

Federal Compliance Audit

Regional School Unit No. 38

June 30, 2015



Proven Expertise and Integrity

REGIONAL SCHOOL UNIT NO. 38

CONTENTS

JUNE 30, 2015

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 12
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	13
STATEMENT B - STATEMENT OF ACTIVITIES	14 - 15
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	16
STATEMENT D - RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	18
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
STATEMENT G - BALANCE SHEET - PROPRIETARY FUNDS	20
STATEMENT H - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	21
STATEMENT I - STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	22
STATEMENT J - STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS	23
NOTES TO FINANCIAL STATEMENTS	24 - 49

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	50
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	51
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	52
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	53

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	54
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND	55 - 56
SCHEDULE B - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	57
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	58
SPECIAL REVENUE FUNDS DESCRIPTION	59
SCHEDULE D - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	60 - 66
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	67 - 73
PERMANENT FUNDS DESCRIPTION	74
SCHEDULE F - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	75 - 77
SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	78 - 80
GENERAL CAPITAL ASSETS DESCRIPTION	81

SCHEDULE H - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION 82

SCHEDULE I - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS
BY FUNCTION 83

FEDERAL COMPLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 84

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 85

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* 86 - 87

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 88 - 90

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 91

OTHER REPORTS

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS 92

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
SUBMITTED TO THE MEDMS FINANCIAL SYSTEM 93



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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, 2015, and the related notes to the financial statements, which collectively comprise the Unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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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, 2015, 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 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015, on our consideration of Regional School Unit No. 38's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School Unit No. 38's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
September 10, 2015

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(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, 2015. Please read it in conjunction with the Unit's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Unit's basic services are reported in governmental activities, which include instructional salaries and fringe benefits, support services, operation and maintenance, transportation, administration and debt service. Support from towns, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The Unit's daycare/after school programs, food service, adult education and health center are reported here.

Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds: The Unit maintains 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 Fiduciary Fund Financial Statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, 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 discussion and analysis of Regional School Unit No. 38's financial performance provides an overview of the Unit's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Unit's financial statements.

Our analysis below focuses on the net position of the Unit's governmental activities. The Unit's total net position for governmental activities increased by \$1,153,664 from \$6,559,513 to a balance of \$7,713,177 at the year end. For business-type activities, the Unit's total net position increased by \$19,191 from \$67,016 to a balance of \$86,207.

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 deficit balance of \$490,712 at the end of the fiscal year. For business-type activities, the balance increased to \$78,165.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014 (Restated)</u>	<u>2015</u>	<u>2014</u>
Assets:				
Current Assets	\$ 1,065,122	\$ 829,554	\$ 78,165	\$ 57,755
Capital Assets	12,537,402	12,900,531	8,042	10,084
Total Assets	<u>13,602,524</u>	<u>13,730,085</u>	<u>86,207</u>	<u>67,839</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	426,984	51,878	-	-
Total Deferred Outflows of Resources	<u>426,984</u>	<u>51,878</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	1,734,154	1,847,813	-	823
Long-Term Debt Outstanding	4,290,762	5,374,637	-	-
Total Liabilities	<u>6,024,916</u>	<u>7,222,450</u>	<u>-</u>	<u>823</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	291,415	-	-	-
Total Deferred Inflows of Resources	<u>291,415</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	8,028,296	7,715,756	8,042	10,084
Restricted: Special Revenue Funds	13,670	12,196	-	-
Permanent Funds	161,923	167,164	-	-
Unrestricted (deficit)	(490,712)	(1,335,603)	78,165	56,932
Total Net Position	<u>\$ 7,713,177</u>	<u>\$ 6,559,513</u>	<u>\$ 86,207</u>	<u>\$ 67,016</u>

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

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Revenues:				
<i>Program Revenues:</i>				
Charges for services	\$ 612,722	\$ 765,459	\$ 320,900	\$ 317,650
Operating grants & contributions	1,863,615	1,822,530	308,098	276,053
<i>General Revenue:</i>				
Support from towns	11,093,990	10,911,120	-	-
Grants & contributions not restricted to specific programs	3,645,975	3,845,934	-	-
Miscellaneous	151,074	134,713	4,108	364,486
Total revenues	<u>17,367,376</u>	<u>17,479,756</u>	<u>633,106</u>	<u>958,189</u>
Expenses				
Regular instruction	6,565,780	6,573,123	-	-
Special education	1,777,012	1,871,104	-	-
Other instruction	458,656	483,392	-	-
Student & staff support	1,435,125	1,516,270	-	-
System administration	520,973	525,195	-	-
School administration	916,880	900,404	-	-
Transportation	849,615	950,969	-	-
Operations & maintenance	1,813,546	1,935,610	-	-
Other community service	7,828	6,138	-	-
State of Maine on-behalf payments	1,022,841	1,041,450	-	-
Program expenditures	521,510	885,201	743,982	1,087,636
Interest on long-term debt	193,879	223,796	-	-
Total expenses	<u>16,083,645</u>	<u>16,912,652</u>	<u>743,982</u>	<u>1,087,636</u>
Transfers	<u>(130,067)</u>	<u>(162,442)</u>	<u>130,067</u>	<u>162,442</u>
Change in Net Position	1,153,664	404,662	19,191	32,995
Net Position - July 1, Restated	<u>6,559,513</u>	<u>6,154,851</u>	<u>67,016</u>	<u>34,021</u>
Net Position - June 30	<u>\$ 7,713,177</u>	<u>\$ 6,559,513</u>	<u>\$ 86,207</u>	<u>\$ 67,016</u>

Revenues and Expenses

Revenues for the Unit's governmental activities decreased by .64%, while total expenses decreased by 4.90%. Decreases in charges for services and grants and contributions not restricted to specific programs contributed to most of the Unit's overall change in revenues while decreases in nearly all expense categories contributed to the change in expenses from the previous year.

Revenues for the Unit's business-type activities decreased by 33.93%, while total expenses also decreased by 31.60%. The major decrease in revenues was due to miscellaneous revenues while the decrease in expenses was mainly the result of a reduction in contractual services.

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,

	2015	2014
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 3,360
Assigned	200,000	-
Unassigned	(256,331)	(375,297)
Total Major Funds	\$ (56,331)	\$ (371,937)
Non-Major Funds:		
Special revenue funds:		
Restricted	\$ 13,670	\$ 12,196
Committed	9,683	4,535
Assigned	25,324	14,654
Unassigned	(16,670)	(1,940)
Permanent funds:		
Restricted	161,923	167,164
Total Non-Major Funds	\$ 193,930	\$ 196,609

The general fund total fund balance increased by \$315,606 from the prior fiscal year. The non-major fund balances decreased by \$2,679 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

The significant difference between the original and final budget for the general fund was due to adjustments done between budget lines to cover overdrafts.

The general fund actual revenues were over budget by \$58,072. This was mainly a result of tuition and miscellaneous revenues being received more than budget.

The general fund actual expenditures were under budget by \$497,671. All expenditure articles were under budget.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the net book value of capital assets recorded by the Unit decreased by \$365,171. This decrease was a result of current year depreciation expense of \$618,220, less capital additions of \$257,049, plus net disposals of \$4,000.

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

	<u>2015</u>	<u>2014</u>
Land	\$ 234,912	\$ 238,912
Buildings, building improvements and land improvements	11,568,773	11,940,101
Machinery and equipment	392,234	498,087
Vehicles	<u>349,525</u>	<u>233,515</u>
Total	<u>\$ 12,545,444</u>	<u>\$ 12,910,615</u>

Debt

At June 30, 2015, the Unit had \$3.41 million in bonds outstanding versus \$3.95 million last year. Other obligations include capital leases payable, accrued sick and vacation time and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The FY 2016 budget could be impacted by reductions in state subsidy as a result of reduced state revenue projections. Curtailments in the state's biennial budget may serve to increase required local contributions and/or reductions in Unit spending.

