

***REGIONAL SCHOOL UNIT #50***

BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

(With Independent Auditors' Report Thereon)



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## INDEPENDENT AUDITOR'S REPORT

To the Management of the  
Regional School Unit #50

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional School Unit #50 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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 principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional School Unit #50, 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 and budgetary comparison information on pages 3-6 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School Unit #50's financial statements as a whole. The combining and individual nonmajor fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 nonmajor fund financial statement and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 December 1, 2015, on our consideration of the Regional School Unit #50's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Regional School Unit #50's internal control over financial reporting and compliance.

Presque Isle, Maine  
December 1, 2015

# REGIONAL SCHOOL UNIT #50

## Management's Discussion & Analysis

(Unaudited)

As management of the Regional School Unit #50, we offer readers of the Regional School Unit #50's financial statements this narrative overview and analysis of the financial activities of the Regional School Unit #50 for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented in conjunction with the basic financial statements. This is the first year that the District has implemented GASB No. 68 Accounting and Financial Reporting for Pensions. See Note 1 Significant Accounting Policies: Pensions and Note 3 Pensions in the Notes to the Financial Statements for further details.

### FINANCIAL HIGHLIGHTS

- Total assets of the Regional School Unit #50 exceed liabilities by \$4,876,348, which represents the total net position of the District.
- The ending fund balance for all governmental funds (which includes the special revenue funds and the District's lunch program) was \$1,304,315. This is a \$978 increase from the prior year totals.
- The General Fund reports a fund balance of \$1,075,698 which represents 11% of annual general fund expenditures.

### USING THIS ANNUAL REPORT

The Regional School Unit #50's financial statements are comprised of a series of statements. The Statement of Net Position and the Statement of Activities provide an overview of the government as a whole and its activities. The Fund Financial Statements, which begin immediately after the Statement of Activities, provide a more detailed look at the governmental funds. Next are the notes to the financial statements, which provide information essential to a complete understanding of the data provided. Following the notes are the combining and individual fund schedules, including special revenues and non-major governmental funds.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present financial information in two statements -the Statement of Net Position and the Statement of Activities. These statements provide an overview of the government as a whole (similar to private-sector statements). All of the current year's revenues are taken into account regardless of when cash is received.

The Statement of Net Position provides a picture of the difference between assets and liabilities, which is called Net Position. The Statement of Activities provides a look at how the net position has changed from the prior year to the current year. Increases or decreases in net position can show whether the District is improving or deteriorating. In the statement of Net Position and the Statement of Activities, activities are classified as follows:

- Governmental Activities -Most of the District's basic services are reported here, including the instruction, operation of plant and transportation, intergovernmental revenue (primarily revenues from the State of Maine), and user fees finance most of these activities.

## FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts which is used to maintain control over resources which have been segregated for specific activities or objectives. The Regional School Unit #50, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories; governmental funds and fiduciary funds.

The Fund Financial Statements provide details of the District's most significant funds, not the District as a whole. These statements located in the fund financial statements and begin after the governmental fund financial statements. Some funds are required to be established by state law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- *Governmental funds* -Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end which are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets which can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the basic services it provides. Governmental funds information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- *Fiduciary funds* -These funds are used to account for monies held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Regional School Unit #50's operational programs. These funds consist of student activity accounts.

## THE DISTRICT AS A WHOLE -STATEMENT OF NET POSITION and STATEMENT OF ACTIVITIES

The following information is a condensed version of the Statement of Net Position with GASB-34 implementation. The analysis below focuses on the net position of the District's governmental activities.

	Governmental Activities		
	2015	2014	2013
Current and other assets	\$ 1,795,079	\$ 1,843,361	\$ 1,669,530
Capital assets	4,131,039	4,253,635	4,515,690
Total assets	5,926,118	6,096,996	6,185,220
Deferred outflows	86,585	86,585	3,409
Current liabilities	545,411	568,412	554,978
Long-term debt outstanding	395,489	409,351	132,125
Total liabilities	940,900	977,763	687,103
Deferred inflows	195,455	195,455	-
Net Position:			
Invested in Capital Assets, net of related debt	4,048,194	4,196,859	4,502,130
Unrestricted	828,154	813,504	992,578
Total net position	\$ 4,876,348	\$ 5,010,363	\$ 5,494,708

The following summarizes the changes in net position of the District's governmental activities:

	Governmental Activities		
	2015	2014	2013
<b>Revenue:</b>			
Property taxes	\$ 3,666,121	\$ 3,506,534	\$ 3,456,374
Federal / State assistance	4,808,614	5,087,514	4,895,451
Intergovernmental revenue - MSRS	631,450	637,470	760,133
Other revenues	70,017	87,468	149,918
Total revenues	<u>9,176,202</u>	<u>9,318,986</u>	<u>9,261,876</u>
<b>Expenses:</b>			
Instruction	4,348,516	4,206,991	4,541,423
Applied technology	355,176	358,843	364,441
Other instruction	248,315	195,980	209,322
Pension expense - MSRS on behalf payments	631,450	637,470	760,133
Nutrition	90,611	70,500	71,221
Student/staff support	643,245	634,907	629,208
Administration	966,974	1,039,208	1,000,495
Operation and maintenance of plant	1,238,995	1,363,168	1,267,385
Transportation	786,935	738,481	751,700
Total expenses	<u>9,310,217</u>	<u>9,245,548</u>	<u>9,595,328</u>
Change in net position	<u>\$ (134,015)</u>	<u>\$ 73,438</u>	<u>\$ (333,452)</u>

The Regional School Unit #50's net position for the governmental funds decreased by \$134,015 during the fiscal year ended June 30, 2015, due mostly from a decrease in federal and state assistance.

The total cost of governmental activities was \$10,756,433. However, many programs are subsidized by user fees, grants and contributions. Therefore, the ultimate cost to the taxpayers was \$9,310,217 after taking into consideration the program revenues. See the Statement of Activities -for greater detail.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### GOVERNMENTAL FUNDS

As indicated in the Financial Highlights, the Regional School Unit #50's governmental funds reported a fund balance of \$1,304,315, which represents a \$978 increase. The general fund reports an unassigned fund balance of \$870,168. This unassigned amount (frequently referred to as the "District's surplus") represents a \$57,364 decrease over the June 30, 2014 unassigned fund balance.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceed budgeted revenues by \$50,730. Actual expenditures were under budget by \$556,136. After any transfers and utilization of prior year fund balance, if any, the change in fund balance was a \$7,364 decrease.

