

**MAINE SCHOOL ADMINISTRATIVE
DISTRICT NO. 28**

Annual Financial Statements

For the Year Ended June 30, 2016

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Financial Statements
For the Year Ended June 30, 2016

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Independent Auditor's Report

Board of Directors
Maine School Administrative District No. 28

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 Maine School Administrative District No. 28, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 for Maine School Administrative District No. 28, as of June 30, 2016, and the respective changes in financial position, and the budgetary comparison for the General Fund 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 management's discussion and analysis, the schedule of District's proportionate share of net pension liability, and the schedule of District's contributions, as listed on the table of contents, 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 historic 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 Maine School Administrative District No. 28's basic financial statements. The combining and individual fund financial statements and agency schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Maine Department of Education, and is not a required part of the basic financial statements.

The combining and individual fund financial statements, agency schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements, agency schedules, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of Maine School Administrative District No. 28'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 Maine School Administrative District No. 28's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Remya Kristen Ouellette".

October 21, 2016
South Portland, Maine

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Management's Discussion and Analysis
June 30, 2016

In this section of the Annual Financial Report, the managers of MSAD #28 discuss and analyze the District's financial performance for the fiscal year ended June 30, 2016. Please read it in conjunction with the independent auditors' report on pages 1-3, and the District's Basic Financial Statements which begin on page 11.

Financial Highlights

The District's net position for FY 2016 was \$6,913,267; an increase of \$609,664 over last year as a result of this year's operations.

During the year, the District had expenses that were \$609,664 less than the \$14,406,956 revenues generated in tax and other revenues.

The General Fund ended the year with a \$1,078,918 GAAP balance compared to last year's balance of \$606,667 which includes the accrued teacher summer salaries amounts.

Long-term debt has decreased by \$826,739. The District continues to pay down the debt services for previous construction projects and capital leases.

Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds.

Reporting on the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements use the accrual basis of accounting, which is the basis, used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Maine in the form of annual foundation allocations and debt service subsidies.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Management's Discussion and Analysis, Continued

All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or the property tax base of its member communities and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

Governmental activities - Most of the District's basic services are reported here, including the instruction, guidance, co-curricular activities, food services, transportation, maintenance, and general administration. Annual assessments to member communities, State subsidies, tuition, fees, and federal grants finance most of these activities.

Business-type activities - Activities that are intended to recover all or a significant portion of their cost through user fees and charges are reported as business type activities. The District currently does not report any business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District only has two types of funds; Governmental funds and Fiduciary funds. Both types of funds are discussed in further detail below.

Governmental funds - All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statement of Fiduciary Net Position on page 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Trust and Agency Funds - The District oversees two Trust and Agency type accounts including the individual accounts established by each school for student activities. The District is financially accountable for the accounts.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Management's Discussion and Analysis, Continued

Government-wide Financial Analysis

Our analysis focuses on the net position (Statement 1) and changes in net position (Statement 2) of the District's governmental activities.

NET POSITION		
Governmental Activities		
	2016	2015
Current and other assets	\$ 3,127,396	\$ 2,634,431
Capital assets	16,239,290	16,881,949
Total assets	19,366,686	19,516,380
Deferred outflows related to pensions	241,252	235,081
Long-term liabilities	11,331,287	12,158,026
Other liabilities	1,354,867	1,237,811
Total liabilities	12,686,154	13,395,837
Deferred inflows related to pensions	8,517	52,021
Net investment in capital assets	5,071,300	4,874,413
Restricted	376,233	545,595
Unrestricted	1,465,734	883,595
Total net position	\$ 6,913,267	\$ 6,303,603
CHANGE IN NET POSITION		
Governmental Activities		
Revenues:		
Program revenues:		
Charges for services	\$ 482,008	\$ 502,524
Operating grants and contributions	1,470,957	1,476,198
Capital grants and contributions	88,630	-
General revenues:		
Local assessments	11,910,062	11,467,633
State allocations	440,110	442,691
Investment earnings	1,998	1,733
Miscellaneous/(loss on disposal)	12,336	4,007
Total revenues	14,406,101	13,894,786
Expenses:		
Administration	1,023,479	1,036,461
Instruction	5,098,579	4,887,943
Other instruction	91,898	85,850
Student and staff support	798,201	762,394
Special education	1,698,781	1,614,493
Operation and maintenance of plant	2,232,469	2,145,099
Transportation	567,938	650,875
Maine PERS - on-behalf payments	732,292	855,462
Debt service - interest	411,631	488,602
Capital maintenance expenses	214,791	-
School lunch program	344,604	314,479
School grants and other programs	581,774	459,820
Total expenses	13,796,437	13,301,478
Change in net position	\$ 609,664	\$ 593,308

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Management's Discussion and Analysis, Continued

The District's total revenues increased by 3%. The total cost of all programs and services was \$13,796,347.

The District increased the local assessment by an average of .68%.

