Federal Compliance Audit

Regional School Unit No. 38

June 30, 2014

RHR SMITH & COMPANY
Certified Public Accountants

Proven Expertise and Integrity

REGIONAL SCHOOL UNIT NO. 38

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JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional School Unit No. 38
Readfield, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 38, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principle 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, business-type activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 38 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Regional School Unit No. 38's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of Regional School Unit No. 38's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School Unit No. 38's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
September 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

(UNAUDITED)

The following management's discussion and analysis of the Regional School Unit No. 38's financial performance provides an overview of the Unit's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Unit's financial statements.

Financial Statement Overview

The Unit's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Unit's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Unit's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Unit activities. The types of activities presented for the Unit are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Unit's basic services are reported in governmental activities, which include instructional salaries and fringe benefits, support services, operation and maintenance, transportation, administration and debt service. Support from towns, charges for services, and state and federal grants finance most of these activities.

- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The Unit's daycare/after school programs, food service, adult education and health center are reported here.

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 Unit, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Unit can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the Unit are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Unit's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Unit.

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

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Unit presents two columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Unit's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Unit legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Unit maintains five proprietary funds, the daycare/after school program-Readfield, the daycare/after school program-Mt. Vernon, food service, adult education and the health center. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Unit. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Unit's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 Financial Statements can be found following the Fiduciary Fund Financial Statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our discussion and analysis of Regional School Unit No. 38's financial performance provides an overview of the Unit's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Unit's financial statements.

Our analysis below focuses on the net position of the Unit's governmental activities. The Unit's total net position for governmental activities increased by $404,662 from $6.85 million to a balance of $7.25 million at the year end. For business-type activities, the Unit's total net position increased by $32,995 from $34,021 to a balance of $67,016.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - governmental activities had a deficit balance of $642,000 at the end of the fiscal year. For business-type activities, the balance was $56,932.

Table 1
Regional School Unit No. 38
Net Position
June 30,

	Governmental Activities		Business-type Activites	
	2014	2013 (Restated)	2014	2013
Assets:				
Current and Other Assets	$ 829,554	$ 626,284	$ 57,755	$ 39,533
Capital Assets	12,900,531	13,454,151	10,084	2,526
Total Assets	13,730,085	14,080,435	67,839	42,059
Liabilities:				
Current Liabilities	1,847,813	1,867,567	823	8,038
Long-Term Debt Outstanding	4,629,156	5,364,414	-	-
Total Liabilities	6,476,969	7,231,981	823	8,038
Net Position:				
Invested in Capital Assets, Net of Related Debt	7,715,756	7,578,265	10,084	2,526
Restricted: Special Revenue Funds	12,196	18,952	-	-
Permanent Funds	167,164	175,747	-	-
Unrestricted (deficit)	(642,000)	(924,510)	56,932	31,495
Total Net Position	$ 7,253,116	$ 6,848,454	$ 67,016	$ 34,021

Table 2
Regional School Unit No. 38
Change in Net Position
For the Year Ended June 30,

	Governmental Activities		Business-Type Activities	
	2014	**2013**	**2014**	**2013**
Revenues:				
Program Revenues:				
Charges for services	$ 765,459	$ 889,674	$ 317,650	$ 334,025
Operating grants & contributions	1,822,530	2,030,257	276,053	247,875
General Revenue:				
Support from towns	10,911,120	9,533,621	-	-
Grants & contributions not restricted to specific programs	3,845,934	4,127,084	-	-
Miscellaneous	134,713	362,917	364,486	37,148
Total revenues	17,479,756	16,943,553	958,189	619,048
Expenses				
Regular instruction	6,573,123	6,305,498	-	-
Special education	1,871,104	1,929,498	-	-
Career & technical education	-	134,037	-	-
Other instruction	483,392	458,473	-	-
Student & staff support	1,516,270	1,294,617	-	-
System administration	525,195	492,061	-	-
School administration	900,404	849,349	-	-
Transportation	950,969	1,008,412	-	-
Operations & maintenance	1,935,610	1,813,228	-	-
Other Community Service	6,138	4,019	-	-
State of Maine On-Behalf Payments	1,041,450	1,198,406	-	-
Program Expenditures	885,201	948,995	1,087,636	763,941
Interest on Long-Term Debt	223,796	253,936	-	-
Total expenses	16,912,652	16,690,529	1,087,636	763,941
Operating transfers	(162,442)	(274,513)	162,442	274,513
Change in Net Position	404,662	(21,489)	32,995	129,620
Net Position - July 1, Restated	6,848,454	6,869,943	34,021	(95,599)
Net Position - June 30	$ 7,253,116	$ 6,848,454	$ 67,016	$ 34,021

Revenues and Expenses

Revenues for the Unit's governmental activities increased by 3.17%, while total expenses increased by 1.33%. Increases in local support from participating towns contributed to most of the Unit's overall change in revenues while increases in regular instruction, student and staff support and operations and maintenance contributed to the increase in expenses from the previous year.

Revenues for the Unit's business-type activities increased by 54.78%, while total expenses also increased by 42.37%. The overall upward trend in intergovernmental and miscellaneous revenues, partially offset by a decrease in charges for services directly affected the increase in expenditures when compared to the previous year.

Financial Analysis of the Unit's Fund Statements

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

Table 3
Regional School Unit No. 38
Fund Balances - Governmental Funds
June 30,

	2014	2013 (Restated)
Major Funds:		
General Fund:		
Nonspendable	$ 3,360	$ 3,000
Unassigned	(375,297)	(635,193)
Total Major Funds	$ (371,937)	$ (632,193)
Non-Major Funds:		
Special revenue funds:		
Restricted	$ 12,196	$ 18,952
Committed	4,535	3,170
Assigned	14,654	39,620
Unassigned	(1,940)	(3,648)
Permanent funds:		
Restricted	167,164	175,747
Total Non-Major Funds	$ 196,609	$ 233,841

The general fund total fund balance increased by $260,256 from the prior fiscal year. The non-major fund balances decreased by $37,232 from the prior fiscal year.

Proprietary funds: The Unit's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Budgetary Highlights

There was a significant difference between the original and final budget for the general fund. This difference was adjustments between budget lines to cover overdrafts.

The general fund actual revenues were over budget by $78,799. This was mainly a result of state subsidy and tuition being receipted more than budget.

The general fund actual expenditures were under budget by $481,457. All expenditure articles were under budget with the exception of other community service.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the net book value of capital assets recorded by the Unit decreased by $546,062. This decrease was a result of current year depreciation expense of $695,920 less capital additions of $149,858.

Table 4
Regional School Unit No. 38
Capital Assets (Net of Depreciation)
June 30,

	2014	2013
Land	$ 238,912	$ 238,912
Buildings, building improvements and land improvements	11,940,101	12,390,934
Machinery and equipment	498,087	537,464
Vehicles	233,515	289,367
Total	$ 12,910,615	$ 13,456,677

Debt

At June 30, 2014, the Unit had $3.95 million in bonds outstanding versus $4.48 million last year. Other obligations include capital leases payable and accrued sick and vacation time. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The FY 2015 budget could be impacted by reductions in state subsidy as a result of reduced state revenue projections. Curtailments in the state's biennial budget may serve to increase required local contributions and/or reductions in Unit spending.