Contacting the Unit's Financial Management

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 752,167	\$ 20,565	\$ 772,732
Investments	91,964	-	91,964
Accounts receivable (net of allowance for uncollectibles)	2,505	-	2,505
Due from other governments	204,535	56,233	260,768
Inventory	-	15,318	15,318
Internal balances	13,951	(13,951)	-
Total current assets	<u>1,065,122</u>	<u>78,165</u>	<u>1,143,287</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	234,912	-	234,912
Buildings and equipment, net of accumulated depreciation	12,302,490	8,042	12,310,532
Total noncurrent assets	<u>12,537,402</u>	<u>8,042</u>	<u>12,545,444</u>
TOTAL ASSETS	<u>13,602,524</u>	<u>86,207</u>	<u>13,688,731</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	426,984	-	426,984
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>426,984</u>	<u>-</u>	<u>426,984</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,029,508</u>	<u>\$ 86,207</u>	<u>\$ 14,115,715</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 863	\$ -	\$ 863
Accrued expenses	31,748	-	31,748
Accrued payroll	894,912	-	894,912
Current portion of long-term obligations	806,631	-	806,631
Total current liabilities	<u>1,734,154</u>	<u>-</u>	<u>1,734,154</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	2,877,906	-	2,877,906
Capital leases payable	835,232	-	835,232
Accrued compensated absences	202,598	-	202,598
Net pension liability	375,026	-	375,026
Total noncurrent liabilities	<u>4,290,762</u>	<u>-</u>	<u>4,290,762</u>
TOTAL LIABILITIES	<u>6,024,916</u>	<u>-</u>	<u>6,024,916</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	291,415	-	291,415
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>291,415</u>	<u>-</u>	<u>291,415</u>
NET POSITION			
Net investment in capital assets	8,028,296	8,042	8,036,338
Restricted: Special revenue funds	13,670	-	13,670
Permanent funds	161,923	-	161,923
Unrestricted (deficit)	(490,712)	78,165	(412,547)
TOTAL NET POSITION	<u>7,713,177</u>	<u>86,207</u>	<u>7,799,384</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 14,029,508</u>	<u>\$ 86,207</u>	<u>\$ 14,115,715</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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Regular instruction	\$ 6,565,780	\$ 419,538	\$ -	\$ -	\$ (6,146,242)	\$ -	\$ (6,146,242)
Special education	1,777,012	107,762	-	-	(1,669,250)	-	(1,669,250)
Other instruction	458,656	-	-	-	(458,656)	-	(458,656)
Student & staff support	1,435,125	-	-	-	(1,435,125)	-	(1,435,125)
System administration	520,973	-	-	-	(520,973)	-	(520,973)
School administration	916,880	-	-	-	(916,880)	-	(916,880)
Transportation	849,615	52,461	-	-	(797,154)	-	(797,154)
Operations & maintenance	1,813,546	-	-	-	(1,813,546)	-	(1,813,546)
Other community service	7,828	-	-	-	(7,828)	-	(7,828)
Program expenditures	521,510	32,961	840,774	-	352,225	-	352,225
State of Maine on-behalf payments	1,022,841	-	1,022,841	-	-	-	-
Interest on long-term debt	193,879	-	-	-	(193,879)	-	(193,879)
Total governmental activities	16,083,645	612,722	1,863,615	-	(13,607,308)	-	(13,607,308)
Business-type activities:							
Daycare/Afterschool Program - Readfield	27,707	28,463	-	-	-	756	756
Food Service	628,832	258,460	308,098	-	-	(62,274)	(62,274)
Adult Education	25,444	33,977	-	-	-	8,533	8,533
Health Center	61,999	-	-	-	-	(61,999)	(61,999)
Total business-type activities	743,982	320,900	308,098	-	-	(114,984)	(114,984)
Total government	\$ 16,827,627	\$ 933,622	\$ 2,171,713	\$ -	(13,607,308)	(114,984)	(13,722,292)

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Changes in net position:			
Net (expense) revenue	<u>(13,607,308)</u>	<u>(114,984)</u>	<u>(13,722,292)</u>
General revenues:			
Support from towns	11,093,990	-	11,093,990
Grants and contributions not restricted to specific programs	3,645,975	-	3,645,975
Miscellaneous	151,074	4,108	155,182
Interfund transfers	<u>(130,067)</u>	<u>130,067</u>	<u>-</u>
Total general revenues and transfers	<u>14,760,972</u>	<u>134,175</u>	<u>14,895,147</u>
Change in net position	1,153,664	19,191	1,172,855
NET POSITION - JULY 1, RESTATED	<u>6,559,513</u>	<u>67,016</u>	<u>7,320,132</u>
NET POSITION - JUNE 30	<u><u>\$ 7,713,177</u></u>	<u><u>\$ 86,207</u></u>	<u><u>\$ 8,492,987</u></u>

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

REGIONAL SCHOOL UNIT NO. 38

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Other Governmental Funds	Totals Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 682,208	\$ 69,959	\$ 752,167
Investments	-	91,964	91,964
Accounts receivable (net of allowance for uncollectibles)	2,224	281	2,505
Due from other governments	33,682	170,853	204,535
Due from other funds	228,003	48,477	276,480
TOTAL ASSETS	<u>\$ 946,117</u>	<u>\$ 381,534</u>	<u>\$ 1,327,651</u>
LIABILITIES			
Accounts payable	\$ 863	\$ -	\$ 863
Accrued expenses	31,748	-	31,748
Accrued payroll	894,912	-	894,912
Due to other funds	74,925	187,604	262,529
TOTAL LIABILITIES	<u>1,002,448</u>	<u>187,604</u>	<u>1,190,052</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	175,593	175,593
Committed	-	9,683	9,683
Assigned	200,000	25,324	225,324
Unassigned	(256,331)	(16,670)	(273,001)
TOTAL FUND BALANCES	<u>(56,331)</u>	<u>193,930</u>	<u>137,599</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 946,117</u>	<u>\$ 381,534</u>	<u>\$ 1,327,651</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, 2015

Total fund balances - governmental funds	\$ 137,599
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	12,537,402
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	426,984
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(3,412,964)
Capital leases payable	(1,096,142)
Accrued compensated absences	(213,261)
Net pension liability	(375,026)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(291,415)</u>
Net position of governmental activities	<u><u>\$ 7,713,177</u></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, 2015

	General Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES			
Support from towns	\$ 11,030,990	\$ 63,000	\$ 11,093,990
Intergovernmental revenues	4,668,816	840,774	5,509,590
Charges for services	579,761	32,961	612,722
Miscellaneous	139,789	11,285	151,074
TOTAL REVENUES	16,419,356	948,020	17,367,376
EXPENDITURES			
Current:			
Regular instruction	6,412,342	-	6,412,342
Special education	1,716,920	-	1,716,920
Other instruction	405,566	-	405,566
Student & staff support	1,435,125	-	1,435,125
System administration	514,876	-	514,876
School administration	885,143	-	885,143
Transportation	888,653	-	888,653
Operations & maintenance	1,991,519	-	1,991,519
State of Maine on-behalf payments	1,022,841	-	1,022,841
Other community service	7,828	-	7,828
Program expenditures	-	914,632	914,632
Debt service:			
Principal	535,058	-	535,058
Interest	193,879	-	193,879
TOTAL EXPENDITURES	16,009,750	914,632	16,924,382
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	409,606	33,388	442,994
OTHER FINANCING SOURCES (USES)			
Transfers in	36,000	8,533	44,533
Transfers (out)	(130,000)	(44,600)	(174,600)
TOTAL OTHER FINANCING SOURCES (USES)	(94,000)	(36,067)	(130,067)
NET CHANGE IN FUND BALANCES	315,606	(2,679)	312,927
FUND BALANCES - JULY 1	(371,937)	196,609	(175,328)
FUND BALANCES - JUNE 30	\$ (56,331)	\$ 193,930	\$ 137,599

