

Federal Compliance Audit

Regional School Unit No. 38

June 30, 2016



Proven Expertise and Integrity

REGIONAL SCHOOL UNIT NO. 38

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JUNE 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the Regional School Unit No. 38'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, 2016, 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, budgetary comparison information and pension information on pages 4 through 12 and 54 through 56 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 Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost*

Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements, capital asset schedules 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 Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements, capital asset schedules 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 December 12, 2016, 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
December 12, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

(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, 2016. 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 pension information, 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 regular instruction, special education, other instruction, student and staff support, system administration, school administration, transportation, operations and maintenance and program expenditures.
- *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 funds balance sheet and the governmental funds 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 funds financial statement.

The Unit presents two columns in the governmental funds balance sheet and the governmental funds 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 four proprietary funds, the daycare/after school program-Readfield, 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 Statement of Fiduciary Net Position – Fiduciary Funds.

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, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions.

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 analysis below focuses on the net position of the Unit's governmental activities. The Unit's total net position for governmental activities increased by \$1,151,722 from \$7,623,161 to a balance of \$8,774,883 at the year end. For business-type activities, the Unit's total net position decreased by \$8,397 from \$86,207 to a balance of \$77,810.

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 – increased for the governmental activities to a balance of \$257,794 at the end of the fiscal year. For business-type activities, the balance decreased to \$71,810.

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

	Governmental Activities		Business-type Activities	
	2016	2015 (Restated)	2016	2015
Assets:				
Current Assets	\$ 1,849,073	\$ 1,065,122	\$ 72,159	\$ 78,165
Capital Assets	12,273,016	12,537,402	6,000	8,042
Total Assets	14,122,089	13,602,524	78,159	86,207
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	489,556	426,984	-	-
Total Deferred Outflows of Resources	489,556	426,984	-	-
Liabilities:				
Current Liabilities	1,879,903	1,824,170	349	-
Long-Term Debt Outstanding	3,761,476	4,290,762	-	-
Total Liabilities	5,641,379	6,114,932	349	-
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	195,383	291,415	-	-
Total Deferred Inflows of Resources	195,383	291,415	-	-
Net Position:				
Net Investment in Capital Assets	8,331,364	8,028,296	6,000	8,042
Restricted: Special Revenue Funds	7,165	13,670	-	-
Permanent Funds	178,560	161,923	-	-
Unrestricted (Deficit)	257,794	(580,728)	71,810	78,165
Total Net Position	\$ 8,774,883	\$ 7,623,161	\$ 77,810	\$ 86,207

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

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Revenues:				
<i>Program Revenues:</i>				
Charges for services	\$ 520,011	\$ 612,722	\$ 313,979	\$ 320,900
Operating grants & contributions	2,163,817	1,863,615	281,973	308,098
<i>General Revenue:</i>				
Support from towns	11,648,643	11,093,990	-	-
Grants & contributions not restricted to specific programs	3,703,690	4,045,174	-	-
Miscellaneous	191,359	151,074	1,434	4,108
Total revenues	18,227,520	17,766,575	597,386	633,106
Expenses				
Regular instruction	6,624,379	6,565,780	-	-
Special education	1,791,623	1,777,012	-	-
Other instruction	453,432	458,656	-	-
Student and staff support	1,479,883	1,435,125	-	-
System administration	537,264	520,973	-	-
School administration	945,081	916,880	-	-
Transportation	855,303	849,615	-	-
Operations and maintenance	1,723,524	1,813,546	-	-
Other community service	6,084	7,828	-	-
State of Maine on-behalf payments	1,351,057	1,422,040	-	-
Program expenditures	911,932	386,435	779,261	743,982
Unallocated depreciation (Note 4)	114,268	135,075	-	-
Interest on long-term debt	108,490	193,879	-	-
Total expenses	16,902,320	16,482,844	779,261	743,982
Transfers	(173,478)	(130,067)	173,478	130,067
Change in Net Position	1,151,722	1,153,664	(8,397)	19,191
Net Position - July 1, Restated	7,623,161	6,469,497	86,207	67,016
Net Position - June 30	\$ 8,774,883	\$ 7,623,161	\$ 77,810	\$ 86,207

Revenues and Expenses

Revenues for the Unit's governmental activities increased by 2.59%, while total expenses increased by 2.55%. Increases in support from towns and grants and contributions not restricted to specific programs contributed to most of the Unit's overall change in revenues while increases regular instruction, student and staff support and program expenditures contributed to the change in expenses from the previous year.

Revenues for the Unit's business-type activities decreased by 5.64%, while total expenses increased by 4.74%. The decrease in revenues was due to operating grants and contributions while the increase in expenses was mainly the result of an increase in salaries.

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,

	2016	2015 (Restated)
Major Funds:		
General Fund:		
Nonspendable	\$ 4,500	\$ -
Assigned	328,067	200,000
Unassigned	249,569	(346,347)
Total Major Funds	\$ 582,136	\$ (146,347)
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 7,165	\$ 13,670
Committed	18,908	9,683
Assigned	39,991	25,324
Unassigned	(11,342)	(16,670)
Permanent Funds:		
Restricted	178,560	161,923
Total Nonmajor Funds	\$ 233,282	\$ 193,930

The general fund total fund balance increased by \$728,483 from the prior fiscal year. The nonmajor funds total fund balances increased by \$39,352 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 no significant difference between the original and final budget for the general fund.

The general fund actual revenues were over budget by \$131,589. This was the result of nearly all revenue categories being received in excess of budgeted amounts.

The general fund actual expenditures were under budget by \$796,894. All expenditure articles were under budget with the exception of system administration and school administration.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Unit decreased by \$266,428. This decrease was a result of capital additions of \$329,278 less current year depreciation expense of \$595,706.

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

	2016	2015
Land	\$ 234,912	\$ 234,912
Buildings, building improvements and land improvements	11,133,803	11,568,773
Machinery and equipment	373,609	392,234
Vehicles	536,692	349,525
Total	\$ 12,279,016	\$ 12,545,444

Debt

At June 30, 2016, the Unit had \$2.88 million in bonds outstanding versus \$3.41 million last year. Other obligations include capital leases payable, accrued sick and vacation time and net pension liability. Refer to Note 5 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 2017 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.

