

## ASSETS AND LIABILITIES NOTES OF OCTOBER 30, 2007

**ATTENDANCE:** Maynard Curtis, Eric Hebert, and Bob Worthing

**GENERAL DISCUSSION:** These notes are an update to the October 16<sup>th</sup> notes. This update represents this sub-committee's final recommendations to be presented before the full RSU Organization Committee. As S.A.D. #5 and S.A.D. #50 combine to become one new RSU, the guiding philosophy that quickly reached consensus by this sub-committee was that "we are one." In other words, the new RSU will be one unified unit, and as such, all assets and all liabilities will belong to the new RSU. The following details the sub-committee's recommendations in the order outlined by the RSU Reorganization Plan.

### **SPECIFIC SECTIONS AND RECOMMENDATIONS:**

#### **Section 5: The disposition of real and personal property.**

The working assumption of the Drummond-Woodsun template is that all assets will be transferred to the new RSU unless individual assets are specifically excluded.

**Paragraph A: Real Property and Fixtures:** The sub-committee recommends transferring all real property and fixtures without exception.

**Paragraph B: Personal Property:** The sub-committee recommends transferring all personal property without exception.

**Paragraph C: Agreements to Share or to Jointly Own Property:** This is inapplicable to the existing SAUs, and thus no action is required. (Note: The City of Rockland owns a skate park located on school property.)

**Section 6: The disposition of existing school indebtedness and lease-purchase obligations if the parties elect not to use the provisions of Section 1506 regarding the disposition of debt obligations.** Data provided by the existing SAUs revealed a difference in the amount of local-only debt between the existing SAUs. A brief discussion revealed that trying to keep debt separate would be cumbersome after the creation of the new RSU. The existing SAUs would need to continue to exist for the purpose of meeting a debt obligation on assets the SAUs no longer own, or make provisions to provide the new RSU with the financial means of making payments on the SAUs behalf. The most likely effect of not transferring the liabilities would be that the existing SAUs would have to provide the new RSU with the money to take on the debt obligations. In keeping with the general philosophy of "we are one." The subcommittee felt that it would be simpler to transfer all debt. Additionally, transferring all debt would avoid creating an artificial barrier to becoming a unified RSU. The sub-committee recommends transferring all debt obligations to the new RSU. In terms of numbers, the amount of debt on July 1, 2009 will be just over \$3.1 Million for S.A.D. #5, and just under \$2.9 Million for S.A.D. #50. Of those amounts, about \$2.5 Million is local only for S.A.D. #5, and about \$1.6 Million is local only for S.A.D. #50.

**Paragraph A. Bonds, Notes, and Lease Purchase Agreements That the Region Will Assume.** The sub-committee recommends transferring all debt obligations to the new RSU.

**Paragraph B. Bonds, Notes, and Lease Purchase Agreements That the Region Will Not Assume.** Given the sub-committee's recommendation in Paragraph A, this paragraph does not apply.

**Paragraphs C and D. New Capital Project Debt that the Region Will Issue and Assume (or "Not Assume" in the case of Paragraph D):** The only item that might apply to this paragraph will be the purchase of a new

school bus by S.A.D. #5, however; there is also a provision in "A" to allow for such purchases. The sub-committee recommends that the new RSU assume the issuance and subsequent liability of this purchase.

Paragraph E: Defaulted Debt is Excluded From Being Assumed: A review of the most recent audit reports as well as current information from each SAU did not reveal any defaulted debt. This situation will be monitored and reviewed prior to the formation of the new RSU.

Paragraph F. Other Debt Not Assumed: A review of the most recent audit reports as well as current information from each SAU did not reveal any other known debt. This situation will be monitored and reviewed prior to the formation of the new RSU.

**Section 8: The disposition of existing school funds and existing financial obligations, including undesignated fund balances, trust funds, reserve funds, and other funds appropriated for school purposes.**

Paragraph A. Existing Financial Obligations: No decision is required with regards to this paragraph. . All of these obligations will be transferred in accordance to the terms prescribed within this paragraph.

Paragraph B. Remaining Balances: Should any balance remain after Existing Financial Obligations are satisfied, then one of two options are available unless the Legislature otherwise provides. Option 1: Each SAU Board will provide written instructions as to how to allocate the remaining funds to each district member. Option 2: If the existing SAUs do not otherwise specify the allocation of remaining funds, then the new RSU can credit each member (within the new RSU) their portion towards the total local costs of the new RSU's operational year. The sub-committee recommends Option 2 (Option 2 is the default if Option 1 is not specified).

Paragraph C: Reserve Funds: and

Paragraph D: Scholarship Funds: and

Paragraph E: Trust Funds: None of these paragraphs require any decisions. . All funds will be transferred in accordance to the terms prescribed within these paragraphs.

Respectfully submitted,

Eric J. Hebert