

REGIONAL SCHOOL UNIT #50

BASIC FINANCIAL STATEMENTS

JUNE 30, 2016 & 2015

(With Independent Auditors' Report Thereon)



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INDEPENDENT AUDITORS' REPORT

To the Management of the
Regional School Unit No. 50

Report on the Financial Statements

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 No. 50 as of and for the year ended June 30, 2016, which collectively comprise the School's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 No. 50, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

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 through 6 and page 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 No. 50's financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules 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 information is fairly stated in all material respects in relation to the 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 November 22, 2016, on our consideration of the Regional School Unit No. 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 No. 50's internal control over financial reporting and compliance

Presque Isle, Maine
November 22, 2016

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, 2016. We encourage readers to consider the information presented in conjunction with the basic financial statements. This is the second 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 \$5,043,047, 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 \$1,355,139. This is a \$50,824 increase from the prior year totals.
- The General Fund reports a fund balance of \$1,139,045 which represents 12% 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		
	2016	2015	2014
Current and other assets	\$ 1,867,522	\$ 1,795,079	\$ 1,843,361
Capital assets	4,226,042	4,131,039	4,253,635
Total assets	6,093,564	5,926,118	6,096,996
Deferred outflows	125,166	86,585	86,585
Current liabilities	568,079	545,411	568,412
Long-term debt outstanding	466,075	395,489	409,351
Total liabilities	1,034,154	940,900	977,763
Deferred inflows	141,529	195,455	195,455
Net Position:			
Invested in Capital Assets, net of related debt	4,142,170	4,048,194	4,196,859
Unrestricted	900,877	828,154	813,504
Total net position	\$ 5,043,047	\$ 4,876,348	\$ 5,010,363

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

	Governmental Activities		
	2016	2015	2014
Revenue:			
Property taxes	\$ 3,729,646	\$ 3,666,121	\$ 3,506,534
Federal / State assistance	4,873,032	4,808,614	5,087,514
Intergovernmental revenue - MSRS	502,145	631,450	637,470
Other revenues	118,681	70,017	87,468
Total revenues	<u>9,223,504</u>	<u>9,176,202</u>	<u>9,318,986</u>
Expenses:			
Instruction	4,270,343	4,348,516	4,206,991
Applied technology	383,990	355,176	358,843
Other instruction	264,140	248,315	195,980
Pension expense - MSRS on behalf payments	502,145	631,450	637,470
Nutrition	87,954	90,611	70,500
Student/staff support	623,831	643,245	634,907
Administration	976,298	966,974	1,039,208
Operation and maintenance of plant	1,122,954	1,238,995	1,363,168
Transportation	825,151	786,935	738,481
Total expenses	<u>9,056,806</u>	<u>9,310,217</u>	<u>9,245,548</u>
Change in net position	<u>\$ 166,698</u>	<u>\$ (134,015)</u>	<u>\$ 73,438</u>

The Regional School Unit #50's net position for the governmental funds increased by \$166,698 during the fiscal year ended June 30, 2016.

The total cost of governmental activities was \$10,537,883. However, many programs are subsidized by user fees, grants and contributions. Therefore, the ultimate cost to the taxpayers was \$9,056,806 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 \$1,355,139, which represents a \$50,824 increase. The general fund reports an unassigned fund balance of \$869,508. This unassigned amount (frequently referred to as the "District's surplus") represents a \$660 decrease over the June 30, 2015 unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceed budgeted revenues by \$127,221. Actual expenditures were under budget by \$422,119. After any transfers and utilization of prior year fund balance, if any, the change in fund balance was a \$660 decrease.

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

Tuition	\$69,532
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There was one line item which was over-expended. This consisted of the school lunch transfer in all other expenditure category for \$24,841.

The bottom line is a general fund balance that increased by \$63,347 and an unassigned fund balance which decreased by \$660.

CAPITAL ASSETS

Governmental activities capital assets net of depreciation totaled \$4,226,042 as of June 30, 2016, representing a \$95,003 increase from the prior year end. See financial statement note 9 for further details.

The most significant capital asset acquisitions by the District in 2016 were a new tractor, roof repairs, paving and a school bus.

DEBT

The District currently had debt for two buses, one of which was paid in full during the year.