STATEMENT A

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,511,654	\$ 23,842	\$ 1,535,496
Investments	93,004	-	93,004
Accounts receivable (net of allowance for uncollectibles)	20,032	1,030	21,062
Due from other governments	238,695	17,616	256,311
Prepaid items	4,500	-	4,500
Inventory	-	10,859	10,859
Internal balances	(18,812)	18,812	-
Total current assets	<u>1,849,073</u>	<u>72,159</u>	<u>1,921,232</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	234,912	-	234,912
Buildings and equipment, net of accumulated depreciation	12,038,104	6,000	12,044,104
Total noncurrent assets	<u>12,273,016</u>	<u>6,000</u>	<u>12,279,016</u>
TOTAL ASSETS	<u>14,122,089</u>	<u>78,159</u>	<u>14,200,248</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	489,556	-	489,556
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>489,556</u>	<u>-</u>	<u>489,556</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,611,645</u>	<u>\$ 78,159</u>	<u>\$ 14,689,804</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 5,736	\$ 349	\$ 6,085
Accrued expenses	39,836	-	39,836
Accrued payroll	988,083	-	988,083
Current portion of long-term obligations	846,248	-	846,248
Total current liabilities	<u>1,879,903</u>	<u>349</u>	<u>1,880,252</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	2,342,848	-	2,342,848
Capital leases payable	763,063	-	763,063
Accrued compensated absences	199,630	-	199,630
Net pension liability	455,935	-	455,935
Total noncurrent liabilities	<u>3,761,476</u>	<u>-</u>	<u>3,761,476</u>
TOTAL LIABILITIES	<u>5,641,379</u>	<u>349</u>	<u>5,641,728</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	195,383	-	195,383
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>195,383</u>	<u>-</u>	<u>195,383</u>
NET POSITION			
Net investment in capital assets	8,331,364	6,000	8,337,364
Restricted: Special revenue funds	7,165	-	7,165
Permanent funds	178,560	-	178,560
Unrestricted	257,794	71,810	329,604
TOTAL NET POSITION	<u>8,774,883</u>	<u>77,810</u>	<u>8,852,693</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,611,645</u>	<u>\$ 78,159</u>	<u>\$ 14,689,804</u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Regular instruction	\$ 6,624,379	\$ 411,253	\$ -	\$ -	\$ (6,213,126)	\$ -	\$ (6,213,126)
Special education	1,791,623	2,343	-	-	(1,789,280)	-	(1,789,280)
Other instruction	453,432	-	-	-	(453,432)	-	(453,432)
Student and staff support	1,479,883	-	-	-	(1,479,883)	-	(1,479,883)
System administration	537,264	-	-	-	(537,264)	-	(537,264)
School administration	945,081	-	-	-	(945,081)	-	(945,081)
Transportation	855,303	50,178	-	-	(805,125)	-	(805,125)
Operations and maintenance	1,723,524	-	-	-	(1,723,524)	-	(1,723,524)
Other community service	6,084	-	-	-	(6,084)	-	(6,084)
Program expenditures	911,932	56,237	812,760	-	(42,935)	-	(42,935)
State of Maine on-behalf payments	1,351,057	-	1,351,057	-	-	-	-
Unallocated depreciation (Note 4)*	114,268	-	-	-	(114,268)	-	(114,268)
Interest on long-term debt	108,490	-	-	-	(108,490)	-	(108,490)
Total governmental activities	16,902,320	520,011	2,163,817	-	(14,218,492)	-	(14,218,492)
Business-type activities:							
Daycare/Afterschool Program - Readfield	27,425	29,566	-	-	-	2,141	2,141
Food Service	670,325	257,955	281,973	-	-	(130,397)	(130,397)
Adult Education	18,586	26,458	-	-	-	7,872	7,872
Health Center	62,925	-	-	-	-	(62,925)	(62,925)
Total business-type activities	779,261	313,979	281,973	-	-	(183,309)	(183,309)
Total government	\$ 17,681,581	\$ 833,990	\$ 2,445,790	\$ -	(14,218,492)	(183,309)	(14,401,801)

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(14,218,492)</u>	<u>(183,309)</u>	<u>(14,401,801)</u>
General revenues:			
Support from towns	11,648,643	-	11,648,643
Grants and contributions not restricted to specific programs	3,703,690	-	3,703,690
Miscellaneous	191,359	1,434	192,793
Transfers	<u>(173,478)</u>	<u>173,478</u>	<u>-</u>
Total general revenues and transfers	<u>15,370,214</u>	<u>174,912</u>	<u>15,545,126</u>
Change in net position	1,151,722	(8,397)	1,143,325
NET POSITION - JULY 1, RESTATED	<u>7,623,161</u>	<u>86,207</u>	<u>7,709,368</u>
NET POSITION - JUNE 30	<u>\$ 8,774,883</u>	<u>\$ 77,810</u>	<u>\$ 8,852,693</u>

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

REGIONAL SCHOOL UNIT NO. 38

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,426,098	\$ 85,556	\$ 1,511,654
Investments	-	93,004	93,004
Accounts receivable (net of allowance for uncollectibles)	16,417	3,615	20,032
Due from other governments	104,047	134,648	238,695
Prepaid items	4,500	-	4,500
Due from other funds	177,711	65,901	243,612
TOTAL ASSETS	<u><u>\$ 1,728,773</u></u>	<u><u>\$ 382,724</u></u>	<u><u>\$ 2,111,497</u></u>
LIABILITIES			
Accounts payable	\$ 5,454	\$ 282	\$ 5,736
Accrued expenses	39,836	-	39,836
Accrued payroll	988,083	-	988,083
Due to other funds	113,264	149,160	262,424
TOTAL LIABILITIES	<u><u>1,146,637</u></u>	<u><u>149,442</u></u>	<u><u>1,296,079</u></u>
FUND BALANCES			
Nonspendable	4,500	-	4,500
Restricted	-	185,725	185,725
Committed	-	18,908	18,908
Assigned	328,067	39,991	368,058
Unassigned	249,569	(11,342)	238,227
TOTAL FUND BALANCES	<u><u>582,136</u></u>	<u><u>233,282</u></u>	<u><u>815,418</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,728,773</u></u>	<u><u>\$ 382,724</u></u>	<u><u>\$ 2,111,497</u></u>

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

REGIONAL SCHOOL UNIT NO. 38

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - governmental funds	\$ 815,418
Amounts reported for governmental activities in the Statement of Net Position 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	12,273,016
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	489,556
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	(2,877,906)
Capital leases payable	(1,063,746)
Accrued compensated absences	(210,137)
Net pension liability	(455,935)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(195,383)</u>
Net position of governmental activities	<u>\$ 8,774,883</u>

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, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Support from towns	\$ 11,585,643	\$ 63,000	\$ 11,648,643
Intergovernmental revenues	4,646,469	812,760	5,459,229
Charges for services	463,774	56,237	520,011
Miscellaneous	146,792	44,567	191,359
TOTAL REVENUES	16,842,678	976,564	17,819,242
EXPENDITURES			
Current:			
Regular instruction	6,511,319	-	6,511,319
Special education	1,731,531	-	1,731,531
Other instruction	399,342	-	399,342
Student and staff support	1,479,883	-	1,479,883
System administration	545,906	-	545,906
School administration	921,156	-	921,156
Transportation	926,476	-	926,476
Operations and maintenance	1,852,171	-	1,852,171
State of Maine on-behalf payments	942,779	-	942,779
Other community service	6,084	-	6,084
Program expenditures	-	917,734	917,734
Debt service:			
Principal	535,058	-	535,058
Interest	108,490	-	108,490
TOTAL EXPENDITURES	15,960,195	917,734	16,877,929
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	882,483	58,830	941,313
OTHER FINANCING SOURCES (USES)			
Transfers in	-	7,872	7,872
Transfers (out)	(154,000)	(27,350)	(181,350)
TOTAL OTHER FINANCING SOURCES (USES)	(154,000)	(19,478)	(173,478)
NET CHANGE IN FUND BALANCES	728,483	39,352	767,835
FUND BALANCES - JULY 1, RESTATED	(146,347)	193,930	47,583
FUND BALANCES - JUNE 30	\$ 582,136	\$ 233,282	\$ 815,418