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet in Statement 3) reported a combined fund balance of \$1,843,501.

The District's General Fund balance of \$1,078,918 reported on Statement 4 occurs due to auditing standards that require accrued summer wages to be included in the prior year's budget. The District reports certain revenues and expenditures in different periods for statutory and financial reporting purposes. The District books and the State of Maine MEDMS information accurately state a balance of \$2,267,636 for the General Fund.

Capital Asset and Debt Administration

Capital Assets

Significant capital asset additions during 2016 included:

Blue Bird School Bus - \$85,540
Student Computer Equipment - \$65,327
Playground Equipment - \$14,155
New Well Pump - \$55,025

Debt

At year-end, the District had \$11,167,990 in bonds and notes outstanding through local banks and capital leases, down \$839,546 from last year.

Economic Factors and Next Year's Budget and Rates

The Members of the District's Board of Directors approved a fiscal year 2017 budget of \$13,116,780 or a 1.79% increase with the local assessments to the Towns increasing by an average of \$80,398 or 0.68%.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Manager, Cathy Murphy, or the Superintendent, Maria Libby, MSAD #28, 7 Lions Lane, Camden, Maine 04843, or by phone at 207-236-3358.

BASIC FINANCIAL STATEMENTS

These financial statements provide an overview of the financial position of all fund types and of the operating results by fund. They also serve as an introduction to the more detailed schedules that follow. The notes to the combined financial statements are an integral part of the basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Statement of Net Position
June 30, 2016

	Governmental activities
ASSETS	
Cash and cash equivalents	\$ 366,323
Investments	2,430,254
Accounts receivable	21,772
Due from other governments	296,389
Inventory	12,658
Capital assets, net	16,239,290
Total assets	19,366,686
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	241,252
Total deferred outflows of resources	241,252
LIABILITIES	
Accrued wages and benefits	1,228,242
Accounts payable	55,653
Accrued interest	70,972
Noncurrent liabilities:	
Due within one year	885,554
Due in more than one year	10,445,733
Total liabilities	12,686,154
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	8,517
Total deferred inflows of resources	8,517
NET POSITION	
Net investment in capital assets	5,071,300
Restricted for capital projects and grants	376,233
Unrestricted	1,465,734
Total net position	\$ 6,913,267

See accompanying notes to basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Statement of Activities
For the year ended June 30, 2016

Function/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position Governmental activities
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
Administration	\$ 1,023,479	-	-	-	(1,023,479)
Instruction	5,098,579	65,937	4,460	-	(5,028,182)
Other instruction	91,898	-	-	-	(91,898)
Student and staff support	798,201	-	-	-	(798,201)
Special education	1,698,781	-	37,673	-	(1,661,108)
Operation and maintenance of plant	2,232,469	-	-	-	(2,232,469)
Transportation	567,938	275,434	-	-	(292,504)
Maine PERS - on-behalf payments	732,292	-	732,292	-	-
Debt service - interest	411,631	-	-	-	(411,631)
Capital maintenance expenses	214,791	47	-	88,630	(126,114)
School lunch	344,604	140,590	121,829	-	(82,185)
School grants and other programs	581,774	-	574,703	-	(7,071)
Total governmental activities	13,796,437	482,008	1,470,957	88,630	(11,754,842)
Total primary government	\$ 13,796,437	482,008	1,470,957	88,630	(11,754,842)
General revenues:					
Local assessments					11,910,062
State allocation					440,110
Investment earnings					1,998
Miscellaneous					13,191
Loss on disposal of capital assets					(855)
Total general revenues and loss on disposal					12,364,506
Change in net position					609,664
Net position--beginning					6,303,603
Net position--ending				\$	6,913,267

See accompanying notes to basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	School Lunch Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 62,098	350	101,225	-	202,650	366,323
Investments	2,430,254	-	-	-	-	2,430,254
Accounts receivable	21,294	478	-	-	-	21,772
Due from other governments	14,821	6,554	-	-	275,014	296,389
Interfund loans receivable	-	7,471	11,339	388,350	-	407,160
Inventory	-	12,658	-	-	-	12,658
Total assets	\$ 2,528,467	27,511	112,564	388,350	477,664	3,534,556
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accrued wages and benefits	1,188,718	6,429	-	-	33,095	1,228,242
Accounts payable	55,653	-	-	-	-	55,653
Interfund loans payable	205,178	-	-	-	201,982	407,160
Total liabilities	1,449,549	6,429	-	-	235,077	462,813
Fund balances:						
Nonspendable - school lunch inventory	-	12,658	-	-	-	12,658
Restricted by grantors and donors	-	-	-	-	242,587	242,587
Restricted - capital projects	-	-	112,564	-	-	112,564
Restricted - school lunch	-	8,424	-	-	-	8,424
Assigned	668,000	-	-	388,350	-	1,056,350
Unassigned	410,918	-	-	-	-	410,918
Total fund balances	1,078,918	21,082	112,564	388,350	242,587	1,843,501
Total liabilities and fund balances	\$ 2,528,467	27,511	112,564	388,350	477,664	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						16,239,290
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						(10,983,283)
Capital leases						(184,707)
Net pension liability, including deferred outflows and inflows						69,438
Accrued interest						(70,972)
Net position of governmental activities						\$ 6,913,267

