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CERTIFIED PUBLIC ACCOUNTANTS

REGIONAL SCHOOL UNIT NO. 5 FINANCIAL REPORT



JUNE 30, 2011



Communication • Trust • Commitment

REGIONAL SCHOOL UNIT NO. 5
JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

School Board of Directors
Regional School Unit No. 5
Freeport, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 5, as of June 30, 2011, and for the year then ended, which collectively comprise RSU #5's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of Regional School Unit No. 5's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Regional School Unit No. 5 as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2012, on our consideration of Regional School Unit No. 5's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School Unit No. 5's financial statements as a whole. The combining individual fund exhibits and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. These 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.

Berry Talbot Royer

Certified Public Accountants
February 8, 2012



Durham • Freeport • Pownal

Regional School Unit No. 5

17 West St

Freeport, ME 04032

**Management's Discussion and
Analysis Required Supplementary
Information**

Year Ended June 30, 2011

Our discussion and analysis of Regional School Unit No. 5's (the RSU) financial condition provides a narrative overview and analysis of the RSU's financial activities for the fiscal year ending June 30, 2011. It is the belief of management that all the information contained herein is accurate in all material respects and reflects fairly the financial position and operations of the RSU. This management's discussion and analysis is designed to offer further explanation of the information contained herein. We encourage readers to consider the information that we have furnished in the RSU's basic financial statements that follow this section.

The management discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion Analysis for State and Local Governments (currently GASB Codification Section 2200). Certain comparative information between the current year and the prior year is included in the MD&A.

FINANCIAL HIGHLIGHTS

Financial highlights for the past year include the following:

- Assets of the RSU exceeding its liabilities by \$14,770,823.
- Capital assets of the RSU, net of depreciation, totaling \$29,167,586.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the RSU's basic financial statements. The RSU's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE STATEMENTS

Government-wide statements are designed to provide readers with a broad overview of the RSU's finances, in a manner similar to a private-sector company.

The *statement of net assets* presents information on all of the RSU's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the RSU is improving or deteriorating.

The *statement of activities* presents information showing how the RSU's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, accrued salaries).

Additionally, to assess the RSU's overall health, one needs to consider additional non-financial factors such as the condition of school buildings and other facilities.

Both of the government-wide financial statements distinguish functions of the RSU that are principally supported by the local assessments from other functions that are intended to recover a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the RSU's activities are reported in one category:

- **Governmental activities:** Most of the RSU's basic services are included here, such as regular and special education, transportation, and administration. Local assessments, local non-tax revenues, and state revenues finance most of these activities.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The RSU uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The RSU's funds can be divided into two categories: government funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the governmental-wide statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the RSU's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the RSU. Fiduciary funds are not reflected in the governmental-wide financial statement because the resources of those funds are not available to support the RSU's own programs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. As can be seen in the following table, RSU assets exceeded liabilities by \$14,770,823 for the fiscal year ended June 30, 2011.

Table 1
Fiscal Year Ended June 30, 2011
Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 5,465,055	\$ 7,537,361
Capital assets	<u>29,167,586</u>	<u>28,686,572</u>
Total Assets	<u>34,632,641</u>	<u>36,223,933</u>
Current and other liabilities	<u>19,861,818</u>	<u>21,576,800</u>
Net Assets		
Invested in capital assets, net of related debt	12,163,097	10,687,784
Restricted	1,489,022	2,994,692
Unrestricted	<u>1,118,704</u>	<u>964,657</u>
Total Net Assets	<u>\$ 14,770,823</u>	<u>\$ 14,647,133</u>

Most of the RSU's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of designated and undesignated amounts. Designated balances are amounts set aside by management to finance future purchases or capital projects planned by the RSU.

The chart below provides a graphic depiction of the distribution of the 2011 net book value of fixed assets (capital assets, net of depreciation) by asset class.

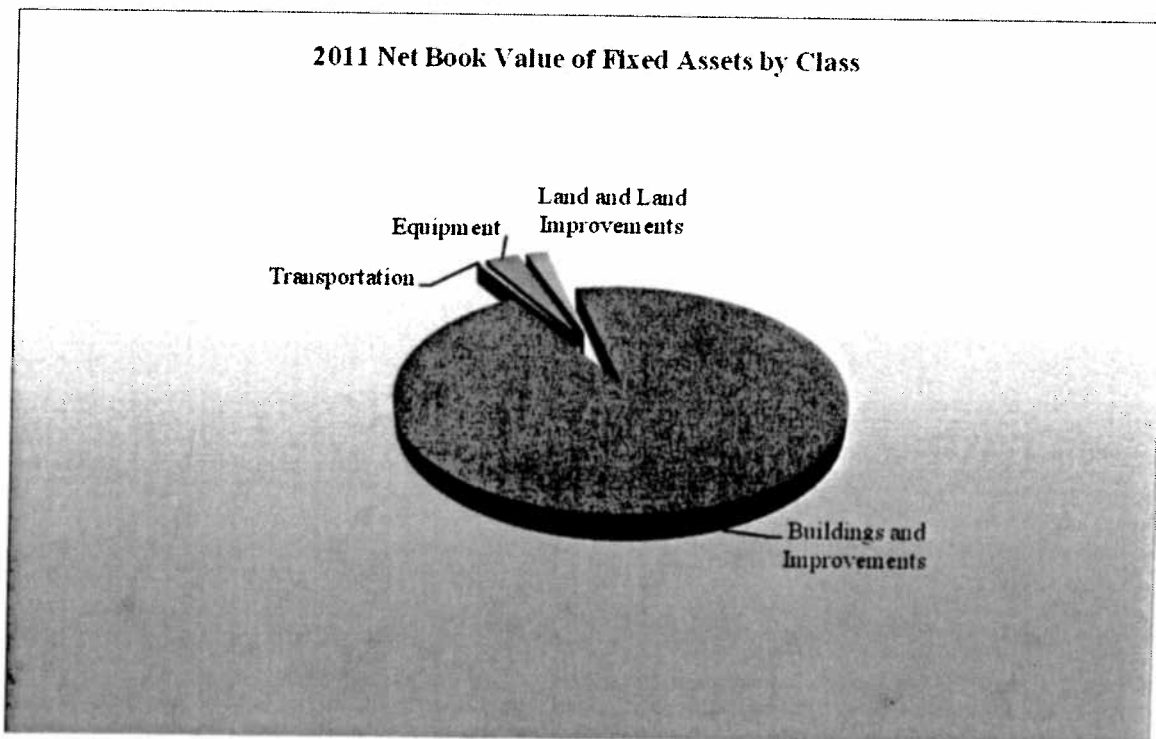


Chart A - Net Book Value of Fixed Asset Classes

Table 2 presents a summary of the RSU's changes in net assets for the fiscal year ended June 30, 2011.

Table 2
Fiscal Year ended June 30, 2011
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,084,780	\$ 1,064,785
Operating Grants and Contributions	3,999,234	3,852,841
General Revenues:		
Town Assessments	18,005,575	17,869,927
Subsidies	4,873,731	3,895,134
Interest Earned	37,550	28,020
Miscellaneous	153,093	18,191
Member Contributions	10,704	14,809,849
Total Revenues	<u>28,164,667</u>	<u>41,538,747</u>
Expenses		
Instruction & Support	14,277,584	14,081,897
Debt Service	1,803,930	1,650,355
Instructional Staff Support Services	1,244,492	1,044,984
Student Transportation	1,169,531	1,055,560
Operation & Maintenance	2,880,328	2,280,061
Student Support Services	624,063	573,306
General Administration	621,872	607,175
School Administration	1,115,179	1,081,244
Intergovernmental	1,818,159	1,800,283
Capital Outlay	298,472	143,389
Program Expenditures	784,506	1,300,798
Adult and Community Education	903,961	818,902
Other Public Instructional Programs	472,757	453,660
Transfer to Agency Fund	26,143	-
Total Expenses	<u>28,040,977</u>	<u>26,891,614</u>
Increase (decrease) in net assets	<u>\$ 123,690</u>	<u>\$ 14,647,133</u>

Table 3 shows the total cost of each of the RSU's major functional activities.

Table 3
Fiscal Year ended June 30, 2011
Net Cost of Governmental Activities

<u>Function/Program</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction & Support	\$ 16,146,139	\$ 14,202,555
Transportation	1,169,531	1,169,531
Operations & Maintenance	2,880,328	2,880,328
Administration	1,737,051	1,737,051
Capital/Site Improvements/Debt Service	2,102,402	2,102,402
Other	3,979,383	838,953
Total governmental activities	<u>\$ 28,014,834</u>	<u>\$ 22,930,820</u>

General Fund Revenues Budget to Actual Summary

	Final Budget	Actual	Variance
Revenues:			
Town Assessments	\$ 18,005,575	\$ 18,005,575	\$ -
Charges for Services	104,510	645,776	541,266
Intergovernmental	4,907,294	4,920,351	13,057
Other	5,100	169,299	164,199
	<u>\$ 23,022,479</u>	<u>\$ 23,741,001</u>	<u>\$ 718,522</u>

The following chart depicts program revenues by source.