Contacting the Unit's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Unit's finances and to show the Unit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Unit's Finance Department at 45 Millard Harrison Drive, Readfield, Maine 04355.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 335,278	$ 10,716	$ 345,994
Investments	100,468	-	100,468
Accounts receivable (net of allowance for uncollectibles)	19,139	-	19,139
Due from other governments	387,757	16,617	404,374
Prepaid expenses	3,360	-	3,360
Inventory	-	13,974	13,974
Internal balances	(16,448)	16,448	-
Total current assets	829,554	57,755	887,309
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	238,912	-	238,912
Buildings and equipment, net of accumulated depreciation	12,661,619	10,084	12,671,703
Total noncurrent assets	12,900,531	10,084	12,910,615
TOTAL ASSETS	$ 13,730,085	$ 67,839	$ 13,797,924
LIABILITIES			
Current liabilities:			
Accounts payable	$ 53,101	$ 823	$ 53,924
Accrued payroll	951,781	-	951,781
Current portion of long-term obligations	842,931	-	842,931
Total current liabilities	1,847,813	823	1,848,636
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	3,412,964	-	3,412,964
Capital leases payable	928,880	-	928,880
Accrued compensated absences	287,312	-	287,312
Total noncurrent liabilities	4,629,156	-	4,629,156
TOTAL LIABILITIES	6,476,969	823	6,477,792
NET POSITION			
Invested in capital assets, net of related debt	7,715,756	10,084	7,725,840
Restricted: Special Revenue Funds	12,196	-	12,196
Permanent Funds	167,164	-	167,164
Unrestricted (deficit)	(642,000)	56,932	(585,068)
TOTAL NET POSITION	7,253,116	67,016	7,320,132
TOTAL LIABILITIES AND NET POSITION	$ 13,730,085	$ 67,839	$ 13,797,924

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue & Changes in Net Position: Governmental Activities	Net (Expense) Revenue & Changes in Net Position: Business-type Activities	Net (Expense) Revenue & Changes in Net Position: Total
Governmental activities:							
Regular instruction	$ 6,573,123	$ 413,366	$ -	$ -	$ (6,159,757)	$ -	$ (6,159,757)
Special education	1,871,104	172,094	-	-	(1,699,010)	-	(1,699,010)
Other instruction	483,392	-	-	-	(483,392)	-	(483,392)
Student & staff support	1,516,270	-	-	-	(1,516,270)	-	(1,516,270)
System administration	525,195	-	-	-	(525,195)	-	(525,195)
School administration	900,404	-	-	-	(900,404)	-	(900,404)
Transportation	950,969	113,227	-	-	(837,742)	-	(837,742)
Operations & maintenance	1,935,610	-	-	-	(1,935,610)	-	(1,935,610)
Other community service	6,138	-	-	-	(6,138)	-	(6,138)
Program expenditures	885,201	66,772	781,080	-	(37,349)	-	(37,349)
State of Maine on-behalf payments	1,041,450	-	1,041,450	-	-	-	-
Interest on long-term debt	223,796	-	-	-	(223,796)	-	(223,796)
Total governmental activities	16,912,652	765,459	1,822,530	-	(14,324,663)	-	(14,324,663)
Business-type activities:							
Daycare/Afterschool Program - Readfield	24,600	30,974	-	-	-	6,374	6,374
Daycare/Afterschool Program - Mt. Vernon	-	112	-	-	-	112	112
Food Service	956,042	258,485	259,580	-	-	(437,977)	(437,977)
Adult Education	32,994	28,079	16,473	-	-	11,558	11,558
Health Center	74,000	-	-	-	-	(74,000)	(74,000)
Total business-type activities	1,087,636	317,650	276,053	-	-	(493,933)	(493,933)
Total government	$ 18,000,288	$ 1,083,109	$ 2,098,583	$ -	(14,324,663)	(493,933)	(14,818,596)

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities	Business-type Activities	Totals
Changes in net position:			
Net (expense) revenue	(14,324,663)	(493,933)	(14,818,596)
General revenues:			
Support from towns	10,911,120	-	10,911,120
Grants and contributions not restricted to specific programs	3,845,934	-	3,845,934
Miscellaneous	134,713	364,486	499,199
Interfund transfers	(162,442)	162,442	-
Total general revenues and transfers	14,729,325	526,928	15,256,253
Change in net position	404,662	32,995	437,657
NET POSITION - JULY 1, RESTATED	6,848,454	34,021	6,882,475
NET POSITION - JUNE 30	$ 7,253,116	$ 67,016	$ 7,320,132

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

REGIONAL SCHOOL UNIT NO. 38

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS			
Cash and cash equivalents	$ 268,582	$ 66,696	$ 335,278
Investments	-	100,468	100,468
Accounts receivable (net of allowance for uncollectibles)	8,889	10,250	19,139
Due from other governments	236,886	150,871	387,757
Prepaid expenses	3,360	-	3,360
Due from other funds	195,102	29,960	225,062
TOTAL ASSETS	$ 712,819	$ 358,245	$ 1,071,064
LIABILITIES			
Accounts payable	$ 53,101	$ -	$ 53,101
Accrued payroll	951,781	-	951,781
Due to other funds	79,874	161,636	241,510
TOTAL LIABILITIES	1,084,756	161,636	1,246,392
FUND BALANCES			
Nonspendable	3,360	-	3,360
Restricted	-	179,360	179,360
Committed	-	4,535	4,535
Assigned	-	14,654	14,654
Unassigned	(375,297)	(1,940)	(377,237)
TOTAL FUND BALANCES	(371,937)	196,609	(175,328)
TOTAL LIABILITIES AND FUND BALANCES	$ 712,819	$ 358,245	$ 1,071,064

See accompanying independent auditors' report and notes to financial statements.

STATEMENT D

REGIONAL SCHOOL UNIT NO. 38

RECONCILIATION OF GOVERNMENTAL BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - governmental funds	$ (175,328)
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	12,900,531
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(3,948,022)
Capital leases payable	(1,236,753)
Accrued compensated absences	(287,312)
Net position of governmental activities	$ 7,253,116

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES			
Support from towns	$ 10,848,120	$ 63,000	$ 10,911,120
Intergovernmental revenues	4,887,384	781,080	5,668,464
Charges for services	698,687	66,772	765,459
Miscellaneous	110,845	23,868	134,713
TOTAL REVENUES	16,545,036	934,720	17,479,756
EXPENDITURES			
Current:			
Regular instruction	6,395,479	-	6,395,479
Special education	1,801,012	-	1,801,012
Other instruction	423,746	-	423,746
Student & staff support	1,516,270	-	1,516,270
System administration	519,098	-	519,098
School administration	868,667	-	868,667
Transportation	946,740	-	946,740
Operations & maintenance	1,877,326	-	1,877,326
State of Maine on-behalf payments	1,041,450	-	1,041,450
Other community service	6,138	-	6,138
Program expenditures	-	939,510	939,510
Debt Service:			
Principal	535,058	-	535,058
Interest	223,796	-	223,796
TOTAL EXPENDITURES	16,154,780	939,510	17,094,290
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	390,256	(4,790)	385,466
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	11,558	11,558
Operating transfers (out)	(130,000)	(44,000)	(174,000)
TOTAL OTHER FINANCING SOURCES (USES)	(130,000)	(32,442)	(162,442)
NET CHANGE IN FUND BALANCES	260,256	(37,232)	223,024
FUND BALANCES - JULY 1, RESTATED	(632,193)	233,841	(398,352)
FUND BALANCES - JUNE 30	$ (371,937)	$ 196,609	$ (175,328)

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (Statement E)	$ 223,024
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases	141,458
Capital asset disposals	-
Depreciation expense	(695,078)
	(553,620)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	832,569
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(141,458)
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 govermental funds:	
Accrued compensated absences	44,147
Change in net position of governmental activities (Statement B)	$ 404,662