The following municipal revenue receipts were in excess of expectations and contributed to this increase:

Tuition	\$41,721
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There were two expenditure line items which were over-expended. This consisted of other instruction for \$9,960 and transportation for \$5,474.

The bottom line is a general fund balance that increased by \$923 and an unassigned fund balance which decreased by \$7,364. The unassigned fund balance of \$920,168 is a healthy number and represents 11% of the total general fund expenditures.

### **CAPITAL ASSETS**

Governmental activities capital assets net of depreciation totaled \$4,131,039 as of June 30, 2015, representing a \$122,596 decrease from the prior year end. See financial statement note 9 for further details.

The most significant capital asset acquisitions by the District in 2015/2014 were a new phone system for \$45,502, plow trucks for \$20,000 and a school bus for \$84,607.

### **DEBT**

The District currently had debt for a vehicle which was paid in full during the year.

Also, new debt issued in the amount of \$84,607 was used for a bus purchase. See note 12 to the basic financial statements for further detailed information on the District's debt.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent, at 922 Dyer Brook Road, Dyer Brook, Maine 04757 / 207-757-8223 / fax 207-757-8257.

**REGIONAL SCHOOL UNIT #50**GOVERNMENT WIDE STATEMENTS OF NET POSITION  
JUNE 30, 2015 and 2014

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Assets		
Cash	\$ 1,087,925	\$ 1,326,537
Due from other governments	537,456	346,205
Other receivables	316	975
Prepaid expenses	155,530	147,243
Inventory	13,852	22,401
<i>Non-current capital assets</i>		
Property, plant and equipment	11,561,866	11,395,115
Accumulated depreciation	(7,430,827)	(7,141,480)
Total assets	<u>5,926,118</u>	<u>6,096,996</u>
Deferred outflows of resources		
Pensions	86,585	86,585
	<u>\$ 6,012,703</u>	<u>\$ 6,183,581</u>
Current liabilities		
Accounts payable	\$ 3,500	\$ -
Accrued expenses	226	479
Contracts payable	487,038	539,545
Current portion of long-term debt	27,059	28,388
Current portion of capital lease	27,588	-
<i>Non-current liabilities</i>		
Capital lease	28,198	28,388
Pension liability	321,809	321,809
Compensated absences	45,482	59,154
Total liabilities	<u>940,900</u>	<u>977,763</u>
Deferred inflows of resources		
Pensions	<u>195,455</u>	<u>195,455</u>
Net Position		
Investment in capital assets, net of related debt	4,048,194	4,196,859
Unrestricted	828,154	813,504
Total net position	<u>4,876,348</u>	<u>5,010,363</u>
	<u>\$ 6,012,703</u>	<u>\$ 6,183,581</u>

**REGIONAL SCHOOL UNIT #50**

GOVERNMENT WIDE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
(with summarized financial information for the year ended June 30, 2014)

Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2015 Net (Expense) Revenue	2014 Net (Expense) Revenue
Governmental activities						
Instruction	\$ (5,390,824)	\$ 272,100	\$ 770,208	\$ -	\$ (4,348,516)	\$ (4,206,991)
Applied technology	(355,176)	-	-	-	(355,176)	(358,843)
Other instruction	(248,315)	-	-	-	(248,315)	(195,980)
Pension expense - MSRS on behalf payments	(631,450)	-	-	-	(631,450)	(637,470)
Nutrition	(494,519)	80,808	323,100	-	(90,611)	(70,500)
Student / staff support	(643,245)	-	-	-	(643,245)	(634,907)
Administration	(966,974)	-	-	-	(966,974)	(1,039,208)
Operation and maintenance of plant	(1,238,995)	-	-	-	(1,238,995)	(1,363,168)
Transportation	(786,935)	-	-	-	(786,935)	(738,481)
Total expenses	<u>\$ (10,756,433)</u>	<u>\$ 352,908</u>	<u>\$ 1,093,308</u>	<u>\$ -</u>	<u>(9,310,217)</u>	<u>(9,245,548)</u>
			General revenues			
			Property taxes		3,666,121	3,506,534
			Federal and State assistance		4,808,614	5,087,514
			Intergovernmental revenue - MSRS		631,450	637,470
			Other revenues		70,017	87,468
			Total revenues		<u>9,176,202</u>	<u>9,318,986</u>
			Change in net position		(134,015)	73,438
			Net position - July 1		5,010,363	5,494,708
			Prior period adjustment		-	(557,783)
			Net position - June 30		<u>\$ 4,876,348</u>	<u>\$ 5,010,363</u>

*See Independent Auditors' Report and  
Notes to Financial Statements*

**REGIONAL SCHOOL UNIT #50**

BALANCE SHEETS - ALL GOVERNMENTAL FUNDS

JUNE 30, 2015

(with summarized financial information for the year ended June 30, 2014)

	Major funds		Non-major Fund	2015	2014
	General	Special Revenue	Lunch	Totals	Totals
<b>Assets:</b>					
Cash	\$ 1,084,535	\$ -	\$ 3,390	\$ 1,087,925	\$ 1,326,537
Due from other funds	160,221	222,892	-	383,113	396,764
Due from other governments	388,752	125,033	23,671	537,456	346,205
Other receivables	316	-	-	316	975
Prepaid expenditures	155,530	-	-	155,530	147,243
Inventory	-	-	13,852	13,852	22,401
	<u>\$ 1,789,354</u>	<u>\$ 347,925</u>	<u>\$ 40,913</u>	<u>\$ 2,178,192</u>	<u>\$ 2,240,125</u>
<b>Liabilities:</b>					
Accounts payable	\$ 3,500	\$ -	\$ -	\$ 3,500	\$ -
Withholding payable	226	-	-	226	479
Due to other funds	222,892	119,308	40,913	383,113	396,764
Contracts payable	487,038	-	-	487,038	539,545
Total liabilities	<u>713,656</u>	<u>119,308</u>	<u>40,913</u>	<u>873,877</u>	<u>936,788</u>
<b>Fund Balance (Deficit):</b>					
Non-spendable					
Inventory	-	-	13,852	13,852	22,401
Prepays	155,530	-	-	155,530	147,243
Restricted fund balance					
Federal/state programs	-	228,617	-	228,617	228,562
Capital Reserve	50,000	-	-	50,000	-
Unrestricted fund balance					
Unassigned	870,168	-	(13,852)	856,316	905,131
Total fund balance	<u>1,075,698</u>	<u>228,617</u>	<u>-</u>	<u>1,304,315</u>	<u>1,303,337</u>
	<u>\$ 1,789,354</u>	<u>\$ 347,925</u>	<u>\$ 40,913</u>	<u>\$ 2,178,192</u>	<u>\$ 2,240,125</u>
Total fund equity as noted above:				\$ 1,304,315	\$ 1,303,337
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 and related debt:				4,048,194	4,196,859
Compensated absences are treated as long-term debt in the Statement of Net Position and reduces the fund balance:				(45,482)	(59,154)
Some liabilities, including net pension obligations, are not due and payable in the current periods and, therefore, are not reported in the funds net pension liability				(321,809)	(321,809)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:					
Deferred outflows of resources related to pensions				86,585	86,585
Deferred inflows of resources related to pensions				(195,455)	(195,455)
Total net position of governmental activities:				<u>\$ 4,876,348</u>	<u>\$ 5,010,363</u>

