

**REGIONAL SCHOOL UNIT NO. 5
FINANCIAL REPORT**



JUNE 30, 2016

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Berry·Talbot·Royer

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

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

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 Regional School Unit No. 5, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the RSU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 from 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 Regional School Unit No. 5, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the pension schedules on pages 3 - 10 and 34 - 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Regional School Unit No. 5's basic financial statements. Schedules 4 through 11 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 4 through 11 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 4 through 11 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2017, on our consideration of Regional School Unit No. 5'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. 5's internal control over financial reporting and compliance.



Certified Public Accountants
January 31, 2017



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, 2016

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, 2016. 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 \$14,004,174.
Capital assets of the RSU, net of depreciation, totaling \$34,043,799.

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 position* presents information on all of the RSU's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position 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 \$14,004,174 for the fiscal year ended June 30, 2016.

Table 1
Fiscal Year Ended June 30, 2016
Statement of Net Position

	Governmental Activities	
	2016	2015
Current and other assets	\$ 14,199,242	\$ 5,376,235
Capital assets	34,043,799	27,717,514
Total assets	<u>48,243,041</u>	<u>33,093,749</u>
Deferred outflows of resources	<u>640,916</u>	<u>584,833</u>
Current and long-term liabilities	<u>34,771,784</u>	<u>22,753,954</u>
Deferred inflows of resources	<u>107,999</u>	<u>142,178</u>
Net position		
Investment in capital assets	10,345,611	8,591,657
Restricted	27,792	451,351
Unrestricted	<u>3,630,771</u>	<u>1,739,442</u>
Total net position	<u>\$ 14,004,174</u>	<u>\$ 10,782,450</u>

Most of the RSU's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of restricted and unrestricted amounts. Restricted 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 2016 net book value of fixed assets (capital assets, net of depreciation) by asset class.

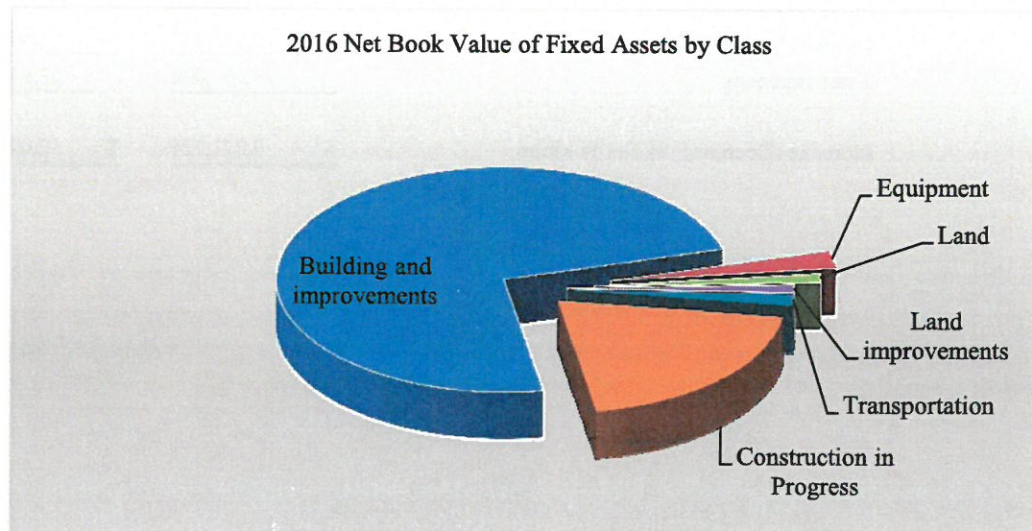


Chart A – Net Book Value of Fixed Asset Classes

Table 2 presents a summary of the RSU's changes in net position for the fiscal year ended June 30, 2016.

Table 2
Fiscal Year ended June 30, 2016
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 1,190,066	\$ 1,135,999
Operating grants and contributions	2,408,264	2,594,197
<i>General revenues:</i>		
Town assessments	23,732,886	21,481,345
Subsidies	5,664,650	5,526,111
Interest earned	18,782	2,784
Miscellaneous	143,078	113,226
Total revenues	33,157,726	30,853,662
Expenses		
Student and staff support	2,625,379	2,396,719
School administration	1,361,759	1,197,705
Facilities maintenance	3,248,224	2,972,863
Career and technical education	512,000	506,151
Crossing guards	1,022	921
Regular instruction	11,592,163	11,095,494
Other instruction	657,084	681,743
System administration	698,299	691,899
Transportation services	1,437,322	1,405,103
Debt service	446,147	619,546
Special education services	4,226,931	3,779,204
Capital improvement and fuel expenses	-	242,578
Adult education	157,568	146,550
Community education	708,069	682,782
Program expenditures	812,781	811,160
On-behalf payments	1,451,254	1,600,798
Total expenses	29,936,002	28,831,216
Increase (Decrease) in Net Position	\$ 3,221,724	\$ 2,022,446

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

Table 3
Fiscal Year ended June 30, 2016
Net Cost of Governmental Activities

Function/Program:	Total Cost of Services	Net Cost of Services
Instruction and support	\$ 19,613,557	\$ (18,783,350)
Transportation	1,437,322	(1,437,322)
Facilities maintenance	3,248,224	(3,248,224)
Administration	2,060,058	(2,060,058)
Debt service	446,147	(446,147)
Other	3,130,694	(362,571)
Total governmental activities	<u>\$ 29,936,002</u>	<u>\$ (26,337,672)</u>

General Fund Revenues Budget to Actual Summary

Revenues:	Budget	Actual	Variance
Town assessments	\$ 23,732,886	\$ 23,732,886	\$ -
Intergovernmental	5,474,560	5,803,362	328,802
Other	115,680	148,950	33,270
	<u>\$ 29,323,126</u>	<u>\$ 29,685,198</u>	<u>\$ 362,072</u>

The following chart depicts program revenues by source.

