

Regional School Unit No. 22

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2018

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Independent Auditor's Report

Board of Directors
Regional School Unit No. 22

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. 22 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 22'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. 22 as of June 30, 2018, 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, budgetary comparison information, and pension and OPEB information on pages 6 through 14 and 41 through 46 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. 22's basic financial statements. The other supplementary information on Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System is presented as required by the laws of the State of Maine and is also not a required part of the basic financial statements.

The other supplementary information on Schedules 1 through 3, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System 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 1 through 3, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System 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 14, 2019, on our consideration of the Regional School Unit No. 22'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Regional School Unit No. 22's 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 the Regional School Unit No. 22's internal control over financial reporting and compliance.

Shantree Chibodau & Associates

January 14, 2019

Regional School Unit No. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2018

As management of the Regional School Unit No. 22, we offer readers of the Unit's financial statements this narrative overview and analysis of the financial activities of the Unit for the fiscal year ended June 30, 2018. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. The data is reported in a manner designed to fairly present the Unit's financial position, and the results of operations of the various funds of the Unit. All disclosures necessary to enable the reader to gain accurate understanding of the Unit's financial activities have been included.

This report covers all funds administered by the Unit in connection with its responsibility in providing educational services. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL INFORMATION

The Unit Administration is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the Unit are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are attained. The concept of reasonable assurance recognizes that: (1) the cost of any control should not exceed the benefit likely to be derived; (2) the valuation of cost and benefits requires judgments by management.

FINANCIAL HIGHLIGHTS

- The total balance of the Unit's cash and cash equivalents at June 30, 2018 was \$4,278,111.
- The Units total debt decreased by \$3,835,490 for the year to \$35,934,388.
- Under the government-wide basis of reporting, the Unit's total net position increased by \$819,347.
- The fund balance as reported on the Unit's fund financial statements decreased by \$356,147 to \$3,093,010.
- On a budget basis, the Unit's revenues exceeded its expenditures and transfers out by \$227,354. The Unit originally planned for a budget deficiency of \$602,000. The Unit experienced a positive budget variance of \$829,354 and an increase in the budget-basis fund balance of \$227,354.

OVERVIEW OF FINANCIAL STATEMENTS

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Unit's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Unit'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 Unit is improving or deteriorating.

The statement of activities presents information showing how the Unit'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 change 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, such as earned but unused compensated absences.

The government-wide financial statements outline functions of the Unit that are principally supported by assessments and intergovernmental revenues (governmental activities). The governmental activities of the Unit include instruction, support services, operation and maintenance of plant, transportation, administration, and adult education. Fixed assets and related debt are also supported by assessments and intergovernmental revenues. The government-wide financial statements can be found on pages 15-16 of this report.

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 Unit, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Unit can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses 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 the Unit's near-term financing requirements.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Unit'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. Capital assets and depreciation are not included in the governmental funds financial statements.

The Unit adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement is included in the required supplementary information portion of the financial statements. The basic governmental fund financial statements can be found on pages 17-20 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the Unit cannot use these funds to finance its operations. The Unit uses an agency fund to account for resources held for student groups. The basic fiduciary fund financial statement can be found on pages 21-22 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23-40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 41-46 of this report.

Other supplementary information is presented following the required supplementary information. The Budget and Assessment – General Fund and other combining schedules can be found on pages 47-49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Unit, assets exceeded liabilities by \$16,328,612 as of June 30, 2018.

The largest portion of the Unit's net position reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, and furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The Unit uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Unit's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Unit's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the Period Ending June 30, 2018 and 2017

The current year's financial statements are compared with the prior year's results.

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 5,584,148	\$ 5,762,158
Capital assets	<u>49,836,102</u>	<u>51,153,348</u>
Total Assets	<u>55,420,250</u>	<u>56,915,506</u>
Deferred outflows of resources	<u>753,047</u>	<u>778,213</u>
Current liabilities	3,140,515	2,551,645
Non-current liabilities	<u>36,521,706</u>	<u>39,531,235</u>
Total Liabilities	<u>39,662,221</u>	<u>42,082,880</u>
Deferred inflows of resources	<u>182,464</u>	<u>101,574</u>
Net position		
Net investment in capital assets	\$ 15,717,206	\$ 14,292,277
Restricted	1,132,403	1,715,903
Unrestricted (deficit)	<u>(520,997)</u>	<u>(498,915)</u>
Total Net position	<u>\$ 16,328,612</u>	<u>\$ 15,509,265</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position for the Period Ending June 30, 2018 and 2017 (Continued)