**REGIONAL SCHOOL UNIT #50**

COMBINED STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015  
(with summarized financial information for the year ended June 30, 2014)

	Major funds		Non-major Fund	2015	2014
	General	Special Revenue	Lunch	Totals	Totals
<b>Revenues</b>					
Federal and State assistance	\$ 4,808,614	\$ 733,438	\$ 323,100	\$ 5,865,152	\$ 6,219,122
Property taxes	3,666,121	-	-	3,666,121	3,506,534
Tuition	266,721	5,379	-	272,100	282,427
Mainecare	-	36,770	-	36,770	51,301
Intergovernmental revenue - MSRS	631,450	-	-	631,450	637,470
Other revenues	70,017	-	80,808	150,825	165,715
Total revenues	<u>9,442,923</u>	<u>775,587</u>	<u>403,908</u>	<u>10,622,418</u>	<u>10,862,569</u>
<b>Expenditures</b>					
Instruction	4,578,579	775,532	-	5,354,111	5,447,025
Applied technology	355,176	-	-	355,176	358,843
Other	248,315	-	-	248,315	195,980
Pension expense - MSRS on behalf payments	631,450	-	-	631,450	637,470
Nutrition	-	-	490,049	490,049	466,108
Student / Staff support	643,244	-	-	643,244	634,907
Administration	966,974	-	-	966,974	1,039,208
Operation and maintenance of plant	1,199,631	-	-	1,199,631	1,232,585
Transportation	732,490	-	-	732,490	678,767
Total expenditures	<u>9,355,859</u>	<u>775,532</u>	<u>490,049</u>	<u>10,621,440</u>	<u>10,690,893</u>
Net change in fund balance	87,064	55	(86,141)	978	171,676
Interfund transfer	(86,141)	-	86,141	-	-
Fund balance (deficit) - July 1	<u>1,074,775</u>	<u>228,562</u>	<u>-</u>	<u>1,303,337</u>	<u>1,131,661</u>
Fund balance (deficit) - June 30	<u>\$ 1,075,698</u>	<u>\$ 228,617</u>	<u>\$ -</u>	<u>\$ 1,304,315</u>	<u>\$ 1,303,337</u>

*See Independent Auditors' Report and  
Notes to Financial Statements*

**REGIONAL SCHOOL UNIT #50**

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net changes in fund balances - all governmental funds	\$ 978	\$ 171,676
Amounts reported for governmental activities in the Statement of Activities are different because:		
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	58,538	41,948
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded.	135,726	61,488
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	-	127,104
Compensated absences are not accrued in the governmental funds, but are accrued for the government-wide statement of net position. The change in compensated absences from prior year totals	13,672	79,929
Depreciation expense (footnote 9)	(342,929)	(408,707)
Change in net position of governmental activities	<u>\$ (134,015)</u>	<u>\$ 73,438</u>

**REGIONAL SCHOOL UNIT #50**

STATEMENTS OF AGENCY ASSETS AND LIABILITIES - FIDUCIARY FUNDS  
JUNE 30, 2015 and 2014

				<b>2015</b>	<b>2014</b>
	<u>Private-Purpose Trust Funds</u>	<u>High School Activities</u>	<u>Elementary Activities</u>	<u>Fiduciary Fund Total</u>	<u>Fiduciary Fund Total</u>
Assets					
Cash	\$ 1,058	\$ 81,398	\$ 21,447	\$ 103,903	\$ 111,970
Investments	26,193	2,146	-	28,339	28,550
	<u>\$ 27,251</u>	<u>\$ 83,544</u>	<u>\$ 21,447</u>	<u>\$ 132,242</u>	<u>\$ 140,520</u>
Liabilities					
Due to student groups	<u>\$ 27,251</u>	<u>\$ 83,544</u>	<u>\$ 21,447</u>	<u>\$ 132,242</u>	<u>\$ 140,520</u>

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The financial statements of the District consist of all funds of the District and government entities that are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The District has no entities that are controlled or dependent on the District.

Government-wide and Fund financial statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District (the primary government) and its component units. For the most part, the effect of inter-fund activity has been removed from these financial statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate statements are provided for government funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Measurement Focus / Basis of Accounting / Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, a fiduciary fund type, have no measurement focus. Revenues, except for property taxes, are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the period or soon enough thereafter to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are due and payable.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The revenues susceptible to accrual are property taxes and state assistance. All other governmental fund revenues are recognized when received and are recognized as revenue at that time.

The District reports the following major governmental funds:

The *general fund* is the District's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Special revenue fund* accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Federal Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Additionally, the District reports the following fund type(s):

*Lunch program* is used to account for resources restricted to, or designated for, the District's lunch program. State subsidies and fees collected from lunch sales along with food purchases and labor and other costs, such as materials and supplies, are accounted for in the fund.

Fiduciary Funds:

*Private-purpose trust funds* account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments, such as escheat property held in trust for the benefit of individuals or other governments. The District's Private-purpose trust fund is the scholarship fund.