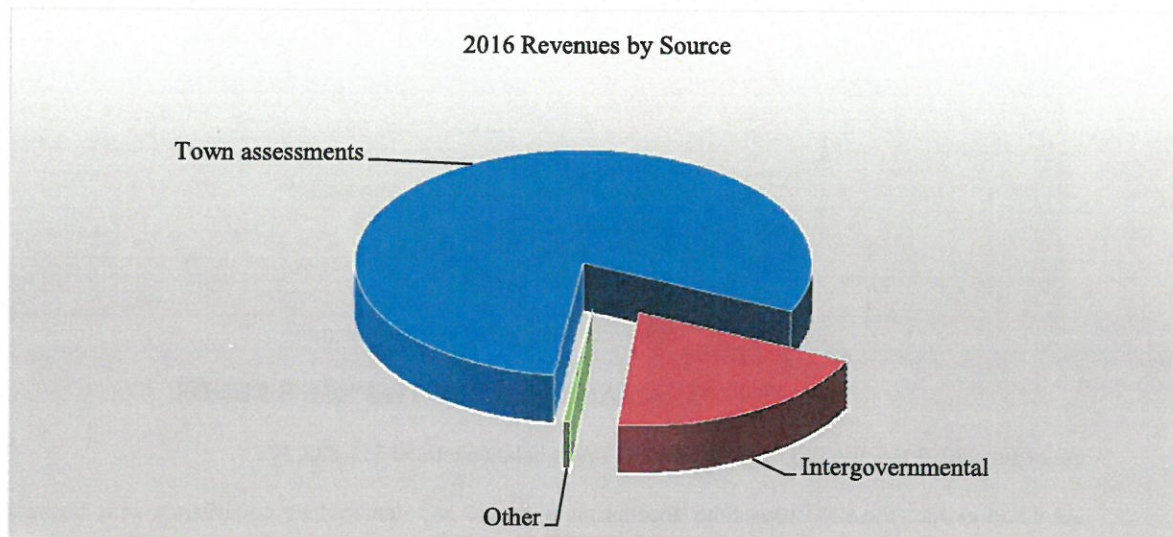


Chart B – Revenues by Source

General Fund Expenditures Budget to Actual Summary

	Budget	Actual	Variance
Expenditures:			
Student and staff support	\$ 2,877,216	\$ 2,630,992	\$ 246,224
School administration	1,383,752	1,365,151	18,601
Facilities maintenance	3,542,952	3,421,527	121,425
Crossing guard	512,001	512,000	1
Career and technical education	1,400	1,022	378
Regular instruction	12,350,647	11,337,130	1,013,517
Other instruction	676,475	670,050	6,425
System administration	802,282	719,964	82,318
Transportation services	1,625,627	1,520,824	104,803
Debt service	1,701,717	1,701,716	1
Special education services	4,019,982	3,838,405	181,577
Capital Improvement and Fuel Expenses	101,270	-	101,270
Adult education	123,183	161,987	(38,804)
	<u>\$ 29,718,504</u>	<u>\$ 27,880,768</u>	<u>\$ 1,837,736</u>

Chart C graphically depicts expenditures by function.

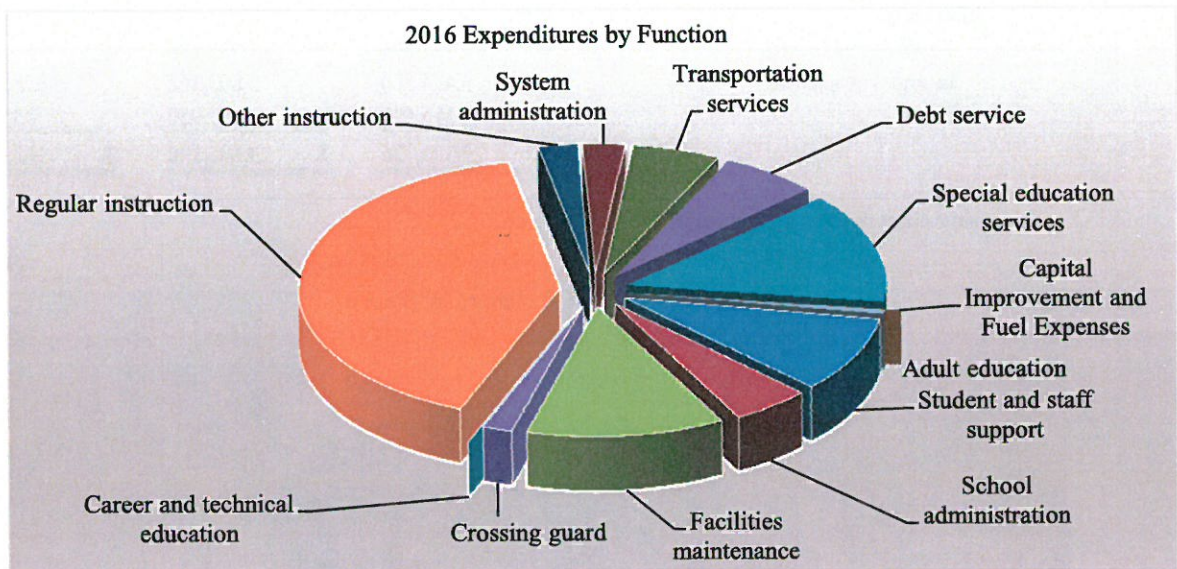


Chart C – Expenditures by Function

FINANCIAL ANALYSIS OF THE RSU'S FUNDS

As of June 30, 2016, the RSU's governmental funds balance totaled \$11,822,242.

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, 2016, the RSU had \$34,043,799 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

Table 4
Governmental Activities Capital Assets
(Net of Depreciation)

	<u>2016</u>	<u>2015</u>
Land	\$ 447,285	\$ 447,285
Land improvements	384,185	249,505
Building and building improvements	24,941,983	25,256,126
Equipment and vehicles	1,430,528	1,206,366
Construction in progress	6,839,818	558,232
	<u>\$ 34,043,799</u>	<u>\$ 27,717,514</u>

DEBT ADMINISTRATION

At the end of the year RSU had a total of \$30,131,887 of general obligation long-term debt. In addition, the capital lease purchase obligations for the buses, vans, and technology equipment totaled \$182,678.

The following is a summary of long-term debt transactions and capital lease obligations of the RSU for the year ended June 30, 2016.

Table 5
Fiscal Year Ended June 30, 2016
General Long Term Debt and Lease Obligations

	<u>General Long-term Debt and Lease Obligations</u>	
	<u>2016</u>	<u>2015</u>
Debt payable at July 1	\$ 18,992,732	\$ 19,626,798
Debt additions	12,894,278	1,042,786
Debt retired	<u>(1,572,445)</u>	<u>(1,676,852)</u>
Debt payable at June 30	<u>\$ 30,314,565</u>	<u>\$ 18,992,732</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The total 2015-2016 RSU5 citizen approved operating budget was \$29,490,203. Anticipated State Aid to Education and local revenues accounted for \$5,757,317, with \$16,203,019 as the required local share, \$7,133,834 as the local additional required, and \$396,033 as the non-shared debt service. Local assessment for the approved 2015-2016 budget are broken down as follows: Durham \$4,707,653; Freeport \$16,548,807; Pownal \$2,476,426.

For the third year in a row, a new Superintendent has joined RSU5. 2015-2016 Superintendent Edward R. McDonough resigned as of June 30, 2016, and the Board of Directors hired Dr. Becky J. Foley as of July 1, 2016. On December 15, 2016 Michelle R. Lickteig replaced Kelly M. Wentworth as the Director of Finance and Human Resources. Kelly M. Wentworth served as the Director of Finance and Human Resources since September of 2010.

Construction continues on additions, renovations, and improvements to the Freeport High School building, grounds and facilities that were approved by voters on November 5, 2013. The new addition is anticipated to open in January of 2017 and the renovations to the existing building will be completed by August of 2017. On January 20, 2017 the voters of RSU5 will be voting on a referendum for a track and turf field project at Freeport High School. Members of the Tri Town Track and Field group have fundraised approximately \$2,300,000 for the \$4,100,000 project.

Administration, staff, and the Board worked creatively to create a responsible operating budget for the 2016-2017 school year. The increase over the previous year's budget was \$1,518,469 over the previous year's budget. The 2016-2017 budget includes the first full principal and interest payment on the FHS Renovation and Addition Bond, as well as increases in nursing, guidance, social work, and professional development throughout the district.

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.