See accompanying notes to basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	General Fund	School Lunch Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local assessments	\$ 11,910,062	-	-	-	-	11,910,062
Intergovernmental	1,210,075	121,829	-	-	463,800	1,795,704
Charges for services	264,789	140,590	-	-	-	405,379
Interest earned	1,998	-	47	-	-	2,045
Other revenues	94,233	-	-	88,630	110,903	293,766
Total revenues	13,481,157	262,419	47	88,630	574,703	14,406,956
Expenditures:						
Current:						
Administration	1,023,479	-	-	-	-	1,023,479
Instruction	5,135,447	-	-	-	-	5,135,447
Other instruction	91,898	-	-	-	-	91,898
Student and staff support	798,201	-	-	-	-	798,201
Special education	1,698,781	-	-	-	-	1,698,781
Operation and maintenance of plant	1,462,517	-	-	-	-	1,462,517
Transportation	581,960	-	-	-	-	581,960
Maine PERS - on-behalf payments	732,292	-	-	-	-	732,292
Program expenditures	-	-	-	-	581,774	581,774
School lunch program	-	358,375	-	-	-	358,375
Debt service	1,424,331	-	-	-	-	1,424,331
Capital outlay	168,484	-	126,382	20,280	-	315,146
Total expenditures	13,117,390	358,375	126,382	20,280	581,774	14,204,201
Excess (deficiency) of revenues over (under) expenditures	363,767	(95,956)	(126,335)	68,350	(7,071)	202,755
Other financing sources (uses):						
Proceeds from capital leases	168,484	-	-	-	-	168,484
Transfer from other funds	-	60,000	-	-	-	60,000
Transfer to other funds	(60,000)	-	-	-	-	(60,000)
Total other financing sources (uses)	108,484	60,000	-	-	-	168,484
Net change in fund balances	472,251	(35,956)	(126,335)	68,350	(7,071)	371,239
Fund balances, beginning of year	606,667	57,038	238,899	320,000	249,658	1,472,262
Fund balances, end of year	\$ 1,078,918	21,082	112,564	388,350	242,587	1,843,501

See accompanying notes to basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
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 4)	\$	371,239
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
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 as depreciation expense. This is the amount by which depreciation expense (\$841,470) and loss on disposal of capital assets (\$855) exceeded capital outlay (\$199,666) in the current period.		(642,659)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the change in accrued interest.		4,670
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the increase in net pension liability and the change in related deferred inflows and outflows of resources.		36,868
Bond and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond (\$936,454) and lease repayments (\$71,576) exceeded lease proceeds (\$168,484).		839,546
Change in net position of governmental activities (see Statement 2)	\$	609,664

See accompanying notes to basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Budgetary Basis - General Fund
For the year ended June 30, 2016

	General Fund			Variance with final budget positive (negative)
	Budgeted amounts		Actual	
	Original	Final		
Revenues:				
Local assessments	\$ 11,910,062	11,910,062	11,910,062	-
Intergovernmental	440,511	440,511	477,783	37,272
Charges for services	229,011	229,011	264,789	35,778
Interest earned	4,000	4,000	1,998	(2,002)
Other revenues	75,000	75,000	94,233	19,233
Total revenues	12,658,584	12,658,584	12,748,865	90,281
Expenditures:				
Current:				
Administration	1,046,329	1,046,329	1,023,479	22,850
Instruction	5,093,200	5,093,200	5,032,492	60,708
Other instruction	98,086	98,086	91,898	6,188
Student and staff support	818,320	818,320	798,201	20,119
Special education	1,712,992	1,712,992	1,698,781	14,211
Operation and maintenance of plant	1,906,272	1,906,272	1,462,517	443,755
Transportation	638,702	638,702	581,960	56,742
Undistributed	65,000	65,000	-	65,000
Debt service	1,447,683	1,447,683	1,424,331	23,352
Total expenditures	12,826,584	12,826,584	12,113,659	712,925
Excess (deficiency) of revenues over (under) expenditures	(168,000)	(168,000)	635,206	803,206
Other financing sources (uses):				
Budgeted use of fund balance	228,000	228,000	-	(228,000)
Transfer to School Lunch Fund	(60,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	168,000	168,000	(60,000)	(228,000)
Net change in fund balance - budgetary basis	-	-	575,206	575,206
Reconciliation to GAAP basis:				
Change in accrued teacher summer salaries and accrued hourly payroll			(102,955)	(102,955)
Net change in fund balance - GAAP basis			472,251	472,251
Fund balance, beginning of year			606,667	
Fund balance, end of year			\$ 1,078,918	

See accompanying notes to basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

		Agency funds
ASSETS		
Cash and cash equivalents	\$	48,392
Total assets		48,392
LIABILITIES		
Amounts held for student groups		48,392
Total liabilities	\$	48,392

See accompanying notes to basic financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements

THE REPORTING ENTITY

Maine School Administrative District No. 28 (District) is located in Knox County in the central coastal region of Maine. The District was organized in 1964 and provides elementary education for its member Towns of Camden and Rockport.