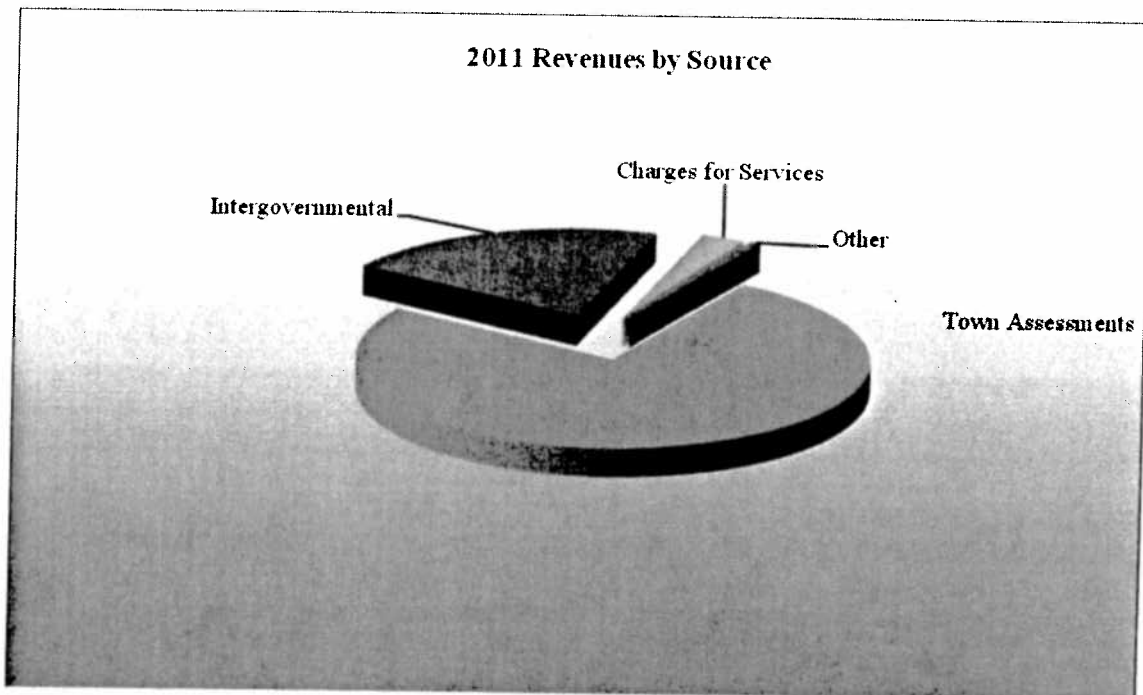


Chart B - Revenues by Source

General Fund Expenditures Budget to Actual Summary

	Final Budget	Actual	Variance
Expenditures:			
Instruction	\$ 13,043,601	\$ 12,644,064	\$ 399,537
Debt Service	2,699,735	2,696,439	3,296
Instructional Staff Support Services	1,292,339	1,244,492	47,847
School Administration	1,123,849	1,115,178	8,671
Operation and Maintenance of Plant	2,154,760	2,097,175	57,585
Student Support Services	599,645	624,063	(24,418)
School Administration	625,672	621,872	3,800
Other Public Instructional Programs	478,916	472,757	6,159
Student Transportation	1,196,700	1,163,526	33,174
Site Improvements	302,283	298,472	3,811
Adult Education	234,130	270,974	(36,844)
Community Education	-	632,987	(632,987)
	<u>\$ 23,751,630</u>	<u>\$ 23,881,999</u>	<u>\$ (130,369)</u>

Chart C graphically depicts expenditures by function.

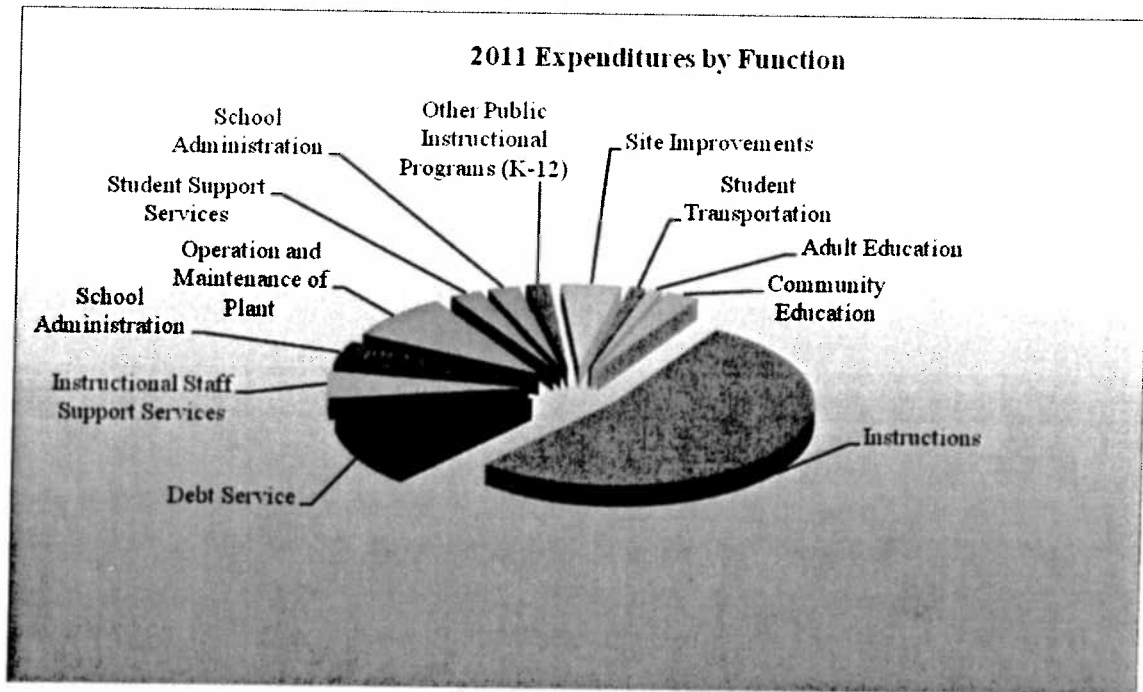


Chart C - Expenditures by Function

FINANCIAL ANALYSIS OF THE RSU'S FUNDS

As of June 30, 2011, the RSU's governmental funds balance totaled \$2,709,401.

As noted earlier, the RSU uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the RSU as a whole is reflected in its governmental funds.

Governmental funds: The focus of the RSU's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets and liabilities as fund balances. Reserved amounts reflect that which is not available to be spent while undesignated amounts reflect amounts that are.

Budgetary highlights: The RSU holds an annual district budget meeting in May of each year for purposes of voting on the budget as recommended by the Board of Directors for the upcoming school year.

CAPITAL ASSETS

At June 30, 2011, the RSU had \$29,167,586 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

Table 4
Governmental Activities Capital Assets
(Net of Depreciation)

	<u>2011</u>
Land	\$ 447,285
Land Improvements	120,414
Building Improvements	27,581,405
Equipment and Vehicles	<u>1,018,482</u>
Total	<u>\$ 29,167,586</u>

DEBT ADMINISTRATION

At the end of the year RSU had a total of \$16,842,879 of general obligation long-term debt. In addition, the capital lease purchase obligations for the buses and technology equipment totaled \$51,735.

The following is a summary of long-term debt transactions and capital lease obligations of the RSU for the year ended June 30, 2011.

Table 5
Fiscal Year Ended June 30, 2011
General Long Term Debt and Lease Obligations

	<u>General Long-Term Debt and Lease Obligations</u>
	<u>2011</u>
Debt payable at July 1	\$ 17,729,348
Less: Debt Retired	<u>(886,469)</u>
Debt Payable at June 30	<u>\$ 16,842,879</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In 2010-2011 school year the RSU saw a slight increase in State Aid to Education. The RSU received \$418,655 in Federal American Recovery and Reinvestment Act funds which were applied in an effort to reduce the overall tax rates to member communities. The total shared local budget and non shared debt service required for the approved 2010-2011 budget totaled \$18,332,800 broken down as follows: Durham \$3,431,272; Freeport \$13,154,454; Pownal \$1,747,074.

During the 2010-2011 school year teachers and staff members in all of the schools have continued to work collaboratively to ensure equal education opportunities to all students in the RSU. The district passed the 2011-2012 budget which supports the work required to obtain the goals established in the Strategic Plan and Capital Plan that were established in 2009-2010. Administration, staff, and the Board worked collaboratively to create a responsible budget for 2011-2012 school year that resulted in a \$32,299 increase to be shared by the member communities.

Enrollment throughout the RSU continues to be stable and is anticipated to remain stable. There are a greater number of Durham tuition students choosing to attend Freeport High School which has allowed for a reduction in tuition funds that are paid out to other districts in 2011-2012.