BASIC FINANCIAL STATEMENTS

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS:	
Cash/investments	\$ 13,050,194
Cash held by third party	51,795
Accounts receivable	1,067,042
Inventories	27,891
Due from fiduciary funds	2,320
Capital assets:	
Land	447,285
Construction in progress	6,839,819
Other capital assets, net of depreciation	<u>26,756,695</u>
Total capital assets	<u>34,043,799</u>
TOTAL ASSETS	<u>48,243,041</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	640,916
 LIABILITIES:	
Accounts payable	441,548
Accrued expenses	333,598
Accrued salaries and benefits	1,601,854
Current portion of long-term debt, (including current portion of bond premiums of \$114,262)	<u>2,366,758</u>
Total current liabilities	<u>4,743,758</u>
 Long-term liabilities	
Compensated absences payable	673,458
Accrued interest	199,012
Long-term debt, (including long-term portion of bond premiums of \$928,246)	28,990,315
Net pension liability	<u>165,241</u>
Total non-current liabilities	<u>30,028,026</u>
TOTAL LIABILITIES	<u>34,771,784</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions	107,999
 NET POSITION:	
Net investment in capital assets	10,345,611
Restricted	27,792
Unrestricted	<u>3,630,771</u>
TOTAL NET POSITION	<u>\$ 14,004,174</u>

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
FUNCTIONS				
Primary government				
Governmental activities				
Student and staff support	\$ 2,625,379	\$ -	\$ -	\$ (2,625,379)
School administration	1,361,759	-	-	(1,361,759)
Facilities maintenance	3,248,224	-	-	(3,248,224)
Career and technical education	512,000	-	-	(512,000)
Crossing guards	1,022	-	-	(1,022)
Regular instruction	11,592,163	174,932	254,016	(11,163,215)
Other instruction	657,084	-	-	(657,084)
System administration	698,299	-	-	(698,299)
Transportation services	1,437,322	-	-	(1,437,322)
Debt service	446,147	-	-	(446,147)
Special education services	4,226,931	-	401,259	(3,825,672)
Adult education	157,568	-	28,923	(128,645)
Community education	708,069	678,249	-	(29,820)
Program expenditures	812,781	336,885	272,812	(203,084)
MainePERS on-behalf payments	1,451,254	-	1,451,254	-
Total governmental activities	<u>29,936,002</u>	<u>1,190,066</u>	<u>2,408,264</u>	<u>(26,337,672)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 29,936,002</u>	<u>\$ 1,190,066</u>	<u>\$ 2,408,264</u>	

General revenues and special items:

Taxes:

Local assessments - K - 12	23,649,886
Local assessments - adult education	83,000
State allocation	5,664,650
Investment earnings	18,782
Miscellaneous	143,078
	<u>29,559,396</u>

Change in net position	3,221,724
Net Position - June 30, 2015	<u>10,782,450</u>
Net Position - June 30, 2016	<u>\$ 14,004,174</u>

REGIONAL SCHOOL UNIT NO. 5
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>High School Renovation Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash/investments	\$ 253,129	\$ 11,982,151	\$ 814,914	\$ 13,050,194
Cash held by third party	51,795	-	-	51,795
Accounts receivable	26,855	-	1,040,187	1,067,042
Due from other funds	5,481,169	-	193,514	5,674,683
Inventories	-	-	27,891	27,891
TOTAL ASSETS	<u>\$ 5,812,948</u>	<u>\$ 11,982,151</u>	<u>\$ 2,076,506</u>	<u>\$ 19,871,605</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 108,435	\$ 303,965	\$ 29,148	\$ 441,548
Accrued expenses	333,598	-	-	333,598
Accrued salaries and benefits	1,582,303	-	19,551	1,601,854
Due to other funds	-	3,856,108	1,816,255	5,672,363
Total liabilities	<u>2,024,336</u>	<u>4,160,073</u>	<u>1,864,954</u>	<u>8,049,363</u>
Fund balances:				
Nonspendable	-	-	27,891	27,891
Restricted for:				
Special revenues	-	-	27,792	27,792
Capital projects funds	-	7,822,078	-	7,822,078
Committed for:				
Capital improvements and fuel oil expenditures	232,880	-	-	232,880
Assigned for:				
Use of fund balance	946,000	-	-	946,000
Special revenues	-	-	395,020	395,020
Unassigned (deficit)	<u>2,609,732</u>	<u>-</u>	<u>(239,151)</u>	<u>2,370,581</u>
Total fund balances	<u>3,788,612</u>	<u>7,822,078</u>	<u>211,552</u>	<u>11,822,242</u>
TOTAL LIABILITIES AND FUND BALANCES:	<u>\$ 5,812,948</u>	<u>\$ 11,982,151</u>	<u>\$ 2,076,506</u>	<u>\$ 19,871,605</u>

The reconciliation of the ending fund balances of governmental funds to the net position in the statement of net position is presented on a separate schedule on the next page.

REGIONAL SCHOOL UNIT NO. 5
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

Net change in fund balances - total governmental funds (from Statement 3) **\$ 11,822,242**

Amounts reported for governmental activities in the Statement of Net Position (Statement 1) are different because (see Note 2 of Notes to the Required Supplementary Information, also):

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 34,043,799

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	\$ (30,131,887)	
Bond premiums	(1,042,508)	
Capital leases payable	(182,678)	
Compensated absences payable	(673,458)	
Accrued interest	(199,012)	
	(32,229,543)	(32,229,543)

Adjustments related to pensions

Unamortized deferred outflows of resources - pensions	640,916	
Unamortized deferred inflows of resources - pensions	(107,999)	
Net pension liability	(165,241)	367,676

Net position of governmental activities (see Statement 1) **\$ 14,004,174**

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	High School Renovation Project	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Local assessments	\$ 23,732,886	\$ -	\$ -	\$ 23,732,886
Intergovernmental	5,803,362	-	928,087	6,731,449
Charges for services	-	-	1,015,134	1,015,134
Interest earned	5,872	12,910	-	18,782
Intergovernmental on-behalf payments	1,451,254	-	-	1,451,254
Miscellaneous	143,078	-	65,139	208,217
Total revenues	<u>31,136,452</u>	<u>12,910</u>	<u>2,008,360</u>	<u>33,157,722</u>
EXPENDITURES:				
Student and staff support	2,630,992	-	-	2,630,992
School administration	1,365,151	-	-	1,365,151
Facilities maintenance	3,421,527	-	-	3,421,527
Career and technical education	512,000	-	-	512,000
Crossing guard	1,022	-	-	1,022
Regular instruction	11,337,130	-	289,859	11,626,989
Other instruction	670,050	-	-	670,050
System administration	719,964	-	-	719,964
Transportation services	1,520,824	-	-	1,520,824
Debt service	1,701,716	-	-	1,701,716
Special education services	3,838,405	-	401,259	4,239,664
Adult education	161,987	-	-	161,987
Capital Improvements and Fuel Expenses	-	6,362,455	-	6,362,455
Program expenditures	-	-	1,522,370	1,522,370
Maine state retirement on-behalf payments	1,451,254	-	-	1,451,254
Total expenditures	<u>29,332,022</u>	<u>6,362,455</u>	<u>2,213,488</u>	<u>37,907,965</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,804,430	(6,349,545)	(205,128)	(4,750,243)
OTHER FINANCING SOURCES (USES):				
Bond and capital lease proceeds	256,278	12,638,000	-	12,894,278
Bond premiums	-	1,091,645	-	1,091,645
Transfers in (out)	(202,718)	-	202,718	-
	53,560	13,729,645	202,718	13,985,923
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,857,990	7,380,100	(2,410)	9,235,680
FUND BALANCES - JULY 1, 2015	<u>1,930,622</u>	<u>441,978</u>	<u>213,962</u>	<u>2,586,562</u>
FUND BALANCES - JUNE 30, 2016	<u>\$ 3,788,612</u>	<u>\$ 7,822,078</u>	<u>\$ 211,552</u>	<u>\$ 11,822,242</u>

The reconciliation of the net change in fund balances of governmental funds to the change in net position 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, 2016

Net change in fund balances - total governmental funds (from Statement 5) **\$ 9,235,680**

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because (see Note 2 in Notes to the Required Supplementary Information, 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	\$ 7,344,647	
Depreciation	<u>(1,018,362)</u>	6,326,285

Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments in the current period:

Loan proceeds	(12,638,000)	
Capital lease proceeds	(256,278)	
Capital lease repayments	101,688	
Long-term debt repayment	<u>1,470,757</u>	(11,321,833)

Certain 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.