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds					
	Daycare/ After School Program Readfield	Daycare/ After School Program Mt. Vernon	Food Service	Adult Education	Health Center	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ -	$ -	$ 10,716	$ -	$ -	$ 10,716
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other governments	-	-	16,617	-	-	16,617
Due from other funds	4,672	-	-	-	45,242	49,914
Inventory	-	-	13,974	-	-	13,974
Total current assets	4,672	-	41,307	-	45,242	91,221
Noncurrent assets:						
Machinery and equipment	-	-	21,030	-	-	21,030
Accumulated depreciation	-	-	(10,946)	-	-	(10,946)
Total noncurrent assets	-	-	10,084	-	-	10,084
TOTAL ASSETS	$ 4,672	$ -	$ 51,391	$ -	$ 45,242	$ 101,305
LIABILITIES						
Current liabilities:						
Accounts payable	$ -	$ -	$ -	$ -	$ 823	823
Due to other funds	-	-	33,466	-	-	33,466
TOTAL LIABILITIES	-	-	33,466	-	823	34,289
NET POSITION						
Invested in capital assets, net of related debt	-	-	10,084	-	-	10,084
Restricted	-	-	-	-	-	-
Unrestricted (deficit)	4,672	-	7,841	-	44,419	56,932
TOTAL NET POSITION	4,672	-	17,925	-	44,419	67,016
TOTAL LIABILITIES AND NET POSITION	$ 4,672	$ -	$ 51,391	$ -	$ 45,242	$ 101,305

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds					
	Daycare/ After School Program Readfield	Daycare/ After School Program Mt. Vernon	Food Service	Adult Education	Health Center	Total
OPERATING REVENUES						
Intergovernmental	$ -	$ -	$ 259,580	$ 16,473	$ -	$ 276,053
Charges for services	30,974	112	258,485	28,079	-	317,650
Miscellaneous	-	-	364,486	-	-	364,486
TOTAL OPERATING REVENUES	30,974	112	882,551	44,552	-	958,189
OPERATING EXPENSES						
Salaries	18,891	-	242,010	8,667	46,901	316,469
Benefits	1,589	-	79,285	502	10,978	92,354
Contractual services	425	-	328,200	16,357	9,935	354,917
Supplies	3,519	-	286,304	1,280	1,400	292,503
Equipment	-	-	6,905	-	-	6,905
Travel expenses	-	-	312	-	3,703	4,015
Workshop expenses	-	-	35	-	307	342
Depreciation	-	-	842	-	-	842
Other	176	-	12,149	6,188	776	19,289
TOTAL OPERATING EXPENSES	24,600	-	956,042	32,994	74,000	1,087,636
OPERATING INCOME (LOSS)	6,374	112	(73,491)	11,558	(74,000)	(129,447)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	100,000	-	74,000	174,000
Operating transfers (out)	-	-	-	(11,558)	-	(11,558)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	100,000	(11,558)	74,000	162,442
CHANGES IN NET POSITION	6,374	112	26,509	-	-	32,995
NET POSITION - JULY 1	(1,702)	(112)	(8,584)	-	44,419	34,021
NET POSITION - JUNE 30	$ 4,672	$ -	$ 17,925	$ -	$ 44,419	$ 67,016

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds					
	Daycare/ After School Program Readfield	Daycare/ After School Program Mt. Vernon	Food Service	Adult Education	Health Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 24,699	$ 112	$ 620,909	$ 28,079	$ 5,552	$ 679,351
Intergovernmental receipts	-	-	256,310	19,388	-	275,698
Payments to employees	(18,891)	-	(242,010)	(8,667)	(46,901)	(316,469)
Payments to suppliers	(5,808)	(112)	(719,759)	(27,242)	(32,651)	(785,572)
Net cash provided (used) by operating activities	-	-	(84,550)	11,558	(74,000)	(146,992)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating transfers	-	-	100,000	(11,558)	74,000	162,442
Net cash provided (used) by noncapital financing activities	-	-	100,000	(11,558)	74,000	162,442
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of fixed assets	-	-	(8,400)	-	-	(8,400)
Net cash provided (used) by capital and related financing activities	-	-	(8,400)	-	-	(8,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	7,050	-	-	15,450
CASH AND CASH EQUIVALENTS - JULY 1	-	-	3,666	-	-	3,666
CASH AND CASH EQUIVALENTS - JUNE 30	$ -	$ -	$ 10,716	$ -	$ -	$ 10,716
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	$ 6,374	$ 112	$ (73,491)	$ 11,558	$ (74,000)	$ (129,447)
Adjustments to reconcile operating income to net cash provided (used) by operating activties:						
Depreciation expense	-	-	842	-	-	842
Changes in operating assets and liabilities:						
(Increase) decrease in due from other governments	-	-	(3,270)	2,915	-	(355)
(Increase) decrease in accounts receivable	110	-	-	-	92	202
(Increase) decrease in inventory	-	-	(2,062)	-	-	(2,062)
(Increase) decrease in due from other funds	(4,672)	-	-	-	5,460	788
(Decrease) increase in accounts payable	(99)	-	(1,564)	-	(5,552)	(7,215)
(Decrease) increase in due to other funds	(1,713)	(112)	(5,005)	(2,915)	-	(9,745)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ -	$ -	$ (84,550)	$ 11,558	$ (74,000)	$ (146,992)

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Funds
	Student Activities
ASSETS	
Cash and cash equivalents	$ 203,487
Investments	25,660
TOTAL ASSETS	$ 229,147
LIABILITIES	
Due to other governments	$ -
Deposits held for others	229,147
TOTAL LIABILITIES	$ 229,147

See accompanying independent auditors' report and notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Regional School Unit No. 38 was incorporated under the laws of the State of Maine. The Unit operates under the Board of Directors-superintendent form of government and provides the following services: instruction, operation and maintenance, transportation, administration, and vocational education.

The Unit's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Unit has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Unit has chosen not to do so.

The Unit's combined financial statements include all accounts and all operations of the Unit. We have determined that the Unit has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

Government–Wide and Fund Financial Statements

The Unit's basic financial statements include both government-wide (reporting the Unit as a whole) and fund financial statements (reporting the Unit's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Unit's school lunch funds, daycare/afterschool programs, adult education and the health center are categorized as business-type activities. All other activities of the Unit are categorized as governmental.

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Unit's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Unit first utilizes restricted resources to finance qualifying activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Unit's functions (Instructional salaries and fringe benefits, Transportation, Operation & Maintenance, etc.). The functions are also supported by general government revenues (support from Units, certain intergovernmental revenues and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Unit does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Unit as an entity and the change in the Unit's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Unit are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Unit:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Unit:

a. The General Fund is the general operating fund of the Unit. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c. Permanent Funds are used to account for assets held by the Unit that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unit or its citizenry. The Unit's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Unit:

a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing. services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Unit programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The Unit's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

into the government-wide financial statements. The Unit has no component units that are fiduciary in nature.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

The Unit's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	$15,503,586
Add: On-behalf payments	1,041,450
Total GAAP basis	$16,545,036
Expenditures per budgetary basis	$15,243,330
Add: On-behalf basis	1,041,450
Total GAAP basis	$16,284,780

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Unit prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the inhabitants of the Unit was called for the purpose of adopting the proposed budget after public notice of the meeting was given.

3. The budget was adopted subsequent to passage by the inhabitants of the Unit.

4. The Unit does not adopt budgets for Special Revenue Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

It is the Unit's policy to value investments at fair value. None of the Unit's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Unit Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Regional School Unit No. 38 has no formal investment policy but instead follows the State of Maine Statutes. They are in the process of adopting a more detailed investment policy.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be zero as of June 30, 2014.