The following are significant transactions that have had an impact on the Statement of Net Position:

- Much of the Unit's bonded debt is paid by the State of Maine. The principal portion of these debt payments made on behalf of the Unit is recorded as general revenue from state sources and totaled \$3,479,838 and \$3,526,851 for the years ended June 30, 2018 and 2017, respectively.
- The Unit recorded depreciation expense of \$1,756,362 for the year ended June 30, 2018 and \$1,756,735 for the year ended June 30, 2017. The Unit also recorded interest expense of \$1,331,345 for the year ended June 30, 2018 and \$1,547,047 for the year ended June 30, 2017.

The following table presents a summary of the Unit's operations for the fiscal year ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
REVENUES		
Charges for services and other	\$ 1,148,740	\$ 1,106,720
Operating grants and contributions	4,481,006	4,770,657
Capital grants and contributions	4,941	19,574
General revenues		
Local assessments	10,936,938	10,768,137
Grants and contributions not restricted to specific programs	18,824,189	18,454,283
Other revenues	<u>151,322</u>	<u>166,758</u>
Total Revenues	<u>35,547,136</u>	<u>35,286,129</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position for the Period Ending June 30, 2018 and 2017 (Continued)

	<u>2018</u>	<u>2017</u>
EXPENSES		
Regular instruction	\$11,256,362	\$11,438,217
Special education instruction	5,664,266	5,457,238
Career and technical education	392,019	385,311
Other instruction	826,564	806,664
Student and staff support	2,198,687	2,297,728
System administration	999,979	974,463
School administration	1,415,198	1,390,219
Transportation and buses	1,291,519	1,155,028
Facilities maintenance	4,548,871	4,587,923
Adult education	60,225	60,945
On-behalf payments – State of Maine	1,482,205	1,329,050
Restricted grants	1,170,709	1,253,399
Food service	1,028,085	1,059,424
Interest and other charges	1,500,871	1,547,047
Capital outlay	892,229	895,254
Total Expenses	<u>34,727,789</u>	<u>34,637,910</u>
Excess (deficiency) of revenues over expenses before special items	<u>819,347</u>	<u>648,219</u>
Special items (net)	<u>-</u>	<u>(54,396)</u>
Change in net position	<u>819,347</u>	<u>593,823</u>
Net position, beginning of year	<u>15,509,265</u>	<u>15,035,787</u>
Restatement for accrued payroll for hourly employees	<u>-</u>	<u>(120,345)</u>
Net position, beginning of year – restated	<u>15,509,265</u>	<u>14,915,442</u>
Net position, end of year	<u>\$16,328,612</u>	<u>\$15,509,265</u>

Analysis of the Unit's Operations

Overall the Unit had a total increase in net position of \$819,347 from current year operations.

Total operating revenues for governmental activities increased from the prior year by \$261,007. Total revenues include general revenues such as local assessments, State aid to education, and other revenue that is not program specific or charges for services, such as federal grants for special education and fees for hot lunch and adult education.

General revenues for the year ended June 30, 2018 totaled \$29,912,449. Of this amount, \$10,936,938 was from local and \$18,824,189 was from the State of Maine and federal grants. In addition, \$151,322 came from interest and other miscellaneous sources.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Analysis of the Unit's Operations (Continued)

During the year, the Unit received program specific operating grants and contributions totaling \$4,481,006. These grants and contributions represent resources that are restricted for use in particular programs and are meant to directly offset the Unit's costs for these various programs. Most of these grants and contributions come from state and federal sources.

Expenses of governmental activities include depreciation expense of \$1,756,362. Depreciation expense has been allocated and is included in the various function/program expenses of the Unit.

Charges for services and other represent revenues earned by the Unit in return for services provided by the Unit or the use of the Unit's property and insurance settlement proceeds. These revenues predominately consist of adult education fees, school lunch revenues and rental income for the use of Unit facilities and buses. Charges for services totaled \$1,148,740 for the year ended June 30, 2018.

FINANCIAL ANALYSIS OF THE UNIT'S FUNDS

The focus of the Unit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Unit's financing requirements. As the Unit completed the year, its governmental funds reported a combined fund balance of \$3,093,010, \$356,147 lower than the previous year due to spending on capital projects such as the energy efficiency project and the turf replacement project.