The RSU will be receiving \$432,273 in Federal Education Jobs Bill funds in 2011-2012 which will help minimize the tax rates to member communities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the RSU's finances and demonstrate The District's accountability for the money it receives. If you have questions about any of the information provided in this report or wish to request additional financial information, please contact RSU No. 5 Business Office at 17 West Street, Freeport, ME 04032.

REGIONAL SCHOOL UNIT NO. 5
JUNE 30, 2011

BASIC FINANCIAL INFORMATION

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS:	
Cash/Investments	\$ 4,375,485
Accounts Receivable	1,043,824
Inventory	42,999
Due from Students	2,747
Capital Assets:	
Land and Land Improvements	567,699
Other Capital Assets, Net of Depreciation	28,599,887
TOTAL ASSETS	<u>34,632,641</u>
LIABILITIES:	
Current:	
Accounts Payable	249,439
Accrued Expenses	198,563
Accrued Payroll	1,875,379
Compensated Absences Payable	533,948
Accrued Interest	91,346
Bond Premiums	20,037
Long-Term Debt and Capital Lease Obligations	
Due within One Year	936,696
Due in More Than One Year	15,956,410
TOTAL LIABILITIES	<u>19,861,818</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	12,163,097
Restricted for:	
Capital Projects	619,575
Special Revenues	856,352
Other Purposes	13,095
Unrestricted	1,118,704
TOTAL NET ASSETS	<u>\$ 14,770,823</u>

The Accompanying Notes are an Integral Part of these Statements.

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes In Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
FUNCTIONS				
Primary Government				
Governmental Activities				
Instructions	\$ 14,277,584	\$ 62,354	\$ 1,881,230	\$ (12,334,000)
Debt Service	1,803,930	-	-	(1,803,930)
Instructional Staff Support Services	1,244,492	-	-	(1,244,492)
School Administration	1,115,179	-	-	(1,115,179)
Operation and Maintenance of Plant	2,880,328	-	-	(2,880,328)
Student Support Services	624,063	-	-	(624,063)
General Administration	621,872	-	-	(621,872)
Other Public Instructional Programs (K-12)	472,757	-	-	(472,757)
Site and Capital Improvements	298,472	-	-	(298,472)
Student Transportation	1,169,531	-	-	(1,169,531)
Adult and Community Education	903,961	645,776	46,620	(211,565)
Program Expenditures	784,506	376,650	253,225	(154,631)
Maine State Retirement on Behalf Payments	1,818,159	-	1,818,159	-
Total Governmental Activities	<u>28,014,834</u>	<u>1,084,780</u>	<u>3,999,234</u>	<u>(22,930,820)</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 28,014,834</u></u>	<u><u>\$ 1,084,780</u></u>	<u><u>\$ 3,999,234</u></u>	<u><u>\$ (22,930,820)</u></u>

General Revenues and Special Items:

Taxes:	
Local Assessments - K - 12	\$ 17,922,575
Local Assessments - Adult Education	83,000
State Allocation	4,873,731
Investment Earnings	37,550
Miscellaneous	153,093
Member Contributions	10,704
Transfers Out to Agency Fund	(26,143)
Total General Revenues	<u>23,054,510</u>
Change in Net Assets	123,690
Net Assets - July 1, 2010	<u>14,647,133</u>
Net Assets - June 30, 2011	<u><u>\$ 14,770,823</u></u>

The Accompanying Notes are an Integral Part of these Statements.

REGIONAL SCHOOL UNIT NO. 5
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>School Lunch Program</u>	<u>ARRA Ed Jobs Grant</u>	<u>Durham Elementary Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash/Investments	\$ 2,420,419	\$ 743,884	\$ -	\$ 1,000,108	\$ 211,074	\$ 4,375,485
Accounts Receivable	92,839	14,631	432,273	-	504,081	1,043,824
Due from Other Funds	1,230,068	-	-	-	-	1,230,068
Inventories	-	42,999	-	-	-	42,999
Due from Students	-	2,747	-	-	-	2,747
TOTAL ASSETS	<u>\$ 3,743,326</u>	<u>\$ 804,261</u>	<u>\$ 432,273</u>	<u>\$ 1,000,108</u>	<u>\$ 715,155</u>	<u>\$ 6,695,123</u>
LIABILITIES AND FUND BALANCES:						
Liabilities						
Accounts Payable	\$ 69,553	\$ -	\$ -	\$ 125,977	\$ 53,909	\$ 249,439
Accrued Expenses	198,563	-	-	-	-	198,563
Accrued Salaries	1,809,463	13,364	-	-	52,552	1,875,379
Deferred Revenues	-	-	432,273	-	-	432,273
Due to Other Funds	-	721,613	-	254,556	253,899	1,230,068
Total Liabilities	<u>2,077,579</u>	<u>734,977</u>	<u>432,273</u>	<u>380,533</u>	<u>360,360</u>	<u>3,985,722</u>
Fund Balances						
Restricted for:						
Adult Education	(39,169)	-	-	-	-	(39,169)
Community Education	52,264	-	-	-	-	52,264
Special Revenues	-	69,284	-	-	354,795	424,079
Capital Projects Funds	-	-	-	619,575	-	619,575
Assigned for:						
Use of Fund Balance	494,800	-	-	-	-	494,800
Unassigned	1,157,852	-	-	-	-	1,157,852
Total Fund Balances	<u>1,665,747</u>	<u>69,284</u>	<u>-</u>	<u>619,575</u>	<u>354,795</u>	<u>2,709,401</u>
TOTAL LIABILITIES AND FUND BALANCES:	<u>\$ 3,743,326</u>	<u>\$ 804,261</u>	<u>\$ 432,273</u>	<u>\$ 1,000,108</u>	<u>\$ 715,155</u>	

Amounts reported for governmental activities in the Statement of Net Assets (Statement 1) are different because (see Note 2, also)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	29,167,586
Deferred Revenues reported in the fund statements that do not provide current financial resources are recognized as revenues on the accrual basis statement	432,273
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Bonds Payable	(16,842,879)
Bond Premiums	(20,037)
Capital Leases Payable	(50,227)
Compensated Absences Payable	(533,948)
Accrued Interest	(91,346)
Net Assets of Governmental Activities	<u>\$ 14,770,823</u>

The Accompanying Notes are an Integral Part of these Statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	School Lunch Program	ARRA Ed Jobs Grant	Durham Elementary Construction	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Local Assessments	\$ 18,005,575	\$ -	\$ -	\$ -	\$ -	\$ 18,005,575
Intergovernmental	4,920,351	253,225	-	-	1,448,957	6,622,533
Charges for Services	645,776	365,140	-	-	-	1,010,916
Interest Earned	16,206	-	-	21,344	-	37,550
Intergovernmental on Behalf Payments	1,818,159	-	-	-	-	1,818,159
Miscellaneous	153,093	-	-	-	73,864	226,957
Total Revenues	<u>25,559,160</u>	<u>618,365</u>	<u>-</u>	<u>21,344</u>	<u>1,522,821</u>	<u>27,721,690</u>
EXPENDITURES:						
Instructions	12,644,064	-	-	-	1,621,695	14,265,759
Debt Service	2,696,439	-	-	-	-	2,696,439
Instructional Staff Support Services	1,244,492	-	-	-	-	1,244,492
School Administration	1,115,178	-	-	-	-	1,115,178
Operation and Maintenance of Plant	2,097,175	-	-	-	-	2,097,175
Student Support Services	624,063	-	-	-	-	624,063
General Administration	621,872	-	-	-	-	621,872
Other Public Instructional Programs (K-12)	472,757	-	-	-	-	472,757
Site and Capital Improvements	298,472	-	-	1,449,756	-	1,748,228
Student Transportation	1,163,526	-	-	-	-	1,163,526
Adult Education	270,974	-	-	-	-	270,974
Community Education	632,987	-	-	-	-	632,987
Program Expenditures	-	765,560	-	-	18,946	784,506
Maine State Retirement on Behalf Payments	1,818,159	-	-	-	-	1,818,159
Total Expenditures	<u>25,700,158</u>	<u>765,560</u>	<u>-</u>	<u>1,449,756</u>	<u>1,640,641</u>	<u>29,556,115</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(140,998)	(147,195)	-	(1,428,412)	(117,820)	(1,834,425)
OTHER FINANCING SOURCES (USES):						
Operating Transfer	48,162	105,000	-	(153,162)	(26,143)	(26,143)
Member Contributions	1,541	-	-	-	9,163	10,704
	<u>49,703</u>	<u>105,000</u>	<u>-</u>	<u>(153,162)</u>	<u>(16,980)</u>	<u>(15,439)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(91,295)	(42,195)	-	(1,581,574)	(134,800)	(1,849,864)
FUND BALANCES - JULY 1, 2010	<u>1,757,042</u>	<u>111,479</u>	<u>-</u>	<u>2,201,149</u>	<u>489,595</u>	<u>4,559,265</u>
FUND BALANCES - JUNE 30, 2011	<u>\$ 1,665,747</u>	<u>\$ 69,284</u>	<u>\$ -</u>	<u>\$ 619,575</u>	<u>\$ 354,795</u>	<u>\$ 2,709,401</u>

The reconciliation of the net change in fund balances of governmental funds to the change in net assets in the statement of activities is presented on a separate schedule on the next page

REGIONAL SCHOOL UNIT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds (from Statement 4) \$ (1,849,864)

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because (see Note 1, also):

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period:

Capital Additions	1,449,756
Depreciation	(968,742)
	481,014

Repayment of principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. This is the amount of repayments in the current period:

Capital Lease Repayments	122,940
Long Term Debt Repayment	886,469
	1,009,409

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statement. 432,273

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 6,039

Some expenses reported in the Statement of Activities, such as accrued compensated absences, do not use current financial resources and, therefore, are not reported as expenditures in the governmental funds. 44,819

Change in net assets of governmental activities (see Statement 2) \$ 123,690

The Accompanying Notes are an Integral Part of these Statements.