Also, new debt issued in the amount of \$84,547 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, 2016 and 2015

	GOVERNMENTAL ACTIVITIES	
	2016	2015
Assets		
Cash	\$ 1,208,654	\$ 1,087,925
Due from other governments	421,142	537,456
Other receivables	288	316
Prepaid expenses	219,537	155,530
Inventory	17,901	13,852
<i>Non-current capital assets</i>		
Property, plant and equipment	11,928,789	11,561,866
Accumulated depreciation	(7,702,747)	(7,430,827)
Total assets	6,093,564	5,926,118
Deferred outflows of resources		
Pensions	125,166	86,585
	\$ 6,218,730	\$ 6,012,703
Current liabilities		
Accounts payable	\$ -	\$ 3,500
Accrued expenses	916	226
Contracts payable	511,467	487,038
Current portion of long-term debt	-	27,059
Current portion of capital lease	55,696	27,588
<i>Non-current liabilities</i>		
Capital lease	28,176	28,198
Pension liability	388,685	321,809
Compensated absences	49,214	45,482
Total liabilities	1,034,154	940,900
Deferred inflows of resources		
Pensions	141,529	195,455
Net Position		
Investment in capital assets, net of related debt	4,142,170	4,048,194
Unrestricted	900,877	828,154
Total net position	\$ 5,043,047	\$ 4,876,348
	\$ 6,218,730	\$ 6,012,703

REGIONAL SCHOOL UNIT #50

GOVERNMENT WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized financial information for the year ended June 30, 2015)

Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2016 Net (Expense) Revenue	2015 Net (Expense) Revenue
Governmental activities						
Instruction	\$ (5,370,055)	\$ 298,397	\$ 801,315	\$ -	\$ (4,270,343)	\$ (4,348,516)
Applied technology	(383,990)	-	-	-	(383,990)	(355,176)
Other instruction	(264,140)	-	-	-	(264,140)	(248,315)
Pension expense - MSRS on behalf payments	(502,145)	-	-	-	(502,145)	(631,450)
Nutrition	(469,319)	79,356	302,009	-	(87,954)	(90,611)
Student / staff support	(623,831)	-	-	-	(623,831)	(643,245)
Administration	(976,298)	-	-	-	(976,298)	(966,974)
Operation and maintenance of plant	(1,122,954)	-	-	-	(1,122,954)	(1,238,995)
Transportation	(825,151)	-	-	-	(825,151)	(786,935)
Total expenses	<u>\$ (10,537,883)</u>	<u>\$ 377,753</u>	<u>\$ 1,103,324</u>	<u>\$ -</u>	<u>(9,056,806)</u>	<u>(9,310,217)</u>
			General revenues			
			Property taxes		3,729,646	3,666,121
			Federal and State assistance		4,873,032	4,808,614
			Intergovernmental revenue - MSRS		502,145	631,450
			Other revenues		118,681	70,017
			Total revenues		<u>9,223,504</u>	<u>9,176,202</u>
			Change in net position		166,698	(134,015)
			Net position - July 1		4,876,348	5,010,363
			Net position - June 30		<u>\$ 5,043,046</u>	<u>\$ 4,876,348</u>

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

REGIONAL SCHOOL UNIT #50

BALANCE SHEETS - ALL GOVERNMENTAL FUNDS

JUNE 30, 2016

(with summarized financial information for the year ended June 30, 2015)

	Major funds		Non-major Fund	2016	2015
	General	Special Revenue	Lunch	Totals	Totals
Assets:					
Cash	\$ 1,205,852	\$ -	\$ 2,802	\$ 1,208,654	\$ 1,087,925
Due from other funds	132,968	198,251	-	331,219	383,113
Due from other governments	291,034	113,833	16,275	421,142	537,456
Other receivables	288	-	-	288	316
Prepaid expenditures	219,537	-	-	219,537	155,530
Inventory	-	-	17,901	17,901	13,852
	<u>\$ 1,849,679</u>	<u>\$ 312,084</u>	<u>\$ 36,978</u>	<u>\$ 2,198,741</u>	<u>\$ 2,178,192</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,500
Withholding payable	916	-	-	916	226
Due to other funds	198,251	113,833	19,135	331,219	383,113
Contracts payable	511,467	-	-	511,467	487,038
Total liabilities	<u>710,634</u>	<u>113,833</u>	<u>19,135</u>	<u>843,602</u>	<u>873,877</u>
Fund Balance (Deficit):					
Non-spendable					
Inventory	-	-	17,901	17,901	13,852
Prepays	219,537	-	-	219,537	155,530
Restricted fund balance					
Federal/state programs	-	198,251	-	198,251	228,617
Capital Reserve	50,000	-	-	50,000	50,000
Unrestricted fund balance					
Unassigned	869,508	-	(58)	869,450	856,316
Total fund balance	<u>1,139,045</u>	<u>198,251</u>	<u>17,843</u>	<u>1,355,139</u>	<u>1,304,315</u>
	<u>\$ 1,849,679</u>	<u>\$ 312,084</u>	<u>\$ 36,978</u>	<u>\$ 2,198,741</u>	<u>\$ 2,178,192</u>
Total fund equity as noted above:				\$ 1,355,139	\$ 1,304,315
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:				4,142,169	4,048,194
Compensated absences are treated as long-term debt in the Statement of Net Position and reduces the fund balance:				(49,214)	(45,482)
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				(388,685)	(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				125,166	86,585
Deferred inflows of resources related to pensions				(141,529)	(195,455)
Total net position of governmental activities:				<u>\$ 5,043,046</u>	<u>\$ 4,876,348</u>