Change in accrued compensated absences	23,070	
Change in deferred bond premiums	(1,026,924)	
Change in accrued interest	(81,471)	
District pension contribution	480,973	
Cost of benefits earned net of employee contributions	<u>(414,056)</u>	(1,018,408)

Change in net position of governmental activities (see Statement 2) **\$ 3,221,724**

REGIONAL SCHOOL UNIT NO. 5
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency Funds</u>
ASSETS:	
Cash/investments	\$ 310,731
LIABILITIES:	
Accounts payable	500
Due to other funds	2,320
Due to other groups	<u>307,911</u>
	<u>310,731</u>
NET POSITION:	
Held in trust for other purposes	<u><u>\$ -</u></u>

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 the Government Accounting Standards Board (GASB), 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 GASB is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

The financial statements of RSU #5 have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied 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 position and the statement of activities, report information on all the non-fiduciary activities of RSU #5. The statement of net position presents the financial condition of the governmental activities of RSU #5 at fiscal yearend. 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 service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and direct expenses identifies the extent to which each program is self-financing or draws from the general revenues of RSU #5.

Fund Financial Statements

Fund financial statements report detailed information about RSU #5. Since the focus is on major funds rather than reporting funds by type, each major fund is presented in a separate 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flow takes place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized (recorded) in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within 60 days after the end of the fiscal year. Revenue sources susceptible to accrual include intergovernmental revenues and investment earnings. Special grant program revenues are recognized in accordance with the terms of the grants, generally at the time program funds are expended. Expenditures are recognized when the corresponding liabilities are incurred, except for principal and interest on general long-term debt, which are recognized when due, and compensated absences, which are recognized when paid to the employees. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

Fund Accounting

RSU#5 uses individual funds to maintain its financial records during the year in order to aid financial management and to demonstrate legal compliance. 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 funds 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). The High School Renovation Project is a major capital projects fund. This fund is used to account for activity that is related to the High School Renovation Project.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Private-purpose 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. These funds are not incorporated into the government-wide 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.

Cash Held by Third Parties

Cash held by third parties includes amounts held in trust for RSU #5 by the Maine School Management Association's (MSMA) Unemployment Compensation Trust Fund (UCTF).

Inventories

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

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business. Governmental fund type receivables consist primarily of amounts due from the state or federal governments. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year and are considered collectible. As such, no allowance for doubtful accounts is recorded.

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	11 to 30 years
Buildings and Building Improvements	6 to 50 years
Furniture and Equipment	3 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.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 net position. Bond premiums and discounts are deferred and amortized over the life of the bonds based on the percentage of the each year's interest expense to the total interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. RSU #5 has deferred outflows of resources of \$640,916 related to a pension obligation as of June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. RSU #5 has deferred inflows of resources of \$107,999 related to a pension obligation as of June 30, 2016.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the MainePERS State Employee and Teacher Plan (the Plan), the Participating Local District Plan (PLD), and additions to/deductions from the Plan and PLD's fiduciary net position have been determined on the same basis as they are reported by the Plan and the PLD. The Plan and PLD's net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions were measured at June 30, 2015, the latest measurement data available.

Net Position and Fund Equity Classifications

Net position is required to be classified in the government-wide statements into the following three components:

Net Investment in Capital Assets - 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	\$ 40,650,625
Accumulated depreciation	(6,606,826)
Bonds, notes, and leases payable	(23,083,697)
Accrued interest	(150,773)
Accrued bond premiums	<u>(463,718)</u>
Net investment in capital assets	<u>\$ 10,345,611</u>

Restricted - This component consists of constraints placed on the use of net position 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.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Equity Classifications (Continued)

Unrestricted - This component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Balance

In the fund financial statements, governmental fund balance is presented in five possible categories that comprise a hierarchy based on the extent to which RSU#5 is bound to honor constraints on the specific purposes for which those funds can be spent. The categories are as follows:

Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. RSU #5 classifies inventory per Statement 3, for the school lunch program under this category.

Restricted - represents those portions of fund equity on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

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.

RSU #5 has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds on the combined balance sheet of the governmental funds and fiduciary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements.

Operating transfers are used to move unrestricted resources from various funds to finance programs that the District must account for in other funds in accordance with budgetary authorizations.

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 retirement.

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.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: 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, 2016, RSU #5 reported deposits of \$13,360,925 with a bank balance of \$15,053,438. Of RSU #5's bank balances, \$8,759,063 was covered by FDIC insurance and \$6,294,375 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 RSU#5's name.

Cash Held by Third Parties

RSU #5 owns assets held by Maine School Management Association. These amounts are invested by the custodians in money market accounts or similar very low risk investment vehicles that invest in US government obligations. Management believes the custodial credit risk of these assets to be low. As of June 30, 2016, the carrying value of amounts held by the MSMA Unemployment Compensation Trust Fund was \$51,795. Carrying value approximates fair value. None of the underlying securities are in RSU #5's name.

NOTE 3: INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Individual interfund receivables and payable balances at June 30, 2016 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 5,481,169	\$ -
High school renovation project	-	3,856,108
Nonmajor special revenue	193,514	1,816,255
Agency funds	-	2,320
	<u>\$ 5,674,683</u>	<u>\$ 5,674,683</u>

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized account.

Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 202,718
Nonmajor special revenue	202,718	-
	<u>\$ 202,718</u>	<u>\$ 202,718</u>

Operating transfers are used to move unrestricted resources from various funds to finance programs that the District must account for in other funds in accordance with budgetary authorizations.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: CAPITAL ASSETS

Capital asset activity during the fiscal year:

	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016
Capital assets not being depreciated				
Land	\$ 447,285	\$ -	\$ -	\$ 447,285
Construction in progress	558,232	6,281,586	-	6,839,818
Total capital assets not being depreciated	<u>1,005,517</u>	<u>6,281,586</u>	<u>-</u>	<u>7,287,103</u>
Capital assets being depreciated				
Land improvements	299,673	154,780	-	454,453
Buildings and improvements	29,777,105	466,523	-	30,243,628
Transportation	909,561	173,810	-	1,083,371
Equipment	1,314,122	267,948	-	1,582,070
Total capital assets being depreciated	<u>32,300,461</u>	<u>1,063,061</u>	<u>-</u>	<u>33,363,522</u>
Total capital assets	33,305,978	7,344,647	-	40,650,625
Less: Accumulated depreciation				
Land improvements	50,168	20,100	-	70,268
Buildings and improvements	4,520,979	780,666	-	5,301,645
Transportation	424,750	87,867	-	512,617
Equipment	592,567	129,729	-	722,296
Total accumulated depreciation	<u>5,588,464</u>	<u>1,018,362</u>	<u>-</u>	<u>6,606,826</u>
Total net capital assets	<u>\$ 27,717,514</u>	<u>\$ 6,326,285</u>	<u>\$ -</u>	<u>\$ 34,043,799</u>

Depreciation was charged to functions as follows:

Operations and maintenance	\$ 806,687
Transportation	89,363
School lunch	3,283
Instructions	117,334
Administration	1,695
Total depreciation	<u>\$ 1,018,362</u>

Included in the capital assets above are capital assets that were obtained with capital leases. They are as follows:

	Cost	Accumulated Depreciation
Instruction	\$ 125,254	\$ 31,164
Transportation	173,810	3,104
Total	<u>\$ 299,064</u>	<u>\$ 34,268</u>

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term liability activity of RSU #5 for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable					
General obligation bonds	\$ 18,964,644	\$ 12,638,000	\$ (1,470,757)	\$ 30,131,887	\$ 2,155,234
Capital leases payable	28,088	256,278	(101,688)	182,678	97,262
Total bonds and notes payable	18,992,732	12,894,278	(1,572,445)	30,314,565	2,252,496
Compensated absences	696,528	-	(23,070)	673,458	-
	<u>\$ 19,689,260</u>	<u>\$ 12,894,278</u>	<u>\$ (1,595,515)</u>	<u>\$ 30,988,023</u>	<u>\$ 2,252,496</u>

NOTE 6: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-Term Debt Obligations

General long-term debt payable consists of the following:

Town of Freeport

2008 General Obligation Bond-Freeport High School Heating; maturing on 7/15/2017; annual principal payments of \$55,000; interest rate of 2.92%; authorized and issued \$570,000.