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Town Assessments (Includes Adult Education)	\$ 18,005,575	\$ 18,005,575	\$ 18,005,575	\$ -
Charges for Services	104,510	104,510	645,776	541,266
State Shared Revenues	4,907,294	4,907,294	4,920,351	13,057
Miscellaneous	5,100	5,100	169,299	164,199
TOTAL REVENUES	<u>23,022,479</u>	<u>23,022,479</u>	<u>23,741,001</u>	<u>718,522</u>
EXPENDITURES - BY FUNCTIONS:				
Instructions	13,068,601	13,043,601	12,644,064	399,537
Debt Service	2,699,735	2,699,735	2,696,439	3,296
Instructional Staff Support Services	1,292,339	1,292,339	1,244,492	47,847
School Administration	1,098,849	1,123,849	1,115,178	8,671
Operation and Maintenance of Plant	2,154,760	2,154,760	2,097,175	57,585
Student Support Services	599,645	599,645	624,063	(24,418)
General Administration	625,672	625,672	621,872	3,800
Other Public Instructional Programs (K-12)	478,916	478,916	472,757	6,159
Student Transportation	1,196,700	1,196,700	1,163,526	33,174
Site Improvements	302,283	302,283	298,472	3,811
Adult Education	234,130	234,130	270,974	(36,844)
Community Education	-	-	632,987	(632,987)
TOTAL EXPENDITURES - BY FUNCTIONS	<u>23,751,630</u>	<u>23,751,630</u>	<u>23,881,999</u>	<u>(130,369)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(729,151)	(729,151)	(140,998)	588,153
OTHER FINANCING SOURCES (USES)				
Transfer Out to School Lunch Program	(105,000)	(105,000)	(105,000)	-
Transfer in from Capital Projects	153,162	153,162	153,162	-
Budgeted Use of Surplus	680,989	680,989	-	(680,989)
Member Contributions	-	-	1,541	1,541
	<u>729,151</u>	<u>729,151</u>	<u>49,703</u>	<u>(679,448)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	(91,295)	(91,295)
FUND BALANCE - JULY 1, 2010	<u>1,757,042</u>	<u>1,757,042</u>	<u>1,757,042</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2011	<u>\$ 1,757,042</u>	<u>\$ 1,757,042</u>	<u>\$ 1,665,747</u>	<u>\$ (91,295)</u>

The Accompanying Notes are an Integral Part of these Statements.

REGIONAL SCHOOL UNIT NO. 5
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS - BUDGETARY BASIS TO THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (GAAP)
 FOR THE YEAR ENDED JUNE 30, 2011

**Explanation of Differences between Budgetary Revenues and Expenditures
 (Statement 6) and GAAP Revenues and Expenditures (Statement 4)**

Revenues

Total Revenues as reported on Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual (Statement 6)	\$ 23,741,001
Differences-budget to GAAP	
On behalf payments for Maine State Retirement Contributions made by the State of Maine	<u>1,818,159</u>
Total Revenues as reported on Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds (Statement 4)	<u>\$ 25,559,160</u>

Expenditures

Total Expenditures as reported on Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual (Statement 6)	\$ 23,881,999
Differences-budget to GAAP	
On behalf payments for Maine State Retirement Contributions made by the State of Maine	<u>1,818,159</u>
Total Expenditures as reported on Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds (Statement 4)	<u>\$ 25,700,158</u>

The Accompanying Notes are an Integral Part of these Statements

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS:	
Cash/Investments	\$ 326,732
Due from General Fund	<u>-</u>
	<u>326,732</u>
LIABILITIES:	
Due to Other Groups	<u>326,732</u>
NET ASSETS:	
Held in Trust for Other Purposes	<u><u>\$ -</u></u>

The Accompanying Notes are an Integral Part of these Statements.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Regional School Unit No. 5 (RSU #5) is a Quasi-Municipal Corporation having received its Certificate of Organization on July 1, 2009, pursuant to Title 20-A and Chapter 103 of the Maine Revised Statutes, as amended. The Regional School's territory includes the Towns of Freeport, Durham, and Pownal, Maine. It provides the educational needs for grades kindergarten through 12 for the residents of these communities. RSU #5 has an eleven member Board of Directors of which six are residents of Freeport, three from Durham, and two from Pownal.

In evaluating RSU #5 as a reporting entity, management has addressed all potential component units for which RSU #5 may or may not be financially accountable and, as such, be includable within RSU #5's basic financial statements. In accordance with GASB Codification, RSU #5 (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on RSU #5. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, RSU #5 has not identified any component units that should be included in the financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The accounting policies of RSU #5 conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements, comprised of the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of RSU #5. Governmental activities are normally supported by member assessments and intergovernmental revenues. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities points out the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function, service, program, or department. 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 requirements of a particular function or segment. Member assessments and other items not properly included among program revenues are reported as general revenues.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. GASB sets forth minimum criteria (percentages of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

The financial transactions of RSU #5 are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The following fund types are used by RSU #5:

Governmental Funds:

Governmental funds are identified as either general, special revenue, or capital projects, based upon the following guidelines.

The *General Fund* is the operating fund of RSU #5 and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Fiduciary Funds (Not included in the government-wide statements:)

Trust and Agency Funds are used to account for assets held by RSU #5 in a trustee capacity or as an agent for individuals, private organizations and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Accrual

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

Modified Accrual

Governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or 60 days thereafter to be used to pay current liabilities. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures, as well as certain compensated absences, claims and judgments are recorded when payment is due. Allocation of costs, such as depreciation, is not recognized in the governmental funds. Reimbursements due for federally funded projects are accrued as revenue at the same time the expenditures are made, or when received in advance, or deferred until expenditures are made.

Budgetary Accounting

Budgets are adopted for the general fund only. Formal budgetary integration is employed as a management control device during the year for the general fund. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. A comparison of budget to actual is presented in these financial statements.

Cash and Investments

RSU #5's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Deposits can only be made in financial institutions insured by the FDIC. RSU #5's policy authorizes investments in obligations of the U. S. Treasury and U. S. Agencies, repurchase agreements, certain certificates of deposit and certain money market funds. RSU #5 invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return. Investments are reported at fair value except for money market investments that have a remaining maturity at time of purchase of one year or less stated at amortized cost.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

School lunch inventories are valued at the lower of cost (first-in, first-out basis) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are defined by RSU #5 as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. These assets are reported in the governmental column in the government-wide financial statements. Such assets are reported at cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets, other than land, is provided on the straight-line basis over their estimated useful lives. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Straight-line depreciation is used based on the following estimated useful lives:

Land Improvements - 15 to 30 years
Buildings and Building Improvements - 20 to 50 years
Furniture and Equipment - 5 to 20 years
Vehicles - 8 to 15 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition. Fixed assets are not capitalized and the related depreciation is not reported in the fund financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets and Fund Equity Classifications

Net assets are required to be classified into the following three components:

Invested in capital assets, net of related debt - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Capital assets	\$ 30,803,144
Accumulated depreciation	(1,635,558)
Bonds and notes payable	<u>(17,004,489)</u>
Total invested in capital assets	
Net of related debt	<u>\$ 12,163,097</u>

Restricted - This component consists of constraints placed on the use of net assets which are externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Balance

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions* (required implementation date of June 2011). The objective of this statement is to enhance the usefulness of fund balance information by providing clearer balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. Classifications are hierarchical and are based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this Standard, the fund balance classifications of reserved, designated, and undesignated were replaced with the following classifications:

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

Restricted - represents those portions of fund equity that have externally enforceable legal restrictions.

Committed - describes the portion of the fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned - reflects the amounts constrained by the RSU #5's "intent" to be used for specific purposes, but are neither restricted nor committed. The School Board has the authority to assign amounts to be used for specific purposes.

Unassigned - represents amounts that are available for any purpose.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

During the course of normal operations, RSU #5 has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions are reported as operating transfers.