Capital Assets

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

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Unit. The Unit has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Unit's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2014, the Unit's liability for compensated absences is $287,312.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Unit is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Unit. The inhabitants of the Unit through District meetings are the highest level of decision-making authority of the Unit. Commitments may be established, modified, or rescinded only through a District meeting vote.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Unit considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Unit considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Unit meeting vote has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Operating/Non-operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Unit does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Unit's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the Unit consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Unit funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Unit will not be able to recover its deposits. The Unit does not have a policy covering custodial credit risk for deposits. However, the Unit maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2014, the Unit's deposits amounting to $549,481 were comprised of bank deposits of $1,207,809. Of these amounts, all bank deposits were fully insured by federal depository insurance or securities held by a financial institution in the Unit's name and consequently were not exposed to custodial credit risk.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Account Type	Bank Balance
Checking accounts	$ 230,137
Savings accounts	66,696
Sweep account	910,976
	$ 1,207,809

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Unit will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Unit does not have a policy for custodial credit risk for investments.

At June 30, 2014, of the Unit's investment in certificates of deposit, $126,128 were fully insured by federal depository insurance and consequently not exposed to custodial credit risk.

The Unit's certificates of deposit had the following maturities:

Investment Type	Fair Value	N/A	Less than 1 Year	1 - 5 Years
Certificates of deposit	$ 126,128	$ -	$ 91,803	$ 34,325
	$ 126,128	$ -	$ 91,803	$ 34,325

Credit risk – Statutes for the State of Maine authorize the Unit to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Unit does not have an investment policy on credit risk. Generally, the Unit invests excess funds in cash management accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Unit does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2014 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	$ 195,102	$ 79,874
Special revenue funds	29,960	161,636
Enterprise funds	49,914	33,466
	$ 274,976	$ 274,976

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2014:

	Balance, 7/1/13	Additions	Disposals	Balance, 6/30/14
Governmental Activities:				
Non-depreciated assets:				
Land	$ 238,912	$ -	$ -	$ 238,912
	238,912	-	-	238,912
Depreciated assets:				
Land improvements	342,915	-	-	342,915
Buildings and improvements	18,747,097	-	-	18,747,097
Vehicles	1,290,115	82,733	-	1,372,848
Equipment	910,868	58,725	(3,354)	966,239
	21,290,995	141,458	(3,354)	21,429,099
Less: accumulated depreciation	(8,075,756)	(695,078)	3,354	(8,767,480)
	13,215,239	(553,620)	-	12,661,619
Net capital assets	$ 13,454,151	$ (553,620)	$ -	$ 12,900,531

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/13	Additions	Disposals	Balance, 6/30/14
Business-type Activities:				
Depreciated assets:				
Equipment	$ 12,630	$ 8,400	$ -	$ 21,030
	12,630	8,400	-	21,030
Less: accumulated depreciation	(10,104)	(842)	-	(10,946)
Net capital assets	$ 2,526	$ 7,558	$ -	$ 10,084

Current Year Depreciation:

Regular instruction	$ 236,369
Special education	70,092
Other instruction	59,646
Administration	6,097
School administration	31,737
Operations & Maintenance	58,284
Transportation	86,962
District-wide	145,891
Total governmental activities depreciation	695,078
School lunch	842
Total depreciation expense	$ 695,920

NOTE 5 – SHORT-TERM DEBT

On July 10, 2013, the Unit issued a revenue anticipation note pursuant to Title 20-A, Sections 1490 and 15695 in anticipation of taxes and other revenues to meet operating obligations during the fiscal year.

Short-term debt activity for the year ended June 30, 2014, was as follows:

	Balance, 7/1/13	Additions	Reductions	Balance, 6/30/14
Revenue anticipation note	$ -	$ 750,000	$ (750,000)	$ -

NOTE 6 - LONG-TERM DEBT

The General Fund of the Unit is used to pay for all long-term debt. A summary of long-term debt is as follows:

	Balance, 7/1/13	Additions	Reductions	Balance, 6/30/14	Current Portion
Governmental activities:					
Bonds payable	$ 4,483,080	$ -	$ (535,058)	$ 3,948,022	$ 535,058
Capital leases payable	1,392,806	141,458	(297,511)	1,236,753	253,334
Accrued compensated absences	331,459	-	(44,147)	287,312	-
Totals	$ 6,207,345	$ 141,458	$ (876,716)	$ 5,472,087	$ 788,392

The following is a summary of the bonds outstanding as of June 30, 2014:

Bonds payable:

$8,500,000, Bond payable to Maine Municipal Bond Bank. Interest is charged at a rate varying from 4.676% to 5.751% . Annual principal payments of $425,000. Maturity in November of 2020.	$ 2,975,000
$2,026,154, Bond payable to Maine Municipal Bond Bank. Interest is charged at a rate varying from 3.050% to 5.250% . Annual principal payments of $101,308. Maturity in November of 2022.	911,772
$175,000, Bond payable to Maine Municipal Bond Bank. Interest is charged at a rate varying from 4.676% to 5.751% . Annual principal payments of $8,750. Maturity in November of 2020.	61,250
	$ 3,948,022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to amortize the bonds are as follows:

Year Ending June 30,	Governmental Activities Principal	Interest	Totals
2015	$ 535,058	$ 193,879	$ 728,937
2016	535,058	164,618	699,676
2017	535,058	97,277	632,335
2018	535,058	60,946	596,004
2019	535,058	42,938	577,996
2020-2024	1,272,732	28,919	1,301,651
	$ 3,948,022	$ 588,577	$ 4,536,599

A summary of the outstanding capital leases payable is as follows:

The Unit leases energy improvements under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring in September of 2019. Annual principal and interest payments are $93,025.

The Unit leases energy improvements under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring September of 2019. Annual principal and interest payments are $11,879.

The Unit leases energy improvements under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring in September of 2019. Annual principal and interest payments are $6,695.

The Unit leases energy improvements under a non-cancelable lease agreement dated September of 2007. The term of the lease is for a twelve year period expiring in September of 2019. Annual principal and interest payments are $16,466.

The Unit leases photocopiers under a non-cancelable lease agreement dated December of 2010. The term of the lease is for a five year period expiring in August of 2015. Annual principal and interest payments are $25,435.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The Unit leases district wide energy conservation equipment under a non-cancelable lease agreement dated July 2010. The term of the lease is for an eleven year period expiring in July of 2021. Annual principal and interest payments are $49,524.

The Unit leases a telephone system under a non-cancelable lease agreement dated July of 2010. The term of the lease is for a four year period expiring in July of 2014. Annual principal and interest payments are $29,311.

The Unit leases a bus under a non-cancelable lease agreement dated September of 2011. The term of the lease is for a four year period expiring in September of 2015. Annual principal and interest payments are $21,721.

The Unit leases equipment under a non-cancelable lease agreement dated July of 2012. The term of the leases is for a four year period expiring in July of 2015. Annual principal and interest payments are $13,661.

The Unit leases a bus under a non-cancelable lease agreement dated October of 2013. The term of the lease is for a four year period expiring in October of 2016. Annual principal and interest payments are $21,419.

The Unit leases equipment under a non-cancelable lease agreement dated July September 2013. The term of the leases is for a four year period expiring in September of 2016. Annual principal and interest payments are $15,212.

Future minimum payments, by year and in the aggregate, under these leases are as follows:

Year Ending June 30:	
2015	$ 304,348
2016	275,036
2017	214,220
2018	177,589
2019	177,589
2020-2024	276,643
Total minimum lease payment	1,425,425
Less amount representing interest	(188,672)
Present value of future minimum lease payments	$ 1,236,753

NOTE 7 – OPERATING LEASES

A summary of the outstanding operating leases payable is as follows:

The Unit leases laptops under a non-cancelable lease agreement dated June of 2013. The term of the lease is for a four year period expiring in June of 2017. Quarterly payments principal and interest payments are $4,449.

The Unit leases laptops under a non-cancelable lease agreement dated June of 2013. The term of the lease is for a four year period expiring in June of 2017. Quarterly principal and interest payments are $23,864.