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, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 767,835</u>
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 allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	329,278
Depreciation expense	<u>(593,664)</u>
	<u>(264,386)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>62,572</u>
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	
	<u>889,584</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(322,130)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>96,032</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	3,124
Net pension liability	<u>(80,909)</u>
	<u>(77,785)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,151,722</u></u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds				
	Daycare/ After School Program Readfield	Food Service	Adult Education	Health Center	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 23,842	\$ -	\$ -	\$ 23,842
Accounts receivable (net of allowance for uncollectibles)	-	-	1,030	-	1,030
Due from other governments	-	17,616	-	-	17,616
Due from other funds	7,569	-	-	39,794	47,363
Inventory	-	10,859	-	-	10,859
Total current assets	<u>7,569</u>	<u>52,317</u>	<u>1,030</u>	<u>39,794</u>	<u>100,710</u>
Noncurrent assets:					
Machinery and equipment	-	21,030	-	-	21,030
Accumulated depreciation	-	(15,030)	-	-	(15,030)
Total noncurrent assets	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
TOTAL ASSETS	<u>\$ 7,569</u>	<u>\$ 58,317</u>	<u>\$ 1,030</u>	<u>\$ 39,794</u>	<u>\$ 106,710</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 349	\$ 349
Due to other funds	-	27,521	1,030	-	28,551
TOTAL LIABILITIES	<u>-</u>	<u>27,521</u>	<u>1,030</u>	<u>349</u>	<u>28,900</u>
NET POSITION					
Net investment in capital assets	-	6,000	-	-	6,000
Restricted	-	-	-	-	-
Unrestricted (deficit)	7,569	24,796	-	39,445	71,810
TOTAL NET POSITION	<u>7,569</u>	<u>30,796</u>	<u>-</u>	<u>39,445</u>	<u>77,810</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,569</u>	<u>\$ 58,317</u>	<u>\$ 1,030</u>	<u>\$ 39,794</u>	<u>\$ 106,710</u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				Total
	Daycare/ After School Program Readfield	Food Service	Adult Education	Health Center	
OPERATING REVENUES					
Intergovernmental	\$ -	\$ 281,973	\$ -	\$ -	\$ 281,973
Charges for services	29,566	257,955	26,458	-	313,979
Miscellaneous	-	1,434	-	-	1,434
TOTAL OPERATING REVENUES	<u>29,566</u>	<u>541,362</u>	<u>26,458</u>	<u>-</u>	<u>597,386</u>
OPERATING EXPENSES					
Salaries	19,309	273,273	7,490	46,324	346,396
Benefits	1,675	89,645	380	3,898	95,598
Contractual services	2,575	1,200	2,335	10,600	16,710
Supplies	3,866	282,749	8,381	1,148	296,144
Equipment	-	11,625	-	-	11,625
Workshop expenses	-	45	-	500	545
Depreciation	-	2,042	-	-	2,042
Other	-	9,746	-	455	10,201
TOTAL OPERATING EXPENSES	<u>27,425</u>	<u>670,325</u>	<u>18,586</u>	<u>62,925</u>	<u>779,261</u>
OPERATING INCOME (LOSS)	<u>2,141</u>	<u>(128,963)</u>	<u>7,872</u>	<u>(62,925)</u>	<u>(181,875)</u>
NONOPERATING REVENUES (EXPENSES)					
Transfers in	-	100,000	-	81,350	181,350
Transfers (out)	-	-	(7,872)	-	(7,872)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>100,000</u>	<u>(7,872)</u>	<u>81,350</u>	<u>173,478</u>
CHANGES IN NET POSITION	2,141	(28,963)	-	18,425	(8,397)
NET POSITION - JULY 1	<u>5,428</u>	<u>59,759</u>	<u>-</u>	<u>21,020</u>	<u>86,207</u>
NET POSITION - JUNE 30	<u>\$ 7,569</u>	<u>\$ 30,796</u>	<u>\$ -</u>	<u>\$ 39,445</u>	<u>\$ 77,810</u>

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, 2016

	Enterprise Funds				
	Daycare/ After School Program Readfield	Food Service	Adult Education	Health Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 29,566	\$ 263,848	\$ 25,428	\$ -	\$ 318,842
Intergovernmental receipts	-	320,590	-	-	320,590
Internal activity - receipts (payments) from/to other funds	(2,141)	(12,878)	1,030	(18,774)	(32,763)
Payments to employees	(19,309)	(273,273)	(7,490)	(46,324)	(346,396)
Payments to suppliers	(8,116)	(395,010)	(11,096)	(16,252)	(430,474)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	(96,723)	7,872	(81,350)	(170,201)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers	-	100,000	(7,872)	81,350	173,478
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	100,000	(7,872)	81,350	173,478
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	3,277	-	-	3,277
CASH AND CASH EQUIVALENTS - JULY 1	-	20,565	-	-	20,565
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ 23,842	\$ -	\$ -	\$ 23,842
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,141	\$ (128,963)	\$ 7,872	\$ (62,925)	\$ (181,875)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	2,042	-	-	2,042
Changes in operating assets and liabilities:					
(Increase) decrease in due from other governments	-	38,617	-	-	38,617
(Increase) decrease in accounts receivable	-	-	(1,030)	-	(1,030)
(Increase) decrease in inventory	-	4,459	-	-	4,459
(Increase) decrease in due from other funds	(2,141)	-	-	(18,774)	(20,915)
(Decrease) increase in accounts payable	-	-	-	349	349
(Decrease) increase in due to other funds	-	(12,878)	1,030	-	(11,848)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ (96,723)	\$ 7,872	\$ (81,350)	\$ (170,201)

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency Funds</u>
	<u>Student Activities</u>
ASSETS	
Cash and cash equivalents	\$ 172,523
Investments	25,742
TOTAL ASSETS	<u>\$ 198,265</u>
LIABILITIES	
Due to other governments	\$ -
Deposits held for others	198,265
TOTAL LIABILITIES	<u>\$ 198,265</u>

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, special education, operations and maintenance, transportation, and administration.

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 Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Position, both the governmental and business-type 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 – net investment in capital assets; restricted net position; and unrestricted net position. The Unit first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Unit's functions and business-type activities (instruction, operations and maintenance, etc.). The functions are also supported by general government revenues (support from Towns, 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 or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources) rather than upon net income. The following is a description of the governmental funds of the Unit:

Major Funds

- 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.

Nonmajor Funds

- 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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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	\$15,899,899
Add: On-behalf payments	<u>942,779</u>
Total GAAP basis	<u>\$16,842,678</u>
Expenditures per budgetary basis	\$15,171,416
Add: On-behalf basis	<u>942,779</u>
Total GAAP basis	<u>\$16,114,195</u>

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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Unit consists of school nutrition supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

business-type activities are reported in the governmental-wide financial statements as “internal balances”.

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.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be zero as of June 30, 2016.

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 of bonds and capital leases payable, compensated absences and net pension liability

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, 2016, the Unit's liability for compensated absences is \$210,137.

Pensions

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

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Unit 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.

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 investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

legislations adopted by the Unit 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Unit has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualify for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Non-operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, the Unit's deposits amounting to \$1,708,019 were comprised of bank deposits of \$2,452,368. Of these amounts, \$2,369,142 was fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$83,226 were collateralized with an irrevocable stand-by letter of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 343,063
Savings accounts	85,556
Sweep accounts	2,023,749
	<u>\$ 2,452,368</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2016, of the Unit's investment in certificates of deposit of \$118,746 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	\$ 118,746	\$ -	\$ 63,276	\$ 55,470
	<u>\$ 118,746</u>	<u>\$ -</u>	<u>\$ 63,276</u>	<u>\$ 55,470</u>

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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 177,711	\$ 113,264
Nonmajor special revenue funds	65,901	149,160
Enterprise funds	47,363	28,551
	<u>\$ 290,975</u>	<u>\$ 290,975</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	<u>Balance, 7/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, 6/30/16</u>
<u>Governmental Activities:</u>				
Non-depreciated assets:				
Land	\$ 234,912	\$ -	\$ -	\$ 234,912
	<u>234,912</u>	<u>-</u>	<u>-</u>	<u>234,912</u>
Depreciated assets:				
Land improvements	342,915	-	-	342,915
Buildings and improvements	18,826,601	19,720	-	18,846,321
Vehicles	1,353,831	177,829	(53,800)	1,477,860
Equipment	973,126	131,729	-	1,104,855
	<u>21,496,473</u>	<u>329,278</u>	<u>(53,800)</u>	<u>21,771,951</u>
Less: accumulated depreciation	<u>(9,193,983)</u>	<u>(593,664)</u>	<u>53,800</u>	<u>(9,733,847)</u>
	<u>12,302,490</u>	<u>(264,386)</u>	<u>-</u>	<u>12,038,104</u>
Net capital assets	<u>\$ 12,537,402</u>	<u>\$ (264,386)</u>	<u>\$ -</u>	<u>\$ 12,273,016</u>
<u>Business-type Activities:</u>				
Depreciated assets:				
Equipment	\$ 21,030	\$ -	\$ -	\$ 21,030
	<u>21,030</u>	<u>-</u>	<u>-</u>	<u>21,030</u>
Less: accumulated depreciation	<u>(12,988)</u>	<u>(2,042)</u>	<u>-</u>	<u>(15,030)</u>
Net capital assets	<u>\$ 8,042</u>	<u>\$ (2,042)</u>	<u>\$ -</u>	<u>\$ 6,000</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current Year Depreciation:

Regular instruction	\$ 225,003
Special education	60,092
Other instruction	54,090
Administration	6,188
School administration	31,517
Operations and maintenance	45,734
Transportation	56,772
District-wide	<u>114,268</u>
Total governmental activities depreciation	593,664
School lunch	<u>2,042</u>
Total depreciation expense	<u><u>\$ 595,706</u></u>

NOTE 5 - LONG-TERM DEBT

The General Fund of the Unit is used to pay for all long-term debt. The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

	Balance 7/1/15	Additions	Reductions	Balance, 6/30/16	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 3,412,964	\$ -	\$ (535,058)	\$ 2,877,906	\$ 535,058
Capital leases payable	1,096,142	322,130	(354,526)	1,063,746	300,683
Accrued compensated absences	213,261	-	(3,124)	210,137	10,507
Net pension liability	375,026	489,187	(408,278)	455,935	-
Totals	<u>\$ 5,097,393</u>	<u>\$ 811,317</u>	<u>\$ (1,300,986)</u>	<u>\$ 4,607,724</u>	<u>\$ 846,248</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the bonds outstanding as of June 30, 2016:

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.	\$ 2,125,000
\$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.	709,156
\$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.	<u>43,750</u>
	<u>\$ 2,877,906</u>

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 535,058	\$ 96,882	\$ 631,940
2018	535,058	59,291	594,349
2019	535,058	41,785	576,843
2020	535,058	24,265	559,323
2021	535,058	6,685	541,743
2022-2026	202,616	2,659	205,275
	<u>\$ 2,877,906</u>	<u>\$ 231,567</u>	<u>\$ 3,109,473</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2016 was \$108,490.

REGIONAL SCHOOL UNIT NO. 38
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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 district-wide energy conservation equipment under a non-cancelable lease agreement dated July of 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 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 \$21,418.

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

The Unit leases a bus under a non-cancelable lease agreement dated October of 2014. The term of the lease is for a four-year period expiring in October of 2017. Annual principal and interest payments are \$22,186.

The Unit leases a bus under a non-cancelable lease agreement dated October of 2014. The term of the lease is for a four-year period expiring in October of 2017. Annual principal and interest payments are \$22,186.

The Unit leases equipment under a non-cancelable lease agreement dated August of 2015. The term of the lease is for a four-year period expiring August of 2018. Annual principal and interest payments are \$5,127.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The Unit leases photocopiers under a non-cancelable lease agreement dated September of 2015. The term of the lease is for a four-year period expiring September of 2018. Annual principal and interest payments are \$26,177.

The Unit leases equipment under a non-cancelable lease agreement dated October of 2015. The term of the lease is for a four-year period expiring October of 2018. Annual principal and interest payments are \$7,512.

The Unit leases a bus under a non-cancelable lease agreement dated October of 2015. The term of the lease is for a four-year period expiring in October of 2018. Annual principal and interest payments are \$22,228.

The Unit leases a bus under a non-cancelable lease agreement dated October of 2015. The term of the lease is for a four-year period expiring in October of 2018. Annual principal and interest payments are \$22,689.

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

Year Ending June 30:	
2017	\$ 342,291
2018	305,671
2019	251,311
2020	177,589
2021	49,524
2022-2026	<u>49,524</u>
Total minimum lease payments	1,175,910
Less amount representing interest	<u>(112,164)</u>
Present value of future minimum lease payments	<u>\$ 1,063,746</u>

NOTE 6 - 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 \$4,503.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - OPERATING LEASES

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 \$24,678.

Future minimum lease payments at June 30, 2016 are as follows:

Year Ending June 30:	
2017	\$ 111,082
2018	-
2019	-
2020	-
2021	-
Total lease payments	<u>\$ 111,082</u>

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the Unit has the following nonspendable fund balances:

General Fund:	
Prepaid Items	<u>\$ 4,500</u>

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2016, the Unit has the following restricted fund balances:

Nonmajor Special Revenue Funds (See Schedule D)	\$ 7,165
Nonmajor Permanent Funds (See Schedule F)	178,560
	<u>\$ 185,725</u>

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2016, the Unit had the following committed fund balances:

Nonmajor Special Revenue Funds (See Schedule D)	<u>\$ 18,908</u>
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REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2016, the Unit has the following assigned fund balances:

General Fund:

Reserved for FY 2017 Budget	\$ 328,067
Nonmajor Special Revenue Funds (See Schedule D)	<u>39,991</u>
	<u>\$ 368,058</u>

NOTE 11 - DEFICIT FUND BALANCES

At June 30, 2016 the Unit had the following deficit fund balances:

Nonmajor Funds:

Adult Education	\$ 9,523
GEAR UP Grant	<u>1,819</u>
	<u>\$ 11,342</u>

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

The Unit had the following expenditures over appropriations for the year ended June 30, 2016:

System Administration (Article 7)	\$ 6,848
School Administration (Article 8)	<u>14,112</u>
	<u>\$ 20,960</u>

The School Board on June 15, 2016 had voted to transfer funds from other articles to these articles to mitigate the overspending of these articles. This motion is required by State Statute.

NOTE 13 - 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, 2016. 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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Unit's teachers are required to contribute 7.65% of their compensation to the retirement system. The Unit's payroll for teachers covered by this program was approximately \$7,945,154 for the year ended June 30, 2016. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 10.02% of the Unit's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$752,721 for the year ended June 30, 2016. Title 5 of the Maine Revised Statutes Annotated also requires the Unit to contribute at an actuarially determined normal cost rate of 3.36%, which totaled \$266,957 for 2016. In addition, the Unit is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 10.57% of compensation and totaled \$45,765 the year ended June 30, 2016.

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

At June 30, 2016, the Unit reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Unit. The amount recognized by the Unit as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Unit were as follows:

Unit's proportionate share of the net pension liability	\$ 455,935
State's proportionate share of the net pension liability associated with the Unit	<u>8,979,229</u>
Total	<u>\$ 9,435,164</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on a projection of the Unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Units and the State, actuarially determined. At June 30, 2015, the Unit's proportion was 0.033770%, which was a decrease of 0.000944% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Unit recognized total pension expense of \$330,573 and revenue of \$408,278 for support provided by the State of Maine. At June 30, 2016, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,166
Changes of assumptions	12,562	-
Net difference between projected and actual earnings on pension plan investments	96,476	117,092
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,806	75,125
Contributions subsequent to the measurement date	<u>312,722</u>	<u>-</u>
Total	<u>\$ 489,566</u>	<u>\$ 195,383</u>

\$312,722 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	SET Plan
Year ended June 30:	
2017	\$ (6,408)
2018	(21,339)
2019	(14,912)
2020	24,119
2021	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015 and 2014, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Amortization

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015 and June 30, 2014 are as follows:

Investment Rate of Return - For the State Employee and Teacher Plan, 7.125% per annum for the years ended June 30, 2015 and 2014, compounded annually.

Salary Increases, Merit and Inflation - State Employees, 3.50% to 10.50% per year; Teachers, 3.50% to 13.50% per year.

Mortality Rates - For active State employee members and non-disabled retirees of the State employee plan, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

Cost of Living Benefit Increases - 2.55% per annum for State employees and Teachers.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2015 are summarized in the following table.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	SET Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2015 and 2014 for the State Employee and Teacher Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2015 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.125% for the State Employee and Teacher Plan.