See Independent Auditors' Report and
Notes to Financial Statements

REGIONAL SCHOOL UNIT #50

COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	Major funds		Non-major Fund	2016	2015
	General	Special Revenue	Lunch	Totals	Totals
Revenues					
Federal and State assistance	\$ 4,873,032	\$ 801,315	\$ 302,009	\$ 5,976,356	\$ 5,865,152
Property taxes	3,719,644	10,002	-	3,729,646	3,666,121
Tuition	294,532	3,865	-	298,397	272,100
Mainecare	-	-	-	-	36,770
Intergovernmental revenue - MSRS	502,145	-	-	502,145	631,450
Other revenues	118,681	-	79,356	198,037	150,825
Total revenues	9,508,034	815,182	381,365	10,704,581	10,622,418
Expenditures					
Instruction	4,503,733	845,548	-	5,349,281	5,354,111
Applied technology	383,990	-	-	383,990	355,176
Other	264,140	-	-	264,140	248,315
Pension expense - MSRS on behalf payments	502,145	-	-	502,145	631,450
Nutrition	-	-	464,849	464,849	490,049
Student / Staff support	623,831	-	-	623,831	643,244
Administration	976,298	-	-	976,298	966,974
Operation and maintenance of plant	1,325,934	-	-	1,325,934	1,199,631
Transportation	763,289	-	-	763,289	732,490
Total expenditures	9,343,360	845,548	464,849	10,653,757	10,621,440
Net change in fund balance	164,674	(30,366)	(83,484)	50,824	978
Interfund transfer	(101,327)	-	101,327	-	-
Fund balance (deficit) - July 1	1,075,698	228,617	-	1,304,315	1,303,337
Fund balance (deficit) - June 30	<u>\$ 1,139,045</u>	<u>\$ 198,251</u>	<u>\$ 17,843</u>	<u>\$ 1,355,139</u>	<u>\$ 1,304,315</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net changes in fund balances - all governmental funds	\$ 50,824	\$ 978
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	83,520	58,538
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.	358,288	135,726
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	25,631	-
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	(3,732)	13,672
Loss on disposal of fixed assets	(5,047)	-
Depreciation expense (footnote 9)	(342,786)	(342,929)
Change in net position of governmental activities	<u>\$ 166,698</u>	<u>\$ (134,015)</u>

REGIONAL SCHOOL UNIT #50

STATEMENTS OF AGENCY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
JUNE 30, 2016 and 2015

				2016	2015
	<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	\$ 813	\$ 90,843	\$ 29,558	\$ 121,214	\$ 103,903
Investments	24,187	2,087	-	26,274	28,339
	<u>\$ 25,000</u>	<u>\$ 92,930</u>	<u>\$ 29,558</u>	<u>\$ 147,488</u>	<u>\$ 132,242</u>
Liabilities					
Due to student groups	<u>\$ 25,000</u>	<u>\$ 92,930</u>	<u>\$ 29,558</u>	<u>\$ 147,488</u>	<u>\$ 132,242</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, 2016 and 2015 is \$49,214 and 45,482, 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, 2016 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, 2015 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 6-30-16 and 6-30-15 totals \$127,368 and \$-0-, respectively.

Actuarial Methods and Assumptions

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

Actuarial Cost Method

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

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

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

Asset Valuation Method

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

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, 2015 and June 30, 2014 are as follows:

Investment Rate of Return - For the State Employee and Teacher Plan, 7.125% per annum for the year ended June 30, 2015 and 7.25% for the year ended June 30, 2014, 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, 2015 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 2015 and 7.25% for 2014 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.

Changes in Net Pension Liability

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

Differences between Expected and Actual Experience - The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2015, 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 2015 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' 2015 Comprehensive Annual Financial Report available online at 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, 2016. The carrying amount of the District's deposits was \$1,208,654 and the bank balance was \$1,831,756.