\$ 110,000

Town of Freeport

2011 General Obligation Refunding Bond - Middle School; maturing on 11/15/2022; annual principal payments of \$144,432 - \$147,955; variable interest rate between 4% and 5%; original authorized and issued \$3,285,000.

722,159

Town of Freeport

2011 General Obligation Refunding Bond - High School; maturing on 11/15/2022; annual principal payments of \$215,000 - \$220,000; variable interest rate between 4% and 5%; original authorized and issued \$4,491,000.

1,535,000

Town of Freeport

2011 General Obligation Refunding Bond - Admin Office; maturing on 11/15/2022; annual principal payments of \$11,250 - \$12,500; variable interest rate between 4% and 5%; original authorized and issued \$250,000.

72,500

Maine Municipal Bond Bank

2003 Durham Room; maturing on 11/1/2018; annual principal payments of \$40,000; variable interest rate between 2.08% and 4.23%; authorized and issued \$600,000.

120,000

Maine Municipal Bond Bank

2009 Durham New Building; maturing on 11/1/2029; annual principal payments of \$108,835; variable interest rate from 2.08% to 5.58%; authorized and issued \$2,176,696.

1,523,690

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

Long-Term Debt Obligations (Continued)

Maine Municipal Bond Bank

2009 Series C Durham Elementary New Building; maturing on 8/27/2029; annual principal payments of \$886,467; interest rate of 3.78%; authorized and issued \$17,729,348.

12,410,538

US Bank

2015 General Obligation Bond-Freeport High School Renovation Project; maturing on November 1, 2035; annual principal payments of \$680,000; variable interest rate between 2.50% and 5.00%; authorized \$14,638,009 and issued \$13,638,000.

13,638,000

\$ 30,131,887

The annual requirement to amortize debt outstanding as of June 30, 2016 is as follows:

Year Ending			
June 30	Principal	Interest	Total
2017	\$ 2,155,234	\$ 1,137,402	\$ 3,292,636
2018	2,152,234	1,062,306	3,214,540
2019	2,097,234	982,975	3,080,209
2020	2,057,234	905,435	2,962,669
2021	2,055,983	818,375	2,874,358
2022-2026	8,832,760	2,833,204	11,665,964
2027-2031	7,381,208	1,194,583	8,575,791
2032-2036	3,400,000	271,150	3,671,150
	<u>\$ 30,131,887</u>	<u>\$ 9,205,430</u>	<u>\$ 39,337,317</u>

Interest expense was \$945,920 for the year.

The payments to the Town of Freeport represent the reimbursements for the Freeport School Department bonds payable that were outstanding as of July 1, 2009, when the Freeport School Department joined Regional School Unit No. 5.

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, 2016.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, are as follows:

	Year Ending	
	June 30,	Amount
	2017	\$ 102,595
	2018	87,897
Total minimum lease payments		190,492
Amount representing interest		(7,814)
Present value of net minimum lease payments		182,678
Current maturities of capital lease obligations		(97,262)
Long-term capital lease obligations		<u>\$ 85,416</u>

NOTE 7: 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.

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 8: 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, 2016. 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, 2016.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The MainePERS State Employee and Teacher Plan (the Plan) is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2015 there were 231 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 Participating Local District (PLD) Plan is a multiple-employer cost sharing plan. Eligible employers (districts) are defined in Maine statute. As of June 30, 2015 there were 286 employers in the plan.

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 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 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 or 65. 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.

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.

Financial Reporting

Both the SET Plan and the PLD Plan issues stand-alone financial reports which can be found at:

<http://www.maineopers.org/Publications/Publications.htm#Annual Reports>

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Member and Employer Contributions

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

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

RSU #5's proportionate share of the net pension liability	\$ 129,517
State's proportionate share of the net pension liability associated with RSU #5	<u>2,479,630</u>
Total	<u>\$ 2,609,147</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The RSU's proportion of the net pension liability was based on a projection of the RSU's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, for the SET plan, the RSU's proportion was 0.009593%, which was a decrease of 0.001512% from its proportion measured as of June 30, 2014. At June 30, 2015, for the PLD plan, the District's proportion was 0.011198%, which was a decrease of 0.003049% from its proportion measured as of June 30, 2014.

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There were no changes in assumptions for the State Employee and Teacher Plan. For the PLD Consolidated Plan, the change in the discount rate from 7.25% to 7.125% was the only change in assumption in the 2015 valuation.

For the year ended June 30, 2016, the RSU recognized pension expense of \$1,865,312 and revenue of \$1,451,254 for support provided by the State related to the SET plan. At June 30, 2016, the RSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9: DEFINED BENEFIT PENSION PLAN (continued)

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

	SET Plan		PLD Plan		Net of Both Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 899	\$ 1,443	\$ 4,588	\$ 1,443	\$ 5,487
Change of assumptions	3,568	-	3,157	-	6,725	-
Net difference between projected and actual earnings on pension plan investments	27,406	33,263	11,026	13,724	38,432	46,987
Changes in proportion and differences between employer contributions and proportionate share of contributions	107,374	48,708	5,969	6,817	113,343	55,525
RSU #5's contributions subsequent to the measurement date	475,829	-	5,144	-	480,973	-
Total	<u>\$ 614,177</u>	<u>\$ 82,870</u>	<u>\$ 26,739</u>	<u>\$ 25,129</u>	<u>\$ 640,916</u>	<u>\$ 107,999</u>

\$466,752 reported as deferred outflows of resources related to pensions resulting from RSU #5's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SET Plan	PLD Plan	Total
Fiscal year 2017	\$ 65,036	\$ (862)	\$ 64,174
Fiscal year 2018	(12,172)	(862)	(13,034)
Fiscal year 2019	(4,236)	(4,567)	(8,803)
Fiscal year 2020	6,851	2,756	9,607
Total	<u>\$ 55,479</u>	<u>\$ (3,535)</u>	<u>\$ 51,944</u>

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. These same methods and assumptions were used in the actuarial valuation as of June 30, 2014, except as noted.

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.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9: DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Cost Method (continued)

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 Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year. For the actuarial valuation, as of June 30, 2014, the net pension liability of the PLD Consolidated Plan was 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 2014, compounded annually; for the PLD Plan, 7.125% per annum for the year ended June 30, 2015 and 7.25% per annum for the year ended June 30, 2014, compounded annually.

Salary Increases, Merit and Inflation - State employees, 3.50% to 10.50% per year; Teachers, 3.50% to 13.50% per year; 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 and participating local districts, 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 the year ended June 30, 2015, and 2.55% per annum for State employees and teachers for the year ended June 30, 2014, and 3.12% for participating local districts for the year ended June 30, 2014.

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 of June 30, 2014 are summarized in the following table:

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9: DEFINED BENEFIT PENSION PLAN (continued)

Amortization (continued)

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

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2015 for each of the plans and 7.125% for 2014 for the State Employee and Teacher Plan, and 7.25% for 2014 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.