*Agency funds* are clearing accounts used to account for assets held for other funds, governments, or individuals. Examples are a fund to hold property taxes collected by one government on behalf of other governments, a fund to hold employee withholding taxes until they are remitted to the appropriate authorities, and a fund to hold refundable construction performance bonds. Agency funds are custodial in nature; that is, their assets equal their liabilities. The District's Agency Fund is the Student Activity Fund.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's proprietary fund (if applicable) and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, 2) operating or capital grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Budgets

An operating budget is adopted each year for the general fund on the same modified accrual basis used to reflect actual revenues and expenditures. Special revenue funds do not have legally adopted budgets, but administratively approved project budgets.

Deposits and investments

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

State statutes authorize the District to invest in obligations of the U.S. government, its agencies and instrumentalities, and other state 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.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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 if actual historical is not available. 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. Repairs and maintenance are recorded as expenses.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives. Estimated useful lives are as follows:

Buildings	60 years
Building improvements	15 years
Vehicles and equipment	5-10 years

Inventories

The lunch program inventories are stated at cost, determined on the first-in, first-out basis.

Compensated Absences

The District has varying policies with regard to accruing sick leave, severance and vacation days. Upon reaching retirement age and ten years of service, an employee is paid the full amount of accumulated vacation days not taken, up to 30 days. This policy is a change from prior years, where payment was made even if an employee did not reach retirement age. The District's estimated financial liability for severance payments at June 30, 2015 and 2014 is \$45,482 and 59,154, respectively.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prepaid items

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. *Non-spendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District Board of Directors (the district's highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense. Actual results could differ from these estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees' Retirement Fund (MePERS) and additions to/deductions from MePERS's fiduciary net position have been determined on the same basis as they are reported by MePERS. 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.

2. COMMITMENTS AND CONTINGENCIES

Grant programs

The District 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 District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

3. PENSION PLAN

Description

The State Employee and Teacher (SET) Plan is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2014 there were 229 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

The Legislative Retirement Plan was established to provide a retirement program for those serving in the Maine Legislature. Except as provided otherwise by statute, membership in the Maine Legislative Retirement Plan is mandatory for legislators entering service on or after December 3, 1986.

Pension Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. 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; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). 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, judges and legislative members 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. For PLD members, normal retirement age is 60. 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 and by contract with other participating employers under applicable statutory provisions.

3. PENSION PLAN (cont'd)

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%.

Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. Pension expense for the f/y/e 6-30-15 and 6-30-14 totals \$-0- and \$127,104, respectively.

Actuarial Methods and Assumptions

The collective total pension liability for the Plans 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:

*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.

3. PENSION PLAN (cont'd)

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

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; for the PLD Plan, 7.25% per annum, compounded annually.

*Salary Increases, Merit and Inflation* - State employees, 3.50% to 10.50% per year; Teachers, 3.50% to 13.5% per year; members of the consolidated plan for PLDs, 3.50% to 9.50% per year.

*Mortality Rates* - For active State employee members and non-disabled retirees of the State employee plan, participating local districts, legislative and judicial plans, 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, and 3.12% for participating local districts.

Actuarial Methods and Assumptions (Continued)

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.

<u>Asset Class</u>	<u>Target Allocation</u> %	<u>Long-term Expected Real Rate of Return</u> %
US Equities	20	2.5
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

3. PENSION PLAN (cont'd)

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, and 7.25% for the PLD Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability 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 rates are 7.125% for the State Employee and Teacher.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
State Employee and Teacher Plan			
RSU 50's share	616,397	321,809	75,306

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, and 4 years for the PLD Consolidated Plan.

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

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

3. PENSION PLAN (cont'd)

Additional Financial and Actuarial Information

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

4. DEPOSITS

*Deposits* – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Maine or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The District's deposits were fully insured or collateralized as required by state statutes at June 30, 2015. The carrying amount of the District's deposits was \$1,087,925 and the bank balance was \$1,623,136.

Deposits have been collateralized as follows:

	<u>Par Value</u>	<u>Market Value</u>
Freddie Mac Pool	\$ 167,000	\$ 176,011
Fannie Mae Pool	\$ 97,000	\$ 100,702
FNMA Pool	\$ 42,000	\$ 43,679
FHMS Pool	\$ 275,000	\$ 275,869

5. USDA COMMODITIES - LUNCH PROGRAM

The lunch program receives and uses various commodities under an agreement with the United States Department of Agriculture (USDA). Commodity transactions for the year ended June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Commodities on hand - July 1	\$ 20,149	\$ 14,076
Commodities received during the year	30,643	29,625
	<u>50,792</u>	<u>43,701</u>
Commodities on hand - June 30	10,571	20,149
Commodities used during the year	<u>\$ 40,221</u>	<u>\$ 23,552</u>

6. FINANCIAL POSITION - LUNCH PROGRAM

	<u>2015</u>	<u>2014</u>
Cash	\$ 3,390	\$ 10,126
Due from governments	23,671	20,621
Inventories	13,852	22,401
	<u>\$ 40,913</u>	<u>\$ 53,148</u>
Due to general fund	\$ 40,913	\$ 53,148
Fund balance	-	-
	<u>\$ 40,913</u>	<u>\$ 53,148</u>

7. INTERFUND ACTIVITY AND BALANCES

At June 30, 2015, interfund balances are as follows:

	Due from		
	General fund	Special Revenue	Other fund
Due to			
General fund		\$ 119,308	\$ 40,913
Special revenue fund	\$ 222,892		
Other funds			

The above balances reflect the fact that all the cash activity for special revenue programs flows through the general fund.

For the year ended June 30, 2015, \$86,141 of operating money was transferred to the lunch program.

8. CONTRACTS PAYABLE

The District's policy is to budget and reflect payments on teacher contracts on a cash basis. The statement of operating revenues, expenditures, and changes in fund balances for the year ended June 30, 2015, reflects actual expenditures according to generally accepted accounting principles and also to the legally enacted cash basis for teacher contracts.