Future minimum lease payments at June 30, 2014 are as follows:

Year Ending June 30:	
2015	$ 113,252
2016	113,252
2017	113,252
2018	-
2019	-
Total lease payments	$ 339,756

NOTE 8 – NONSPENDABLE FUND BALANCES

At June 30, 2014, the Unit had the following nonspendable fund balances:

General Fund:	
Prepaid expenses	$ 3,360

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2014, the Unit has the following restricted fund balances:

Special Revenue Funds (See Schedule D)	$ 12,196
Permanent Funds (See Schedule F)	167,164
	$ 179,360

NOTE 10 – COMMITTED FUND BALANCES

At June 30, 2014, the Unit had the following committed fund balances:

Special Revenue Funds (See Schedule D)	$ 4,535

NOTE 11 - ASSIGNED FUND BALANCES

At June 30, 2014, the Unit has the following assigned fund balances:

Special Revenue Funds (See Schedule D)	$ 14,654

NOTE 12 – RISK MANAGEMENT

The Unit is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Unit carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine School Management Association.

Based on the coverage provided by the insurance purchased, the Unit is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2014. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (Maine PERS) teacher retirement program. The teacher's program is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. The program requires that both employees and the Department contribute, and provides retirement, disability and death benefits. Employees are eligible for normal retirement upon attaining the age of 60, provided they have 25 years of credible service. Employees are penalized 2.5% for each year of early retirement. The authority to establish and amend benefit provisions rests with the State Legislature. The funding status and progress for the teacher retirement program may be obtained by contacting the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling (800) 451-9800.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Funding Policy

Program members are required to contribute 7.65% of their compensation to the retirement system. The Unit's payroll for employees covered by this program was approximately $7,714,441 for the year ended June 30, 2014. The State of Maine is required to contribute the employer contribution which amounts to 13.5% of compensation. Contributions paid by the State were approximately $1,041,450 for the year ended June 30, 2014. The contribution required by the Unit is 2.65% and amounted to $200,343 for 2014. The Unit's contributions to the plan for federally funded teachers for 2014, 2013, and 2012 were $54,779, $76,120 and $94,385, respectively.

NOTE 14 - DEFERRED COMPENSATION PLAN

The Unit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all Unit employees as part of a collective bargaining agreement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Unit's management that the Unit has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 15 – DEFICIT FUND BALANCES

At June 30, 2014 the Unit had the following deficit fund balances:

Governmental Funds:	
Major Funds:	
General Fund	$ 371,937
Non-Major Funds:	
MARTI/NTIA	726
Clearing account	1,214
	$ 373,877

NOTE 16 - CONTINGENCIES

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

The Unit participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Unit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of the Unit, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17 – RESTATEMENT

The beginning net position for the general fund has been restated as of July 1, 2013. This balance was restated to correct the accrued payroll balance. The general fund was restated by $331,459.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund

SCHEDULE 1

REGIONAL SCHOOL UNIT NO. 38

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1 (Restated)	$ (632,193)	$ (632,193)	$ (632,193)	$ -
Resources (Inflows):				
Support from towns	10,848,120	10,848,120	10,848,120	-
Intergovernmental revenues:				
State subsidy	3,371,667	3,371,667	3,626,592	254,925
Other	365,000	365,000	219,342	(145,658)
Charges for services:				
Tuition	575,000	575,000	585,460	10,460
Transportation	140,000	140,000	113,227	(26,773)
Miscellaneous revenues	125,000	125,000	110,845	(14,155)
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	14,792,594	14,792,594	14,871,393	78,799
Charges to Appropriations (Outflows):				
Regular instruction	6,678,656	6,549,172	6,395,479	153,693
Special education	1,953,987	1,948,471	1,801,012	147,459
Other instruction	403,384	439,549	423,746	15,803
Student & staff support	1,561,639	1,584,694	1,516,270	68,424
System administration	496,364	535,517	519,098	16,419
School administration	840,480	877,111	868,667	8,444
Transportation	956,127	956,123	946,740	9,383
Operations & maintenance	1,939,559	1,939,559	1,877,326	62,233
Debt Service:				
Principal	535,058	535,058	535,058	-
Interest	223,796	223,796	223,796	-
Other community service	5,737	5,737	6,138	(401)
Transfers to other funds	130,000	130,000	130,000	-
Total Charges to Appropriations	15,724,787	15,724,787	15,243,330	481,457
Budgetary Fund Balance, June 30	$ (932,193)	$ (932,193)	$ (371,937)	$ 560,256
Utilization of unassigned fund balance	$ 300,000	$ 300,000	$ -	$ (300,000)

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Expenditures	Variance Positive (Negative)
Regular Instruction (Article 2)				
Elementary (Primary) Instruction	$ 4,246,047	$ 4,169,349	$ 4,094,677	$ 74,672
Secondary Instruction	2,091,920	2,042,102	1,991,522	50,580
Phoenix House Instruction	137,423	140,037	131,918	8,119
Student Transportation - Field Trips	18,841	18,841	13,898	4,943
ESL	38,456	39,291	29,522	9,769
Summer Program - Elementary	9,201	-	-	-
Gifted & Talented	136,768	139,552	133,942	5,610
Total	6,678,656	6,549,172	6,395,479	153,693
Special Education (Article 3)				
Administration	138,420	110,946	123,966	(13,020)
Resource Room	658,995	671,096	629,421	41,675
Phoenix House Special Instruction	12,778	13,109	13,947	(838)
Self Contained	907,054	911,186	802,649	108,537
Tutor	4,612	4,612	1,422	3,190
Pyschological	48,188	49,362	48,398	964
Speech	177,104	181,165	174,154	7,011
ESY (Extended School Year)	6,836	6,995	7,055	(60)
Total	1,953,987	1,948,471	1,801,012	147,459
Other Instruction (Article 5)				
Co-Curricular	76,015	76,454	71,895	4,559
Transportation	23,063	23,063	25,805	(2,742)
Summer Program - Elementary	-	9,413	8,170	1,243
Athletic	304,306	330,619	317,876	12,743
Total	403,384	439,549	423,746	15,803

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Expenditures	Variance Positive (Negative)
Student & Staff Support (Article 6)				
Guidance	286,501	292,120	235,026	57,094
Library	268,128	272,290	260,300	11,990
Technology	449,537	453,700	463,043	(9,343)
Assessment	54,462	55,517	56,868	(1,351)
Other Support Services	275	275	492	(217)
Health	266,300	270,793	262,488	8,305
Curriculum & Imp of Instruction	201,062	204,625	201,075	3,550
Staff Training	35,374	35,374	36,978	(1,604)
Total	1,561,639	1,584,694	1,516,270	68,424
System Administration (Article 7)				
School Board	58,334	88,334	80,455	7,879
Superintendent	210,244	217,940	215,407	2,533
Business Office	219,586	221,043	219,225	1,818
Fiscal Services	8,200	8,200	4,011	4,189
Total	496,364	535,517	519,098	16,419
School Administration (Article 8)				
Principal's Office	840,480	877,111	868,667	8,444
Total	840,480	877,111	868,667	8,444
Transportation (Article 9)	956,127	956,123	946,740	9,383
Operations & Maintenance (Article 10)				
Maintenance of Plant	633,918	633,918	630,708	3,210
Care of Buildings	877,047	877,047	839,970	37,077
Maintenance of Buildings	354,244	354,244	329,045	25,199
Capital Improvement	74,350	74,350	77,603	(3,253)
Total	1,939,559	1,939,559	1,877,326	62,233
Debt Service (Article 11)				
Principal	535,058	535,058	535,058	-
Interest	223,796	223,796	223,796	-
Total	758,854	758,854	758,854	-
Other Expenditures (Article 12)	5,737	5,737	6,138	(401)
Operating Transfers				
Transfer to Health Program	30,000	30,000	30,000	-
Transfer to School Lunch Program	100,000	100,000	100,000	-
Total	130,000	130,000	130,000	-
Totals	$ 15,724,787	$ 15,724,787	$ 15,243,330	$ 481,457