Sensitivity of the RSU's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table shows how the collective net pension liability/(asset) as of June 30, 2015 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rates are 7.125% for each of the Plans.

	1% Decrease (6.125%)	Discount Rate (7.125%)	1% Increase (8.125%)
SET Plan:			
RSU #5's proportionate share of the net pension liability	\$ 226,753	\$ 129,517	\$ 48,530
PLD Plan			
Net pension liability	<u>71,172</u>	<u>35,724</u>	<u>2,116</u>
Total	<u>\$ 297,925</u>	<u>\$ 165,241</u>	<u>\$ 50,646</u>

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9: DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial report.

NOTE 10: COMPONENTS OF FUND BALANCE

As of June 30, 2016, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund:					
Capital reserve	\$ -	\$ -	\$ 132,880	\$ -	\$ -
Fuel reserve	-	-	100,000	-	-
Use of fund balance	-	-	-	946,000	-
Unassigned	-	-	-	-	2,609,732
School lunch program	27,891	-	-	-	(239,151)
Other governmental funds:					
Special revenues					
Local entitlement grant	-	129	-	-	-
Getting to proficiency grant	-	27,663	-	-	-
Student aspirations	-	-	-	29,035	-
Donations	-	-	-	40,266	-
Laptop protection	-	-	-	24,754	-
SAMSHA	-	-	-	101	-
Mentoring	-	-	-	10,497	-
Dollars for scholars	-	-	-	1,879	-
Performing arts center	-	-	-	31,136	-
Adult education	-	-	-	35,671	-
Community education	-	-	-	221,681	-
Capital projects					
High school renovation project	-	7,822,078	-	-	-
Total	<u>\$ 27,891</u>	<u>\$ 7,849,870</u>	<u>\$ 232,880</u>	<u>\$ 1,341,020</u>	<u>\$ 2,370,581</u>

NOTE 11: DEFICIT FUND BALANCE

RSU #5's Special Revenue School Lunch Program is carrying forward a fund deficit as of June 30, 2016. This deficit will be funded by future operations.

NOTE 12: 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 13: SUBSEQUENT EVENTS

In preparing these financial statements, RSU #5 has evaluated events and transactions for potential recognition or disclosure through January 31, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL SCHOOL UNIT NO. 5
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Town assessments (includes adult education of \$83,000)	\$ 23,732,886	\$ 23,732,886	\$ 23,732,886	\$ -
State shared revenues:				
General	5,426,837	5,426,837	5,664,650	237,813
State agency client	18,800	18,800	109,789	90,989
Adult education subsidy	28,923	28,923	28,923	-
	<u>5,474,560</u>	<u>5,474,560</u>	<u>5,803,362</u>	<u>328,802</u>
Other:				
Interest earnings	4,900	4,900	5,872	972
Adult education miscellaneous	-	-	13,100	13,100
Miscellaneous	110,780	110,780	129,978	19,198
	<u>115,680</u>	<u>115,680</u>	<u>148,950</u>	<u>33,270</u>
TOTAL REVENUES	<u>29,323,126</u>	<u>29,323,126</u>	<u>29,685,198</u>	<u>362,072</u>
EXPENDITURES-BY FUNCTIONS:				
Student and staff support	2,837,476	2,877,216	2,630,992	246,224
School administration	1,365,040	1,383,752	1,365,151	18,601
Facilities maintenance	3,541,592	3,542,952	3,421,527	121,425
Career and technical education	512,001	512,001	512,000	1
Crossing guard	1,400	1,400	1,022	378
Regular instruction	12,462,716	12,350,647	11,337,130	1,013,517
Other instruction	676,475	676,475	670,050	6,425
System administration	778,805	802,282	719,964	82,318
Transportation services	1,596,847	1,625,627	1,520,824	104,803
Debt service	1,701,717	1,701,717	1,701,716	1
Special education services	4,019,982	4,019,982	3,838,405	181,577
Other outlays:				
Capital improvements and fuel expenses	101,270	101,270	-	101,270
Adult education	123,183	123,183	161,987	(38,804)
TOTAL EXPENDITURES-BY FUNCTIONS	<u>29,718,504</u>	<u>29,718,504</u>	<u>27,880,768</u>	<u>1,837,736</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(395,378)</u>	<u>(395,378)</u>	<u>1,804,430</u>	<u>2,199,808</u>

REGIONAL SCHOOL UNIT NO. 5
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (395,378)	\$ (395,378)	\$ 1,804,430	\$ 2,199,808
OTHER FINANCING SOURCES (USES):				
Capital lease proceeds	275,000	275,000	256,278	(18,722)
Transfer out to school lunch program	(188,152)	(188,152)	(188,152)	-
Transfer from (to) special revenue fund	11,260	11,260	(14,566)	(25,826)
TOTAL OTHER FINANCING SOURCES (USES)	<u>98,108</u>	<u>98,108</u>	<u>53,560</u>	<u>(44,548)</u>
BUDGETARY SURPLUS (DEFICIT)	<u>\$ (297,270)</u>	<u>\$ (297,270)</u>	<u>\$ 1,857,990</u>	<u>\$ 2,155,260</u>
 COMPONENTS OF THE SCHOOL'S BUDGETARY SURPLUS (DEFICIT)				
Committed				
Capital improvement reserve	\$ (1,270)	\$ (1,270)	\$ 442	
Fuel stabilization reserve	(100,000)	(100,000)	100,000	
Assigned				
Use of fund balance	(196,000)	(196,000)	-	
Adult education	-	-	(14,437)	
Unassigned	-	-	1,771,985	
	<u>\$ (297,270)</u>	<u>\$ (297,270)</u>	<u>\$ 1,857,990</u>	

REGIONAL SCHOOL UNIT NO. 5
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MAINEPERS STATE EMPLOYEE AND TEACHER PLAN
EMPLOYER ID: TS005

For the Fiscal Year Ended	RSU #5's proportion of the net pension liability	RSU #5's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with RSU #5	Total	RSU #5's covered- employee payroll	RSU #5's	
						proportionate share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.009593%	\$ 129,517	\$ 2,479,630	\$ 2,609,147	\$ 12,399,394	1.04%	81.18%
2014	0.011105%	119,971	2,313,309	2,433,280	12,360,183	0.97%	83.91%
2013	0.017422%	276,984	5,204,320	5,481,304	11,528,980	2.40%	76.85%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, RSU #5 will present information for those years for which information is available.

See Notes to Required Supplementary Information.

REGIONAL SCHOOL UNIT NO. 5
SCHEDULE OF THE DISTRICT'S EMPLOYER CONTRIBUTIONS
MAINEPERS STATE EMPLOYEE AND TEACHER PLAN
EMPLOYER ID: TS005

For the Fiscal Year Ended	Contractually required contributions	RSU #5's contributions in relation to the contractually required contributions	RSU #5's contribution deficiency (excess)	RSU #5's covered- employee payroll	RSU #5's contributions as a percentage of its covered-employee payroll
SET Plan:					
2015	\$ 343,962	\$ 343,962	\$ -	\$ 12,399,394	2.77%
2014	341,412	341,412	-	12,360,183	2.76%
2013	12,187	12,187	-	11,528,980	0.11%
PLD Plan:					
2015	4,577	4,577	-	58,682	7.80%
2014	4,655	4,655	-	71,615	6.50%
2013	3,059	3,059	-	57,711	5.30%
Total					
2015	348,539	348,539	-	12,458,076	2.80%
2014	346,067	346,067	-	12,431,798	2.78%
2013	15,246	15,246	-	11,586,691	0.13%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, RSU #5 will present information for those years for which information is available.

See Notes to Required Supplementary Information.