Deposits have been collateralized as follows:

	<u>Par Value</u>	<u>Market Value</u>
Florida State BofE	\$ 247,000	\$ 286,001
Bridgewater MA	\$ 383,000	\$ 410,499
GNR 2012-131 A	\$ 220,000	\$ 220,880

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>2016</u>	<u>2015</u>
Commodities on hand - July 1	\$ 10,571	\$ 20,149
Commodities received during the year	22,010	30,643
	<u>32,581</u>	<u>50,792</u>
Commodities on hand - June 30	17,901	10,571
Commodities used during the year	<u>\$ 14,680</u>	<u>\$ 40,221</u>

6. FINANCIAL POSITION - LUNCH PROGRAM

	<u>2016</u>	<u>2015</u>
Cash	\$ 2,802	\$ 3,390
Due from governments	16,275	23,671
Inventories	17,901	13,852
	<u>\$ 36,978</u>	<u>\$ 40,913</u>
Due to general fund	\$ 19,135	\$ 40,913
Fund balance	17,843	-
	<u>\$ 36,978</u>	<u>\$ 40,913</u>

7. INTERFUND ACTIVITY AND BALANCES

At June 30, 2016, interfund balances are as follows:

		Due from		
		General fund	Special Revenue	Other fund
Due to	General fund		\$ 113,833	\$ 19,135
	Special revenue fund	\$ 198,251		
	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, 2016, \$101,327 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, 2016, 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 7/1/15	Additions	Deletions	Balance 6/30/16
<i>Asset:</i>				
Land	\$ 115,683	\$ -	\$ -	\$ 115,683
Land improvement	94,946	48,677	-	143,623
Building and improvements	8,610,805	228,736	-	8,839,541
Furniture/equipment	1,298,656	80,874	-	1,379,530
Food service equipment	70,904	-	-	70,904
Software	110,723	-	-	110,723
Playground	55,349	-	-	55,349
Vehicles	1,204,800	84,547	(75,912)	1,213,435
	<u>11,561,866</u>	<u>442,834</u>	<u>(75,912)</u>	<u>11,928,788</u>
<i>Accumulated depreciation</i>				
Land improvement	52,465	6,900		59,365
Building and improvements	5,509,293	184,184		5,693,477
Furniture/equipment	1,164,428	42,673		1,207,101
Food service equipment	62,855	4,469		67,324
Playground	50,346	685		51,031
Vehicles	591,437	103,874	(70,865)	624,446
	<u>7,430,824</u>	<u>342,785</u>	<u>(70,865)</u>	<u>7,702,744</u>
Net book value	<u>\$ 4,131,042</u>	<u>\$ 100,049</u>	<u>\$ (5,047)</u>	<u>\$ 4,226,044</u>

Depreciation is allocated as follows on the statement of activities:

Instruction \$42,673, Operation of plant \$191,769, Transportation \$103,874, 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

All other \$ 24,841

11. OTHER REVENUES

Other revenues for the general fund are as follows:

	Budget	Actual
Student activities	\$ 8,500	\$ 7,651
Interest	2,500	2,910
Rental income	-	4,410
E-rate	-	20,980
State agency client	-	59,469
Miscellaneous	50,000	23,261
	<u>\$ 61,000</u>	<u>\$ 118,681</u>

12. CAPITAL LEASES AND LONG-TERM DEBT

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

	Balance at July 1	Debt Issued	Debt Retired	Balance at June 30
3 year vehicle lease through Androscoggin Bank, 2.21% interest, 3 annual installments of \$28,821.	55,786	-	27,588	28,198
3 year vehicle lease through Androscoggin Bank, 2.47% interest, 3 annual installments of \$28,872.	-	84,547	28,873	55,674
	<u>\$ 55,786</u>	<u>\$ 84,547</u>	<u>\$ 56,461</u>	<u>\$ 83,872</u>

Maturities are as follows:

Year ended June 30	Principal	Interest	Total
2017	\$ 55,695	\$ 2,032	\$ 57,727
2018	28,177	695	28,872
	<u>\$ 83,872</u>	<u>\$ 2,727</u>	<u>\$ 86,599</u>

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the period July 1, 2016 through November 22, 2016 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	\$ -	\$ 2,698
Net difference between projected and actual investment earnings on pension plan investments	82,246	99,821
Changes in assumptions	10,709	-
Changes in proportion and differences between district contributions and proportionate share of contributions	32,211	39,010
	\$ 125,166	\$ 141,529

15. INVESTMENTS

Investments consist of the following:

	Temporary Cash and Equivalents	Government and Agency Issues	Corporate Stocks Bonds and Mortgage Backed Securities	Total
June 30, 2016				
Fair value	\$ -	\$ -	\$ 26,274	\$ 26,274
Cost	-	-	26,038	26,038
Unrealized gain (loss)	\$ -	\$ -	\$ 236	\$ 236
June 30, 2015				
Fair value	\$ -	\$ -	\$ 28,339	\$ 28,339
Cost	-	-	26,038	26,038
Unrealized gain (loss)	\$ -	\$ -	\$ 2,301	\$ 2,301

15. 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	\$ 26,274	\$ 236
Balance at beginning of year	\$ 26,038	\$ 28,339	2,301
Increase in unrealized appreciation			(2,065)
Realized gain (loss) for the year			-
Total gain (loss) for the year			\$ (2,065)

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 does not have a policy with respect to custodial credit risk for investments. As of June 30, 2016, those funds' investments totaled \$26,274, which were not collateralized or insured.