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, 2015

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 312,927</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 to allocated those expenditures over the life of the assets:	
Capital asset purchases	257,049
Capital asset disposals	(4,000)
Depreciation expense	<u>(616,178)</u>
	<u>(363,129)</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>375,106</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>846,327</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(170,658)</u>
Deferred inflows 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>(291,415)</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	74,051
Net pension liability	<u>370,455</u>
	<u>444,506</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,153,664</u></u>

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

REGIONAL SCHOOL UNIT NO. 38

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds				
	Daycare/ After School Program Readfield	Food Service	Adult Education	Health Center	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 20,565	\$ -	\$ -	\$ 20,565
Due from other governments	-	56,233	-	-	56,233
Due from other funds	5,428	-	-	21,020	26,448
Inventory	-	15,318	-	-	15,318
Total current assets	<u>5,428</u>	<u>92,116</u>	<u>-</u>	<u>21,020</u>	<u>118,564</u>
Noncurrent assets:					
Machinery and equipment	-	21,030	-	-	21,030
Accumulated depreciation	-	(12,988)	-	-	(12,988)
Total noncurrent assets	<u>-</u>	<u>8,042</u>	<u>-</u>	<u>-</u>	<u>8,042</u>
TOTAL ASSETS	<u>\$ 5,428</u>	<u>\$ 100,158</u>	<u>\$ -</u>	<u>\$ 21,020</u>	<u>\$ 126,606</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	40,399	-	-	40,399
TOTAL LIABILITIES	<u>-</u>	<u>40,399</u>	<u>-</u>	<u>-</u>	<u>40,399</u>
NET POSITION					
Net investment in capital assets	-	8,042	-	-	8,042
Restricted	-	-	-	-	-
Unrestricted (deficit)	5,428	51,717	-	21,020	78,165
TOTAL NET POSITION	<u>5,428</u>	<u>59,759</u>	<u>-</u>	<u>21,020</u>	<u>86,207</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,428</u>	<u>\$ 100,158</u>	<u>\$ -</u>	<u>\$ 21,020</u>	<u>\$ 126,606</u>

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds				Total
	Daycare/ After School Program Readfield	Food Service	Adult Education	Health Center	
OPERATING REVENUES					
Intergovernmental	\$ -	\$ 308,098	\$ -	\$ -	\$ 308,098
Charges for services	28,463	258,460	33,977	-	320,900
Miscellaneous	-	4,108	-	-	4,108
TOTAL OPERATING REVENUES	28,463	570,666	33,977	-	633,106
OPERATING EXPENSES					
Salaries	19,754	255,310	7,098	45,478	327,640
Benefits	1,740	85,229	300	3,991	91,260
Contractual services	662	1,200	15,919	10,600	28,381
Supplies	5,551	281,510	1,647	1,395	290,103
Equipment	-	480	-	-	480
Workshop expenses	-	80	-	50	130
Depreciation	-	2,042	-	-	2,042
Other	-	2,981	480	485	3,946
TOTAL OPERATING EXPENSES	27,707	628,832	25,444	61,999	743,982
OPERATING INCOME (LOSS)	756	(58,166)	8,533	(61,999)	(110,876)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	-	74,600	174,600
Transfers (out)	-	-	(8,533)	(36,000)	(44,533)
TOTAL OTHER FINANCING SOURCES (USES)	-	100,000	(8,533)	38,600	130,067
CHANGES IN NET POSITION	756	41,834	-	(23,399)	19,191
NET POSITION - JULY 1	4,672	17,925	-	44,419	67,016
NET POSITION - JUNE 30	\$ 5,428	\$ 59,759	\$ -	\$ 21,020	\$ 86,207

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, 2015

	Enterprise Funds				
	Daycare/ After School Program Readfield	Food Service	Adult Education	Health Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 27,707	\$ 261,224	\$ 33,977	\$ 24,222	\$ 347,130
Intergovernmental receipts	-	268,482	-	-	268,482
Payments to employees	(19,754)	(255,310)	(7,098)	(45,478)	(327,640)
Payments to suppliers	(7,953)	(364,547)	(18,346)	(17,344)	(408,190)
Net cash provided (used) by operating activities	-	(90,151)	8,533	(38,600)	(120,218)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers	-	100,000	(8,533)	38,600	130,067
Net cash provided (used) by noncapital financing activities	-	100,000	(8,533)	38,600	130,067
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	9,849	-	-	9,849
CASH AND CASH EQUIVALENTS - JULY 1	-	10,716	-	-	10,716
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ 20,565	\$ -	\$ -	\$ 20,565
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 756	\$ (58,166)	\$ 8,533	\$ (61,999)	\$ (110,876)
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	-	(39,616)	-	-	(39,616)
(Increase) decrease in inventory	-	(1,344)	-	-	(1,344)
(Increase) decrease in due from other funds	(756)	-	-	24,222	23,466
(Decrease) increase in accounts payable	-	-	-	(823)	(823)
(Decrease) increase in due to other funds	-	6,933	-	-	6,933
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ (90,151)	\$ 8,533	\$ (38,600)	\$ (120,218)

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

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Funds</u>
	<u>Student Activities</u>
ASSETS	
Cash and cash equivalents	\$ 140,693
Investments	25,710
TOTAL ASSETS	<u>\$ 166,403</u>
 LIABILITIES	
Due to other governments	\$ -
Deposits held for others	166,403
TOTAL LIABILITIES	<u>\$ 166,403</u>

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Unit's combined financial statements include all accounts and all operations of the Unit. We have determined that the Unit has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Government-Wide and Fund Financial Statements

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

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

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Unit's net position is reported in three parts – 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 (Instructional salaries and fringe benefits, Transportation, Operation & Maintenance, etc.). The functions are also supported by general

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Unit:

1. Governmental Funds:

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

- a. The General Fund is the general operating fund of the Unit. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds

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

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

3. Fiduciary Funds:

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

The Unit's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Unit has no component units that are fiduciary in nature.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$15,432,515
Add: On-behalf payments	<u>1,022,841</u>
Total GAAP basis	<u>\$16,455,356</u>
Expenditures per budgetary basis	\$15,116,909
Add: On-behalf basis	<u>1,022,841</u>
Total GAAP basis	<u>\$16,139,750</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.

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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Interfund Receivables and Payables

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 business-type activities are reported in the government-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, 2015.

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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

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, 2015, the Unit's liability for compensated absences is \$213,261.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense,

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

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 (grant income/expenses).

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating/Non-operating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Unit will not be able to recover its deposits. The Unit does not have a policy covering custodial credit risk for deposits. However, the Unit maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2015, the Unit's deposits amounting to \$913,425 were comprised of bank deposits of \$1,326,363. Of these amounts, \$327,244 was fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$999,119 were either collateralized with securities held by a financial institution in the Unit's name or with an irrevocable stand-by letter of credit.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 284,755
Savings accounts	69,959
Sweep account	971,649
	<u>\$ 1,326,363</u>

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, 2015, of the Unit's investment in certificates of deposit of \$117,674 were fully insured by federal depository insurance and consequently not exposed to custodial credit risk.