REGIONAL SCHOOL UNIT NO. 5
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 \$1,451,254 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 5. There is no effect on the fund balance at the end of the year.

Explanation of the Differences between General Fund Budgetary Comparison Schedule Revenues and Expenditures (Schedule 1) and General Fund GAAP Revenues and Expenditures (Statement 5) are as follows:

Revenues

Total Revenues as reported on Budgetary Comparison Schedule	
Budget and Actual- Budgetary Basis (Schedule 1)	\$ 29,685,198
Differences-budget to GAAP	
On behalf payments for Maine State Retirement Contributions	
made by the State of Maine	<u>1,451,254</u>
Total Revenues as reported on Statement of Revenues, Expenditures	
and Changes in Fund Balances-Governmental Funds (Statement 5)	<u>\$ 31,136,452</u>

Expenditures

Total Expenditures as reported on Budgetary Comparison Schedule	
Budget and Actual- Budgetary Basis (Schedule 1)	\$ 27,880,768
Differences-budget to GAAP	
On behalf payments for Maine State Retirement Contributions	
made by the State of Maine	<u>1,451,254</u>
Total Expenditures as reported on Statement of Revenues, Expenditures,	
and Changes in Fund Balances-Governmental Funds (Statement 5)	<u>\$ 29,332,022</u>

OTHER SUPPLEMENTARY INFORMATION

REGIONAL SCHOOL UNIT NO. 5
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	ASSETS				Total Assets
	Cash/ Investments	Due from Other Funds	Accounts Receivable	Inventories	
Special Revenue Funds					
Title 1A disadvantaged	\$ -	\$ -	\$ 180,585	\$ -	\$ 180,585
IDEA local entitlement grant	-	-	754,326	-	754,326
IDEA preschool grant	-	-	9,862	-	9,862
Getting to proficiency	-	27,663	-	-	27,663
PEPG development grant	-	-	-	-	-
Improving teacher quality	-	-	45,310	-	45,310
Student aspirations	8,634	20,401	-	-	29,035
Donations	-	40,266	-	-	40,266
Laptop protection	-	25,119	-	-	25,119
SAMSHA	-	101	-	-	101
Mentoring	-	10,497	-	-	10,497
Dollars for scholars	-	1,879	-	-	1,879
Performing arts center	-	31,136	-	-	31,136
Adult Education Enrichment	-	36,452	1,761	-	38,213
Community education	764,725	-	3,475	-	768,200
School nutrition program	41,555	-	44,868	27,891	114,314
Total Special Revenues	\$ 814,914	\$ 193,514	\$ 1,040,187	\$ 27,891	\$ 2,076,506

REGIONAL SCHOOL UNIT NO. 5
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	LIABILITIES AND FUND BALANCE				
	Accounts Payable	Accrued Salaries	Due to Other Funds	Fund Balance	Total Liabilities and Fund Balance
Special Revenue Funds					
Title 1A disadvantaged	\$ -	\$ 16,922	\$ 163,663	\$ -	\$ 180,585
IDEA local entitlement grant	11,186	-	743,011	129	754,326
IDEA preschool grant	-	-	9,862	-	9,862
Getting to proficiency	-	-	-	27,663	27,663
PEPG development grant	-	-	-	-	-
Improving teacher quality	2,046	-	43,264	-	45,310
Student aspirations	-	-	-	29,035	29,035
Donations	-	-	-	40,266	40,266
Laptop protection	365	-	-	24,754	25,119
SAMSHA	-	-	-	101	101
Mentoring	-	-	-	10,497	10,497
Dollars for scholars	-	-	-	1,879	1,879
Performing arts center	-	-	-	31,136	31,136
Adult Education Enrichment	2,542	-	-	35,671	38,213
Community education	12,898	2,564	531,057	221,681	768,200
School nutrition program	111	65	325,398	(211,260)	114,314
Total Special Revenues	\$ 29,148	\$ 19,551	\$ 1,816,255	\$ 211,552	\$ 2,076,506

REGIONAL SCHOOL UNIT NO. 5
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fund Balances Beginning of Year	Program Revenues		Transfers In (Out)	Program Expenditures	Fund Balances End of Year
		Intergovern- mental	Other			
Special Revenue Funds						
Title 1A disadvantaged	\$ -	\$ 180,575	\$ -	\$ -	\$ 180,575	\$ -
IDEA local entitlement grant	-	391,147	-	129	391,147	129
IDEA preschool grant	-	10,112	-	-	10,112	-
Getting to proficiency	9,374	23,529	-	-	5,240	27,663
PEPG development grant	-	4,600	-	-	4,600	-
Improving teacher quality	-	45,312	-	-	45,312	-
Student aspirations	25,010	-	15,541	-	11,516	29,035
Donations	33,529	-	7,600	-	863	40,266
Laptop protection	26,406	-	32,058	-	33,710	24,754
SAMSHA	101	-	-	-	-	101
Mentoring	10,497	-	-	-	-	10,497
Dollars for scholars	1,879	-	-	-	-	1,879
Performing arts center	29,239	-	9,940	-	8,043	31,136
Adult Ed Enrichment	-	-	65,888	14,437	44,654	35,671
Community education	255,920	-	678,249	-	712,488	221,681
School nutrition program	(177,993)	272,812	270,997	188,152	765,228	(211,260)
Total Special Revenues	\$ 213,962	\$ 928,087	\$ 1,080,273	\$ 202,718	\$ 2,213,488	\$ 211,552

REGIONAL SCHOOL UNIT NO. 5
COMBINING STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
JUNE 30, 2016

		Agency Funds						
		Student Activity Funds						
		Durham		Pownal		Total		
		Freeport High School (Schedule 7)	Freeport Middle School (Schedule 8)	Elementary School (Schedule 9)	Elementary School (Schedule 10)		Mast Landing School (Schedule 11)	
ASSETS:								
Cash/investment	\$ 5,035	\$ 185,046	\$ 44,539	\$ 43,888	\$ 7,602	\$ 24,621	\$	\$ 310,731
LIABILITIES:								
Accounts payable	500	-	-	-	-	-	-	500
Due to other funds	2,320	-	-	-	-	-	-	2,320
Due to other groups	2,215	185,046	44,539	43,888	7,602	24,621	24,621	307,911
	5,035	185,046	44,539	43,888	7,602	24,621	24,621	310,731
TOTAL NET POSITION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2016

	Balance 6/30/2015	Receipts	Disbursements	Balance 6/30/2016
5210 Grant	\$ 800	\$ 403	\$ 790	\$ 413
Amnest International	161	-	-	161
Art Club	150	1,746	1,709	187
Arthur Albert Smth Scholarship	-	14,000	13,840	160
Athletics	50,325	105,139	107,589	47,875
Band	5,109	2,292	2,316	5,085
Bradley Fellowship	1,833	1,017	2,850	-
Ceramics	108	420	182	346
Chorus	1,059	638	434	1,263
Chrome BookRepair	-	200	-	200
Class of 2008	1,015	-	-	1,015
Class 2011	1,970	-	1,970	-
Class 2012	1,811	-	790	1,021
Class 2013	791	-	-	791
Class 2014	9,072	-	3,889	5,183
Class 2015	21,332	512	16,391	5,453
Class 2016	7,226	47,942	33,965	21,203
Class 2017	4,108	18,994	11,241	11,861
Class 2018	1,454	7,514	2,057	6,911
Class 2019	-	9,362	3,054	6,308
Drama/Musical	3,848	10,218	7,925	6,141
Engineering Class	76	3,800	1,733	2,143
English	134	-	-	134
Environment Club(EARTH)	-	1,197	293	904
FHS Art Fund	-	3,400	3,400	-
Fishing Club	2,109	-	-	2,109
Foreign Language	32	-	-	32
Friends of FHS	-	440	-	440
Gay/Straight All	820	-	144	676
General Fund	872	-	-	872
HARRIS DONATION	-	500	500	-
Health Team	252	-	252	-
Homecoming	3,685	1,687	1,239	4,133
JMG	2,725	7,992	6,598	4,119
Laptop	132	-	-	132
LATIN CLUB	6	1,673	1,645	34
Library	701	48	60	689
Math Department	96	148	244	-
Math Team	316	244	428	132
Subtotal	<u>124,128</u>	<u>241,526</u>	<u>227,528</u>	<u>138,126</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, 2016