Compensated Absences

Pursuant to the terms of the contract agreements, employees can accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirements.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses

Note 2 - RECONCILIATION OF BUDGETARY VS. FUND FINANCIAL STATEMENTS

As required by generally accepted accounting principles (GAAP), RSU #5 has reported a revenue and expenditure for Maine State Retirement contributions in the amount of \$1,818,159 made by the State of Maine on behalf of RSU #5. Since the amount has not been budgeted, there is a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America. The amount has been included as an intergovernmental revenue and expenditure in the General Fund on Statement 4. There is no effect on the fund balance at the end of the year.

Note 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the bank's failure, RSU #5 will not be able to recover the value of its deposits and investments that are in the possession of an outside party.

Deposits

RSU #5 does not have a deposit policy for custodial credit risk. As of June 30, 2011, RSU #5 reported deposits of \$4,699,442 with a bank balance of \$5,223,188. Of RSU #5's bank balances, \$291,488 was covered by FDIC insurance and \$4,931,701 was exposed to custodial credit risk. The balance exposed to custodial credit risk was collateralized by government securities held by the pledging bank, but not in the District's name; no amount was uninsured and uncollateralized.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments

Maine statutes authorize RSU #5 to invest in obligations of the U.S. Treasury and U.S. Agencies and repurchase agreements. RSU #5 has no investment policy that would further limit its investment choices. Generally, RSU #5 invests such excess funds in repurchase agreements.

At June 30, 2011, investments for the governmental activities consisted of the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>
MSMA Pool	\$ 2,774	\$ 2,774

Concentration of Credit Risk

RSU #5 places no limit on the amount invested in any one issuer. All of RSU #5's investments for the governmental activities are in external investment pools.

Note 4 - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payable balances at June 30, 2011 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,230,068	\$ -
Special Revenue Funds		
ARRA State Stabilization	-	132,118
ARRA Title 1A - Disadvantaged	-	267
ARRA Local Entitlement	-	43,603
Title II – Teacher Quality	-	58,659
Title VI - Rural Low-Income	-	343
Preschool	-	8,520
ARRA Preschool	-	2,058
Healthy Maine Partnerships	-	8,331
School Lunch Program	-	721,613
Capital Projects Fund		
Durham Elementary Construction	-	254,556
	<u>\$ 1,230,068</u>	<u>\$ 1,230,068</u>

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 5 - CAPITAL ASSETS

Capital asset activity during the fiscal year:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 447,285	\$ -	\$ -	\$ 447,285
Construction in Progress	<u>13,728,756</u>	<u>-</u>	<u>(13,728,756)</u>	<u>-</u>
Total	<u>14,176,041</u>	<u>-</u>	<u>(13,728,756)</u>	<u>447,285</u>
Capital Assets Being Depreciated:				
Land Improvements	137,240	-	-	137,240
Building and Improvements	13,699,196	15,145,458	-	28,844,654
Transportation	227,243	-	-	227,243
Equipment	<u>1,113,668</u>	<u>33,054</u>	<u>-</u>	<u>1,146,722</u>
Total	<u>15,177,347</u>	<u>15,178,512</u>	<u>-</u>	<u>30,355,859</u>
Accumulated Depreciation:				
Land Improvements	8,413	8,413	-	16,826
Building and Improvements	480,095	783,154	-	1,263,249
Transportation	45,483	54,912	-	100,395
Equipment	<u>132,825</u>	<u>122,263</u>	<u>-</u>	<u>255,088</u>
Total	<u>666,816</u>	<u>968,742</u>	<u>-</u>	<u>1,635,558</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,686,572</u>	<u>\$ 14,209,770</u>	<u>\$ (13,728,756)</u>	<u>\$ 29,167,586</u>

Depreciation was charged to functions as follows:

Operations and Maintenance	\$ 783,155
Transportation	54,912
Instructions	<u>130,675</u>
Total Depreciation	<u>\$ 968,742</u>

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-Term Debt Obligations

The following is a summary of long-term debt transactions of RSU #5 for the year ended June 30, 2011:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Bonds and Notes Payable:					
General Obligation Bonds	\$ 17,729,348	\$ -	\$ (886,469)	\$ 16,842,879	\$ 886,469

General long-term debt consists of the following:

Maine Municipal Bond Bank:

New Durham Elementary School Construction Bond, maturing 11/1/29, annual principal payments of \$886,469 plus semi-annual interest payments; variable interest rate from 2.075% to 5.575%; authorized and issued \$17,729,348.

\$ 16,842,879

The annual requirement to amortize debt outstanding as of June 30, 2011 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 886,469	\$ 538,879	\$ 1,425,348
2013	886,469	519,776	1,406,245
2014	886,469	500,672	1,387,141
2015	886,469	482,278	1,368,747
2016	886,469	463,884	1,350,353
2017-2021	4,432,335	2,015,955	6,448,290
2022-2026	4,432,335	1,219,322	5,651,657
2027-2030	<u>3,545,864</u>	<u>363,682</u>	<u>3,909,546</u>
	<u>\$ 16,842,879</u>	<u>\$ 6,104,448</u>	<u>\$ 22,947,327</u>

Interest expense was \$562,858 for the year.

Under a provision of state law, the State of Maine reimburses RSU #5 for a portion of the financing costs of various approved school construction projects. RSU #5's State aid subsidy is dependent upon continued annual appropriation by the State legislature. State aid for annual principal and interest payments for various school debt obligations were received for the year ended June 30, 2011.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Capital Lease Obligations

RSU #5 leases capital assets under agreements that are classified as capital leases. The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2011, are as follows:

	<i>Year Ending June 30</i>	Amount
	2012	<u>\$ 51,735</u>
Total minimum lease payments		51,735
Less: Amount representing interest		(1,508)
Present value of net minimum lease payments		50,227
Less: Current maturities of capital lease obligations		<u>50,227</u>
Long-term capital lease obligations		<u>\$ -</u>

Note 7 - COMMITMENTS

RSU #5 is obligated to pay their portion of the debt service that has been issued in prior years for their building construction, equipment and vehicle purchases, and various other school projects. The bonds and notes payable are in the name of the Town of Freeport and the Town of Durham, and reported on their financial statements. The following are the amounts that RSU #5 is obligated to pay:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 674,754	\$ 276,696	\$ 951,450
2013	667,181	248,129	915,310
2014	584,290	226,713	811,002
2015	584,290	205,782	790,072
2016	584,290	184,629	768,919
2017-2021	2,657,581	592,567	3,250,149
2022-2026	990,425	171,212	1,161,637
2027-2030	<u>435,340</u>	<u>44,651</u>	<u>479,991</u>
	<u>\$ 7,178,151</u>	<u>\$ 1,950,379</u>	<u>\$ 9,128,530</u>

Note 8 - CONTINGENT LIABILITIES

Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although RSU #5 expects such amounts, if any, to be immaterial.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 - CONTINGENT LIABILITIES (Continued)

Litigation

RSU #5 is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, RSU #5 has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of RSU #5.

Note 9 - OTHER DISCLOSURES

Risk Management

RSU #5 is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which RSU #5 either carries commercial insurance, or participates in a public entity risk pool. Currently, RSU #5 participates in several public entity risk pools sponsored by the Maine School Management Association. Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, RSU #5 is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2011. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past three fiscal years. The amount of unpaid claims was \$0 at June 30, 2011.

Note 10 - RETIREMENT PLAN

Maine State Retirement - Teacher Group

Description of the Plan - All school teachers, and other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. Employee contributions for the year ended June 30, 2011 totaled \$813,763. State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$1,818,159 (17.76%) for the fiscal year 2011. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements (Statement 2 and 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 17.76% of their compensation. This cost amounted to \$72,925 for the year ended June 30, 2011 and is charged to the applicable grant.

In addition, RSU #5 participates in the Social Security Retirement Program. RSU #5's contributions to Social Security were approximately \$334,822 for the year ended June 30, 2011.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 11 - PURPOSE OF STUDENT ACTIVITY FUNDS

The purpose of the Student Activity Funds is to maintain accountability of the various extracurricular activities for the students of Regional School Unit No. 5.

Note 12 - SUBSEQUENT EVENTS

In preparing these financial statements, RSU #5 has evaluated events and transactions for potential recognition or disclosure through February 8, 2012, the date the financial statements were available to be issued.

REGIONAL SCHOOL UNIT NO. 5
JUNE 30, 2011

SUPPLEMENTAL DATA

GENERAL FUND

The General Fund accounts for all revenues and expenditures of RSU #5 which are not accounted for in other funds. Most governmental services are provided by the General Fund including administrative services.