9. FIXED ASSETS

The following is a summary of changes in capital assets:

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
<i>Asset:</i>				
Land	\$ 115,683	\$ -	\$ -	\$ 115,683
Land improvement	73,457	21,489	-	94,946
Building and improvements	8,585,705	25,100	-	8,610,805
Furniture/equipment	1,229,518	69,138	-	1,298,656
Food service equipment	70,904	-	-	70,904
Software	110,723	-	-	110,723
Playground	55,349	-	-	55,349
Vehicles	1,153,776	104,607	(53,583)	1,204,800
	<u>11,395,115</u>	<u>220,334</u>	<u>(53,583)</u>	<u>11,561,866</u>
<i>Accumulated depreciation</i>				
Land improvement	45,598	6,867	-	52,465
Building and improvements	5,332,248	177,045	-	5,509,293
Furniture/equipment	1,114,043	50,385	-	1,164,428
Food service equipment	58,386	4,469	-	62,855
Playground	50,346	-	-	50,346
Vehicles	540,858	104,162	(53,583)	591,437
	<u>7,141,479</u>	<u>342,928</u>	<u>(53,583)</u>	<u>7,430,824</u>
Net book value	<u>\$ 4,253,636</u>	<u>\$ (122,594)</u>	<u>\$ -</u>	<u>\$ 4,131,042</u>

Depreciation is allocated as follows on the statement of activities:

Instruction \$50,384, Operation of plant \$183,912, Transportation \$104,162, nutrition \$4,469.

**REGIONAL SCHOOL UNIT #50**  
NOTES TO FINANCIAL STATEMENTS (cont'd)

10. EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures

Other instruction	\$	9,960
Transportation	\$	5,474

11. OTHER REVENUES

Other revenues for the general fund are as follows:

	<b>Budget</b>	<b>Actual</b>
Student activities	\$ 8,500	\$ 8,798
Interest	2,500	3,815
Rental income	-	4,410
E-rate	-	17,064
State agency client	-	20,965
Miscellaenous	50,000	14,965
	<u>\$ 61,000</u>	<u>\$ 70,017</u>

12. CAPITAL LEASES AND LONG-TERM DEBT

	<u>Balance at July 1</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance at June 30</u>
3 Year bus loan through Katahdin Trust Company, 2.29% interest, 3 annual installments of \$29,717.	56,776	-	29,717	27,059
	<u>\$ 56,776</u>	<u>\$ -</u>	<u>\$ 29,717</u>	<u>\$ 27,059</u>

	<u>Balance at July 1</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance at June 30</u>
3 year vehicle lease through Androscoggin Bank, 2.21% interest, 3 annual installments of \$28,821.	-	84,607	28,821	55,786
	<u>\$ -</u>	<u>\$ 84,607</u>	<u>\$ 28,821</u>	<u>\$ 55,786</u>

Maturities are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 54,647	\$ 1,313	\$ 55,960
2017	28,198	657	28,855
	<u>\$ 82,845</u>	<u>\$ 1,970</u>	<u>\$ 84,815</u>

**REGIONAL SCHOOL UNIT #50**  
NOTES TO FINANCIAL STATEMENTS (cont'd)

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the period July 1, 2015 through December 1, 2015 for any possible disclosures. None were noted.

14. DEFERRED OUTFLOWS / INFLOWS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,609
Net difference between projected and actual investment earnings on pension plan investments		137,714
Changes in assumptions	22,163	-
Changes in proportion and differences between district contributions and proportionate share of contributions	64,422	56,132
	\$ 86,585	\$ 195,455

15. PRIOR PERIOD ADJUSTMENT

	Governmental Activities
Beginning net position as previously reported at June 30, 2014	\$ 5,494,708
Implementation of GASB 68 Net pension liability for fiscal year ending June 30, 2013	(557,783)
Adjusted beginning net position as previously reported at June 30, 2014	\$ 4,936,925

16. INVESTMENTS

Investments consist of the following:

	Temporary Cash and Equivalents	Government and Agency Issues	Corporate Stocks Bonds and Mortgage Backed Securities	Total
June 30, 2015				
Fair value	\$ -	\$ -	\$ 28,550	\$ 28,550
Cost	-	-	26,038	26,038
Unrealized gain (loss)	\$ -	\$ -	\$ 2,512	\$ 2,512
June 30, 2014				
Fair value	\$ -	\$ -	\$ 28,548	\$ 28,548
Cost	-	-	26,038	26,038
Unrealized gain (loss)	\$ -	\$ -	\$ 2,510	\$ 2,510

16. INVESTMENTS (cont'd)

The following summarizes the relationship between cost and market values of invested assets:

	Cost	Market	Excess of Market Over Cost
Balance at end of year	\$ 26,038	\$ 28,550	\$ 2,512
Balance at beginning of year	\$ 26,038	\$ 28,548	2,510
Increase in unrealized appreciation			2
Realized gain (loss) for the year			-
Total gain (loss) for the year			\$ 2

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank or investment company failure, investments may not be returned. The fiduciary funds do88 not have a policy with respect to custodial credit risk for investments. As of June 30, 2015, those funds' investments totaled \$28,109, which were not collateralized or insured.

17. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following methods and assumptions were used by the District in estimating its fair value disclosures for financial instruments and are unchanged from prior years:

- Cash, cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Investments: The fair values of investments are based on quoted market prices for those or similar investments.

17. FAIR VALUE MEASUREMENTS (cont'd)

The estimated fair values of the District's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,087,925	\$ 1,087,925
Investments	\$ 28,109	\$ 28,109

**Fair Value Measurements**

The following table presents the District's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets (Level 1)</u>
Cash and cash equivalents	\$ 1,087,925	\$ 1,087,925
Investments	\$ 28,109	\$ 28,109

**REGIONAL SCHOOL UNIT #50**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND TYPES  
 BUDGET AND ACTUAL ( NON-GAAP BUDGETARY BASIS )  
 FOR THE YEAR ENDED JUNE 30, 2015