16. 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.

16. 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	\$ 1,208,654	\$ 1,208,654
Investments	\$ 26,274	\$ 26,274

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	\$ 1,208,654	\$ 1,208,654
Investments	\$ 26,274	\$ 26,274

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, 2016

	General Fund				Adult Education			
	Budget		Actual	Variance Favorable (Unfavorable)	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues								
State assistance	\$ 4,873,032	\$ 4,873,032	\$ 4,873,032	\$ -	\$ -	\$ -	\$ 959	\$ 959
Property taxes	3,719,636	3,719,636	3,719,644	8	10,000	10,000	10,002	2
Tuition	225,000	225,000	294,532	69,532	-	-	3,865	3,865
Other	61,000	61,000	118,681	57,681	-	-	-	-
Total revenues	<u>8,878,668</u>	<u>8,878,668</u>	<u>9,005,889</u>	<u>127,221</u>	<u>10,000</u>	<u>10,000</u>	<u>14,826</u>	<u>4,826</u>
Expenditures								
Regular instruction	3,156,873	3,156,873	3,043,139	113,734	50,011	50,011	44,667	5,344
Special Education	1,477,217	1,477,217	1,457,834	19,383	-	-	-	-
Other instruction	293,279	293,279	262,626	30,653	-	-	-	-
Career & Technical Education	383,990	383,990	383,990	-	-	-	-	-
All other	78,000	78,000	102,841	(24,841)	-	-	-	-
Student/staff support	690,015	690,015	631,206	58,809	-	-	-	-
Administration								
District	424,032	424,032	381,316	42,716	-	-	-	-
School	620,780	620,780	605,122	15,658	-	-	-	-
Operation and maintenance of plant	1,521,837	1,521,837	1,372,316	149,521	-	-	-	-
Transportation	782,645	782,645	766,159	16,486	-	-	-	-
	<u>9,428,668</u>	<u>9,428,668</u>	<u>9,006,549</u>	<u>422,119</u>	<u>50,011</u>	<u>50,011</u>	<u>44,667</u>	<u>5,344</u>
Net change in fund balance	<u>\$ (550,000)</u>	<u>\$ (550,000)</u>	<u>(660)</u>	<u>\$ 549,340</u>	<u>\$ (40,011)</u>	<u>\$ (40,011)</u>	<u>(29,841)</u>	<u>\$ 10,170</u>
Fund balance								
(non-GAAP budgetary basis) - July 1			<u>920,168</u>				<u>60,921</u>	
(non-GAAP budgetary basis) - June 30			<u>919,508</u>				<u>31,080</u>	
Adjustments to generally accepted accounting principles								
Prepaid items			<u>219,537</u>				<u>-</u>	
Fund balance (GAAP basis)			<u>\$ 1,139,045</u>				<u>\$ 31,080</u>	

REGIONAL SCHOOL UNIT #50

COMBINED BALANCE SHEETS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	<u>Adult Education</u>	<u>Federal Programs</u>	<u>State Programs</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
<i>Assets:</i>					
Due from other governments	\$ -	\$ 113,833	\$ -	\$ 113,833	\$ 125,033
Due from other funds	31,080	-	167,171	198,251	222,892
	<u>\$ 31,080</u>	<u>\$ 113,833</u>	<u>\$ 167,171</u>	<u>\$ 312,084</u>	<u>\$ 347,925</u>
<i>Liabilities</i>					
Due to other funds	\$ -	\$ 113,833	\$ -	\$ 113,833	\$ 119,308
	<u>-</u>	<u>113,833</u>	<u>-</u>	<u>113,833</u>	<u>119,308</u>
<i>Fund Balance:</i>					
Restricted	31,080	-	167,171	198,251	228,617
	<u>\$ 31,080</u>	<u>\$ 113,833</u>	<u>\$ 167,171</u>	<u>\$ 312,084</u>	<u>\$ 347,925</u>