REGIONAL SCHOOL UNIT NO. 5
COMPARATIVE BALANCE SHEETS - GENERAL FUND
JUNE 30, 2011

	<u>2011</u>	<u>2010</u>
ASSETS:		
Cash/Investments	\$ 2,420,419	\$ 2,323,846
Accounts Receivable	92,839	45,462
Due from Other Funds	<u>1,230,068</u>	<u>691,796</u>
TOTAL ASSETS	<u><u>\$ 3,743,326</u></u>	<u><u>\$ 3,061,104</u></u>
LIABILITIES AND FUND BALANCE:		
Liabilities		
Accounts Payable	\$ 69,553	\$ 54,142
Accrued Expenses	198,563	315,822
Accrued Salaries	<u>1,809,463</u>	<u>934,098</u>
	<u>2,077,579</u>	<u>1,304,062</u>
Fund Balance		
Restricted	13,095	124,817
Committed	-	67,652
Assigned	494,800	-
Unassigned	<u>1,157,852</u>	<u>1,564,573</u>
	<u>1,665,747</u>	<u>1,757,042</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 3,743,326</u></u>	<u><u>\$ 3,061,104</u></u>

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Town Assessments (Includes Adult Education of \$83,000)	\$ 18,005,575	\$ 18,005,575	\$ -
Charges for Services:			
Adult Education	104,510	109,159	4,649
Community Education	-	536,617	536,617
	<u>104,510</u>	<u>645,776</u>	<u>541,266</u>
State Shared Revenues:			
General	4,860,674	4,843,805	(16,869)
Medicaid Reimbursement	-	-	-
State Agency Client	-	29,926	29,926
Adult Education Subsidy	46,620	46,620	-
	<u>4,907,294</u>	<u>4,920,351</u>	<u>13,057</u>
Other:			
Interest Earnings	-	16,206	16,206
Miscellaneous	5,100	153,093	147,993
	<u>5,100</u>	<u>169,299</u>	<u>164,199</u>
TOTAL REVENUES	<u>23,022,479</u>	<u>23,741,001</u>	<u>718,522</u>
EXPENDITURES-BY FUNCTIONS:			
Instructions:			
Elementary and Junior High	6,391,043	6,301,811	89,232
Secondary	3,667,961	3,350,427	317,534
Special Education	2,851,239	2,851,945	(706)
Gifted and Talented	133,358	139,881	(6,523)
	<u>13,043,601</u>	<u>12,644,064</u>	<u>399,537</u>
Debt Service:			
Elementary and Junior High	105,423	105,423	-
Secondary	422,770	424,598	(1,828)
Undistributed-System Wide	2,171,542	2,166,418	5,124
	<u>2,699,735</u>	<u>2,696,439</u>	<u>3,296</u>
Instructional Staff Support Services:			
Elementary and Junior High	670,077	626,009	44,068
Secondary	381,600	369,932	11,668
Undistributed-System Wide	240,662	248,551	(7,889)
	<u>1,292,339</u>	<u>1,244,492</u>	<u>47,847</u>
School Administration:			
Elementary and Junior High	818,965	811,330	7,635
Secondary	304,884	303,848	1,036
	<u>1,123,849</u>	<u>1,115,178</u>	<u>8,671</u>

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS (Continued)
YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES-BY FUNCTIONS (Continued):			
Operation and Maintenance of Plant:			
Elementary and Junior High	\$ 1,422,898	\$ 1,370,624	\$ 52,274
Secondary	488,330	487,977	353
Undistributed-System Wide	243,532	238,574	4,958
	<u>2,154,760</u>	<u>2,097,175</u>	<u>57,585</u>
Student Support Services:			
Elementary and Junior High	326,775	332,334	(5,559)
Secondary	272,870	291,729	(18,859)
	<u>599,645</u>	<u>624,063</u>	<u>(24,418)</u>
General Administration:			
Undistributed-System Wide	625,672	621,872	3,800
Other Public Instructional Programs (K-12):			
Elementary	188,936	167,449	21,487
Secondary	289,980	305,308	(15,328)
	<u>478,916</u>	<u>472,757</u>	<u>6,159</u>
Other Outlays:			
Student Transportation	1,196,700	1,163,526	33,174
Site Improvements	302,283	298,472	3,811
Adult Education	234,130	270,974	(36,844)
Community Education	-	632,987	(632,987)
	<u>1,733,113</u>	<u>2,365,959</u>	<u>(632,846)</u>
TOTAL EXPENDITURES-BY FUNCTIONS	<u>23,751,630</u>	<u>23,881,999</u>	<u>(130,369)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(729,151)	(140,998)	588,153
OTHER FINANCING SOURCES (USES):			
Transfer Out to School Lunch Program	(105,000)	(105,000)	-
Transfer In from Capital Projects	153,162	153,162	-
Budget Use of Surplus	680,989	-	(680,989)
Member Contributions - Durham	-	1,541	1,541
	<u>729,151</u>	<u>49,703</u>	<u>(679,448)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (91,295)</u>	<u>\$ (91,295)</u>

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Unassigned</u>	<u>Assigned</u>	<u>Committed</u>	<u>Restricted</u>		
				<u>Adult Education</u>	<u>Community Education</u>	<u>Total</u>
FUND BALANCE - JULY 1, 2010	\$ 1,564,573	\$ -	\$ 67,652	\$ (6,974)	\$ 131,791	\$ 1,757,042
BUDGETED USE OF FUND BALANCE FOR 2012	(494,800)	494,800	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>88,079</u>	<u>-</u>	<u>(67,652)</u>	<u>(32,195)</u>	<u>(79,527)</u>	<u>(91,295)</u>
FUND BALANCE (DEFICIT) - JUNE 30, 2011	<u>\$ 1,157,852</u>	<u>\$ 494,800</u>	<u>\$ -</u>	<u>\$ (39,169)</u>	<u>\$ 52,264</u>	<u>\$ 1,665,747</u>

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.

REGIONAL SCHOOL UNIT NO. 5
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011
 (With Comparative Totals for the Year ended June 30, 2010)

	<u>Title IA Disadvantaged</u>	<u>Title II Teacher Quality</u>	<u>Title IV-A Drug-Free</u>	<u>Local Entitlement</u>	<u>Preschool</u>	<u>Title VI Rural Low Income</u>	<u>Title IID Ed Tech Grant</u>	<u>Student Aspirations</u>	<u>Telecommunications Grant</u>
ASSETS:									
Cash/Investment	\$ 7,185	\$ -	\$ -	\$ 47,521	\$ -	\$ -	\$ -	\$ 29,036	\$ 13,950
Accounts Receivable	31,102	117,481	-	60,583	13,231	892	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 38,287</u>	<u>\$ 117,481</u>	<u>\$ -</u>	<u>\$ 108,104</u>	<u>\$ 13,231</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ 29,036</u>	<u>\$ 13,950</u>
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts Payable	\$ -	\$ 316	\$ -	\$ 9,433	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Salaries	7,185	-	-	28,480	-	-	-	-	-
Due to Other Funds	-	58,659	-	-	8,520	343	-	-	-
	<u>7,185</u>	<u>58,975</u>	<u>-</u>	<u>37,913</u>	<u>8,520</u>	<u>343</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance	31,102	58,506	-	70,191	4,711	549	-	29,036	13,950
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 38,287</u>	<u>\$ 117,481</u>	<u>\$ -</u>	<u>\$ 108,104</u>	<u>\$ 13,231</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ 29,036</u>	<u>\$ 13,950</u>

REGIONAL SCHOOL UNIT NO. 5
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011
 (With Comparative Totals for the Year ended June 30, 2010)

	ARRA Title IA Disadvantaged	ARRA Local Entitlement	ARRA Preschool	ARRA Title IID Ed Tech	Donations	Laptop Protection	ExxonMobil Foundation	Community Education Football	SAMSHA	Let's Go
ASSETS:										
Cash/Investment	\$ -	\$ -	\$ -	\$ -	\$ 51,695	\$ 24,069	\$ 6,281	\$ -	\$ 179	\$ 2,550
Accounts Receivable	13,220	98,422	2,058	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 13,220	\$ 98,422	\$ 2,058	\$ -	\$ 51,695	\$ 24,069	\$ 6,281	\$ -	\$ 179	\$ 2,550
LIABILITIES AND FUND BALANCE:										
Liabilities:										
Accounts Payable	\$ -	\$ 42,818	\$ -	\$ -	\$ -	\$ 297	\$ -	\$ -	\$ 48	\$ -
Accrued Salaries	12,953	3,934	-	-	-	-	-	-	-	-
Due to Other Funds	267	43,603	2,058	-	-	-	-	-	-	-
	13,220	90,355	2,058	-	-	297	-	-	48	-
Fund Balance	-	8,067	-	-	51,695	23,772	6,281	-	131	2,550
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,220	\$ 98,422	\$ 2,058	\$ -	\$ 51,695	\$ 24,069	\$ 6,281	\$ -	\$ 179	\$ 2,550

REGIONAL SCHOOL UNIT NO. 5
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011
 (With Comparative Totals for the Year ended June 30, 2010)