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

<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	\$ 117,674	\$ -	\$ 55,494	\$ 62,180
	<u>\$ 117,674</u>	<u>\$ -</u>	<u>\$ 55,494</u>	<u>\$ 62,180</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, 2015

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015 consisted of the following individual fund receivables and payables:

	<u>Receivables</u> (Due from)	<u>Payables</u> (Due to)
General fund	\$ 228,003	\$ 74,925
Nonmajor special revenue funds	48,477	187,604
Enterprise funds	26,448	40,399
	<u>\$ 302,928</u>	<u>\$ 302,928</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2015:

	<u>Balance,</u> 7/1/14	<u>Additions</u>	<u>Disposals</u>	<u>Balance,</u> 6/30/15
<u>Governmental Activities:</u>				
Non-depreciated assets:				
Land	\$ 238,912	\$ -	\$ (4,000)	\$ 234,912
	<u>238,912</u>	<u>-</u>	<u>(4,000)</u>	<u>234,912</u>
Depreciated assets:				
Land improvements	342,915	-	-	342,915
Buildings and improvements	18,747,097	79,503	-	18,826,600
Vehicles	1,372,848	170,658	(189,675)	1,353,831
Equipment	966,239	6,888	-	973,127
	<u>21,429,099</u>	<u>257,049</u>	<u>(189,675)</u>	<u>21,496,473</u>
Less: accumulated depreciation	<u>(8,767,480)</u>	<u>(616,178)</u>	<u>189,675</u>	<u>(9,193,983)</u>
	<u>12,661,619</u>	<u>(359,129)</u>	<u>-</u>	<u>12,302,490</u>
Net capital assets	<u>\$ 12,900,531</u>	<u>\$ (359,129)</u>	<u>\$ (4,000)</u>	<u>\$ 12,537,402</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>(10,946)</u>	<u>(2,042)</u>	<u>-</u>	<u>(12,988)</u>
Net capital assets	<u>\$ 10,084</u>	<u>\$ (2,042)</u>	<u>\$ -</u>	<u>\$ 8,042</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current Year Depreciation:

Regular instruction	\$ 224,841
Special education	60,092
Other instruction	53,090
Administration	6,097
School administration	31,737
Operations & Maintenance	48,284
Transportation	56,962
District-wide	<u>135,075</u>
Total governmental activities depreciation	616,178
School lunch	<u>2,042</u>
Total depreciation expense	<u><u>\$ 618,220</u></u>

NOTE 5 – SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2015, was as follows:

	<u>Balance, 7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, 6/30/15</u>
Tax and revenue anticipation note	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ (400,000)</u>	<u>\$ -</u>

On October 15, 2014, the Unit issued a tax and revenue anticipation note pursuant to Title 20-A, Sections 1490 and 15695 in anticipation of taxes and other revenues to meet operating obligations during the fiscal year. The note allowed principal draws up to \$400,000 at .81% interest per annum with a maturity date of June 30, 2015. On May 11, 2015, the note was paid in full. Interest expense for the note was \$1,553.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - LONG-TERM DEBT

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

	Balance 7/1/14 (Restated)	Additions	Reductions	Balance, 6/30/15	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 3,948,022	\$ -	\$ (535,058)	\$ 3,412,964	\$ 535,058
Capital leases payable	1,236,753	170,658	(311,269)	1,096,142	260,910
Accrued compensated absences	287,312	-	(74,051)	213,261	10,663
Net pension liability	745,481	375,106	(745,561)	375,026	-
Totals	<u>\$ 6,217,568</u>	<u>\$ 545,764</u>	<u>\$ (1,665,939)</u>	<u>\$ 5,097,393</u>	<u>\$ 806,631</u>

The following is a summary of the bonds outstanding as of June 30, 2015:

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.	\$ 2,550,000
\$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.	810,464
\$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>52,500</u>
	<u>\$ 3,412,964</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

Governmental Activities			
Year Ending June 30,	Principal	Interest	Totals
2016	\$ 535,058	\$ 164,618	\$ 699,676
2017	535,058	97,277	632,335
2018	535,058	60,945	596,003
2019	535,058	42,938	577,996
2020	535,058	24,967	560,025
2021-2025	737,674	9,489	747,163
	<u>\$ 3,412,964</u>	<u>\$ 400,234</u>	<u>\$ 3,813,198</u>

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

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

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

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

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

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

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

The Unit leases 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 July September 2013. The term of the leases is for a four year period expiring in September of 2016. Annual principal and interest payments are \$15,212.

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.

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

Year Ending <u>June 30:</u>	
2016	\$ 305,747
2017	258,592
2018	221,961
2019	177,589
2020	177,589
2021-2025	<u>99,054</u>
Total minimum lease payment	1,240,532
Less amount representing interest	<u>(144,390)</u>
Present value of future minimum lease payments	<u><u>\$ 1,096,142</u></u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – OPERATING LEASES

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

The Unit leases laptops under a non-cancelable lease agreement dated June of 2013. The term of the lease is for a four year period expiring in June of 2017. Quarterly payments principal and interest payments are \$4,503.

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, 2015 are as follows:

Year Ending June 30:	
2016	\$ 116,724
2017	106,308
2018	-
2019	-
2020	-
Total lease payments	<u>\$ 223,032</u>

NOTE 8 – RESTRICTED FUND BALANCES

At June 30, 2015, the Unit has the following restricted fund balances:

Nonmajor Special Revenue Funds (See Schedule D)	\$ 13,670
Nonmajor Permanent Funds (See Schedule F)	161,923
	<u>\$ 175,593</u>

NOTE 9 – COMMITTED FUND BALANCES

At June 30, 2015, the Unit had the following committed fund balances:

Nonmajor Special Revenue Funds (See Schedule D)	<u>\$ 9,683</u>
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REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2015, the Unit has the following assigned fund balances:

General Fund:	
Reserved for FY 2016 Budget	\$ 200,000
Nonmajor Special Revenue Funds (See Schedule D)	<u>25,324</u>
	<u>\$ 225,324</u>

NOTE 11 – 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, 2015. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 12 – 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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. 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 \$7,576,602 for the year ended June 30, 2015. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 13.03% 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 \$987,231 for the year ended June 30, 2015. Title 5 of the Maine Revised Statutes Annotated also requires the Unit to contribute at an actuarially determined normal cost rate of 2.65%, which totaled \$211,407 for 2015. In

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 13.50% of compensation and totaled \$54,136 the year ended June 30, 2015.

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

At June 30, 2015, 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	\$ 375,026
State's proportionate share of the net pension liability associated with the Unit	<u>7,448,248</u>
Total	<u>\$ 7,823,274</u>

The net pension liability was measured as of June 30, 2014, 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, 2014, the Unit's proportion was 0.034714%, which was a decrease of 0.012176% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Unit recognized total pension expense of \$54,947 and revenue of \$399,199 for support provided by the State of Maine. At June 30, 2015, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,875
Changes of assumptions	25,828	-
Net difference between projected and actual earnings on pension plan investments	-	160,487
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,613	129,053
Contributions subsequent to the measurement date	265,543	-
Total	<u>\$ 426,984</u>	<u>\$ 291,415</u>

\$265,543 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SET Plan
Year ended June 30:	
2016	\$ 24,865
2017	24,865
2018	40,122
2019	40,122
2020	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2014 and 2013, using the following methods and assumptions applied to all periods included in the measurement:

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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, 2014 and June 30, 2013 are as follows:

Investment Rate of Return - For the State Employee and Teacher Plan, 7.125% per annum for the year ended June 30, 2014 and 7.25% for the year ended June 30, 2013, compounded annually.