REGIONAL SCHOOL UNIT #50

COMBINED SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	Adult Education	Federal Programs	State and Other Programs	2016 Totals	2015 Totals
Revenues					
Federal and State assistance	\$ 959	\$ 777,671	\$ 22,685	\$ 801,315	\$ 770,208
Property taxes	10,002	-	-	10,002	-
Fees / Miscellaneous	3,865	-	-	3,865	5,379
Total revenues	<u>14,826</u>	<u>777,671</u>	<u>22,685</u>	<u>815,182</u>	<u>775,587</u>
Expenditures					
Salaries / benefits	34,272	662,128	3,931	700,331	602,486
Contracted Services	6,758	60,672	-	67,430	82,824
Travel	-	7,096	2,200	9,296	16,480
Supplies	3,080	28,981	5,447	37,508	28,105
Equipment	-	8,086	-	8,086	10,702
Other	557	10,708	11,632	22,897	34,935
	<u>44,667</u>	<u>777,671</u>	<u>23,210</u>	<u>845,548</u>	<u>775,532</u>
Net change in fund balance	(29,841)	-	(525)	(30,366)	55
Fund balance - July 1	<u>60,921</u>	<u>-</u>	<u>167,696</u>	<u>228,617</u>	<u>228,562</u>
Fund balance - June 30	<u>\$ 31,080</u>	<u>\$ -</u>	<u>\$ 167,171</u>	<u>\$ 198,251</u>	<u>\$ 228,617</u>

REGIONAL SCHOOL UNIT #50

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - FEDERAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2016

	Title IA	Title V Guidance	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	\$ 403,579	\$ 60,441	\$ 70,632	\$ 6,000	\$ 4,653	\$ 7,281	\$ 13,028	\$ 212,057	\$ 777,671
Expenditures									
Salaries / benefits	388,882	59,783	49,230	-	4,653	5,654	-	153,926	662,128
Contracted Services	4,000	-	19,000	6,000	-	235	4,942	26,495	60,672
Travel	297	-	35	-	-	1,099	-	5,665	7,096
Supplies	350	-	2,367	-	-	293	-	25,971	28,981
Equipment	-	-	-	-	-	-	8,086	-	8,086
Other	10,050	658	-	-	-	-	-	-	10,708
Total expenses:	403,579	60,441	70,632	6,000	4,653	7,281	13,028	212,057	777,671
Net change in fund balance	-	-	-	-	-	-	-	-	-
Fund balance - July 1	-	-	-	-	-	-	-	-	-
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, 2016

	Maine ITV	Proficiency Based Education	Melmac	Butler Foundation Outdoor Education	Stumpage	I3 Reading Recovery	Library	Special Education	Dental Health	Cole Professional Development	Mainecare	Totals
Revenues												
Grants	\$ -	\$ 8,110	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ 6,275	\$ -	\$ 22,685
Expenditures												
Salaries / benefits	183	-	3,024	724	-	-	-	-	-	-	-	3,931
Travel	-	-	2,200	-	-	-	-	-	-	-	-	2,200
Supplies	-	-	4,647	-	-	-	-	-	800	-	-	5,447
Other	-	544	-	-	-	-	-	-	-	4,275	6,813	11,632
Total expenses:	183	544	9,871	724	-	-	-	-	800	4,275	6,813	23,210
Net change in fund balance	(183)	7,566	(2,371)	(724)	-	-	-	-	-	2,000	(6,813)	(525)
Fund balance - July 1	22,521	11,337	2,515	5,412	862	160	583	87	-	-	124,219	167,696
Fund balance - June 30	\$ 22,338	\$ 18,903	\$ 144	\$ 4,688	\$ 862	\$ 160	\$ 583	\$ 87	\$ -	\$ 2,000	\$ 117,406	\$ 167,171

REGIONAL SCHOOL UNIT #50

SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - LUNCH PROGRAM
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016 Totals	2015 Totals
Revenues		
Lunches		
Children / Adult / Ala Carte	\$ 79,356	\$ 80,808
Subsidies - State of Maine	302,009	323,100
	<u>381,365</u>	<u>403,908</u>
Expenditures		
Food	205,874	225,348
Labor	237,237	240,098
Other	21,738	24,603
	<u>464,849</u>	<u>490,049</u>
Change in net assets	(83,484)	(86,141)
Transfer from General Fund	101,327	86,141
Fund balance - July 1	<u>-</u>	<u>-</u>
Fund balance - June 30	<u>\$ 17,843</u>	<u>\$ -</u>

REGIONAL SCHOOL UNIT #50

RECONCILIATION OF FINANCIAL STATEMENTS
TO THE MAINE EDUCATIONAL DATA MANAGEMENT SYSTEM (MEDMS)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Adult Education</u>	<u>Special Revenue Funds</u>	<u>Lunch Fund</u>	<u>Total</u>
Balance per MEDMS June 30, 2016	\$ 919,498	\$ 31,080	\$ 167,171	\$ 17,843	\$ 1,135,592
Expenditure adjustments: Prepaid expenditures	219,537	-	-	-	219,537
Balance per financial statements June 30, 2016	<u>\$ 1,139,035</u>	<u>\$ 31,080</u>	<u>\$ 167,171</u>	<u>\$ 17,843</u>	<u>\$ 1,355,129</u>