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE B

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ 66,696	$ 66,696
Investments	-	100,468	100,468
Accounts receivable (net of allowance for uncollectibles)	10,250	-	10,250
Due from other governments	150,871	-	150,871
Due from other funds	29,960	-	29,960
TOTAL ASSETS	$ 191,081	$ 167,164	$ 358,245
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Due to other funds	161,636	-	161,636
TOTAL LIABILITIES	161,636	-	161,636
FUND BALANCES			
Nonspendable	-	-	-
Restricted	12,196	167,164	179,360
Committed	4,535	-	4,535
Assigned	14,654	-	14,654
Unassigned	(1,940)	-	(1,940)
TOTAL FUND BALANCES	29,445	167,164	196,609
TOTAL LIABILITIES AND FUND BALANCES	$ 191,081	$ 167,164	$ 358,245

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE C

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Support form towns	$ 63,000	$ -	$ 63,000
Intergovernmental revenue	781,080	-	781,080
Charges for services	66,772	-	66,772
Interest income	-	1,957	1,957
Other	19,659	2,252	21,911
TOTAL REVENUES	930,511	4,209	934,720
EXPENDITURES			
Program expenses	926,718	12,792	939,510
TOTAL EXPENDITURES	926,718	12,792	939,510
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,793	(8,583)	(4,790)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	11,558	-	11,558
Operating transfers (out)	(44,000)	-	(44,000)
TOTAL OTHER FINANCING SOURCES (USES)	(32,442)	-	(32,442)
NET CHANGE IN FUND BALANCES	(28,649)	(8,583)	(37,232)
FUND BALANCES - JULY 1	58,094	175,747	233,841
FUND BALANCES - JUNE 30	$ 29,445	$ 167,164	$ 196,609

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds Description

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE D

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Health Center State Grant	MARTI NTIA	MLTI Laptop Sales	Local Ent. Pre-School	NEA Foundation Grant
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	$ -	$ -	$ -	$ -	$ -
Due from other governments	-	-	-	1,554	
Due from other funds	-	-	608	-	4,443
TOTAL ASSETS	$ -	$ -	$ 608	$ 1,554	$ 4,443
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	726	-	1,554	-
TOTAL LIABILITIES	-	726	-	1,554	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	4,443
Committed	-	-	-	-	-
Assigned	-	-	608	-	-
Unassigned	-	(726)	-	-	-
TOTAL FUND BALANCES	-	(726)	608	-	4,443
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ -	$ 608	$ 1,554	$ 4,443

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Adult Education	Local Town Meeting	Misc Local SR	UMF Grant	Adult Ed. College Transition	Wellness Grants
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	$ -	$ -	$ -	$ -	$ -	$ 10,250
Due from other governments	-	-	-	-	-	-
Due from other funds	1,139	3,901	348	-	1,501	-
TOTAL ASSETS	$ 1,139	$ 3,901	$ 348	$ -	$ 1,501	$ 10,250
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-	10,250
TOTAL LIABILITIES	-	-	-	-	-	10,250
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	1,139	-	-	-	1,501	-
Committed	-	3,901	348	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	1,139	3,901	348	-	1,501	-
TOTAL LIABILITIES AND FUND BALANCES	$ 1,139	$ 3,901	$ 348	$ -	$ 1,501	$ 10,250

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	MS MEF Grant	Anderson Foundation	Oaks Grove Grant	MELMAC Grant	Local Grant Extra Curricular
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	$ -	$ -	$ -	$ -	$ -
Due from other governments	-	-	-	-	-
Due from other funds	286	-	-	3,688	-
TOTAL ASSETS	$ 286	$ -	$ -	$ 3,688	$ -
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	3,688	-
Committed	286	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	286	-	-	3,688	-
TOTAL LIABILITIES AND FUND BALANCES	$ 286	$ -	$ -	$ 3,688	$ -

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	State Dental Grant	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	$ -	$ -	$ -	$ -	$ -
Due from other governments	-	34,351	85,391	-	3,036
Due from other funds	-	-	-	-	-
TOTAL ASSETS	$ -	$ 34,351	$ 85,391	$ -	$ 3,036
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	34,351	85,142	-	3,036
TOTAL LIABILITIES	-	34,351	85,142	-	3,036
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	249	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	-	-	249	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ 34,351	$ 85,391	$ -	$ 3,036

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	Employee Laptop Fee
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	$ -	$ -	$ -	$ -
Due from other governments	-	-	-	-
Due from other funds	-	-	11,719	2,324
TOTAL ASSETS	$ -	$ -	$ 11,719	$ 2,324
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	1,214	-	-
TOTAL LIABILITIES	-	1,214	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	11,719	2,324
Unassigned	-	(1,214)	-	-
TOTAL FUND BALANCES	-	(1,214)	11,719	2,324
TOTAL LIABILITIES AND FUND BALANCES	$ -	$ -	$ 11,719	$ 2,324

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Tech Fiscal Service	Maine Support Network	ME Agriculture in the Classroom	Schools that Shine	MCACG Adult Eduation
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	$ -	$ -	$ -	$ -	$ -
Due from other governments	-	-	-	-	3,835
Due from other funds	3	-	-	-	-
TOTAL ASSETS	$ 3	$ -	$ -	$ -	$ 3,835
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	2,659
TOTAL LIABILITIES	-	-	-	-	2,659
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	1,176
Committed	-	-	-	-	-
Assigned	3	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	3	-	-	-	1,176
TOTAL LIABILITIES AND FUND BALANCES	$ 3	$ -	$ -	$ -	$ 3,835

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2014

	Title VI Rural Low Income	Title IIA	Title IA Program Improvement	Trails Project	Totals
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	$ -	$ -	$ -	$ -	$ 10,250
Due from other governments	7,933	11,092	435	3,244	150,871
Due from other funds	-	-	-	-	29,960
TOTAL ASSETS	$ 7,933	$ 11,092	$ 435	$ 3,244	$ 191,081
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	7,933	11,092	435	3,244	161,636
TOTAL LIABILITIES	7,933	11,092	435	3,244	161,636
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	12,196
Committed	-	-	-	-	4,535
Assigned	-	-	-	-	14,654
Unassigned	-	-	-	-	(1,940)
TOTAL FUND BALANCES	-	-	-	-	29,445
TOTAL LIABILITIES AND FUND BALANCES	$ 7,933	$ 11,092	$ 435	$ 3,244	$ 191,081

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Health Center State Grant	MARTI NTIA	MLTI Laptop Sales	Local Ent. Pre-School	NEA Foundation Grant
REVENUES					
Support from towns	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenue	35,980	4,750	-	6,793	4,500
Charges for services	-	-	26,025	-	
Other	-	-	-	-	-
TOTAL REVENUES	35,980	4,750	26,025	6,793	4,500
EXPENDITURES					
Program expenses	-	5,840	26,217	6,793	57
TOTAL EXPENDITURES	-	5,840	26,217	6,793	57
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,980	(1,090)	(192)	-	4,443
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	(35,980)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(35,980)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(1,090)	(192)	-	4,443
FUND BALANCES, JULY 1	-	364	800	-	-
FUND BALANCES, JUNE 30	$ -	$ (726)	$ 608	$ -	$ 4,443