This report includes all funds of the District. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the District's judgment, based on all pertinent facts derived from the analysis of these criteria that there are no entities that would be considered potential component units within the District that should be included as part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Maine School Administrative District No. 28 conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the School District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The General Fund is the general operating fund of the District. All revenues not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid through other funds.

School Lunch Fund - Transactions related to resources obtained and used in providing children's lunches are accounted for in the school lunch fund.

Capital Projects Fund - Capital Project Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues.

Capital Reserve Fund - The Capital Reserve Fund is used to account for financial resources segregated for capital needs. Such resources are derived primarily from transfers from the General Fund.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension-trust funds, investment-trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

C. Measurement Focus

1. Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement of Net Position.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include local assessments, grants, entitlements, and donations. On an accrual basis, revenue from local assessments is recognized in the fiscal year for which the assessments are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: local assessments available as an advance, interest, grants, and student fees.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

- E. Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations. All encumbrances lapse at year end except those which have been authorized to be carried forward.
- F. Interfund Transactions** - During the course of normal operations, the District has several transactions between funds including expenditures and transfers of resources to provide services. These transactions are reported as transfers. Transactions between funds which represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable or payable.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- G. Inventories** - Food services inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventories include the value of the U.S. Department of Agriculture commodities donated to the School Lunch Fund.
- H. Compensated Absences** - Under terms of union contracts and personnel administration policies, employees are granted vacation and sick time in varying amounts. Vacation time must be used by June 30th and unused sick time is only paid out to certain ed techs and secretaries who meet specific retirement criteria specified in the union contract.
- I. Use of Estimates** - Preparation of the District's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.
- J. Capital Assets** - Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5-100 years
Furniture and Equipment	5-40 years
Vehicles	10-20 years

- K. Accrued Liabilities and Long-term Obligations** - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, is paid in a timely manner and in full from current financial resources, and reported as obligations of the governmental funds. The capital leases and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- L. Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- M. Fund Balance** - Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:
- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
 - *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
 - *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
 - *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
 - *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is used during the year by the District. All encumbrances lapse at year end except those authorized to be carried forward. These amounts are reported as assigned fund balance. The voters at the District budget meeting have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. For assigned fund balance amounts, the Superintendent has the authority to assign unspent budgeted amounts to specific purposes in the General Fund at year end. The Board of Directors approves the assigned amounts either before or after year end.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the government's policy to use committed or assigned resources first, and then unassigned resources as they are needed.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund	\$ -	-	-	668,000
School Lunch Fund	12,658	8,424	-	-
Capital Projects Fund	-	112,564	-	-
Capital Reserve Fund	-	-	-	388,350
<u>Other Governmental Funds</u>	<u>-</u>	<u>242,587</u>	<u>-</u>	<u>-</u>
Totals	\$ 12,658	363,575	-	1,056,350

- N. Deferred Inflows and Outflows of Resources** - In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the District's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between the District's contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. Also included is the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - A budget is formally adopted for the General Fund each year through the passage of articles through a District-wide referendum vote, and is prepared on a basis consistent with accounting principles generally accepted in the United States of America except for teachers' salaries and benefits and Maine Public Employees Retirement System on-behalf payments. The level of control (level at which expenditures may not exceed budget) is the warrant article. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year.

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of or destruction of assets, errors and omissions, and natural disasters for which the District either carries commercial insurance or participates in a public entity risk pool. The District participates in a public entity risk pool sponsored by the Maine School Management Association (MSMA) for Workers' Compensation coverage. Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the District is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2016.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-District Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the District reported deposits of \$414,715 with a bank balance of \$414,995. Of the District's bank balance of \$414,995, \$151,606 was exposed to custodial credit risk as it was collateralized by underlying securities held by the bank which were not in the District's name. The remaining \$263,389 was covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	\$ 366,323
Reported in fiduciary funds	<u>48,392</u>
Total deposits	<u>\$ 414,715</u>

B. Investments

Maine statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the District invests such excess funds in repurchase agreements.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All investments listed below are Level 1 inputs.

At June 30, 2016, the District had the following investments and maturities:

	Fair value	Less than <u>1 year</u>	<u>1-5 years</u>	More than <u>5 years</u>
Repurchase agreements	\$ 2,430,254	2,430,254	-	-
Total investments	<u>\$ 2,430,254</u>	<u>2,430,254</u>	-	-

Investments have been reported as follows:

Reported in governmental funds	\$ 2,430,254
Total investments	<u>\$ 2,430,254</u>

Interest Rate Risk: The District does not have a formal policy with respect to interest rate risk. However, the District's practice is to invest excess funds in overnight repurchase agreements thereby eliminating interest rate risk.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk-District's Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$2,430,254 investment in repurchase agreements, 100% was subject to custodial credit risk because it was collateralized by underlying securities held by the related bank, which were not in the District's name.