REGIONAL SCHOOL UNIT #50

SOUTHERN AROOSTOOK HIGH SCHOOL ACTIVITIES
SCHEDULE OF TRANSACTIONS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1	Receipts	Disbursements	Transfer	Balance June 30
Athletic Club	\$ (438)	\$ 6,145	\$ 4,791	\$ -	\$ 916
AYBL boys/girls	764	-	480	-	284
Band	875	458	843	-	490
Book fair	18	2,055	1,979	-	94
Classes:					
2014	192	-	192	-	-
2015	1	-	-	-	1
2016	1,086	10,405	11,558	-	(67)
2017	823	1,697	618	-	1,902
2018	309	-	-	-	309
2019	(92)	99	28	-	(21)
2020	154	387	565	-	(24)
2021	55	120	-	-	175
2022	-	302	-	-	302
Concessions	359	-	285	-	74
Cheering	140	-	-	-	140
Drama	1,379	-	-	-	1,379
Family Fund	(24)	-	-	-	(24)
General	838	11,564	11,978	-	424
Junior high	(72)	-	-	-	(72)
Project Graduation	952	27	122	-	857
Hoop Camps	1,739	3,340	1,398	-	3,681
School/Soda Fund	95	4,130	3,731	-	494
Soccer Camp	5	-	-	-	5
Student Council	752	-	386	-	366
Varsity Club	320	-	-	-	320
Varsity Boys Basketball	355	-	-	-	355
Varsity Girls Basketball	91	-	99	-	(8)
Varsity Girls Soccer	107	210	150	-	167
World Strides	-	8,317	3,546	-	4,771
Yearbook	(51)	4,795	7,468	-	(2,724)
	<u>\$ 10,732</u>	<u>\$ 54,051</u>	<u>\$ 50,217</u>	<u>\$ -</u>	<u>\$ 14,566</u>

Represented by Bank:	\$ 18,663
Less: O/S Checks	4,096
Balance per books	<u>\$ 14,567</u>

REGIONAL SCHOOL UNIT #50

KATAHDIN MIDDLE/HIGH SCHOOL ACTIVITIES
SCHEDULE OF TRANSACTIONS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1	Receipts	Disbursements	Transfers	Balance June 30
Amy Curtis Scholarship	\$ -	\$ 6,571	\$ -	\$ -	\$ 6,571
Art Club	3,301	802	385	-	3,718
Art Program	1,145	-	-	-	1,145
50/50	1,863	-	-	-	1,863
Band	563	-	-	-	563
Baseball	-	294	50	-	244
Basketball games	8,733	11,530	14,550	-	5,713
Association Account	8,635	100	500	-	8,235
Booster booth	84	5,975	6,043	-	16
Bracelet fundraiser	55	-	-	-	55
Chorus	(327)	132	306	-	(501)
Classes:					
2015	260	636	20	-	876
2016	2,431	484	2,040	-	875
2017	2,393	3,009	3,631	-	1,771
2018	1,545	1,743	1,445	-	1,843
2019	174	-	-	-	174
2020	-	1,992	2,128	-	(136)
Close up DC	1	11,224	5,892	-	5,333
Varsity Girls B-Ball	362	-	-	-	362
Health	924	290	484	-	730
Life skills	569	-	89	-	480
NHS	540	1,777	1,727	-	590
General Fund	1,762	7,905	6,587	-	3,080
Ski club	180	-	-	-	180
Soccer jackets	25	-	-	-	25
Student council	1,817	405	1,407	-	815
Houlton Reginal Hosp.	2,000	500	500	-	2,000
Region II (fundraising)	238	-	-	-	238
Yearbook	2,320	4,249	5,226	-	1,343
Various	31,219	9,024	10,080	-	30,163
	<u>\$ 72,812</u>	<u>\$ 68,642</u>	<u>\$ 63,090</u>	<u>\$ -</u>	<u>\$ 78,364</u>
					\$ 77,481
					2,087
					1,203
					<u>\$ 78,365</u>

Represented by Bank: \$ 77,481
Add: Certera Investments 2,087
Less: O/S Checks 1,203
Balance per books \$ 78,365

