b><u>\$35,000</u></b>	<b><u>\$0</u></b>	<b><u>\$15,000</u></b>	<b><u>\$191,633</u></b>
<b><u>Ending Fund Balance</u></b>	<b><u>\$111,557</u></b>	<b><u>\$4,970</u></b>	<b><u>\$65,000</u></b>	<b><u>\$70,000</u></b>	<b><u>\$15,000</u></b>	<b><u>\$266,526</u></b>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BLUE HILL SCHOOL DEPARTMENT**

(Exhibit C-1)

**RECONCILIATION OF AUDITED FINANCIAL STATEMENTS WITH STATE MEDMS REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Special Revenue Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
<u>State MEDMS Reporting Fund Balances</u>	(\$4,855,798)	\$0	\$344,693	\$0	(\$4,511,104)
Beginning Balances	\$575			\$18,522	\$19,097
Miscellaneous Revenues	\$7,720				\$7,720
Reserve Transfer Revenue	(\$120,000)		\$120,000		\$0
Local Appropriations	\$5,307,463				\$5,307,463
Bond Proceeds	(\$18,426)	\$863,273			\$844,847
Reserve Transfers	(\$120,000)		(\$20,000)		(\$140,000)
System Administration Expenditures	\$14,386				\$14,386
Transportation Expenditures	(\$415)				(\$415)
Regular Instruction Expenditures	(\$10,174)				(\$10,174)
Student/Staff Support Expenditures	(\$4,217)				(\$4,217)
School Administration Expenditures	\$1,047				\$1,047
Operation/Maintenance Expenditures	\$1,654				\$1,654
Special Education Expenditures	\$12,871				\$12,871
Other Instruction Expenditures	\$120				\$120
PEPG Expenditures			\$753		\$753
Title I Revenue			(\$15,659)		(\$15,659)
Title I Expenditures			(\$51,165)		(\$51,165)
Title IV Revenue			\$30,278		\$30,278
Local Entitlement Revenues			(\$11,928)		(\$11,928)
Local Entitlement Expenditures			\$29		\$29
Local Entitlement Preschool Revenues			\$225		\$225
Local Entitlement Preschool Expenditures			(\$225)		(\$225)
Title V Revenue			\$10,000		\$10,000
Title V Expenditures			(\$10,000)		(\$10,000)
REAP Revenue			(\$121,783)		(\$121,783)
REAP Expenditures			\$29,273		\$29,273
Title II Revenues			(\$18,801)		(\$18,801)
Title II Expenditures			(\$14,236)		(\$14,236)
Capital Projects Expenditures		(\$301,477)			(\$301,477)
School Lunch Revenues			\$5,405		\$5,405
School Lunch Expenditures			(\$10,334)		(\$10,334)
Student Activity Revenues				\$73,156	\$73,156
Student Activity Expenditures				(\$74,065)	(\$74,065)
<u>Audited Budget Basis Fund Balances</u>	<u>\$216,808</u>	<u>\$561,795</u>	<u>\$266,526</u>	<u>\$17,613</u>	<u>\$1,062,743</u>
Obligation Under Compensated Absences	(\$42,594)				(\$42,594)
<u>Audited GAAP Basis Fund Balances</u>	<u>\$174,214</u>	<u>\$561,795</u>	<u>\$266,526</u>	<u>\$17,613</u>	<u>\$1,020,149</u>

**BLUE HILL SCHOOL DEPARTMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(Exhibit C-2)

<u>Federal Grantor/Pass-Through</u> <u>Grantor/Program Title</u>	<u>CFDA #</u>	<u>Grantor Pass-Through Number</u>	<u>Program Award Amount</u>	<u>Expenditures</u>
<u>U.S. Department of Education;</u>				
<u>Passed through State of Maine</u>				
<u>Department of Education</u>				
Title IA - Disadvantaged	84.010	013-05A-3057-13	\$125,358	\$142,387
Title IIA - Teacher Quality	84.367	013-05A-3042-11	\$47,173	\$37,298
Title IV - Student Support & Academic Enrichment	84.424	013-05A-3345-13	\$30,278	\$4,150
Title V - Rural & Low Income Grants	84.358	013-05A-3005-03	\$10,000	\$10,000
Local Entitlement	84.027	013-05A-3046-12	\$94,721	\$94,678
Preschool Grant	84.173	013-05A-6247-23	\$225	\$225
Rural Education Achievement Program	84.213	013-05A-6336-13	\$65,233	\$65,233
<u>Total State of Maine Department of Education</u>			<u>\$372,988</u>	<u>\$353,971</u>
<u>Total U.S. Department of Education</u>			<u>\$372,988</u>	<u>\$353,971</u>
<u>U.S. Department of Agriculture;</u>				
<u>Passed through State of Maine</u>				
<u>Department of Education</u>				
National School Lunch Program - Lunch	10.555	-	\$50,693	\$50,693
National School Lunch Program - Breakfast	10.555	-	\$15,000	\$15,000
National School Lunch Program - Other	10.555	-	\$1,741	\$1,741
Food Distribution - Donated Commodities	10.550	-	\$9,586	\$9,734
<u>Total U.S. Department of Agriculture</u>			<u>\$77,020</u>	<u>\$77,168</u>
<u>Totals</u>			<u>\$450,008</u>	<u>\$431,138</u>

# James W. Wadman

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**CERTIFIED PUBLIC ACCOUNTANT**

James W. Wadman, C.P.A.  
Ronald C. Bean, C.P.A.  
Kellie M. Bowden, C.P.A.  
Wanese L. Lynch, C.P.A.  
Amy E. Atherton, C.P.A.

December 27, 2018

To the School Committee and the Superintendent of Schools  
Blue Hill School Department  
Blue Hill, Maine 04614

We have audited the financial statements of the Blue Hill School Department as of and for the fiscal year ended June 30, 2018.

In connection with our audit, we make the following statements of assurance and determinations:

- 1.) The audit has been conducted in accordance with applicable State and Federal law relating to financial and compliance audits.
- 2.) Budgetary controls are in place.
- 3.) The annual financial report submitted to the Department of Education and Cultural Services is materially correct, with the exceptions of the items referred to in Exhibit C-1.
- 4.) The School Department has complied with the applicable provisions of the Maine Essential Programs and Services Funding Act.
- 5.) The School Department has complied with the transfer limitations between budget cost centers.
- 6.) The School Department has complied with the statutory budget content requirements.
- 7.) The School Department has not exceeded its authority to expend funds as provided with the total budget summary article.

Respectfully submitted,

*James W. Wadman, C.P.A.*

James W. Wadman, C.P.A.