Salary Increases, Merit and Inflation - State Employees, 3.50% to 10.50% per year; Teachers, 3.50% to 13.5% per year.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2014 are summarized in the following table.

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%	0.0%

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2014 and 7.25% for 2013 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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2014 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	\$ 718,329	\$ 375,026	\$ 87,759

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2014 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 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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

remaining service lives of active and inactive members in each plan. For the State Employee and Teacher Plan, the change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2014 valuation.

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.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2014 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

NOTE 13 - 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.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 – DEFICIT FUND BALANCES

At June 30, 2015 the Unit had the following deficit fund balances:

Governmental Funds:		
Major Funds:		
General Fund	\$	56,331
Non-Major Funds:		
Adult Education		16,250
Clearing Account		420
	\$	<u>73,001</u>

NOTE 15 - 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, 2015 may be impaired. In the opinion of the Unit, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16 – 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.

NOTE 17 – RESTATEMENT

The governmental activities beginning net position balance as of July 1, 2014 has been restated for the effects of GASB No. 68. The beginning balance has been restated by (\$693,603) to a balance of \$6,559,513.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (371,937)	\$ (371,937)	\$ (371,937)	\$ -
Resources (Inflows):				
Support from towns	11,030,991	11,030,991	11,030,990	(1)
Intergovernmental revenues:				
State subsidy	3,605,952	3,605,952	3,590,508	(15,444)
Other	127,500	127,500	55,467	(72,033)
Charges for services:				
Tuition	475,000	475,000	527,300	52,300
Transportation	40,000	40,000	52,461	12,461
Miscellaneous revenues	95,000	95,000	139,789	44,789
Transfers from other funds	-	-	36,000	36,000
Amounts Available for Appropriation	<u>15,002,506</u>	<u>15,002,506</u>	<u>15,060,578</u>	<u>58,072</u>
Charges to Appropriations (Outflows):				
Regular instruction	6,424,792	6,514,792	6,412,342	102,450
Special education	2,099,398	2,009,398	1,716,920	292,478
Other instruction	408,716	408,716	405,566	3,150
Student & staff support	1,455,615	1,439,615	1,435,125	4,490
System administration	507,565	517,565	514,876	2,689
School administration	889,088	895,088	885,143	9,945
Transportation	916,530	912,530	888,653	23,877
Operations & maintenance	2,048,054	2,048,054	1,991,519	56,535
Debt service:				
Principal	535,058	535,058	535,058	-
Interest	193,879	193,879	193,879	-
Other community service	5,885	9,885	7,828	2,057
Transfers to other funds	130,000	130,000	130,000	-
Total Charges to Appropriations	<u>15,614,580</u>	<u>15,614,580</u>	<u>15,116,909</u>	<u>497,671</u>
Budgetary Fund Balance, June 30	<u>\$ (612,074)</u>	<u>\$ (612,074)</u>	<u>\$ (56,331)</u>	<u>\$ 555,743</u>
Utilization of unassigned fund balance	<u>\$ 240,137</u>	<u>\$ 240,137</u>	<u>\$ -</u>	<u>\$ (240,137)</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>2015</u>
<u>SET Plan:</u>	
Unit's proportion of the net pension liability (asset)	0.03%
Unit's proportionate share of the net pension liability (asset)	\$ 375,026
State's proportionate share of the net pension liability (asset) associated with the Unit	<u>\$ 7,448,248</u>
Total	<u>\$ 7,823,274</u>
Unit's covered-employee payroll	\$ 7,977,611
Unit's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.70%
Plan fiduciary net position as a percentage of the total pension liability	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>2015</u>	<u>2014</u>
<u>SET Plan:</u>		
Contractually required contribution	\$ 265,543	\$ 255,121
Contributions in relation to the contractually required contribution	<u>(265,543)</u>	<u>(255,121)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll	\$ 7,977,611	\$ 8,120,209
Contributions as a percentage of covered- employee payroll	3.33%	3.14%

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

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

Other Supplementary Information

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

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

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Expenditures	Variance Positive (Negative)
Regular Instruction (Article 3)				
Elementary (Primary) Instruction	\$ 4,246,564	\$ 4,246,564	\$ 4,203,458	\$ 43,106
Secondary Instruction	1,994,375	2,084,375	2,063,273	21,102
Student Transportation - Field Trips	10,918	10,918	10,313	605
ESL	35,128	35,128	35,193	(65)
Gifted & Talented	137,807	137,807	100,105	37,702
Total	6,424,792	6,514,792	6,412,342	102,450
Special Education (Article 4)				
Administration	134,828	134,828	129,050	5,778
Resource Room	554,344	554,344	546,880	7,464
Self Contained	1,159,190	1,069,190	830,075	239,115
Tutor	4,737	4,737	-	4,737
Social Worker	15,566	15,566	-	15,566
Psychological	48,522	48,522	41,222	7,300
Speech	174,866	174,866	161,114	13,752
Physical Therapy	-	-	984	(984)
ESY (Extended School Year)	7,345	7,345	7,595	(250)
Total	2,099,398	2,009,398	1,716,920	292,478
Other Instruction (Article 6)				
Co-Curricular	74,058	74,058	72,063	1,995
Transportation	26,599	26,599	26,918	(319)
Summer Program - Elementary	8,926	8,926	4,288	4,638
Athletics	299,133	299,133	302,297	(3,164)
Total	408,716	408,716	405,566	3,150

SCHEDULE A (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Expenditures	Variance Positive (Negative)
Student & Staff Support (Article 7)				
Guidance	242,753	242,753	242,230	523
Library	264,531	258,531	248,214	10,317
Technology	421,925	421,925	424,668	(2,743)
Assessment	55,499	55,499	55,521	(22)
Other Support Services	500	500	787	(287)
Health	260,926	260,926	279,758	(18,832)
Curriculum & Imp of Instruction	178,292	168,292	164,816	3,476
Staff Training	31,189	31,189	19,131	12,058
Total	<u>1,455,615</u>	<u>1,439,615</u>	<u>1,435,125</u>	<u>4,490</u>
System Administration (Article 8)				
School Board	67,953	74,953	72,069	2,884
Superintendent	220,077	220,077	213,395	6,682
Business Office	214,335	217,335	226,719	(9,384)
Fiscal Services	5,200	5,200	2,693	2,507
Total	<u>507,565</u>	<u>517,565</u>	<u>514,876</u>	<u>2,689</u>
School Administration (Article 9)				
Principal's Office	889,088	895,088	885,143	9,945
Total	<u>889,088</u>	<u>895,088</u>	<u>885,143</u>	<u>9,945</u>
Transportation (Article 10)	<u>916,530</u>	<u>912,530</u>	<u>888,653</u>	<u>23,877</u>
Operations & Maintenance (Article 11)				
Maintenance of Plant	650,580	650,580	637,930	12,650
Care of Buildings	884,622	884,622	854,320	30,302
Maintenance of Buildings	353,634	353,634	345,683	7,951
Capital Improvement	159,218	159,218	153,586	5,632
Total	<u>2,048,054</u>	<u>2,048,054</u>	<u>1,991,519</u>	<u>56,535</u>
Debt Service (Article 12)				
Principal	535,058	535,058	535,058	-
Interest	193,879	193,879	193,879	-
Total	<u>728,937</u>	<u>728,937</u>	<u>728,937</u>	<u>-</u>
Other Expenditures (Article 13)	<u>5,885</u>	<u>9,885</u>	<u>7,828</u>	<u>2,057</u>
Transfers to Other Funds				
Transfer to Health Program	30,000	30,000	30,000	-
Transfer to School Lunch Program	100,000	100,000	100,000	-
Total	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Totals	<u>\$ 15,614,580</u>	<u>\$ 15,614,580</u>	<u>\$ 15,116,909</u>	<u>\$ 497,671</u>