REGIONAL SCHOOL UNIT #50

SOUTHERN AROOSTOOK ELEMENTARY SCHOOL ACTIVITIES
SCHEDULE OF TRANSACTIONS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1	Receipts	Disbursements	Balance June 30
Boston trip	\$ 7,354	\$ 24,783	\$ 25,352	\$ 6,785
Migrant	403	-	-	403
Pre-K-5 fundraisers	825	7,749	6,643	1,931
4th Grade	514	2,455	2,718	251
General/Headstart	330	-	-	330
Playground	4,224	-	-	4,224
School store	285	1,267	1,343	209
Share/Emergency	355	-	-	355
Wellness fund	572	-	-	572
	<u>\$ 14,862</u>	<u>\$ 36,254</u>	<u>\$ 36,056</u>	<u>\$ 15,060</u>

Represented by Cash in Bank:	\$ 17,263
Less: Outstanding Checks	<u>2,203</u>
	<u>\$ 15,060</u>

REGIONAL SCHOOL UNIT #50

KATAHDIN ELEMENTARY SCHOOL ACTIVITIES
SCHEDULE OF TRANSACTIONS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1	Receipts	Disbursements	Transfers	Balance June 30
Grade 6 Funds	\$ -	\$ 2,877	\$ -	\$ -	\$ 2,877
After School Fund	994	176	-	-	1,170
Chorus/Band	2,747	-	2,843	-	(96)
Celebration of Life	6,394	13,011	8,502	-	10,903
Book fair	238	2,682	4,255	-	(1,335)
5th Grade Boston Trip	(425)	17,037	16,573	-	39
Cougar Care	-	2,207	2,063	-	144
King Foundation Grant	2,125	2	-	-	2,127
Library book fund	(543)	100	-	-	(443)
Nurse Account	-	254	254	-	-
Student activities	(3,401)	31,005	26,977	-	627
Sunshine fund	(1,544)	280	250	-	(1,514)
	<u>\$ 6,585</u>	<u>\$ 69,631</u>	<u>\$ 61,717</u>	<u>\$ -</u>	<u>\$ 14,499</u>

Represented by Cash in Bank:	\$ 14,992
Add: O/S Deposits	99
Less: Outstanding Checks	590
	<u>\$ 14,501</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 No. 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 No. 50, as of and for the year ended June 30, 2016, 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 No. 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 No. 50's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 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 noted no deficiencies in internal control that we consider to be material weaknesses as described above. However, other 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. 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
November 22, 2016

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 No. 50

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 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 No. 50's major federal programs for the year ended June 30, 2016. Regional School Unit No. 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 No. 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 No. 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 No. 50's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 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, 2016.

Report on Internal Control over Compliance

Management of Regional School Unit No. 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 No. 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 No. 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 No. 50 as of and for the year ended June 30, 2016, and have issued our report thereon dated November 22, 2016, 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
November 22, 2016

REGIONAL SCHOOL UNIT #50

SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016

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	\$	403,579
<i>Special Education Cluster</i>				
Local Entitlement IDEA	84.027	013-05A-3046-12	212,057	
Preschool Grant Section 619	84.173	013-05A-6247-23	4,653	216,710
Title IIA - Improving Teacher Quality	84.367	013-05A-3042-11		70,632
CIPS	84.377	013-05A-3106-13		13,281
Rural Low Income grant	84.358	013-05A-3005-03		13,028
<i>U.S. Department of Agriculture</i>				
<i>Child Nutrition Cluster</i>				
National School Lunch Program	10.555	013-05A-3024-05	148,079	
Special Lunch Program	10.555	013-05A-3023-05	5,013	
National School Lunch Program	10.555	013-05A-3125-05	4,487	
Summer Food Program	10.559	013-05A-3016-05	6,867	
Summer Food Program Admin	10.559	013-05A-3018-05	705	
National School Lunch Program	10.555	013-05A-3022-05	23,129	
National After School Snack Program	10.555	013-05A-3020-05	3,841	
National School Breakfast Program	10.556	013-05A-3014-05	84,753	
Donated foods	10.555	N/A	14,681	291,555
Fresh Fruits / Vegetables	10.582	013-05A-3028-05		30,577
Total Federal Awards				\$ 1,039,362

* 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, 2016

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>
84.010	Disadvantaged IASA

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 MAINE STATE STATUTE REQUIREMENTS**

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, 2016, and have issued my report thereon dated November 22, 2016.

The management of the Regional School Unit No. 50 is responsible for the School's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the School'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. Our 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, subsection 1 and cost center summary budget.
2. A determination of whether or not the school has exceeded its authority to expend funds.
3. A determination of whether or not the annual financial data submitted to the department is correct.
4. A determination of whether or not the school was in compliance with applicable provisions of the Essential Programs and Services Funding Act pursuant to chapter 606-B, subsection 15671.

The results of our 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 our attention that caused us 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
November 22, 2016