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Adult Education	Local Town Meeting	Misc Local SR	UMF Grant	Adult Ed. College Transition	Wellness Grants
REVENUES						
Support from towns	$ 63,000	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenue	34,059	12,000	300	1,012	8,254	13,500
Charges for services	14,916	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL REVENUES	111,975	12,000	300	1,012	8,254	13,500
EXPENDITURES						
Program expenses	119,486	9,204	1,936	1,012	6,753	13,500
TOTAL EXPENDITURES	119,486	9,204	1,936	1,012	6,753	13,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,511)	2,796	(1,636)	-	1,501	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	11,558	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	11,558	-	-	-	-	-
NET CHANGE IN FUND BALANCES	4,047	2,796	(1,636)	-	1,501	-
FUND BALANCES, JULY 1	(2,908)	1,105	1,984	-	-	-
FUND BALANCES, JUNE 30	$ 1,139	$ 3,901	$ 348	$ -	$ 1,501	$ -

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	MS MEF Grant	Anderson Foundation	Oaks Grove Grant	MELMAC Grant	Local Grant Extra Curricular
REVENUES					
Support from towns	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenue	2,800	1,107	-	5,250	-
Charges for services	-	-	-	-	-
Other	-	-	-	-	3,688
TOTAL REVENUES	2,800	1,107	-	5,250	3,688
EXPENDITURES					
Program expenses	2,544	1,107	112	7,453	8,688
TOTAL EXPENDITURES	2,544	1,107	112	7,453	8,688
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	256	-	(112)	(2,203)	(5,000)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	256	-	(112)	(2,203)	(5,000)
FUND BALANCES, JULY 1	30	-	112	5,891	5,000
FUND BALANCES, JUNE 30	$ 286	$ -	$ -	$ 3,688	$ -

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	State Dental Grant	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
REVENUES					
Support from towns	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenue	400	179,643	332,873	11,050	6,486
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	400	179,643	332,873	11,050	6,486
EXPENDITURES					
Program expenses	400	179,643	332,624	11,050	6,486
TOTAL EXPENDITURES	400	179,643	332,624	11,050	6,486
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	249	-	-
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	249	-	-
FUND BALANCES, JULY 1	-	-	-	-	-
FUND BALANCES, JUNE 30	$ -	$ -	$ 249	$ -	$ -

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	Employee Laptop Fee
REVENUES				
Support from towns	$ -	$ -	$ -	$ -
Intergovernmental revenue	9,820	-	-	-
Charges for services	-	-	16,681	-
Other	-	-	-	2,780
TOTAL REVENUES	9,820	-	16,681	2,780
EXPENDITURES				
Program expenses	1,800	1,359	27,028	16,022
TOTAL EXPENDITURES	1,800	1,359	27,028	16,022
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,020	(1,359)	(10,347)	(13,242)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	(8,020)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(8,020)	-	-	-
NET CHANGE IN FUND BALANCES	-	(1,359)	(10,347)	(13,242)
FUND BALANCES, JULY 1	-	145	22,066	15,566
FUND BALANCES, JUNE 30	$ -	$ (1,214)	$ 11,719	$ 2,324

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Tech Fiscal Service	Maine Support Network	ME Agriculture in the Classroom	Schools that Shine	MCACG Adult Eduation
REVENUES					
Support from towns	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenue	-	-	-	-	16,682
Charges for services	9,150	-	-	-	-
Other	-	13,191	-	-	-
TOTAL REVENUES	9,150	13,191	-	-	16,682
EXPENDITURES					
Program expenses	10,190	20,733	43	51	14,766
TOTAL EXPENDITURES	10,190	20,733	43	51	14,766
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,040)	(7,542)	(43)	(51)	1,916
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,040)	(7,542)	(43)	(51)	1,916
FUND BALANCES, JULY 1	1,043	7,542	43	51	(740)
FUND BALANCES, JUNE 30	$ 3	$ -	$ -	$ -	$ 1,176

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Title VI Rural Low Income	Title IIA	Title IA Program Improvement	Trails Project	Totals
REVENUES					
Support from towns	$ -	$ -	$ -	$ -	$ 63,000
Intergovernmental revenue	21,228	55,753	13,596	3,244	781,080
Charges for services	-	-	-	-	66,772
Other	-	-	-	-	19,659
TOTAL REVENUES	21,228	55,753	13,596	3,244	930,511
EXPENDITURES					
Program expenses	21,228	55,753	13,596	3,244	926,718
TOTAL EXPENDITURES	21,228	55,753	13,596	3,244	926,718
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	3,793
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	11,558
Operating transfers (out)	-	-	-	-	(44,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(32,442)
NET CHANGE IN FUND BALANCES	-	-	-	-	(28,649)
FUND BALANCES, JULY 1	-	-	-	-	58,094
FUND BALANCES, JUNE 30	$ -	$ -	$ -	$ -	$ 29,445

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds Description

Permanent funds are used to account for assets held by Regional School Unit No. 38 that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Unit or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of scholarships.

SCHEDULE F

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2014

	Manchester Elementary Arts	Col. Thornton McGlamery	Wendy Williams	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
ASSETS						
Cash and cash equivalents	$ 1,084	$ 906	$ -	$ 11,828	$ 4,667	$ 9,113
Investments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	$ 1,084	$ 906	$ -	$ 11,828	$ 4,667	$ 9,113
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	1,084	906	-	11,828	4,667	9,113
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	1,084	906	-	11,828	4,667	9,113
TOTAL LIABILITIES AND FUND BALANCES	$ 1,084	$ 906	$ -	$ 11,828	$ 4,667	$ 9,113

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2014

	Marion Tucker Memorial	Senior Citizens	Class of 1992	Katie Piper	David McPhedran
ASSETS					
Cash and cash equivalents	$ 5,636	$ -	$ 753	$ 1,360	$ 6,768
Investments	-	9,898	-	19,778	35,748
Due from other funds	-	-	-	-	-
TOTAL ASSETS	$ 5,636	$ 9,898	$ 753	$ 21,138	$ 42,516
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	5,636	9,898	753	21,138	42,516
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	5,636	9,898	753	21,138	42,516
TOTAL LIABILITIES AND FUND BALANCES	$ 5,636	$ 9,898	$ 753	$ 21,138	$ 42,516

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2014

	Maranacook Com. Alumni Schol. Fund	Luke Hopkins	Lloyd Jewett	Nancy Diamond Book	Totals
ASSETS					
Cash and cash equivalents	$ 4,549	$ 14,048	$ 1,682	$ 4,302	$ 66,696
Investments	35,044	-	-	-	100,468
Due from other funds	-	-	-	-	-
TOTAL ASSETS	$ 39,593	$ 14,048	$ 1,682	$ 4,302	$ 167,164
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	39,593	14,048	1,682	4,302	167,164
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	39,593	14,048	1,682	4,302	167,164
TOTAL LIABILITIES AND FUND BALANCES	$ 39,593	$ 14,048	$ 1,682	$ 4,302	$ 167,164

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Manchester Elementary Arts	Col. Thornton McGlamery	Wendy Williams	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
REVENUES						
Interest income	$ 2	$ -	$ -	$ 6	$ 2	$ 4
Other	1,382	-	-	-	-	-
TOTAL REVENUES	1,384	-	-	6	2	4
EXPENDITURES	300	-	566	-	225	-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,084	-	(566)	6	(223)	4
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	1,084	-	(566)	6	(223)	4
FUND BALANCES, JULY 1	-	906	566	11,822	4,890	9,109
FUND BALANCES, JUNE 30	$ 1,084	$ 906	$ -	$ 11,828	$ 4,667	$ 9,113