	1% Decrease	Discount Rate	1% Increase
<u>SET Plan:</u>			
Discount rate	6.125%	7.125%	8.125%
Employer's proportionate share of the net pension liability	\$ 798,234	\$ 455,935	\$ 170,839

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2015 and 2014, this was 3 years for the State Employee and Teacher Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There were no changes in assumptions for the State Employee and Teacher Plan.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2015 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 15 - 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 16 - CONTINGENCIES

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

The Unit participates in 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, 2016 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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17 - RESTATEMENT

The beginning fund balance of the general fund and the net position of the governmental activities have been restated as of July 1, 2015. These balances were restated to correct Mainecare revenues from prior years. One of the issues with the Mainecare revenues of \$56,504 was associated with a settlement of a Mainecare audit. The general fund and governmental activities were restated by (\$90,016).

NOTE 18 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Unit's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

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 of Proportionate Share of the Net Pension Liability
- Schedule of Contributions

REGIONAL SCHOOL UNIT NO. 38

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ (146,347)	\$ (146,347)	\$ (146,347)	\$ -
Resources (Inflows):				
Support from towns	11,585,643	11,585,643	11,585,643	-
Intergovernmental revenues:				
State subsidy	3,554,167	3,554,167	3,688,690	134,523
Other	78,500	78,500	15,000	(63,500)
Charges for services:				
Tuition	400,000	400,000	413,596	13,596
Transportation	40,000	40,000	50,178	10,178
Miscellaneous revenues	110,000	110,000	146,792	36,792
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>15,621,963</u>	<u>15,621,963</u>	<u>15,753,552</u>	<u>131,589</u>
Charges to Appropriations (Outflows):				
Regular instruction	6,766,831	6,766,831	6,511,319	255,512
Special education	2,031,153	2,031,153	1,731,531	299,622
Other instruction	418,234	418,234	399,342	18,892
Student and staff support	1,520,832	1,520,832	1,479,883	40,949
System administration	539,058	539,058	545,906	(6,848)
School administration	907,044	907,044	921,156	(14,112)
Transportation	982,687	982,687	926,476	56,211
Operations and maintenance	1,941,732	1,941,732	1,852,171	89,561
Debt service:				
Principal	535,058	535,058	535,058	-
Interest	164,618	164,618	108,490	56,128
Other community service	7,063	7,063	6,084	979
Transfers to other funds	154,000	154,000	154,000	-
Total Charges to Appropriations	<u>15,968,310</u>	<u>15,968,310</u>	<u>15,171,416</u>	<u>796,894</u>
Budgetary Fund Balance, June 30	<u>\$ (346,347)</u>	<u>\$ (346,347)</u>	<u>\$ 582,136</u>	<u>\$ 928,483</u>
Utilization of assigned fund balance	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
<u>SET Plan:</u>		
Unit's proportion of the net pension liability (asset)	0.03%	0.03%
Unit's proportionate share of the net pension liability (asset)	\$ 455,935	\$ 375,026
State's proportionate share of the net pension liability (asset) associated with the Unit	<u>\$ 8,979,229</u>	<u>\$ 7,448,248</u>
Total	<u>\$ 9,435,164</u>	<u>\$ 7,823,274</u>
Unit's covered-employee payroll	\$ 7,945,154	\$ 7,977,611
Unit's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.74%	4.70%
Plan fiduciary net position as a percentage of the total pension liability	81.18%	83.91%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>SET Plan:</u>			
Contractually required contribution	\$ 312,722	\$ 265,543	\$ 255,121
Contributions in relation to the contractually required contribution	<u>(312,722)</u>	<u>(265,543)</u>	<u>(255,121)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll	\$ 7,945,154	\$ 7,977,611	\$ 8,120,209
Contributions as a percentage of covered- employee payroll	3.94%	3.33%	3.14%

* The amounts presented for each fiscal year are for those years for which information is available.

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Regular Instruction (Article 2)				
Elementary (Primary) Instruction	\$ 4,460,584	\$ 4,460,584	\$ 4,404,924	\$ 55,660
Secondary Instruction	2,102,829	2,102,829	1,945,775	157,054
Student Transportation - Field Trips	19,186	19,186	11,404	7,782
ESL	39,162	39,162	40,181	(1,019)
Gifted & Talented	145,070	145,070	109,035	36,035
Total	6,766,831	6,766,831	6,511,319	255,512
Special Education (Article 3)				
Administration	175,521	175,521	137,419	38,102
Resource Room	651,058	651,058	554,139	96,919
Self Contained	948,404	948,404	834,609	113,795
Tutor	4,773	4,773	210	4,563
Social Worker	15,554	15,554	11,819	3,735
Psychological	50,396	50,396	37,838	12,558
Speech	185,447	185,447	155,380	30,067
Physical Therapy	-	-	117	(117)
Total	2,031,153	2,031,153	1,731,531	299,622
Other Instruction (Article 5)				
Co-Curricular	82,829	82,829	74,930	7,899
Transportation	26,486	26,486	26,484	2
Summer Program - Elementary	8,990	8,990	2,292	6,698
Athletics	299,929	299,929	295,636	4,293
Total	418,234	418,234	399,342	18,892

SCHEDULE A (CONTINUED)
REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Student and Staff Support (Article 6)				
Guidance	283,867	283,867	269,924	13,943
Library	253,758	253,758	260,746	(6,988)
Technology	438,533	438,533	442,787	(4,254)
Assessment	57,271	57,271	58,034	(763)
Other Support Services	13,344	13,344	16,451	(3,107)
Health	270,998	270,998	242,549	28,449
Curriculum & Imp of Instruction	172,711	172,711	169,053	3,658
Staff Training	30,350	30,350	20,339	10,011
Total	<u>1,520,832</u>	<u>1,520,832</u>	<u>1,479,883</u>	<u>40,949</u>
System Administration (Article 7)				
School Board	68,860	68,860	79,320	(10,460)
Superintendent	230,443	230,443	231,277	(834)
Business Office	234,555	234,555	235,279	(724)
Fiscal Services	5,200	5,200	30	5,170
Total	<u>539,058</u>	<u>539,058</u>	<u>545,906</u>	<u>(6,848)</u>
School Administration (Article 8)				
Principal's Office	907,044	907,044	921,156	(14,112)
Total	<u>907,044</u>	<u>907,044</u>	<u>921,156</u>	<u>(14,112)</u>
Transportation (Article 9)	<u>982,687</u>	<u>982,687</u>	<u>926,476</u>	<u>56,211</u>
Operations and Maintenance (Article 10)				
Maintenance of Plant	582,890	582,890	561,453	21,437
Care of Buildings	912,301	912,301	864,912	47,389
Maintenance of Buildings	334,450	334,450	298,519	35,931
Capital Improvement	112,091	112,091	127,287	(15,196)
Total	<u>1,941,732</u>	<u>1,941,732</u>	<u>1,852,171</u>	<u>89,561</u>
Debt Service (Article 11)				
Principal	535,058	535,058	535,058	-
Interest	164,618	164,618	108,490	56,128
Total	<u>699,676</u>	<u>699,676</u>	<u>643,548</u>	<u>56,128</u>
Other Expenditures (Article 12)	<u>7,063</u>	<u>7,063</u>	<u>6,084</u>	<u>979</u>
Transfers to Other Funds				
Transfer to Health Program	54,000	54,000	54,000	-
Transfer to School Lunch Program	100,000	100,000	100,000	-
Total	<u>154,000</u>	<u>154,000</u>	<u>154,000</u>	<u>-</u>
Totals	<u>\$ 15,968,310</u>	<u>\$ 15,968,310</u>	<u>\$ 15,171,416</u>	<u>\$ 796,894</u>