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

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 69,959	\$ 69,959
Investments	-	91,964	91,964
Accounts receivable (net of allowance for uncollectibles)	281	-	281
Due from other governments	170,853	-	170,853
Due from other funds	48,477	-	48,477
TOTAL ASSETS	<u>\$ 219,611</u>	<u>\$ 161,923</u>	<u>\$ 381,534</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	187,604	-	187,604
TOTAL LIABILITIES	<u>187,604</u>	<u>-</u>	<u>187,604</u>
FUND BALANCES			
Nonspendable - principal	-	-	-
Restricted	13,670	161,923	175,593
Committed	9,683	-	9,683
Assigned	25,324	-	25,324
Unassigned	(16,670)	-	(16,670)
TOTAL FUND BALANCES	<u>32,007</u>	<u>161,923</u>	<u>193,930</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 219,611</u>	<u>\$ 161,923</u>	<u>\$ 381,534</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, 2015

	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	840,774	-	840,774
Charges for services	32,961	-	32,961
Interest income	-	1,682	1,682
Other	6,043	3,560	9,603
TOTAL REVENUES	<u>942,778</u>	<u>5,242</u>	<u>948,020</u>
EXPENDITURES			
Program expenses	904,149	10,483	914,632
TOTAL EXPENDITURES	<u>904,149</u>	<u>10,483</u>	<u>914,632</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>38,629</u>	<u>(5,241)</u>	<u>33,388</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,533	-	8,533
Transfers (out)	(44,600)	-	(44,600)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,067)</u>	<u>-</u>	<u>(36,067)</u>
NET CHANGE IN FUND BALANCES	2,562	(5,241)	(2,679)
FUND BALANCES - JULY 1	<u>29,445</u>	<u>167,164</u>	<u>196,609</u>
FUND BALANCES - JUNE 30	<u>\$ 32,007</u>	<u>\$ 161,923</u>	<u>\$ 193,930</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, 2015

	Health Center State Grant	MARTI NTIA	MLTI Laptop Sales	Local Ent. Pre-School	NEA Foundation Grant
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	1,500	-
Due from other funds	-	1	-	-	11
TOTAL ASSETS	\$ -	\$ 1	\$ -	\$ 1,500	\$ 11
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	1,500	-
TOTAL LIABILITIES	-	-	-	1,500	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	1	-	-	11
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	-	1	-	-	11
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 1	\$ -	\$ 1,500	\$ 11

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	<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	-	2,864	48	3,255	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 2,864</u>	<u>\$ 48</u>	<u>\$ 3,255</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	16,250	-	-	-	-
TOTAL LIABILITIES	<u>16,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	3,255	-
Committed	-	2,864	48	-	-
Assigned	-	-	-	-	-
Unassigned	(16,250)	-	-	-	-
TOTAL FUND BALANCES	<u>(16,250)</u>	<u>2,864</u>	<u>48</u>	<u>3,255</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 2,864</u>	<u>\$ 48</u>	<u>\$ 3,255</u>	<u>\$ -</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	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	-	-	-	-	9,250
Due from other funds	1,738	100	675	7,179	-
TOTAL ASSETS	\$ 1,738	\$ 100	\$ 675	\$ 7,179	\$ 9,250
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	9,250
TOTAL LIABILITIES	-	-	-	-	9,250
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	100	675	7,179	-
Committed	1,738	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	1,738	100	675	7,179	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,738	\$ 100	\$ 675	\$ 7,179	\$ 9,250

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	State Dental Grant	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 81	\$ -	\$ -
Due from other governments	-	40,571	102,541	-	-
Due from other funds	-	-	-	5,033	-
TOTAL ASSETS	\$ -	\$ 40,571	\$ 102,622	\$ 5,033	\$ -
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	40,571	102,622	-	-
TOTAL LIABILITIES	-	40,571	102,622	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	5,033	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	5,033	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 40,571	\$ 102,622	\$ 5,033	\$ -

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	Employee Laptop Fee
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-
Due from other funds	-	-	21,203	3,997
TOTAL ASSETS	\$ -	\$ -	\$ 21,203	\$ 3,997
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	420	-	-
TOTAL LIABILITIES	-	420	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	21,203	3,997
Unassigned	-	(420)	-	-
TOTAL FUND BALANCES	-	(420)	21,203	3,997
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 21,203	\$ 3,997

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Tech Fiscal Service	Suicide Prevention	ME Agriculture in the Classroom	MCACG Adult Education
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 200	\$ -
Due from other governments	-	-	-	-
Due from other funds	124	48	1,210	991
TOTAL ASSETS	\$ 124	\$ 48	\$ 1,410	\$ 991
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	48	1,410	991
Committed	-	-	-	-
Assigned	124	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	124	48	1,410	991
TOTAL LIABILITIES AND FUND BALANCES	\$ 124	\$ 48	\$ 1,410	\$ 991

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Title VI Rural Low Income	Title IIA	Title IA Program Improvement	Trails Project	Totals
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ 281
Due from other governments	7,016	9,561	414	-	170,853
Due from other funds	-	-	-	-	48,477
TOTAL ASSETS	\$ 7,016	\$ 9,561	\$ 414	\$ -	\$ 219,611
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,016	9,561	414	-	187,604
TOTAL LIABILITIES	7,016	9,561	414	-	187,604
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	13,670
Committed	-	-	-	-	9,683
Assigned	-	-	-	-	25,324
Unassigned	-	-	-	-	(16,670)
TOTAL FUND BALANCES	-	-	-	-	32,007
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,016	\$ 9,561	\$ 414	\$ -	\$ 219,611

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, 2015

	Health Center State Grant	MARTI NTIA	MLTI Laptop Sales	Local Ent. Pre-School	NEA Foundation Grant
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	36,580	1,000	-	6,849	500
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	<u>36,580</u>	<u>1,000</u>	<u>-</u>	<u>6,849</u>	<u>500</u>
EXPENDITURES					
Program expenses	-	273	608	6,849	4,932
TOTAL EXPENDITURES	<u>-</u>	<u>273</u>	<u>608</u>	<u>6,849</u>	<u>4,932</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>36,580</u>	<u>727</u>	<u>(608)</u>	<u>-</u>	<u>(4,432)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	<u>(36,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	727	(608)	-	(4,432)
FUND BALANCES, JULY 1	<u>-</u>	<u>(726)</u>	<u>608</u>	<u>-</u>	<u>4,443</u>
FUND BALANCES, JUNE 30	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</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, 2015

	Adult Education	Local Town Meeting	Misc Local SR	Adult Ed. College Transition	Wellness Grants
REVENUES					
Support from towns	\$ 63,000	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	35,421	10,000	-	7,720	3,250
Charges for services	4,624	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	103,045	10,000	-	7,720	3,250
EXPENDITURES					
Program expenses	128,967	11,037	300	5,966	3,250
TOTAL EXPENDITURES	128,967	11,037	300	5,966	3,250
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,922)	(1,037)	(300)	1,754	-
OTHER FINANCING SOURCES (USES)					
Transfers in	8,533	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,533	-	-	-	-
NET CHANGE IN FUND BALANCES	(17,389)	(1,037)	(300)	1,754	-
FUND BALANCES, JULY 1	1,139	3,901	348	1,501	-
FUND BALANCES, JUNE 30	\$ (16,250)	\$ 2,864	\$ 48	\$ 3,255	\$ -