	Balance 6/30/2015	Receipts	Disbursements	Balance 6/30/2016
Media Workshop	\$ 259	\$ -	\$ 259	\$ -
Melmac Scholarship	3,000	2,000	2,000	3,000
Model UN	1,954	7,195	8,992	157
National Honor Society	56	-	-	56
NYC Trip	5,748	-	5,065	683
One Act Plays	2,310	2,484	3,496	1,298
PG 6 2012	(790)	790	-	-
PG 2014	(2,927)	4,851	-	1,924
PG 2015	(150)	150	-	-
PG 2016	3,575	-	3,575	-
Photography	1,608	-	-	1,608
Principal's Contingency	8,946	22,564	23,041	8,469
PG 6 2013	311.00	-	-	311
PTSO	257	3,046	1,606	1,697
Quebec Trip	479	1,050	1,504	25
Recycling Service Project	490.00	-	-	490
Scholarships	3,455	6,185	3,950	5,690
Science	326	499	499	326
Science Olympiad	405	-	48	357
Social Studies	142	-	-	142
Staff Wellness Initiative	1,140	2,196	2,937	399
Student Council	346	-	-	346
Student Needs Fund	-	256	-	256
Student Services	2,054	15,046	14,893	2,207
Summer Math	-	2,800	2,800	-
Summer School	6,475	4,025	1,079	9,421
Sunshine Fund	632	119	610	141
Thomas Boat Grant	31	-	-	31
Thomas Max Scholarship	150	-	-	150
Videography	171	10	87	94
World Quest	575	-	-	575
Yearbook	1,449	25,647	20,029	7,067
Sub-total	<u>42,477</u>	<u>100,913</u>	<u>96,470</u>	<u>46,920</u>
Grand Total	<u>\$ 166,605</u>	<u>\$ 342,439</u>	<u>\$ 323,998</u>	<u>\$ 185,046</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, 2016

	<u>Balance</u> <u>6/30/2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/2016</u>
Athletics	\$ 148	\$ 123	\$ 162	\$ 109
Art Club	-	262	262	-
Band-Students	-	975	845	130
Bicycle Coalition Grant	47	-	47	-
Bradley Grant	1,415	1,525	2,348	592
Class 2015	329	-	329	-
Class 2016	161	-	-	161
Class 2017	152	13,755	13,907	-
Class 2018	-	19,646	19,646	-
Coffee Fund	-	640	640	-
Drama	4,149	7,449	6,384	5,214
Experiential Learning	115	-	115	-
Fab Friday	2,611	9,469	9,715	2,365
Favreau-Technology	1,931	-	273	1,658
Field Trip	60	44	104	-
FLS & Choices	130	149	243	36
Gardening Club	395	-	56	339
General Fund	3,051	13,277	11,212	5,116
GT	913	-	-	913
Guidance	514	-	19	495
Health Wellness	2,000	248	2,248	-
Interact Club	-	550	530	20
JMG	1,288	-	444	844
Latham Grant	277	-	277	-
Lets Go Grant	38	-	38	-
Library	224	2,875	2,884	215
Lisa Roney	100	-	-	100
Magazine Drive	50	5,429	5,463	16
Mrs. Pritchard's Class	51	-	-	51
Musical Performances	7,393	-	-	7,393
O'Brien-Science	1,135	-	-	1,135
OM-DI	407	11,784	10,576	1,615
Parent Team	3,236	4,390	3,232	4,394
Peer Helpers	118	-	-	118
Postage	2,908	1,132	3,383	657
Project Adventure	1,494	200	1,428	266
Puffin Fund	717	2,110	1,000	1,827
Robotics Grant	222	-	-	222
Scholarship Fund	1,037	1,710	1,568	1,179
Space Camp	4,810	30,552	34,210	1,152
Sports Boosters	5,467	-	168	5,299
Sunshine Fund	116	270	253	133
Touch Tank	11	-	-	11
Travel Club	366	26,841	26,928	279
Yearbook	492	2,178	2,185	485
	<u>\$ 50,078</u>	<u>\$ 157,583</u>	<u>\$ 163,122</u>	<u>\$ 44,539</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, 2016

	Balance 6/30/2015	Receipts	Disbursements	Balance 6/30/2016
Dance	\$ 608	\$ 1,390	\$ 878	\$ 1,120
Drama	2,129	1,494	490	3,133
ExxonMobil	151	-	53	98
Field Work	2,243	-	-	2,243
General school	3,713	8,577	10,886	1,404
Grade 8	368	4,676	3,533	1,511
Jeans Day	1	-	-	1
JMG	46	1,147	405	788
Library	532	50	95	487
Math	-	598	175	423
Music	1,496	395	223	1,668
Outing Club	908	3,635	3,513	1,030
PTA Fieldwork Support	-	345	345	-
Reimbursement	206	2,283	1,608	881
Sports Gate	1,208	-	-	1,208
Student Council	884	754	100	1,538
Telecommunications	4,066	-	-	4,066
Trips	15,860	16,228	10,465	21,623
Yearbook	663	2,169	2,166	666
	<u>\$ 35,082</u>	<u>\$ 43,741</u>	<u>\$ 34,935</u>	<u>\$ 43,888</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, 2016

	<u>Balance</u> <u>6/30/2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/2016</u>
Art Funds	\$ 1,431	\$ -	\$ 1,431	\$ -
Assembly Fund	642	-	425	217
Class of 2014	323	2,306	2,162	467
Class of 2015	179	-	-	179
Drama Account	312	371	631	52
Eco Maine	346	-	258	88
FPD Grant	-	600	-	600
Fun Account	976	1,430	794	1,612
Garden	39	-	-	39
General Account	393	3,567	2,959	1,001
Library Account	508	-	-	508
Library Grant	260	-	232	28
Postage Account	26	394	420	-
Snacks	642	-	-	642
Summer Day Camp	369	-	-	369
Sunshine Card	19	301	320	-
Water and Soda account	65	122	149	38
Wellness	1,761	-	691	1,070
Yearbook	421	-	-	421
Youth Soccer	336	336	401	271
	<u>\$ 9,048</u>	<u>\$ 9,427</u>	<u>\$ 10,873</u>	<u>\$ 7,602</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, 2016

	<u>Balance</u> <u>6/30/2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/2016</u>
Bradley Foundation	\$ 2,314	\$ 2,672	\$ 2,203	\$ 2,783
Cole Grant	7	-	-	7
Drama	-	1,625	185	1,440
Fpad Grant	2,260	1,900	2,853	1,307
Fuel Up To Play 60	1,384	-	-	1,384
Guidance	29	-	-	29
Library	889	768	1,221	436
Music/Art	150	2,210	2,148	212
Office	943	4,636	5,249	330
PTC	10,707	34,344	28,535	16,516
School Store	125	361	389	97
Wellness Program	120	-	40	80
	<u>\$ 18,928</u>	<u>\$ 48,516</u>	<u>\$ 42,823</u>	<u>\$ 24,621</u>