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

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 85,556	\$ 85,556
Investments	-	93,004	93,004
Accounts receivable (net of allowance for uncollectibles)	3,615	-	3,615
Due from other governments	134,648	-	134,648
Due from other funds	65,901	-	65,901
TOTAL ASSETS	<u>\$ 204,164</u>	<u>\$ 178,560</u>	<u>\$ 382,724</u>
LIABILITIES			
Accounts payable	\$ 282	\$ -	\$ 282
Due to other funds	149,160	-	149,160
TOTAL LIABILITIES	<u>149,442</u>	<u>-</u>	<u>149,442</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	7,165	178,560	185,725
Committed	18,908	-	18,908
Assigned	39,991	-	39,991
Unassigned	(11,342)	-	(11,342)
TOTAL FUND BALANCES	<u>54,722</u>	<u>178,560</u>	<u>233,282</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 204,164</u>	<u>\$ 178,560</u>	<u>\$ 382,724</u>

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 GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Support from towns	\$ 63,000	\$ -	\$ 63,000
Intergovernmental revenue	812,760	-	812,760
Charges for services	56,237	-	56,237
Interest income	-	437	437
Other	17,988	26,142	44,130
TOTAL REVENUES	<u>949,985</u>	<u>26,579</u>	<u>976,564</u>
EXPENDITURES			
Program expenses	907,792	9,942	917,734
TOTAL EXPENDITURES	<u>907,792</u>	<u>9,942</u>	<u>917,734</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>42,193</u>	<u>16,637</u>	<u>58,830</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,872	-	7,872
Transfers (out)	(27,350)	-	(27,350)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(19,478)</u>	<u>-</u>	<u>(19,478)</u>
NET CHANGE IN FUND BALANCES	22,715	16,637	39,352
FUND BALANCES - JULY 1	<u>32,007</u>	<u>161,923</u>	<u>193,930</u>
FUND BALANCES - JUNE 30	<u>\$ 54,722</u>	<u>\$ 178,560</u>	<u>\$ 233,282</u>

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

Special Revenue Funds

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.

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Health Center State Grant	MARTI NTIA	Goldman Sachs Grant	Local Ent. Pre-School	NEA Foundation Grant
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	378	-
Due from other funds	-	1	960	-	11
TOTAL ASSETS	\$ -	\$ 1	\$ 960	\$ 378	\$ 11
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	378	-
TOTAL LIABILITIES	-	-	-	378	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	1	960	-	11
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	1	960	-	11
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 1	\$ 960	\$ 378	\$ 11

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	<u>Adult Education</u>	<u>Local Town Meeting</u>	<u>Misc Local SR</u>	<u>Adult Ed. College Transition</u>	<u>Wellness Grants</u>
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-
Due from other funds	-	1,095	48	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 1,095</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	9,523	-	-	-	-
TOTAL LIABILITIES	<u>9,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	1,095	48	-	-
Assigned	-	-	-	-	-
Unassigned	(9,523)	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>(9,523)</u>	<u>1,095</u>	<u>48</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 1,095</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	MS MEF Grant	A.E. Misc. Local Grants	Reading Recovery	MELMAC Grant	GEAR UP Grant
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	3,447
Due from other funds	49	100	-	3,692	-
TOTAL ASSETS	\$ 49	\$ 100	\$ -	\$ 3,692	\$ 3,447
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	5,266
TOTAL LIABILITIES	-	-	-	-	5,266
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	100	-	3,692	-
Committed	49	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(1,819)
TOTAL FUND BALANCES (DEFICITS)	49	100	-	3,692	(1,819)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 49	\$ 100	\$ -	\$ 3,692	\$ 3,447

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	State Dental Grant	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 995	\$ -	\$ -
Due from other governments	-	40,433	72,806	-	4
Due from other funds	-	-	-	13,116	-
TOTAL ASSETS	\$ -	\$ 40,433	\$ 73,801	\$ 13,116	\$ 4
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 282	\$ -	\$ -
Due to other funds	-	40,433	73,519	-	4
TOTAL LIABILITIES	-	40,433	73,801	-	4
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	13,116	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	-	-	13,116	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 40,433	\$ 73,801	\$ 13,116	\$ 4

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	PEPG Based Education	Employee Laptop Fee
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ 2,620	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-
Due from other funds	-	-	33,087	4,600	6,425
TOTAL ASSETS	\$ -	\$ 2,620	\$ 33,087	\$ 4,600	\$ 6,425
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,457	-	-	-
TOTAL LIABILITIES	-	2,457	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	4,600	-
Assigned	-	163	33,087	-	6,425
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	163	33,087	4,600	6,425
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ 2,620	\$ 33,087	\$ 4,600	\$ 6,425

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Tech Fiscal Service	Suicide Prevention	ME Agriculture in the Classroom	Maine Support Network	MCACG Adult Education
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	962	-	-	-
Due from other funds	316	-	1,410	-	991
TOTAL ASSETS	\$ 316	\$ 962	\$ 1,410	\$ -	\$ 991
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	962	-	-	-
TOTAL LIABILITIES	-	962	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	1,410	-	991
Committed	-	-	-	-	-
Assigned	316	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	316	-	1,410	-	991
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 316	\$ 962	\$ 1,410	\$ -	\$ 991

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Title VI Rural Low Income	Title IIA	Title IA Program Improvement	Local Grant Extra Curricular	Total
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ 3,615
Due from other governments	6,332	10,059	227	-	134,648
Due from other funds	-	-	-	-	65,901
TOTAL ASSETS	\$ 6,332	\$ 10,059	\$ 227	\$ -	\$ 204,164
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 282
Due to other funds	6,332	10,059	227	-	149,160
TOTAL LIABILITIES	6,332	10,059	227	-	149,442
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	7,165
Committed	-	-	-	-	18,908
Assigned	-	-	-	-	39,991
Unassigned	-	-	-	-	(11,342)
TOTAL FUND BALANCES (DEFICITS)	-	-	-	-	54,722
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 6,332	\$ 10,059	\$ 227	\$ -	\$ 204,164

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 SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Health Center State Grant	MARTI NTIA	Goldman Sachs Grant	Local Ent. Pre-School	NEA Foundation Grant
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	21,338	-	-	7,306	-
Charges for services	-	-	-	-	-
Other	-	-	2,200	-	-
TOTAL REVENUES	<u>21,338</u>	<u>-</u>	<u>2,200</u>	<u>7,306</u>	<u>-</u>
EXPENDITURES					
Program expenses	-	-	1,240	7,306	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,240</u>	<u>7,306</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>21,338</u>	<u>-</u>	<u>960</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(21,338)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	960	-	-
FUND BALANCES (DEFICITS), JULY 1	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>11</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 960</u>	<u>\$ -</u>	<u>\$ 11</u>

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, 2016

	Adult Education	Local Town Meeting	Misc Local SR	Adult Ed. College Transition	Wellness Grants
REVENUES					
Support from towns	\$ 63,000	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	35,576	-	-	8,977	3,000
Charges for services	31,137	-	-	-	-
Other	1,050	1,095	-	-	-
TOTAL REVENUES	<u>130,763</u>	<u>1,095</u>	<u>-</u>	<u>8,977</u>	<u>3,000</u>
EXPENDITURES					
Program expenses	131,908	2,864	-	12,232	3,000
TOTAL EXPENDITURES	<u>131,908</u>	<u>2,864</u>	<u>-</u>	<u>12,232</u>	<u>3,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,145)</u>	<u>(1,769)</u>	<u>-</u>	<u>(3,255)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,872	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,727	(1,769)	-	(3,255)	-
FUND BALANCES (DEFICITS), JULY 1	<u>(16,250)</u>	<u>2,864</u>	<u>48</u>	<u>3,255</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (9,523)</u>	<u>\$ 1,095</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2016