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance <u>06/30/15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/16</u>
Governmental activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,789,276	100,355	-	21,889,631
Furniture and equipment	1,021,148	13,771	(222,452)	812,467
Vehicles	1,084,200	85,540	(190,660)	979,080
Total capital assets, being depreciated	23,894,624	199,666	(413,112)	23,681,178
Less accumulated depreciation:				
Buildings and improvements	(5,596,383)	(698,240)	-	(6,294,623)
Furniture and equipment	(645,329)	(71,712)	221,597	(495,444)
Vehicles	(770,963)	(71,518)	190,660	(651,821)
Total accumulated depreciation	(7,012,675)	(841,470)	412,257	(7,441,888)
Capital assets being depreciated, net	16,881,949	(641,804)	(855)	16,239,290
Governmental capital assets, net	\$ 16,881,949	(641,804)	(855)	16,239,290

Depreciation expense was charged to governmental functions as follows:

Transportation	\$ 71,518
Operation and maintenance of plant	769,952
Total depreciation expense	\$ 841,470

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

INTERFUND BALANCES

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

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	205,178
School Lunch Fund	7,471	-
Capital Projects Fund	11,339	-
Capital Reserve Fund	388,350	-
<u>Other Governmental Funds</u>	-	<u>201,982</u>
Total all funds	\$ 407,160	407,160

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2016 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	60,000
School Lunch Fund	60,000	-
Total transfers	\$ 60,000	60,000

These transfers were budgeted transfers to fund the School Lunch Fund.

ASSESSMENT

Each of the member towns' proportionate share of the District's assessment is based on its percentage of the average student population and its percentage of property valuation as determined by the State Tax Assessor. Assessments are payable in twelve equal installments. The assessment for the year ended June 30, 2016 is as follows:

Town of Camden	\$ 6,624,376
<u>Town of Rockport</u>	<u>5,285,686</u>
Total	\$ 11,910,062

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT

Long-term Debt - The following is a summary of long-term debt transactions of the District for the year ended June 30, 2016:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Bonds and notes payable	\$ 11,919,737	-	936,454	10,983,283	816,454
Capital leases	87,799	168,484	71,576	184,707	69,100
Net pension liability	150,490	12,807	-	163,297	-
Total long-term debt	\$ 12,158,026	181,291	1,008,030	11,331,287	885,554

General obligation bonds and notes payable at June 30, 2016 are comprised of the following individual issues:

	<u>Date of issue</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Balance 6/30/16</u>
Bonds and notes payable:					
CRES Project	5/05/08	\$ 14,791,797	2.0% - 5.5%	11/1/2031	10,289,950
RES West Purchase	6/16/04	2,600,000	3.75%	5/31/2020	693,333
Total bonds and notes payable					\$ 10,983,283

The District has entered into various lease agreements to finance the cost of various copiers, computers, and school buses. These leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the future minimum lease payments as of their inception. The following is a summary of equipment leased under capital lease agreements:

	<u>Date of issue</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Balance 6/30/16</u>
Capital leases payable:					
Copiers	7/15/14	\$ 47,123	3.10%	8/15/18	28,331
Computers	8/27/15	82,944	2.68%	8/27/17	54,562
Bus	9/15/13	84,238	3.00%	9/15/17	34,220
Bus	8/6/15	85,540	2.87%	8/15/19	67,594
Total capital leases payable					\$ 184,707

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all long-term liabilities outstanding as of June 30, 2016 are as follows:

Year ended June 30,	Capital leases			Bonds and notes		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 69,100	5,305	74,405	816,454	454,467	1,270,921
2018	71,073	3,332	74,405	816,454	413,096	1,229,550
2019	26,840	1,298	28,138	816,455	385,856	1,202,311
2020	17,694	505	18,199	816,455	360,806	1,177,261
2021	-	-	-	643,122	325,450	968,572
2022-2026	-	-	-	3,215,610	1,092,829	4,308,439
2027-2031	-	-	-	3,215,610	268,995	3,484,605
2032	-	-	-	643,123	-	643,123
Totals	\$ 184,707	10,440	195,147	10,983,283	3,301,499	14,284,782

All debt service requirements are paid by the General Fund.

The statutes of the State of Maine provide, in part, that the aggregate principal amount of bonds and notes issued by a School Administrative District for capital outlay purposes shall not exceed, at any one time outstanding, the limit of indebtedness of the sum of 10% of the total of the last preceding state valuation of the member municipalities, plus an amount set by the State Board of Education at the time of initial approval of the school construction project not to exceed 4% of the state valuation of the participating municipalities. At June 30, 2016, the District's direct debt of \$10,983,283 was within the minimum statutory limit of 10% of the two participating municipalities.