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, 2015

	MS MEF Grant	A.E. Misc. Local Grants	Reading Recovery	MELMAC Grant	GEAR UP Grant
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	3,250	100	1,850	15,750	9,251
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	<u>3,250</u>	<u>100</u>	<u>1,850</u>	<u>15,750</u>	<u>9,251</u>
EXPENDITURES					
Program expenses	<u>1,798</u>	<u>-</u>	<u>1,175</u>	<u>12,259</u>	<u>9,251</u>
TOTAL EXPENDITURES	<u>1,798</u>	<u>-</u>	<u>1,175</u>	<u>12,259</u>	<u>9,251</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,452</u>	<u>100</u>	<u>675</u>	<u>3,491</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	1,452	100	675	3,491	-
FUND BALANCES, JULY 1	<u>286</u>	<u>-</u>	<u>-</u>	<u>3,688</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 1,738</u>	<u>\$ 100</u>	<u>\$ 675</u>	<u>\$ 7,179</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, 2015

	State Dental Grant	Title IA	Local Entitlement	Proficiency Based Education	AEFLA
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	400	200,328	377,063	19,967	4,709
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	400	200,328	377,063	19,967	4,709
EXPENDITURES					
Program expenses	400	200,328	377,312	14,934	4,709
TOTAL EXPENDITURES	400	200,328	377,312	14,934	4,709
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(249)	5,033	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	(249)	5,033	-
FUND BALANCES, JULY 1	-	-	249	-	-
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ 5,033	\$ -

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, 2015

	Health Center Fed. Grant	Clearing Account	MLTI Student Fee	Employee Laptop Fee
REVENUES				
Support from towns	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	8,020	-	-	-
Charges for services	-	-	22,712	-
Other	-	3,443	-	2,600
TOTAL REVENUES	<u>8,020</u>	<u>3,443</u>	<u>22,712</u>	<u>2,600</u>
EXPENDITURES				
Program expenses	-	2,649	13,228	927
TOTAL EXPENDITURES	<u>-</u>	<u>2,649</u>	<u>13,228</u>	<u>927</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,020</u>	<u>794</u>	<u>9,484</u>	<u>1,673</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(8,020)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,020)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	794	9,484	1,673
FUND BALANCES, JULY 1	-	(1,214)	11,719	2,324
FUND BALANCES, JUNE 30	<u>\$ -</u>	<u>\$ (420)</u>	<u>\$ 21,203</u>	<u>\$ 3,997</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, 2015

	Tech Fiscal Service	Suicide Prevention	ME Agriculture in the Classroom	MCACG Adult Education
REVENUES				
Support from towns	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	48	2,250	-
Charges for services	5,625	-	-	-
Other	-	-	-	-
TOTAL REVENUES	<u>5,625</u>	<u>48</u>	<u>2,250</u>	<u>-</u>
EXPENDITURES				
Program expenses	5,504	-	840	185
TOTAL EXPENDITURES	<u>5,504</u>	<u>-</u>	<u>840</u>	<u>185</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>121</u>	<u>48</u>	<u>1,410</u>	<u>(185)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	121	48	1,410	(185)
FUND BALANCES, JULY 1	<u>3</u>	<u>-</u>	<u>-</u>	<u>1,176</u>
FUND BALANCES, JUNE 30	<u>\$ 124</u>	<u>\$ 48</u>	<u>\$ 1,410</u>	<u>\$ 991</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, 2015

	Title VI Rural Low Income	Title IIA	Title IA Program Improvement	Trails Project	Totals
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ 63,000
Intergovernmental revenue	23,352	40,978	5,827	26,311	840,774
Charges for services	-	-	-	-	32,961
Other	-	-	-	-	6,043
TOTAL REVENUES	<u>23,352</u>	<u>40,978</u>	<u>5,827</u>	<u>26,311</u>	<u>942,778</u>
EXPENDITURES					
Program expenses	<u>23,352</u>	<u>40,978</u>	<u>5,827</u>	<u>26,311</u>	<u>904,149</u>
TOTAL EXPENDITURES	<u>23,352</u>	<u>40,978</u>	<u>5,827</u>	<u>26,311</u>	<u>904,149</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,629</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	8,533
Transfers (out)	-	-	-	-	(44,600)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,067)</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	2,562
FUND BALANCES, JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,445</u>
FUND BALANCES, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,007</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, 2015

	Manchester Elementary Arts	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
ASSETS						
Cash and cash equivalents	\$ 784	\$ 807	\$ 2,720	\$ 11,734	\$ 4,445	\$ 9,618
Investments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 784</u>	<u>\$ 807</u>	<u>\$ 2,720</u>	<u>\$ 11,734</u>	<u>\$ 4,445</u>	<u>\$ 9,618</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 - principal	-	-	-	-	-	-
Restricted	784	807	2,720	11,734	4,445	9,618
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>784</u>	<u>807</u>	<u>2,720</u>	<u>11,734</u>	<u>4,445</u>	<u>9,618</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 784</u>	<u>\$ 807</u>	<u>\$ 2,720</u>	<u>\$ 11,734</u>	<u>\$ 4,445</u>	<u>\$ 9,618</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2015

	Marion Tucker Memorial	Senior Citizens	Class of 1992	Katie Piper	David McPhedran
ASSETS					
Cash and cash equivalents	\$ 5,639	\$ -	\$ 751	\$ 1,361	\$ 8,021
Investments	-	9,970	-	18,924	32,340
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5,639</u>	<u>\$ 9,970</u>	<u>\$ 751</u>	<u>\$ 20,285</u>	<u>\$ 40,361</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable - principal	-	-	-	-	-
Restricted	5,639	9,970	751	20,285	40,361
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>5,639</u>	<u>9,970</u>	<u>751</u>	<u>20,285</u>	<u>40,361</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,639</u>	<u>\$ 9,970</u>	<u>\$ 751</u>	<u>\$ 20,285</u>	<u>\$ 40,361</u>

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2015

	Maranacook Com. Alumni Schol. Fund	Luke Hopkins	Lloyd Jewett	Nancy Diamond Book	Totals
ASSETS					
Cash and cash equivalents	\$ 6,653	\$ 13,395	\$ 1,683	\$ 2,348	\$ 69,959
Investments	30,730	-	-	-	91,964
Due from other funds	-	-	-	-	-
TOTAL ASSETS	\$ 37,383	\$ 13,395	\$ 1,683	\$ 2,348	\$ 161,923
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Nonspendable - principal	-	-	-	-	-
Restricted	37,383	13,395	1,683	2,348	161,923
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	37,383	13,395	1,683	2,348	161,923
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,383	\$ 13,395	\$ 1,683	\$ 2,348	\$ 161,923

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, 2015

	Manchester Elementary Arts	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George & Alice Powers	Kents Hill Lumber
REVENUES						
Interest income	\$ -	\$ 1	\$ -	\$ 6	\$ 3	\$ 5
Other	-	-	2,720	-	-	500
TOTAL REVENUES	<u>-</u>	<u>1</u>	<u>2,720</u>	<u>6</u>	<u>3</u>	<u>505</u>
EXPENDITURES	<u>300</u>	<u>100</u>	<u>-</u>	<u>100</u>	<u>225</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(300)</u>	<u>(99)</u>	<u>2,720</u>	<u>(94)</u>	<u>(222)</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	(300)	(99)	2,720	(94)	(222)	505
FUND BALANCES, JULY 1	<u>1,084</u>	<u>906</u>	<u>-</u>	<u>11,828</u>	<u>4,667</u>	<u>9,113</u>
FUND BALANCES, JUNE 30	<u>\$ 784</u>	<u>\$ 807</u>	<u>\$ 2,720</u>	<u>\$ 11,734</u>	<u>\$ 4,445</u>	<u>\$ 9,618</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, 2015