	MS MEF Grant	A.E. Misc. Local Grants	Reading Recovery	MELMAC Grant	GEAR UP Grant
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	1,400	5,000	-	10,500	44,167
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	<u>1,400</u>	<u>5,000</u>	<u>-</u>	<u>10,500</u>	<u>44,167</u>
EXPENDITURES					
Program expenses	<u>3,089</u>	<u>5,000</u>	<u>675</u>	<u>13,987</u>	<u>45,986</u>
TOTAL EXPENDITURES	<u>3,089</u>	<u>5,000</u>	<u>675</u>	<u>13,987</u>	<u>45,986</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,689)</u>	<u>-</u>	<u>(675)</u>	<u>(3,487)</u>	<u>(1,819)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,689)	-	(675)	(3,487)	(1,819)
FUND BALANCES (DEFICITS), JULY 1	<u>1,738</u>	<u>100</u>	<u>675</u>	<u>7,179</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 49</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 3,692</u>	<u>\$ (1,819)</u>

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, 2016

	State Dental Grant	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	600	190,100	376,026	12,891	2,956
Charges for services	-	-	-	-	-
Other	-	-	266	-	-
TOTAL REVENUES	<u>600</u>	<u>190,100</u>	<u>376,292</u>	<u>12,891</u>	<u>2,956</u>
EXPENDITURES					
Program expenses	600	190,100	376,292	4,808	2,956
TOTAL EXPENDITURES	<u>600</u>	<u>190,100</u>	<u>376,292</u>	<u>4,808</u>	<u>2,956</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,083</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	8,083	-
FUND BALANCES (DEFICITS), JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,033</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,116</u>	<u>\$ -</u>

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, 2016

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	PEPG Based Education	Employee Laptop Fee
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	6,012	-	-	4,600	-
Charges for services	-	-	20,600	-	-
Other	-	3,935	-	-	2,840
TOTAL REVENUES	<u>6,012</u>	<u>3,935</u>	<u>20,600</u>	<u>4,600</u>	<u>2,840</u>
EXPENDITURES					
Program expenses	-	3,352	8,716	-	412
TOTAL EXPENDITURES	<u>-</u>	<u>3,352</u>	<u>8,716</u>	<u>-</u>	<u>412</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,012</u>	<u>583</u>	<u>11,884</u>	<u>4,600</u>	<u>2,428</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(6,012)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	583	11,884	4,600	2,428
FUND BALANCES (DEFICITS), JULY 1	<u>-</u>	<u>(420)</u>	<u>21,203</u>	<u>-</u>	<u>3,997</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ -</u>	<u>\$ 163</u>	<u>\$ 33,087</u>	<u>\$ 4,600</u>	<u>\$ 6,425</u>

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, 2016

	Tech Fiscal Service	Suicide Prevention	ME Agriculture in the Classroom	Maine Support Network	MCACG Adult Education
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	4,052	-	-	-
Charges for services	4,500	-	-	-	-
Other	-	-	-	4,802	-
TOTAL REVENUES	4,500	4,052	-	4,802	-
EXPENDITURES					
Program expenses	4,308	4,100	-	4,802	-
TOTAL EXPENDITURES	4,308	4,100	-	4,802	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	192	(48)	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	192	(48)	-	-	-
FUND BALANCES (DEFICITS), JULY 1	124	48	1,410	-	991
FUND BALANCES (DEFICITS), JUNE 30	\$ 316	\$ -	\$ 1,410	\$ -	\$ 991

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, 2016

	Title VI Rural Low Income	Title IIA	Title IA Program Improvement	Local Grant Extra Curricular	Total
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ 63,000
Intergovernmental revenue	22,267	52,647	3,345	-	812,760
Charges for services	-	-	-	-	56,237
Other	-	-	-	1,800	17,988
TOTAL REVENUES	<u>22,267</u>	<u>52,647</u>	<u>3,345</u>	<u>1,800</u>	<u>949,985</u>
EXPENDITURES					
Program expenses	<u>22,267</u>	<u>52,647</u>	<u>3,345</u>	<u>1,800</u>	<u>907,792</u>
TOTAL EXPENDITURES	<u>22,267</u>	<u>52,647</u>	<u>3,345</u>	<u>1,800</u>	<u>907,792</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	42,193
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	7,872
Transfers (out)	-	-	-	-	(27,350)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(19,478)
NET CHANGE IN FUND BALANCES	-	-	-	-	22,715
FUND BALANCES (DEFICITS), JULY 1	-	-	-	-	32,007
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,722</u>

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

Permanent Funds

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.

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2016

	Manchester Elementary Arts	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
ASSETS						
Cash and cash equivalents	\$ 485	\$ 607	\$ 3,317	\$ 11,640	\$ 4,222	\$ 10,123
Investments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 485</u>	<u>\$ 607</u>	<u>\$ 3,317</u>	<u>\$ 11,640</u>	<u>\$ 4,222</u>	<u>\$ 10,123</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	485	607	3,317	11,640	4,222	10,123
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>485</u>	<u>607</u>	<u>3,317</u>	<u>11,640</u>	<u>4,222</u>	<u>10,123</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 485</u>	<u>\$ 607</u>	<u>\$ 3,317</u>	<u>\$ 11,640</u>	<u>\$ 4,222</u>	<u>\$ 10,123</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
 JUNE 30, 2016

	Marion Tucker Memorial	Senior Citizens	Class of 1992	Katie Piper	David McPhedran
ASSETS					
Cash and cash equivalents	\$ 4,642	\$ -	\$ 752	\$ 361	\$ 5,324
Investments	-	10,169	-	19,067	32,603
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 4,642</u>	<u>\$ 10,169</u>	<u>\$ 752</u>	<u>\$ 19,428</u>	<u>\$ 37,927</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	4,642	10,169	752	19,428	37,927
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>4,642</u>	<u>10,169</u>	<u>752</u>	<u>19,428</u>	<u>37,927</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,642</u>	<u>\$ 10,169</u>	<u>\$ 752</u>	<u>\$ 19,428</u>	<u>\$ 37,927</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2016

	Maranacook Com. Alumni Schol. Fund	Luke Hopkins	Lloyd Jewett	Nancy Diamond Book	Wendy Williams	Total
ASSETS						
Cash and cash equivalents	\$ 27,030	\$ 12,766	\$ 1,533	\$ 1,984	\$ 770	\$ 85,556
Investments	31,165	-	-	-	-	93,004
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 58,195</u>	<u>\$ 12,766</u>	<u>\$ 1,533</u>	<u>\$ 1,984</u>	<u>\$ 770</u>	<u>\$ 178,560</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	58,195	12,766	1,533	1,984	770	178,560
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>58,195</u>	<u>12,766</u>	<u>1,533</u>	<u>1,984</u>	<u>770</u>	<u>178,560</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,195</u>	<u>\$ 12,766</u>	<u>\$ 1,533</u>	<u>\$ 1,984</u>	<u>\$ 770</u>	<u>\$ 178,560</u>