MAINE PUBLIC EMPLOYEES RETIREMENT PLAN

General Information about the Pension Plan

Plan Description - Employees of the District are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The SET Plan 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. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For SET members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by statute.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT PLAN, CONTINUED

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

SET Plan - Maine statute requires the State to contribute a portion of the District's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The School District's contractually required contribution rate for the year ended June 30, 2016, was 13.38% of annual payroll of which 3.36% of payroll was required from the District and 10.02% was required from the State. Contributions to the pension plan from the District were \$196,056 for the year ended June 30, 2016.

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

The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The District's proportion of the net pension liability was based on projections of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating School Administrative Districts and the State.

SET Plan - At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District 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 School District were as follows:

District's proportionate share of the net pension liability	\$ 163,297
State's proportionate share of the net pension liability associated with the District	6,481,267
Total	\$ 6,644,564

At June 30, 2015, the District's proportion of the SET Plan was 0.0121%.

For the year ended June 30, 2016, the District recognized pension expense of \$743,855 and revenue of \$584,667 for support provided by the State for the SET Plan. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT PLAN, CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	1,133
Changes of assumptions	4,500	-
Net difference between projected and actual earnings on pension plan investments	-	7,384
Changes in proportion and differences between District contributions and proportionate share of contributions	40,696	-
District contributions subsequent to the measurement date	196,056	-
Total	\$ 241,252	8,517

An amount of \$196,056 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 48,376
2018	(14,995)
2019	(5,341)
2020	8,639

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>SET Plan</u>
Inflation	3.5%
Salary Increases, per year	3.5% to 13.5%
Investment return, per annum, compounded annually	7.125%
Cost of living benefit increases, per annum	2.55%

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT PLAN, CONTINUED

The long-term expected rate of return on pension plan investments 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 asset class. 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
<u>Total</u>	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.125% for the SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.125% for the SET Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or 1 percentage-point higher (8.125%) than the current rate:

<u>SET Plan</u>	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
District's proportionate share of the net pension liability	\$ 285,894	\$ 163,297	\$ 61,187

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2016.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Basic Financial Statements, Continued

BUDGETARY ACCOUNTING

Through June 30, 2016, the District did not budget for expenditures for teacher summer salaries or accrued payroll on an accrual basis as required by generally accepted accounting principles (GAAP). The following is a reconciliation of the General Fund GAAP and budgetary fund balances.

Fund balance – June 30, 2016 - GAAP Basis (Statement 3)	\$ 1,078,918
<u>Teacher summer salaries and accrued hourly payroll</u>	<u>1,188,718</u>
 Fund balance - June 30, 2016 - budgetary basis	 <u>\$ 2,267,636</u>

The following is a reconciliation of the net change in fund balance, GAAP basis and budgetary basis.

Net change in fund balance - budgetary basis (Statement 6)	\$ 575,206
Reconciliation to budgetary basis:	
<u>Increase in accrued teacher summer salaries and accrued hourly payroll</u>	<u>(102,955)</u>
 Net change in fund balance - GAAP basis (Statement 4)	 <u>\$ 472,251</u>

Additionally, as required by generally accepted accounting principles (U.S. GAAP), the District has recorded a revenue and an expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the District. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$732,292. These amounts have been included as an intergovernmental revenue and an education expense/expenditure on Statement 2 and Statement 4 (GAAP basis). There is no effect on the net position/fund balance at the end of the year.

NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The District's net investment in capital assets was calculated as follows at June 30, 2016:

	<u>Governmental activities</u>
Capital assets	\$ 23,681,178
Accumulated depreciation	(7,441,888)
Bonds payable	(10,983,283)
<u>Capital leases payable</u>	<u>(184,707)</u>
 Total net investment in capital assets	 <u>\$ 5,071,300</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Required Supplementary Information

Schedule of District's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System State Employee and Teacher Plan (SET)

Last 10 Fiscal Years*

<u>SET Plan</u>	<u>2016**</u>	<u>2015**</u>
District's proportion of the net pension liability	0.0121%	0.0139%
District's proportionate share of the net pension liability	\$ 163,297	150,490
State's proportionate share of the net pension liability associated with the District	6,481,267	4,918,991
Total	6,644,564	5,069,481
District's covered-employee payroll	5,834,998	5,631,745
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.80%	2.67%
Plan fiduciary net position as a percentage of of the total pension liability	81.18%	83.91%

* Only two years of information available

** The amounts presented for each fiscal year were determined as of the prior fiscal year.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Required Supplementary Information, Continued

Schedule of District Contributions
Maine Public Employees Retirement System State Employee and Teacher Plan (SET)

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>SET Plan</u>			
Contractually required contribution	\$ 196,056	149,241	139,368
Contributions in relation to the contractually required contribution	(196,056)	(149,241)	(139,368)
<u>Contribution deficiency (excess)</u>	-	-	-
District's covered-employee payroll	5,834,998	5,631,745	5,258,155
Contributions as a percentage of covered-Employee payroll	3.36%	2.65%	2.65%

* Only three years of information available

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - None

GENERAL FUND

The General Fund is the general operating fund of the District. All revenues that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

COMBINING AND INDIVIDUAL FUND STATEMENTS

These statements provide a more detailed view of the "basic financial statements" presented in the preceding subsection.