	General Fund				Adult Education			
	Budget		Actual	Variance Favorable (Unfavorable)	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final			Original	Final		
<b>Revenues</b>								
State assistance	\$ 4,808,614	\$ 4,808,614	\$ 4,808,614	\$ -	\$ -	\$ -	\$ 3,148	\$ 3,148
Property taxes	3,666,129	3,666,129	3,666,121	(8)	-	-	-	-
Tuition	225,000	225,000	266,721	41,721	-	-	5,379	5,379
Other	61,000	61,000	70,017	9,017	-	-	-	-
Total revenues	<u>8,760,743</u>	<u>8,760,743</u>	<u>8,811,473</u>	<u>50,730</u>	<u>-</u>	<u>-</u>	<u>8,527</u>	<u>8,527</u>
<b>Expenditures</b>								
Regular instruction	3,241,334	3,241,334	3,040,696	200,638	50,011	50,011	42,058	7,953
Special Education	1,544,440	1,544,440	1,536,043	8,397	-	-	-	-
Other instruction	247,508	247,508	246,496	1,012	-	-	-	-
Career & Technical Education	355,156	355,156	355,176	(20)	-	-	-	-
All other	78,000	78,000	87,960	(9,960)	-	-	-	-
Student/staff support	724,533	724,533	638,194	86,339	-	-	-	-
Administration								
District	424,119	424,119	397,993	26,126	-	-	-	-
School	593,549	593,549	577,694	15,855	-	-	-	-
Operation and maintenance of plant	1,443,684	1,443,684	1,210,461	233,223	-	-	-	-
Transportation	722,650	722,650	728,124	(5,474)	-	-	-	-
	<u>9,374,973</u>	<u>9,374,973</u>	<u>8,818,837</u>	<u>556,136</u>	<u>50,011</u>	<u>50,011</u>	<u>42,058</u>	<u>7,953</u>
Net change in fund balance	<u>\$ (614,230)</u>	<u>\$ (614,230)</u>	<u>(7,364)</u>	<u>\$ 606,866</u>	<u>\$ (50,011)</u>	<u>\$ (50,011)</u>	<u>(33,531)</u>	<u>\$ 16,480</u>
Fund balance								
(non-GAAP budgetary basis) - July 1			927,532				94,452	
(non-GAAP budgetary basis) - June 30			920,168				60,921	
Adjustments to generally accepted accounting principles								
Prepaid items			155,530				-	
Fund balance (GAAP basis)			<u>\$ 1,075,698</u>				<u>\$ 60,921</u>	

**REGIONAL SCHOOL UNIT #50**

COMBINED BALANCE SHEETS - ALL SPECIAL REVENUE FUNDS  
JUNE 30, 2015  
(with summarized financial information for the year ended June 30, 2014)

	<u>Adult Education</u>	<u>Federal Programs</u>	<u>State Programs</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
<i>Assets:</i>					
Due from other governments	\$ -	\$ 119,308	\$ 5,725	\$ 125,033	\$ 123,794
Due from other funds	60,921	-	161,971	222,892	224,192
	<u>\$ 60,921</u>	<u>\$ 119,308</u>	<u>\$ 167,696</u>	<u>\$ 347,925</u>	<u>\$ 347,986</u>
<i>Liabilities</i>					
Due to other funds	\$ -	\$ 119,308	\$ -	\$ 119,308	\$ 119,424
	<u>-</u>	<u>119,308</u>	<u>-</u>	<u>119,308</u>	<u>119,424</u>
<i>Fund Balance:</i>					
Restricted	60,921	-	167,696	228,617	228,562
	<u>\$ 60,921</u>	<u>\$ 119,308</u>	<u>\$ 167,696</u>	<u>\$ 347,925</u>	<u>\$ 347,986</u>

**REGIONAL SCHOOL UNIT #50**

COMBINED SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015  
(with summarized financial information for the year ended June 30, 2014)

	<u>Adult Education</u>	<u>Federal Programs</u>	<u>State and Other Programs</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
Revenues					
Federal and State assistance	\$ 3,148	\$ 704,116	\$ 62,944	\$ 770,208	\$ 861,078
Fees / Miscellaneous	5,379	-	-	5,379	7,752
Total revenues	<u>8,527</u>	<u>704,116</u>	<u>62,944</u>	<u>775,587</u>	<u>868,830</u>
Expenditures					
Salaries / benefits	31,039	568,605	2,842	602,486	699,666
Contracted Services	1,460	81,364	-	82,824	54,948
Travel	697	12,978	2,805	16,480	17,428
Supplies	2,605	19,245	6,255	28,105	30,064
Equipment	165	10,537	-	10,702	15,725
Other	6,092	12,474	16,369	34,935	62,724
	<u>42,058</u>	<u>705,203</u>	<u>28,271</u>	<u>775,532</u>	<u>880,555</u>
Net change in fund balance	(33,531)	(1,087)	34,673	55	(11,725)
Fund balance - July 1	<u>94,452</u>	<u>1,087</u>	<u>133,023</u>	<u>228,562</u>	<u>240,287</u>
Fund balance - June 30	<u>\$ 60,921</u>	<u>\$ -</u>	<u>\$ 167,696</u>	<u>\$ 228,617</u>	<u>\$ 228,562</u>

**REGIONAL SCHOOL UNIT #50**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - FEDERAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2015

	Title IA	21st Century	Teacher Quality Title IIA	Title IA Reallocation	Pre-K Handicapped	CIPS	Rural Achievement Title VI	Local Entitlement	Totals
Revenues									
Federal grants received through the State of Maine	\$ 369,476	\$ -	\$ 58,910	\$ 21,145	\$ 4,420	\$ 11,110	\$ 14,993	\$ 224,062	\$ 704,116
Expenditures									
Salaries / benefits	367,758	1,087	42,853	1,459	4,420	1,940	-	149,088	568,605
Contracted Services	-	-	12,371	19,093	-	6,011	3,600	40,289	81,364
Travel	951	-	-	593	-	1,669	941	8,824	12,978
Supplies	767	-	-	-	-	1,490	-	16,988	19,245
Equipment	-	-	-	-	-	-	10,452	85	10,537
Other	-	-	3,686	-	-	-	-	8,788	12,474
Total expenses:	369,476	1,087	58,910	21,145	4,420	11,110	14,993	224,062	705,203
Net change in fund balance	-	(1,087)	-	-	-	-	-	-	(1,087)
Fund balance - July 1	-	1,087	-	-	-	-	-	-	1,087
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**REGIONAL SCHOOL UNIT #50**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - STATE AND OTHER PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2015