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, 2016

	Manchester Elementary Arts	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
REVENUES						
Interest income	\$ 1	\$ -	\$ 2	\$ 6	\$ 2	\$ 5
Other	-	-	1,095	-	-	500
TOTAL REVENUES	<u>1</u>	<u>-</u>	<u>1,097</u>	<u>6</u>	<u>2</u>	<u>505</u>
EXPENDITURES						
Other	<u>300</u>	<u>200</u>	<u>500</u>	<u>100</u>	<u>225</u>	<u>-</u>
TOTAL EXPENDITURES	<u>300</u>	<u>200</u>	<u>500</u>	<u>100</u>	<u>225</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(299)</u>	<u>(200)</u>	<u>597</u>	<u>(94)</u>	<u>(223)</u>	<u>505</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(299)	(200)	597	(94)	(223)	505
FUND BALANCES, JULY 1	<u>784</u>	<u>807</u>	<u>2,720</u>	<u>11,734</u>	<u>4,445</u>	<u>9,618</u>
FUND BALANCES, JUNE 30	<u>\$ 485</u>	<u>\$ 607</u>	<u>\$ 3,317</u>	<u>\$ 11,640</u>	<u>\$ 4,222</u>	<u>\$ 10,123</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Marion Tucker Memorial	Senior Citizens	Class of 1992	Katie Piper	David McPhedran
REVENUES					
Interest income	\$ 3	\$ 199	\$ 1	\$ 145	\$ 4
Other	-	-	-	-	562
TOTAL REVENUES	<u>3</u>	<u>199</u>	<u>1</u>	<u>145</u>	<u>566</u>
EXPENDITURES					
Other	1,000	-	-	1,002	3,000
TOTAL EXPENDITURES	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,002</u>	<u>3,000</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(997)</u>	<u>199</u>	<u>1</u>	<u>(857)</u>	<u>(2,434)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(997)	199	1	(857)	(2,434)
FUND BALANCES, JULY 1	<u>5,639</u>	<u>9,970</u>	<u>751</u>	<u>20,285</u>	<u>40,361</u>
FUND BALANCES, JUNE 30	<u>\$ 4,642</u>	<u>\$ 10,169</u>	<u>\$ 752</u>	<u>\$ 19,428</u>	<u>\$ 37,927</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Maranacook Com. Alumni Schol. Fund	Luke Hopkins	Lloyd Jewett	Nancy Diamond Book	Wendy Williams	Total
REVENUES						
Interest income	\$ 62	\$ 6	\$ -	\$ 1	\$ -	\$ 437
Other	22,850	115	-	-	1,020	26,142
TOTAL REVENUES	<u>22,912</u>	<u>121</u>	<u>-</u>	<u>1</u>	<u>1,020</u>	<u>26,579</u>
EXPENDITURES						
Other	2,100	750	150	365	250	9,942
TOTAL EXPENDITURES	<u>2,100</u>	<u>750</u>	<u>150</u>	<u>365</u>	<u>250</u>	<u>9,942</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>20,812</u>	<u>(629)</u>	<u>(150)</u>	<u>(364)</u>	<u>770</u>	<u>16,637</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	20,812	(629)	(150)	(364)	770	16,637
FUND BALANCES, JULY 1	<u>37,383</u>	<u>13,395</u>	<u>1,683</u>	<u>2,348</u>	<u>-</u>	<u>161,923</u>
FUND BALANCES, JUNE 30	<u>\$ 58,195</u>	<u>\$ 12,766</u>	<u>\$ 1,533</u>	<u>\$ 1,984</u>	<u>\$ 770</u>	<u>\$ 178,560</u>

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.

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Regular Instruction	\$ 92,000	\$ 8,366,168	\$ 160,701	\$ -	\$ 8,618,869
Special Education	38,400	2,933,754	1,566	-	2,973,720
Other Instruction	19,200	2,022,340	84,723	-	2,126,263
Administration	-	207,415	25,971	-	233,386
School Administration	19,200	1,417,902	124,454	-	1,561,556
Operations and Maintenance	19,200	1,599,150	95,035	-	1,713,385
Transportation	-	118,909	1,462,096	-	1,581,005
District Wide	46,912	2,523,598	628,169	-	3,198,679
School Lunch	-	-	21,030	-	21,030
Total General Capital Assets	234,912	19,189,236	2,603,745	-	22,027,893
Less: Accumulated Depreciation	-	(8,055,433)	(1,693,444)	-	(9,748,877)
Net General Capital Assets	\$ 234,912	\$ 11,133,803	\$ 910,301	\$ -	\$ 12,279,016

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
Regular Instruction	\$ 8,592,599	\$ 26,270	\$ -	\$ 8,618,869
Special Education	2,973,720	-	-	2,973,720
Other Instruction	2,121,263	5,000	-	2,126,263
Administration	220,244	13,142	-	233,386
School Administration	1,524,699	36,857	-	1,561,556
Operations and Maintenance	1,713,385	-	-	1,713,385
Transportation	1,461,976	172,829	(53,800)	1,581,005
District Wide	3,123,499	75,180	-	3,198,679
School Lunch	21,030	-	-	21,030
	<u>21,752,415</u>	<u>329,278</u>	<u>(53,800)</u>	<u>22,027,893</u>
Total General Capital Assets	21,752,415	329,278	(53,800)	22,027,893
Less: Accumulated Depreciation	<u>(9,206,971)</u>	<u>(595,706)</u>	<u>53,800</u>	<u>(9,748,877)</u>
Net General Capital Assets	<u>\$ 12,545,444</u>	<u>\$ (266,428)</u>	<u>\$ -</u>	<u>\$ 12,279,016</u>

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, 2016

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through State of Maine - Department of Education:				
Child Nutrition Cluster:				
School Lunch Program	10.555	013-05A-3022-05	\$ -	\$ 181,535
Donated Commodities	10.555	N/A	-	25,740
School Breakfast Program	10.556	013-05A-3014-05	-	58,368
Subtotal Child Nutrition Cluster			<u>-</u>	<u>265,643</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>265,643</u>
U.S. Department of Education				
Passed through State of Maine - Department of Education:				
Adult Education and Family Literacy Act	84.002A	013-05A-6296-64	-	2,956
Title IA	84.010	013-05A-3107-12	-	190,100
Title IA - Program Improvement Funds	84.010A	013-05A-3106-13	-	3,345
Special Education Cluster (IDEA):				
Local Entitlement	84.027	013-05A-3046-12	-	376,292
Preschool Handicapped	84.173	013-05A-6247-23	-	7,306
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>383,598</u>
Title VI - Rural Low Income	84.358	013-05A-3305-03	-	22,267
Title IIA-Teaching Quality	84.367	013-05A-3042-11	-	52,647
Gear Up	84.334A	N/A	-	45,986
Total U.S. Department of Education			<u>-</u>	<u>700,899</u>
U.S. Department of Health & Human Services				
Passed through State of Maine - Department of Education				
Family Planning Services	93.217	013-10A-2652-03	-	6,000
Maternal and Child Health Services Block Grant	93.994	N/A	-	20
Total U.S. Department of Health & Human Services			<u>-</u>	<u>6,020</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 972,562</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Regional School Unit No. 38 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Regional School Unit No. 38, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Regional School Unit No. 38.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Regional School Unit No. 38 has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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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, 2016, 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 December 12, 2016.

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.

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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 exist 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
December 12, 2016



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Regional School Unit No. 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional School Unit No. 38's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional School Unit No. 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
December 12, 2016

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2016

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 no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no
- *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes 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 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
84.010	Title IA

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? 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, 2016 and have issued our report thereon dated December 12, 2016. 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 Maine Department of Education for accuracy. In addition, we have reviewed the Regional School Unit No. 38'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 Maine Department of Education.

This report is intended solely for the information of the Board of Directors, management and the Maine Department 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
December 12, 2016

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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, 2016

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (3000)	Total
June 30 Balance per MEDMS financial System	\$ 677,658	\$ 14,732	\$ -	\$ 692,390
Revenue Adjustments:				
Expenditure Adjustments:				
Other Adjustments:				
Fund 7200 Clearing Account		163	-	163
Fund 9100 MLTI Student Fee	-	33,087	-	33,087
Fund 9110 Employee Laptop Fee	-	6,425	-	6,425
Fund 9120 Tech Fiscal Service	-	316	-	316
Lease escrow	(31)	-	-	(31)
Athletic director	(1,000)	-	-	(1,000)
Accounts payable	200	-	-	200
Accrued payroll adjustment	(93,171)	-	-	(93,171)
Audit adjustments	(1,288)	-	-	(1,288)
Rounding	2	(1)	-	1
Beginning balance variance	(234)	-	-	(234)
Audited GAAP Basis Fund balance June 30	<u>\$ 582,136</u>	<u>\$ 54,722</u>	<u>\$ -</u>	<u>\$ 636,858</u>