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Marion Tucker Memorial	Senior Citizens	Class of 1992	Katie Piper	David McPhedran
REVENUES					
Interest income	$ 3	$ 220	$ -	$ 148	$ 601
Other	-	-	-	-	525
TOTAL REVENUES	3	220	-	148	1,126
EXPENDITURES	500	-	-	1,000	5,000
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(497)	220	-	(852)	(3,874)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(497)	220	-	(852)	(3,874)
FUND BALANCES, JULY 1	6,133	9,678	753	21,990	46,390
FUND BALANCES, JUNE 30	$ 5,636	$ 9,898	$ 753	$ 21,138	$ 42,516

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Maranacook Com. Alumni Schol. Fund	Luke Hopkins	Lloyd Jewett	Nancy Diamond Book	Totals
REVENUES					
Interest income	$ 959	$ 8	$ 1	$ 3	$ 1,957
Other	-	45	300	-	2,252
TOTAL REVENUES	959	53	301	3	4,209
EXPENDITURES	2,000	1,250	-	1,951	12,792
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(1,041)	(1,197)	301	(1,948)	(8,583)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,041)	(1,197)	301	(1,948)	(8,583)
FUND BALANCES, JULY 1	40,634	15,245	1,381	6,250	175,747
FUND BALANCES, JUNE 30	$ 39,593	$ 14,048	$ 1,682	$ 4,302	$ 167,164

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

SCHEDULE H

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2014

	Land and Non-depreciable Assets	Buildings, Building Improvments & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Regular Instruction	$ 142,912	$ 8,271,045	$ 156,697	$ -	$ 8,570,654
Special Education	38,400	2,933,754	2,374	-	2,974,528
Other Instruction	19,200	2,022,340	79,723	-	2,121,263
Administration	-	207,415	12,829	-	220,244
School Administration	19,200	1,417,902	87,597	-	1,524,699
Operations & Maintenance	19,200	1,599,150	95,035	-	1,713,385
Transportation	-	114,809	1,355,196	-	1,470,005
District Wide	-	2,523,598	549,635	-	3,073,233
School Lunch	-	-	21,030	-	21,030
Total General Capital Assets	238,912	19,090,013	2,360,116	-	21,689,041
Less: Accumulated Depreciation	-	(7,149,912)	(1,628,514)	-	(8,778,426)
Net General Capital Assets	$ 238,912	$ 11,940,101	$ 731,602	$ -	$ 12,910,615

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE I

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2014

	General Capital Assets 7/1/13	Additions	Deletions	General Capital Assets 6/30/14
Regular Instruction	$ 8,511,929	$ 58,725	$ -	$ 8,570,654
Special Education	2,974,528	-	-	2,974,528
Other Instruction	2,121,263	-	-	2,121,263
Administration	220,244	-	-	220,244
School Administration	1,524,699	-	-	1,524,699
Operations & Maintenance	1,713,385	-	-	1,713,385
Transportation	1,387,272	82,733	-	1,470,005
District Wide	3,076,587	-	(3,354)	3,073,233
School Lunch	12,630	8,400	-	21,030
Total General Capital Assets	21,542,537	149,858	(3,354)	21,689,041
Less: Accumulated Depreciation	(8,085,860)	(695,920)	3,354	(8,778,426)
Net General Capital Assets	$ 13,456,677	$ (546,062)	$ -	$ 12,910,615

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State of Maine Department of Education:			
School Lunch Program	10.555	013-05A-3022-05	$ 189,329
Donated Commodities	10.555	N/A	17,043
Fresh Fruit & Veggies	10.582	013-05A-3014-05	61,270
Total Department of Agriculture			267,642
U.S. Department of Education			
Passed through State of Maine Department of Education:			
Adult Education and Family Literacy Act	84.002A	N/A	6,486
Title IA	84.010	013-05A-3046-12	179,643
Title IA - Program Improvement Funds	84.010A	013-05A-3106-13	3,061
Title IA - Summer Programming	84.010A	N/A	10,535
Local Entitlement	84.027	013-05A-3046-12	332,873
Preschool Handicapped	84.173	013-05A-6241-23	6,793
Title VI - Rural Low Income	84.358	013-05A-3005-03	21,228
Title IIA-Teaching Quality	84.367	013-05A-3042-11	55,753
College Access Challenge Grant	84.378A	N/A	14,766
Total Department of Education			631,138
U.S. Department of Health & Human Services			
Passed through State of Maine Department of Education			
Family Planning Services	93.217	N/A	8,000
Maternal and Child Health Block Grant	93.994	N/A	20
Community Transformation	N/A	013-10A-2652-03	1,800
Total Department of Health & Human Services			9,820
U.S. Department of Commerce			
Passed through State of Maine Department of Education			
NTIA/MARTI	11.557	020-05A-3112-64	5,840
Total Department of Commerce			5,840
U.S. Department of Transportation			
Passed through the Maine Department of Agriculture			
Recreational Trails Program	N/A	N/A	3,244
Total Department of Transportation			3,244
TOTAL FEDERAL ASSISTANCE			$ 917,684

REGIONAL SCHOOL UNIT NO. 38

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

1. General

   The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Regional School Unit No. 38. All federal financial assistance received is included on the schedule.

2. Basis of Accounting

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

3. The following programs were tested as major programs as defined in OMB Circular A-133.

   1) 10.555 – School Nutrition
   2) 84.027 – Local Entitlement

Proven Expertise and Integrity

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

Board of Directors
Regional School Unit No. 38
Readfield, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 38 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 38's basic financial statements, and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 38's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 38's internal control Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 38's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exit that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional School Unit No. 38's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
September 30, 2014

Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Regional School Unit No. 38
Readfield, Maine

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 38's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 38's major federal programs for the year ended June 30, 2014. Regional School Unit No. 38's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Regional School Unit No. 38's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional School Unit No. 38's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional School Unit No. 38's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 38 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Regional School Unit No. 38 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional School Unit No. 38's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 38's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 38's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
September 30, 2014

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____yes __X__no
- Significant deficiency(ies) identified? ____yes __X__no
- Noncompliance material to financial statements noted ____yes __X__no
- *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ____yes __X__no
- Significant deficiency(ies) identified? ____yes __X__no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
In accordance with section 510(a) of OMB Circular A-133? ____yes __X__no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.555	School Nutrition
84.027	Local Entitlement

Dollar threshold used to distinguish between type A and B: $300,000

Auditee qualified as low-risk auditee? ___X__yes ____no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

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INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Board of Directors
Regional School Unit No. 38
Readfield, Maine

We have audited the financial statements of Regional School Unit No. 38 for the year ended June 30, 2014 and have issued our report thereon dated September 30, 2014. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Unit for accuracy. In addition we have reviewed the Unit's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, Regional School Unit No. 38 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Regional School Unit No. 38 was in noncompliance with, or in violation of, those provisions.

Management has determined that no adjustments were necessary to the fiscal books of the Unit and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the MEDMS financial system maintained at the Unit.

This report is intended solely for the information of the Board of Directors, management and the Unit of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
September 30, 2014

REGIONAL SCHOOL UNIT NO. 38

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
SUBMITTED TO THE MEDMS FINANCIAL SYSTEM
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (3000)	Totals
June 30 Balance per MEDMS financial System	$ (371,709)	$ 16,004	$ -	$ (355,705)
Revenue Adjustments:				
Expenditure Adjustments:				
Other Adjustments:				
Fund 7200 Clearing Account	-	(1,214)	-	(1,214)
Fund 9100 MLTI Student Fee	-	11,719	-	11,719
Fund 9110 Employee Laptop Fee	-	2,324	-	2,324
Fund 9120 Tech Fiscal Service	-	3	-	3
Fund 9130 MLTI Laptop Sales	-	608	-	608
Rounding	-	1	-	1
Beginning balance variance	(228)	-	-	(228)
Audited GAAP Basis Fund balance June 30	$ (371,937)	$ 29,445	$ -	$ (342,492)