	Maine ITV	Proficiency Based Education	Melmac	Butler Foundation Outdoor Education	Linking Early Learning	Stumpage	I3 Reading Recovery	Library	Special Education	Dental Health	Cole Professional Development	Mainecare	Totals
Revenues													
Grants	\$ 959	\$ 7,314	\$ 7,500	\$ -	\$ 2,026	\$ -	\$ 1,850	\$ -	\$ -	\$ 800	\$ 5,725	\$ 36,770	\$ 62,944
Expenditures													
Salaries / benefits	565	-	1,481	796	-	-	-	-	-	-	-	-	2,842
Travel	-	-	1,756	-	-	-	1,049	-	-	-	-	-	2,805
Supplies	-	-	3,019	-	2,026	-	410	-	-	800	-	-	6,255
Other	-	3,512	-	-	-	-	231	-	-	-	5,725	6,901	16,369
Total expenses:	565	3,512	6,256	796	2,026	-	1,690	-	-	800	5,725	6,901	28,271
Net change in fund balance	394	3,802	1,244	(796)	-	-	160	-	-	-	-	29,869	34,673
Fund balance - July 1	22,127	7,535	1,271	6,208	-	862	-	583	87	-	-	94,350	133,023
Fund balance - June 30	\$ 22,521	\$ 11,337	\$ 2,515	\$ 5,412	\$ -	\$ 862	\$ 160	\$ 583	\$ 87	\$ -	\$ -	\$ 124,219	\$ 167,696

**REGIONAL SCHOOL UNIT #50**

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SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - LUNCH PROGRAM  
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	<b>2015 Totals</b>	<b>2014 Totals</b>
Revenues		
Lunches		
Children / Adult / Ala Carte	\$ 80,808	\$ 78,247
Subsidies - State of Maine	323,100	321,831
	<u>403,908</u>	<u>400,078</u>
Expenditures		
Food	225,348	203,545
Labor	240,098	240,736
Other	24,603	21,827
	<u>490,049</u>	<u>466,108</u>
Change in net assets	(86,141)	(66,030)
Transfer from General Fund	86,141	63,934
Fund balance - July 1	-	2,096
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL SCHOOL UNIT #50**

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RECONCILIATION OF FINANCIAL STATEMENTS  
TO THE MAINE EDUCATIONAL DATA MANAGEMENT SYSTEM (MEDMS)  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Adult Education	Special Revenue Funds	Lunch Fund	Total
Balance per MEDMS June 30, 2015	\$ 920,157	\$ 60,921	\$ 167,696	\$ -	\$ 1,148,774
Expenditure adjustments: Prepaid expenditures	155,541	-	-	-	155,541
Balance per financial statements June 30, 2015	\$ 1,075,698	\$ 60,921	\$ 167,696	\$ -	\$ 1,304,315

**REGIONAL SCHOOL UNIT #50**

**SOUTHERN AROOSTOOK HIGH SCHOOL ACTIVITIES  
SCHEDULE OF TRANSACTIONS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Balance July 1	Receipts	Disbursements	Transfer	Balance June 30
Athletic Club	\$ 173	\$ 1,353	\$ 1,964	\$ -	\$ (438)
AYBL boys/girls	\$ -	\$ 1,624	\$ 860	\$ -	\$ 764
Band	875	196	196	-	875
Book fair	-	2,320	2,302	-	18
Classes:					
2014	204	-	12	-	192
2015	3,200	13,704	16,903	-	1
2016	412	1,278	604	-	1,086
2017	754	69	-	-	823
2018	281	28	-	-	309
2019	304	244	640	-	(92)
2020	94	60	-	-	154
2021	-	155	100	-	55
Concessions	1,002	-	643	-	359
Cheering	140	-	-	-	140
Drama	1,379	-	-	-	1,379
Family Fund	76	-	100	-	(24)
General	714	9,993	9,869	-	838
Junior high	(72)	-	-	-	(72)
Project Graduation	429	2,050	1,527	-	952
Hoop Camps	1,267	1,645	1,173	-	1,739
School Fund	(120)	5,448	5,233	-	95
Soccer Camp	5	-	-	-	5
Student Council	988	147	383	-	752
Varsity Club	320	-	-	-	320
Varsity Boys Basketball	-	1,873	1,518	-	355
Varsity Girls Basketball	-	105	14	-	91
Varsity Girls Soccer	107	-	-	-	107
Woodlot account	-	-	-	-	-
World Strides	-	1,870	1,870	-	-
Yearbook	482	7,882	8,415	-	(51)
	<u>\$ 13,014</u>	<u>\$ 52,044</u>	<u>\$ 54,326</u>	<u>\$ -</u>	<u>\$ 10,732</u>

Represented by Bank:	\$ 13,727
Less: O/S Checks	2,995
Balance per books	<u>\$ 10,732</u>

**REGIONAL SCHOOL UNIT #50**

KATAHDIN MIDDLE/HIGH SCHOOL ACTIVITIES  
SCHEDULE OF TRANSACTIONS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

	Balance July 1	Receipts	Disbursements	Transfers	Balance June 30
Art Club	\$ 3,023	\$ 478	\$ 200	\$ -	\$ 3,301
Art Program	1,195	-	50	-	1,145
50/50	1,515	348	-	-	1,863
Band	422	141	-	-	563
Basketball games	6,323	5,823	3,413	-	8,733
Association Account	9,125	210	700	-	8,635
Booster booth	-	5,284	5,200	-	84
Bracelet fundraiser	55	-	-	-	55
Chorus	824	870	2,021	-	(327)
Classes:					
2012	623	-	623	-	-
2013	(112)	112	-	-	-
2014	477	-	477	-	-
2015	1,376	656	1,772	-	260
2016	2,183	2,674	2,426	-	2,431
2017	1,738	1,782	1,127	-	2,393
2018	2,292	16	763	-	1,545
2019	-	1,848	1,674	-	174
Close up DC	1,167	7,571	8,737	-	1
Coffee fund	68	-	68	-	-
Varsity Girls B-Ball	362	-	-	-	362
Health	979	230	285	-	924
Life skills	1,344	-	775	-	569
NHS	383	444	287	-	540
General Fund	2,311	10,370	10,919	-	1,762
Ski club	180	-	-	-	180
Soccer jackets	25	-	-	-	25
Student council	1,598	370	151	-	1,817
Houlton Reginal Hosp.	2,500	500	1,000	-	2,000
Region II (fundraising)	238	-	-	-	238
Yearbook	2,027	5,695	5,402	-	2,320
Various	31,665	9,474	9,920	-	31,219
	<u>\$ 75,906</u>	<u>\$ 54,896</u>	<u>\$ 57,990</u>	<u>\$ -</u>	<u>\$ 72,812</u>

Represented by Bank:	\$ 73,834
Add: Certera Investments	2,146
Less: O/S Checks	3,168
Balance per books	<u>\$ 72,812</u>