	<u>Mentoring</u>	<u>Health Grant</u>	<u>Dollars for Scholars</u>	<u>Performing Arts Center</u>	<u>RSU Reorganization</u>	<u>Healthy Maine Partnerships</u>	<u>Unemployment Compensation</u>	<u>ARRA State Stabilization</u>	<u>Totals</u>
									<u>2011</u> <u>2010</u>
ASSETS:									
Cash/Investment	\$ 10,497	\$ 442	\$ 1,879	\$ 13,010	\$ 6	\$ -	\$ 2,774	\$ -	\$ 211,074 \$ 296,462
Accounts Receivable	-	-	-	-	-	34,974	-	132,118	387,884
Due from Other Funds	-	-	-	-	-	-	-	-	500
TOTAL ASSETS	<u>\$ 10,497</u>	<u>\$ 442</u>	<u>\$ 1,879</u>	<u>\$ 13,010</u>	<u>\$ 6</u>	<u>\$ 34,974</u>	<u>\$ 2,774</u>	<u>\$ 132,118</u>	<u>\$ 715,155</u> <u>\$ 684,846</u>
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 997	\$ -	\$ -	\$ 53,909 \$ 4,036
Accrued Salaries	-	-	-	-	-	-	-	-	52,552 47,879
Due to Other Funds	-	-	-	-	-	8,331	-	132,118	253,899 143,336
	-	-	-	-	-	9,328	-	132,118	360,360 195,251
Fund Balance	<u>10,497</u>	<u>442</u>	<u>1,879</u>	<u>13,010</u>	<u>6</u>	<u>25,646</u>	<u>2,774</u>	<u>-</u>	<u>354,795</u> <u>489,595</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,497</u>	<u>\$ 442</u>	<u>\$ 1,879</u>	<u>\$ 13,010</u>	<u>\$ 6</u>	<u>\$ 34,974</u>	<u>\$ 2,774</u>	<u>\$ 132,118</u>	<u>\$ 715,155</u> <u>\$ 684,846</u>

REGIONAL SCHOOL UNIT NO. 5
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011
 (With Comparative Totals for the Year ended June 30, 2010)

	Title IA Disadvantaged	Title II Teacher Quality	Title IV-A Drug-Free	Local Entitlement	Preschool	Title VI Rural Low Income	Title IID Ed Tech Grant	Student Aspirations	Telecommunications Grant
REVENUES:									
Intergovernmental	\$ 104,330	\$ 92,033	\$ -	\$ 462,399	\$ 13,231	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	-	-	-	-
	<u>104,330</u>	<u>92,033</u>	<u>-</u>	<u>462,399</u>	<u>13,231</u>	<u>-</u>	<u>-</u>	<u>15,714</u>	<u>-</u>
								<u>15,714</u>	<u>-</u>
EXPENDITURES:									
For Designated Purposes	73,728	107,893	1,232	580,565	23,366	1,378	3,171	17,705	-
	<u>30,602</u>	<u>(15,860)</u>	<u>(1,232)</u>	<u>(118,166)</u>	<u>(10,135)</u>	<u>(1,378)</u>	<u>(3,171)</u>	<u>(1,991)</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES									
OTHER FINANCING SOURCES (USES):									
Member Contributions	-	-	-	-	-	-	-	8,613	-
Operating Transfer In (Out)	-	-	-	-	-	-	-	-	-
								<u>8,613</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES									
	30,602	(15,860)	(1,232)	(118,166)	(10,135)	(1,378)	(3,171)	6,622	-
	<u>500</u>	<u>74,366</u>	<u>1,232</u>	<u>188,357</u>	<u>14,846</u>	<u>1,927</u>	<u>3,171</u>	<u>22,414</u>	<u>13,950</u>
FUND BALANCES - JULY 1									
FUND BALANCES - JUNE 30	<u>\$ 31,102</u>	<u>\$ 58,506</u>	<u>\$ -</u>	<u>\$ 70,191</u>	<u>\$ 4,711</u>	<u>\$ 549</u>	<u>\$ -</u>	<u>\$ 29,036</u>	<u>\$ 13,950</u>

Exhibit 2-2 (Continued)

REGIONAL SCHOOL UNIT NO. 5

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2011

(With Comparative Totals for the Year ended June 30, 2010)

	ARRA Title 1A Disadvantaged	ARRA Local Entitlement	ARRA Preschool	ARRA Title IID Ed Tech	Donations	Laptop Protection	ExxonMobil Foundation	Community Education Football	SAMSHA	Let's Go
REVENUES:										
Intergovernmental	\$ 46,282	\$ 233,422	\$ 4,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	1,232	33,225	2,000	-	-	3,000
	<u>46,282</u>	<u>233,422</u>	<u>4,458</u>	<u>-</u>	<u>1,232</u>	<u>33,225</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
EXPENDITURES:										
For Designated Purposes	46,282	225,355	4,458	2,544	1,638	19,838	598	-	82	2,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	8,067	-	(2,544)	(406)	13,387	1,402	-	(82)	724
OTHER FINANCING SOURCES (USES):										
Member Contributions	-	-	-	-	-	-	-	(26,143)	-	-
Operating Transfer In (Out)	-	-	-	-	-	-	-	(26,143)	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	8,067	-	(2,544)	(406)	13,387	1,402	(26,143)	(82)	724
FUND BALANCES - JULY 1	-	-	-	2,544	52,101	10,385	4,879	26,143	213	1,826
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 8,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,695</u>	<u>\$ 23,772</u>	<u>\$ 6,281</u>	<u>\$ -</u>	<u>\$ 131</u>	<u>\$ 2,550</u>

Exhibit 2-2 (Continued)

REGIONAL SCHOOL UNIT NO. 5
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011
 (With Comparative Totals for the Year ended June 30, 2010)

	<u>Mentoring</u>	<u>Health Grant</u>	<u>Dollars for Scholars</u>	<u>Performing Arts Center</u>	<u>RSU Reorganization</u>	<u>Healthy Maine Partnerships</u>	<u>Unemployment Compensation</u>	<u>ARRA State Stabilization</u>	<u>Totals</u>
REVENUES:									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,147	\$ -	\$ 418,655	\$ 1,448,957
Other	-	-	-	7,183	-	-	11,510	-	73,864
	-	-	-	7,183	-	74,147	11,510	418,655	1,522,821
									1,830,761
EXPENDITURES:									
For Designated Purposes	-	-	-	8,951	10,100	71,880	18,946	418,655	1,640,641
									1,579,948
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(1,768)	(10,100)	2,267	(7,436)	-	(117,820)
									250,813
OTHER FINANCING SOURCES (USES):									
Member Contributions	-	-	-	550	-	-	-	-	9,163
Operating Transfer In (Out)	-	-	-	-	-	-	-	-	(26,143)
	-	-	-	550	-	-	-	-	(16,980)
									238,782
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	-	(1,218)	(10,100)	2,267	(7,436)	-	(134,800)
									489,595
FUND BALANCES - JULY 1	10,497	442	1,879	14,228	10,106	23,379	10,210	-	489,595
FUND BALANCES - JUNE 30	<u>\$ 10,497</u>	<u>\$ 442</u>	<u>\$ 1,879</u>	<u>\$ 13,010</u>	<u>\$ 6</u>	<u>\$ 25,646</u>	<u>\$ 2,774</u>	<u>\$ -</u>	<u>\$ 354,795</u>
									<u>\$ 489,595</u>

FIDUCIARY FUNDS

Fiduciary Funds account for assets held by RSU #5 in a trustee or agent capacity. These include Expendable Trust, NonExpendable Trust and Agency Funds. NonExpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds, since capital maintenance is necessary. Expendable Trust Funds are accounted for in the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not measure the results of operations.

REGIONAL SCHOOL UNIT NO. 5
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2011

		Agency Funds					
		Freeport High School Student Activity Funds (Schedule 1)	Freeport Middle School Student Activity Funds (Schedule 2)	Durham Elementary School Student Activity Funds (Schedule 3)	Pownal Elementary School Student Activity Funds (Schedule 4)	Mast Landing School Student Activity Funds (Schedule 5)	Total
ASSETS:	Community Education Football	49,144					
		\$ 49,144	\$ 171,845	\$ 53,376	\$ 25,409	\$ 13,132	\$ 326,732
LIABILITIES AND NET ASSETS:	Due to Other Groups	49,144	171,845	53,376	25,409	13,132	326,732
TOTAL LIABILITIES AND NET ASSETS		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The following schedules are presented for purposes of additional analysis and are also not a required part of the basic financial statements of Regional School Unit No. 5. Such information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REGIONAL SCHOOL UNIT NO. 5
FREEPORT HIGH SCHOOL STUDENT ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>06/30/10</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06/30/11</u>
Art Club	\$ 100	\$ -	\$ -	\$ 100
Art Supplies	60	30	-	90
Athletics	7,411	123,282	81,865	48,828
Band	775	25,257	13,447	12,585
Basketball Boosters	1,539	690	2,229	-
Beautification Project	-	4,600	424	4,176
Boys Basketball	1,047	-	1,047	-
Girls Basketball	1,710	369	2,079	-
Bradley Fellowship	2,380	3,000	2,138	3,242
Ceramics	208	485	554	139
Chorus	2,093	492	679	1,906
Class 2008	303	-	-	303
Class 2009	135	-	-	135
Class 2011	9,579	1,228	9,236	1,571
Class 2012	3,139	16,599	9,199	10,539
Class 2013	2,546	8,316	6,366	4,496
Class 2014	-	4,972	2,947	2,025
Corliss, Ryan Scholarship	170	5	175	-
Disks	210	-	-	210
Drama General	775	-	-	775
Drama/Musical	5,152	2,650	3,544	4,258
Draper Unity Grant	-	1,000	864	136
English	209	192	275	126
Environment Club	101	-	-	101
Equipment	158	-	-	158
Falcon Newspaper	789	-	-	789
Fiber Arts	841	-	-	841
Field Hockey	727	500	1,227	-
Fishing Club	898	300	-	1,198
Food Labs	3,375	-	3,375	-
Food Classes	-	453	336	117
Football	-	3,500	3,500	-
Foreign Language	413	-	55	358
Garden Grant	-	750	722	28
Gay/Straight All	187	758	50	895
General Fund	17,193	3,471	7,714	12,950
In and Out	553	7,364	7,917	-
Investment Interest	550	86	1,511	(875)
JMG	2,425	1,349	100	3,674
Koval Scholarship	100	-	200	(100)
Lacrosse Boosters	213	-	213	-
Laptop	459	228	100	587
Library	518	124	305	337
Sub-total	<u>69,041</u>	<u>212,050</u>	<u>164,393</u>	<u>116,698</u>