	Marion Tucker Memorial	Senior Citizens	Class of 1992	Katie Piper	David McPhedran
REVENUES					
Interest income	\$ 3	\$ 222	\$ -	\$ 147	\$ 595
Other	-	-	-	-	250
TOTAL REVENUES	<u>3</u>	<u>222</u>	<u>-</u>	<u>147</u>	<u>845</u>
EXPENDITURES	<u>-</u>	<u>150</u>	<u>2</u>	<u>1,000</u>	<u>3,000</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>3</u>	<u>72</u>	<u>(2)</u>	<u>(853)</u>	<u>(2,155)</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	3	72	(2)	(853)	(2,155)
FUND BALANCES, JULY 1	<u>5,636</u>	<u>9,898</u>	<u>753</u>	<u>21,138</u>	<u>42,516</u>
FUND BALANCES, JUNE 30	<u>\$ 5,639</u>	<u>\$ 9,970</u>	<u>\$ 751</u>	<u>\$ 20,285</u>	<u>\$ 40,361</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, 2015

	Maranacook Com. Alumni Schol. Fund	Luke Hopkins	Lloyd Jewett	Nancy Diamond Book	Totals
REVENUES					
Interest income	\$ 690	\$ 7	\$ 1	\$ 2	\$ 1,682
Other	-	90	-	-	3,560
TOTAL REVENUES	<u>690</u>	<u>97</u>	<u>1</u>	<u>2</u>	<u>5,242</u>
EXPENDITURES	<u>2,900</u>	<u>750</u>	<u>-</u>	<u>1,956</u>	<u>10,483</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,210)</u>	<u>(653)</u>	<u>1</u>	<u>(1,954)</u>	<u>(5,241)</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	(2,210)	(653)	1	(1,954)	(5,241)
FUND BALANCES, JULY 1	<u>39,593</u>	<u>14,048</u>	<u>1,682</u>	<u>4,302</u>	<u>167,164</u>
FUND BALANCES, JUNE 30	<u>\$ 37,383</u>	<u>\$ 13,395</u>	<u>\$ 1,683</u>	<u>\$ 2,348</u>	<u>\$ 161,923</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, 2015

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Regular Instruction	\$ 92,000	\$ 8,346,448	\$ 154,151	\$ -	\$ 8,592,599
Special Education	38,400	2,933,754	1,566	-	2,973,720
Other Instruction	19,200	2,022,340	79,723	-	2,121,263
Administration	-	207,415	12,829	-	220,244
School Administration	19,200	1,417,902	87,597	-	1,524,699
Operations & Maintenance	19,200	1,599,150	95,035	-	1,713,385
Transportation	-	118,909	1,343,067	-	1,461,976
District Wide	46,912	2,523,598	552,989	-	3,123,499
School Lunch	-	-	21,030	-	21,030
Total General Capital Assets	234,912	19,169,516	2,347,987	-	21,752,415
Less: Accumulated Depreciation	-	(7,600,743)	(1,606,228)	-	(9,206,971)
Net General Capital Assets	\$ 234,912	\$ 11,568,773	\$ 741,759	\$ -	\$ 12,545,444

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, 2015

	General Capital Assets 7/1/14	Additions	Deletions	General Capital Assets 6/30/15
Regular Instruction	\$ 8,521,196	\$ 75,403	\$ (4,000)	\$ 8,592,599
Special Education	2,973,720	-	-	2,973,720
Other Instruction	2,121,263	-	-	2,121,263
Administration	220,244	-	-	220,244
School Administration	1,524,699	-	-	1,524,699
Operations & Maintenance	1,713,385	-	-	1,713,385
Transportation	1,470,005	181,646	(189,675)	1,461,976
District Wide	3,123,499	-	-	3,123,499
School Lunch	21,030	-	-	21,030
Total General Capital Assets	21,689,041	257,049	(193,675)	21,752,415
Less: Accumulated Depreciation	<u>(8,778,426)</u>	<u>(618,220)</u>	<u>189,675</u>	<u>(9,206,971)</u>
Net General Capital Assets	<u>\$ 12,910,615</u>	<u>\$ (361,171)</u>	<u>\$ (4,000)</u>	<u>\$ 12,545,444</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, 2015

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State of Maine Department of Education:			
School Lunch Program	10.555	013-05A-3022-05	\$ 165,468
Donated Commodities	10.555	N/A	25,143
School Breakfast Program	10.556	013-05A-3014-05	65,993
Total Department of Agriculture			<u>256,604</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	4,709
Title IA	84.010	013-05A-3107-12	200,328
Title IA - Program Improvement Funds	84.010A	013-05A-3106-13	5,827
Local Entitlement	84.027	013-05A-3046-12	377,312
Preschool Handicapped	84.173	013-05A-6241-23	6,849
Title VI - Rural Low Income	84.358	013-05A-3005-03	23,352
Title IIA-Teaching Quality	84.367	013-05A-3042-11	40,978
Gear Up	84.334A	N/A	9,251
College Access Challenge Grant	84.378A	N/A	185
Total Department of Education			<u>668,791</u>
U.S. Department of Health & Human Services			
Passed through State of Maine Department of Education			
Community Transformation	N/A	013-10A-2652-03	8,020
Total Department of Health & Human Services			<u>8,020</u>
U.S. Department of Commerce			
Passed through State of Maine Department of Education			
NTIA/MARTI	11.557	020-05A-3112-64	273
Total Department of Commerce			<u>273</u>
U.S. Department of Transportation			
Passed through the Maine Department of Agriculture			
Recreational Trails Program	N/A	N/A	26,311
Total Department of Transportation			<u>26,311</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 959,999</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

1. General

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

2. Basis of Accounting

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

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

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



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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, 2015, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 38's basic financial statements, and have issued our report thereon dated September 10, 2015.

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
September 10, 2015



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

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

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 38's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 38's major federal programs for the year ended June 30, 2015. Regional School Unit No. 38's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 38 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
September 10, 2015

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2015

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 section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555	School Nutrition
84.027	Local Entitlement

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

Auditee qualified as low-risk auditee? 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, 2015 and have issued our report thereon dated September 10, 2015. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

This report is intended solely for the information of the Board of Directors, management and the 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
September 10, 2015

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, 2015

	General Fund (1000)	Special Revenue Funds (2000)	Capital Project Funds (3000)	Totals
June 30 Balance per MEDMS financial System	\$ (112,073)	\$ 7,103	\$ -	\$ (104,970)
Revenue Adjustments:				
Expenditure Adjustments:				
Other Adjustments:				
Fund 7200 Clearing Account	(934)	(420)	-	(1,354)
Fund 9100 MLTI Student Fee	-	21,203	-	21,203
Fund 9110 Employee Laptop Fee	-	3,997	-	3,997
Fund 9120 Tech Fiscal Service	-	124	-	124
Accrued payroll adjustment	56,869	-	-	56,869
Lease escrow	43	-	-	43
Rounding	1	-	-	1
Beginning balance variance	(237)	-	-	(237)
Audited GAAP Basis Fund balance June 30	<u>\$ (56,331)</u>	<u>\$ 32,007</u>	<u>\$ -</u>	<u>\$ (24,324)</u>