**REGIONAL SCHOOL UNIT #50**

SOUTHERN AROOSTOOK ELEMENTARY SCHOOL ACTIVITIES  
SCHEDULE OF TRANSACTIONS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30</u>
Boston trip	\$ 6,840	\$ 27,887	\$ 27,373	\$ 7,354
Migrant	403	-	-	403
Pre-K-5 fundraisers	816	14,246	14,237	825
4th Grade	362	2,467	2,315	514
General/Headstart	330	746	746	330
Playground	4,558	-	334	4,224
School store	338	1,577	1,630	285
Share/Emergency	455	-	100	355
Wellness fund	557	15	-	572
	<u>\$ 14,659</u>	<u>\$ 46,938</u>	<u>\$ 46,735</u>	<u>\$ 14,862</u>

Represented by Cash in Bank:	\$ 16,866
Add: Cash on hand	294
Less: Outstanding Checks	<u>2,298</u>
	<u>\$ 14,862</u>

**REGIONAL SCHOOL UNIT #50**

**KATAHDIN ELEMENTARY SCHOOL ACTIVITIES  
SCHEDULE OF TRANSACTIONS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance July 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Balance June 30</u>
After School Fund	\$ 573	\$ 421	\$ -	\$ -	\$ 994
Chorus/Band	2,558	315	126	-	2,747
Celebration of Life	3,195	10,015	6,816	-	6,394
Book fair	329	4,528	4,619	-	238
5th Grade Boston Trip	-	9,910	10,335	-	(425)
King Foundation Grant	2,123	2	-	-	2,125
Library book fund	(414)	20	149	-	(543)
Nurse Account	-	50	50	-	-
Student activities	2,228	34,488	40,117	-	(3,401)
Sunshine fund	(1,309)	150	385	-	(1,544)
	<u>\$ 9,283</u>	<u>\$ 59,899</u>	<u>\$ 62,597</u>	<u>\$ -</u>	<u>\$ 6,585</u>

Represented by Cash in Bank:	\$ 8,904
Less: Outstanding Checks	<u>2,319</u>
	<u>\$ 6,585</u>

**INDEPENDENT AUDITOR'S 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**

To the Management of the  
Regional School Unit #50

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, each major fund, and the aggregate remaining fund information of the Regional School Unit #50, as of and for the year ended June 30, 2015, and the related notes to the financial statements.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Regional School Unit #50's internal control over financial reporting 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 #50's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit #50's internal control.

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Regional School Unit #50'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.

Presque Isle, Maine  
December 1, 2015

**Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

To the Management of  
Regional School Unit #50

**Report on Compliance for Each Major Federal Program**

We have audited Regional School Unit #50'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 #50's major federal programs for the year ended June 30, 2015. Regional School Unit #50'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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Regional School Unit #50'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 #50's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional School Unit #50's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Regional School Unit #50 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 #50 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 #50'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 #50'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 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 report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the financial statements Regional School Unit #50 as of and for the year ended June 30, 2015, and have issued our report thereon dated December 1, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Presque Isle, Maine  
December 1, 2015

**REGIONAL SCHOOL UNIT #50**

SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures	
<u>Pass through the State of Maine:</u>				
<i>U.S. Department of Education</i>				
Disadvantaged I.A.S.A.	84.010	013-05A-3107-13	\$	369,476
* <i>Special Education Cluster</i>				
Local Entitlement IDEA	84.027	013-05A-3046-12	224,062	
Preschool Grant Section 619	84.173	013-05A-6241-23	4,420	228,482
* Title IIA - Improving Teacher Quality	84.367	013-05A-3042-11		58,910
CIPS	84.377	013-05A-3106-13		32,255
Rural Low Income grant	84.358	013-05A-3005-03		14,993
21st Century	84.287	013-05A-1102-13		1,087
<i>U.S. Department of Agriculture</i>				
<i>Child Nutrition Cluster</i>				
National School Lunch Program	10.555	013-05A-3024-05	157,300	
Special Lunch Program	10.555	013-05A-3023-05	5,239	
National School Lunch Program	10.555	013-05A-3125-05	4,908	
Summer Food Program	10.559	013-05A-3016-05	5,519	
Summer Food Program Admin	10.559	013-05A-3018-05	566	
National School Lunch Program	10.555	013-05A-3022-05	24,538	
National After School Snack Program	10.555	013-05A-3020-05	4,858	
National School Breakfast Program	10.556	013-05A-3014-05	84,819	287,747
Fresh Fruits / Vegetables	10.582	013-05A-3028-05		28,093
Commodities	10.550	N/A		40,221
<b>Total Federal Awards</b>				<b>\$ 1,061,264</b>

\* Indicates major program

Notes:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the RSU #50. All federal awards received are included on the schedule.

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

**REGIONAL SCHOOL UNIT #50**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster
84.367	Title IIA, Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Y
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**Section II - Financial Statement Findings:** None noted.

**Section III - Federal Award Findings and Questioned Costs:** None Noted.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH THE REQUIREMENTS OF THE MAINE SCHOOL FINANCE ACT**

To the Management of the  
Regional School Unit No. 50

We audited the financial statements of the Regional School Unit No. 50 as of and for the year ended June 30, 2015, and have issued my report thereon dated December 1, 2015.

The management of the Regional School Unit No. 50 is responsible for the Department's compliance with laws and regulations. In connection with the audit referred to above, I selected and tested transactions and records to determine the Department's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of the Regional School Unit No. 50.

Title 20-A Sec 6051 requires certain written assurances with respect to school audits. My audit of compliance with the laws and regulations consisted of, at a minimum, the following:

1. A determination of whether or not the school has complied with budget content requirements pursuant to section 15693.
2. A determination of whether the school administrative unit has complied with the applicable provisions of the unexpended balances requirements established under section 15004.
3. A determination of whether or not the school has complied with transfer limitations between budget cost centers pursuant to section 1485.
4. A determination of whether or not the school has exceeded its authority to expend funds, as provided by the total budget summary article
5. A determination of whether or not the annual financial data submitted to the department is correct.
6. A determination of whether or not the District was in compliance with applicable provisions of the Essential Programs and Services Funding Act.

The results of my tests indicate that, for the items tested, the Regional School Unit No. 50 complied with those provisions of Maine laws and regulations. Nothing came to my attention that caused me to believe that, for items not tested, the Regional School Unit No. 50 was not in compliance with Maine laws and regulations.

Presque Isle, Maine  
December 1, 2015