REGIONAL SCHOOL UNIT NO. 5
FREEPORT HIGH SCHOOL STUDENT ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>06/30/10</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06/30/11</u>
Little River	\$ 59	\$ 130	\$ 189	\$ -
Math Department	1,012	-	514	498
Math Team	91	333	280	144
Media Workshop	768	161	-	929
Megan Beane	124	1,135	1,000	259
Melmac Scholarship	1,000	-	-	1,000
Model UN	747	4,365	4,593	519
Muir, Bryce Scholarship	3,502	-	1,500	2,002
National Honor Society	150	65	65	150
NGP	19	-	-	19
One Act Plays	977	1,840	1,692	1,125
PG	2,561	33,851	26,611	9,801
Photography	835	1,396	427	1,804
Postage	328	65	166	227
Principal's Contingency	512	7,057	3,100	4,469
Project Graduation - 2007	1,066	-	-	1,066
PTSO	381	1,270	712	939
Quebec Trip	-	3,650	1,892	1,758
Scholarships	630	3,250	3,250	630
Science	1,040	-	653	387
Science Olympiad	469	450	447	472
Service Club	1,331	-	1,001	330
Ski Boosters	16,051	50	16,101	-
Soccer Boosters	7,010	3,888	10,898	-
Social Planning Board	617	100	-	717
Social Studies	435	-	53	382
Sports Boosters	32,299	-	32,299	-
Student Council	1,296	121	902	515
Student Services	-	8,549	8,116	433
Summer School	7,807	3,100	-	10,907
Sunshine Fund	339	274	461	152
Tech Club	55	-	-	55
Thomas Max Scholarship	2,150	-	1,000	1,150
Track and Field	883	-	883	-
Videography	334	95	160	269
World Affairs Massey	-	2,200	1,110	1,090
XC Track Boosters	3,656	1,269	4,925	-
Yearbook	11,327	19,622	20,000	10,949
Other - Suspense	619	-	619	-
Sub-total	<u>102,480</u>	<u>98,286</u>	<u>145,619</u>	<u>55,147</u>
Grand Total	<u>\$ 171,521</u>	<u>\$ 310,336</u>	<u>\$ 310,012</u>	<u>\$ 171,845</u>

REGIONAL SCHOOL UNIT NO. 5
FREEPORT MIDDLE SCHOOL STUDENT ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>6/30/10</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/2011</u>
Athletics	\$ 979	\$ 279	\$ 105	\$ 1,153
Band	4,060	531	4,112	479
Band-Students	305	1,022	1,053	274
Class 2010	7,956	-	7,956	-
Class 2011	3,084	12,258	11,367	3,975
Class 2012	46	12,423	8,131	4,338
Class 2013	-	22,351	20,179	2,172
Coffee Fund	-	733	700	33
Computers	3,527	3,745	7,272	-
Drama	555	245	135	665
Fab Friday	573	5,196	5,247	522
Favreau-Technology	1,000	601	1,101	500
Future Problem Solvers	580	-	580	-
Gardening Club	2,364	-	1,062	1,302
General Fund	8,146	1,078	7,367	1,857
Guidance	1,211	98	234	1,075
Latham Grant	277	-	-	277
Lets Go Grant	38	-	-	38
Library	186	177	333	30
Magazine Drive	-	13,158	13,158	-
Mrs. Pritchard's Class	-	132	81	51
Musical Performances	-	61	-	61
OM-DI	30	1,550	616	964
Parent Team	1,941	2,523	1,353	3,111
Park Place	484	-	-	484
Peer Helpers	471	-	-	471
Postage	3,057	919	934	3,042
Project Adventure	1,134	-	-	1,134
Puffin Fund	1,863	920	1,905	878
Ripple Effects	-	1,110	1,110	-
Robotics Grant	1,387	-	-	1,387
S.T.E.M.	260	1,599	-	1,859
Scholarship Fund	907	3,169	2,025	2,051
School Photographer Rebate	926	467	1,335	58
Science Club	-	50	50	-
Space Camp	3,460	35,568	26,144	12,884
Special Olympics	384	-	-	384
Student Government	3,220	-	-	3,220
Sunshine Fund	747	27	150	624
Textbooks	370	20	-	390
Touch Tank	-	2,511	2,500	11
Travel Club	2,062	15,449	17,191	320
Unsung Hero Grant	95	-	-	95
Whale Watch	9	-	-	9
Yearbook	4,716	4,335	7,853	1,198
	<u>\$ 62,410</u>	<u>\$ 144,305</u>	<u>\$ 153,339</u>	<u>\$ 53,376</u>

REGIONAL SCHOOL UNIT NO. 5
DURHAM COMMUNITY SCHOOL STUDENT ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>06/30/10</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06/30/11</u>
Calculators	\$ 15	\$ -	\$ -	\$ 15
Computer	336	-	-	336
Dance	1,471	1,596	1,350	1,717
Enrichment	1,419	-	1,419	-
Field Work	2,613	7,666	6,014	4,265
General School	1,731	611	1,781	561
Grade 8	519	2,170	1,344	1,345
Guidance	40	-	-	40
Jeans Day	450	186	649	(13)
Laptop Maintenance	2,002	3,755	3,757	2,000
Library	376	221	170	427
Music	504	630	456	678
Outing Club	-	814	319	495
Referee - Officials	178	-	150	28
Reimbursement	(271)	3,257	2,567	419
Sports Gate	1,704	891	219	2,376
Student Council	(25)	8,366	7,122	1,219
Sunshine Fund	150	1,815	1,790	175
Trips	6,438	2,905	2,336	7,007
T-Shirts	1,030	2,981	2,999	1,012
User Fees	142	1,263	1,381	24
Yard Sale	-	5,093	4,680	413
Yearbook	344	2,580	2,054	870
	<u>\$ 21,166</u>	<u>\$ 46,800</u>	<u>\$ 42,557</u>	<u>\$ 25,409</u>

REGIONAL SCHOOL UNIT NO. 5
POWNALE ELEMENTARY SCHOOL ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>06/30/10</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06/30/11</u>
Anthem La Acct.	\$ 847	\$ -	\$ 595	\$ 252
Art Funds	1,455	-	-	1,455
Assembly Fund	642	-	-	642
Book Foundation	-	1,773	1,100	673
Class Of 2010	1,114	-	360	754
Class Of 2011	83	-	83	-
Class Of 2012	37	320	326	31
Class Of 2013	7	-	-	7
Drama Account	290	1,508	1,592	206
Fun Account	2,369	516	400	2,485
Garden	-	865	806	59
General Account	103	7,585	5,739	1,949
Library Account	508	-	-	508
Middle School Account	274	-	274	-
Postage Account	(114)	740	515	111
Rollerskating	-	250	243	7
Snacks	620	37	-	657
Soda Account	72	488	390	170
Summer Day Camp	565	-	196	369
Sunshine Card	66	300	187	179
Technology A	240	-	-	240
Technology Insurance	943	-	-	943
Youth Foundation	-	4,000	3,306	694
Youth Soccer	402	324	252	474
Yearbook	1,364	-	403	961
	<u>\$ 11,887</u>	<u>\$ 18,706</u>	<u>\$ 16,767</u>	<u>\$ 13,826</u>

REGIONAL SCHOOL UNIT NO. 5
MAST LANDING SCHOOL ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>06/30/10</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06/30/11</u>
Guidance	\$ 386	\$ -	\$ 378	\$ 8
Library	-	1,503	965	538
Music/Art	1,534	2,880	3,250	1,164
Office	6,940	4,336	4,274	7,002
PTC	26,235	33,287	56,367	3,155
School Store	-	362	200	162
Spring Hill	-	3,982	2,999	983
Wellness Program	-	390	270	120
	<u>\$ 35,095</u>	<u>\$ 46,740</u>	<u>\$ 68,703</u>	<u>\$ 13,132</u>