Combining statements are presented when there is more than one of a given fund type.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
General Fund
Comparative Balance Sheets
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 62,098	62,066
Investments	2,430,254	2,059,493
Accounts receivable	21,294	-
Due from other governments	14,821	82,539
Total assets	\$ 2,528,467	2,204,098
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued wages and benefits	1,188,718	1,085,763
Accounts payable	55,653	60,779
Interfund loans payable	205,178	450,889
Total liabilities	1,449,549	1,597,431
Fund balance:		
Assigned	668,000	228,000
Unassigned	410,918	378,667
Total fund balance	1,078,918	606,667
Total liabilities and fund balance	\$ 2,528,467	2,204,098

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary Basis
For the year ended June 30, 2016

	2016		Variance positive (negative)
	Budget	Actual	
Revenues:			
Local assessments:			
Camden	\$ 6,624,376	6,624,376	-
Rockport	5,285,686	5,285,686	-
Total local assessments	11,910,062	11,910,062	-
Intergovernmental:			
State allocation	407,711	440,110	32,399
State agency clients	32,800	36,879	4,079
Medicaid reimbursement	-	794	794
Total intergovernmental	440,511	477,783	37,272
Charges for services:			
Tuition	30,000	65,937	35,937
Transportation	199,011	198,852	(159)
Total charges for services	229,011	264,789	35,778
Investment income:			
General investment earnings	4,000	1,998	(2,002)
Total investment income	4,000	1,998	(2,002)
Other revenues:			
Rentals	75,000	76,582	1,582
E-Rate revenue	-	4,460	4,460
Miscellaneous revenue	-	13,191	13,191
Total other revenues	75,000	94,233	19,233
Total revenues	12,658,584	12,748,865	90,281

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary Basis, Continued

	2016		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
Administration:			
School Board	\$ 78,565	39,655	38,910
Office of Superintendent	327,423	342,045	(14,622)
K-4 Principal Office	309,927	310,439	(512)
5-8 Principal Office	330,414	331,340	(926)
Total administration	1,046,329	1,023,479	22,850
Instruction:			
Instructional services K-4	2,535,265	2,504,294	30,971
Instruction services 5-8	2,407,688	2,375,549	32,139
ESL	59,005	64,680	(5,675)
Horizons Program	91,242	87,969	3,273
Total instruction	5,093,200	5,032,492	60,708
Other instruction:			
Summer School	12,681	10,621	2,060
K-4 Extra/Co-curricular	5,323	8,210	(2,887)
5-8 Extra/Co-curricular	80,082	73,067	7,015
Total other instruction	98,086	91,898	6,188
Student and staff support:			
Guidance K-4	124,349	106,891	17,458
Guidance 5-8	125,254	121,271	3,983
Health services	117,721	119,063	(1,342)
Curriculum development	62,907	66,230	(3,323)
Instructional training	13,270	7,459	5,811
Library K-4	95,303	93,943	1,360
Library 5-8	98,198	99,011	(813)
Technical services	170,918	173,897	(2,979)
Assessment	10,400	10,436	(36)
Total student and staff support	818,320	798,201	20,119
Special education programs:			
Instructional services	1,597,321	1,572,223	25,098
Administration	109,171	108,273	898
State agency client grant	6,500	18,285	(11,785)
Total special education programs	1,712,992	1,698,781	14,211
Operation and maintenance:			
K-4 operation and maintenance	657,165	635,675	21,490
5-8 operation and maintenance	1,249,107	826,842	422,265
Total operation and maintenance	1,906,272	1,462,517	443,755

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary Basis, Continued

	2016		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Transportation	\$ 638,702	581,960	56,742
Total transportation	638,702	581,960	56,742
Undistributed	65,000	-	65,000
Debt service	1,447,683	1,424,331	23,352
Total expenditures	12,826,584	12,113,659	712,925
Excess (deficiency) of revenues over (under) expenditures	(168,000)	635,206	803,206
Other financing sources (uses):			
Budgeted use of fund balance	228,000	-	(228,000)
Transfer to School Lunch	(60,000)	(60,000)	-
Total other financing sources (uses)	168,000	(60,000)	(228,000)
Net change in fund balance - budgetary basis	-	575,206	575,206
Reconciliation to GAAP basis:			
Change in accrued summer salaries		(102,955)	
Net change in fund balance		472,251	
Fund balance, beginning of year		606,667	
Fund balance, end of year	\$	1,078,918	

SCHOOL GRANT FUNDS AND OTHER PROGRAMS

School Grant Funds and Other Programs are special revenue funds which account for various grant programs administered by the District.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
School Grants and Other Programs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2016

	Fund balances beginning of year	Program revenues		Program expenditures	Fund balances end of year
		Federal	Other		
Federal and state programs (200):					
Title IA *	\$ -	160,189	-	160,189	-
Title IIA	-	61,512	-	61,512	-
Title VI (Rural)	-	14,192	-	14,192	-
Local Entitlement	-	181,997	-	181,997	-
MaineCare	34,157	-	-	5,196	28,961
Proficiency Grant	159	-	8,215	8,374	-
PEPG Educator Effectiveness Grant	-	-	4,600	500	4,100
Total federal and state programs	34,316	417,890	12,815	431,960	33,061
Other programs (900):					
Bisbee Sport Fund	47,470	-	85,625	88,461	44,634
MBNA ADF Fund	62,540	-	2,625	1,590	63,575
R. Clark Bequest	51,853	-	399	925	51,327
Emily Hall Fund	42,248	-	386	-	42,634
HR Support	1,745	-	20,171	21,866	50
Influenza Grant	4,991	-	-	-	4,991
Reading Recovery Grant	602	-	-	602	-
MLTI Insurance	3,594	-	1,600	3,275	1,919
Food Champs	299	-	-	-	299
Friends of MSAD 28	-	-	97	-	97
Total other programs	215,342	-	110,903	116,719	209,526
Total	\$ 249,658	417,890	123,718	548,679	242,587

* Program revenues and expenditures vary from Statements 3 and 4 as a result of accrued payroll liabilities and related receivables, which are not considered under the budgetary basis of accounting reflected above.

FIDUCIARY FUNDS

Fiduciary Funds account for assets held by the District in a trustee or agent capacity. These include Agency Funds. Agency Funds are custodial in nature and do not measure the results of operations.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Fiduciary Funds
Combining Statement of Net Position
June 30, 2016 and 2015

	Rockport Elementary School Activity Funds	Middle School Activity Funds	Totals	
			2016	2015
ASSETS				
Cash and cash equivalents	\$ 13,390	35,002	48,392	42,548
Total assets	\$ 13,390	35,002	48,392	42,548
LIABILITIES				
Amounts held for student groups	13,390	35,002	48,392	42,548
Total liabilities	\$ 13,390	35,002	48,392	42,548

SCHEDULES

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Agency Fund - Rockport Elementary School Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2016

	Balances at beginning of year	Receipts	Disbursements	Balances at end of year
Various activities	\$ 16,234	5,098	7,942	13,390
Totals	\$ 16,234	5,098	7,942	13,390

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 28
Agency Fund - Camden-Rockport Middle School
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2016

	Balances at beginning of year	Receipts	Disbursements	Balances at end of year
5th grade	\$ 286	658	730	214
6th grade	354	1,877	1,945	286
7th grade	2,003	7,135	4,142	4,996
8th grade	(147)	10,013	8,851	1,015
Administration	2,251	4,526	5,881	896
Athletics	773	457	457	773
Band	659	5,731	5,442	948
Chorus	357	4,661	4,442	576
CNB - Other	(592)	592	-	-
Intramurals	129	-	-	129
Japan exchange	5,632	40,456	43,876	2,212
Kieve	44	-	-	44
Library	294	228	278	244
Musical	4,808	8,875	4,148	9,535
Nursing	442	-	-	442
Special Education	3	-	-	3
Stepping with the Stones Award	100	-	-	100
Student activities	910	6,352	5,167	2,095
Student council	943	201	177	967
Sunshine Fund	86	151	124	113
Sports Account	1,058	5,019	4,716	1,361
Theatrical	2,409	2,000	-	4,409
Wellness	2,477	3,854	3,432	2,899
Yearbook	1,035	3,161	3,451	745
Totals	\$ 26,314	105,947	97,259	35,002

**Maine School Administrative District No. 28
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass- through/ grantor number	Total Federal Expenditures	Cluster Totals	Passed Through to Subrecipients
U. S. Department of Education, passed through Maine					
Department of Education:					
Title 1A Disadvantaged	84.010	3107	\$ 160,189		-
Local Entitlement	84.027	3046	181,997		-
Rural Education	84.358	3005	14,192		-
Improving Teacher Quality	84.367	3042	61,512		-
Total U. S. Department of Education			417,890		-
U. S. Department of Agriculture, passed through					
Maine Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3024	80,819		-
National School Lunch Program - Breakfast Program	10.553	3014	21,535		-
National School Lunch Program - Donated Commodities	10.555	N/A	15,526		-
Total Child Nutrition Cluster				117,880	
Total U. S. Department of Agriculture			117,880		-
Totals			\$ 535,770		-

See accompanying notes to schedule of expenditures of federal awards.