In the general fund, the Unit budgeted to use \$602,000 of unassigned and assigned fund balance. Due to actual revenue on the budget basis being more than actual expenses on the budget basis, the fund balance increased \$227,354 on a budgetary basis.

Revenues include intergovernmental revenue of \$19,160,995 and local assessments totaling \$10,936,938. On-behalf payments amounted to \$1,482,205 and \$1,329,050 during the years ended June 30, 2018 and 2017, respectively. Additional information on these "on-behalf" payments can be found in notes to the basic financial statements.

Charges for services contributed \$1,098,290 in total revenue during the year. Of this amount, \$655,411 represents revenues generated from the food service program.

Total governmental fund expenditures for the year were \$35,187,122, representing an increase of \$1,231,307 or 3.63% more than the previous year. The Unit's debt service totaled \$4,458,386 for the year, which represents a decrease of \$163,279 from the previous year. The Unit paid \$1,331,345 in capital outlays during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following summarizes capital assets at year-end:

	<u>2018</u>	<u>2017</u>
Land	\$ 669,844	\$ 669,844
Construction in process	233,859	-
Buildings	54,428,515	54,428,515
Equipment	906,243	906,243
Vehicles	34,908	34,908
Land Improvements	<u>11,979,268</u>	<u>11,774,011</u>
Total capital assets	68,252,637	67,813,521
Accumulated depreciation	<u>(18,416,535)</u>	<u>(16,660,173)</u>
Capital assets, net	<u>\$ 49,836,102</u>	<u>\$ 51,153,348</u>

Additional information on the Unit's capital assets can be found in Note 3 on page 30 of this report.

The overall decrease in capital assets is attributable in large part to the annual depreciation expense for the new Hampden Academy.

Long-Term Liabilities Administration

The Unit's debt consists of bonds and several capital leases from various lending sources.

	<u>2018</u>	<u>2017</u>
Bonds payable	\$33,055,907	\$35,562,756
Capital lease obligations	2,878,481	3,224,067
Compensated absences	120,720	107,124
Net pension liability	<u>466,598</u>	<u>637,288</u>
Total	<u>\$36,521,706</u>	<u>\$39,531,235</u>

Additional information on the Unit's long term debt and liabilities can be found in Note 4 on pages 31-32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Unit recognized revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP). The principal difference between the two methods is that GAAP basis revenues and expenditures include teachers' retirement plan payments made by the state on behalf of the Unit. The Unit's budget basis revenues and expenditures do not include these revenues and expenditures.

During the year, actual revenues – budget basis was greater than budgeted revenues by a net variance of \$123,335. The causes include additional tuition revenues in excess of budgeted amounts, un-budgeted interest income and insurance proceeds.

Actual expenditures – budget basis was less than budgeted expenditures by \$706,019. Program expenditures in which variances exceed 5% of the final budgeted amounts are considered to be material budget variances. Student and Staff Support ended the year with a 5.47% positive variance; the result of various under-expended amounts in salaries and benefits, travel and professional development, supplies, and technology and software repairs and maintenance. Facilities maintenance ended the year with a 7.63% positive variance; the result of savings in salaries and benefits, custodial supplies, electricity, and other utilities. Adult Education ended up with a 11.43% positive variance due to the ongoing, positive collaboration with RSU26 and now, RSU34.

The FY19 approved budget is \$31,936,061, which is an increase of 3.11% from the previous year. With state and national educational priorities uncertain, the District needs to be continuously innovative in developing potential revenue streams to lessen taxpayer costs while balancing the ever-changing needs of the student population.

Positive developments thus far in FY19 include the fact that incoming tuition student numbers are growing, health insurance premiums were flat this year and the District maintained a favorable fund balance. Looking to the near future and beyond, the District will be dealing with changes in administrative leadership, potential Building Committee projects on the horizon, and the continued implementation of the recently agreed upon negotiated teachers' contract.

REQUEST FOR INFORMATION

The financial report is designed to provide information to the readers of the report with a general overview of the Unit's finances. If you have questions about this report or need any additional information, contact the Superintendent's Office at 24 Main Road North, Hampden, Maine, 04444 or call (207) 862-3255.

Regional School Unit No. 22
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,840,860
Restricted cash	239,099
Beneficial interests in assets held by others	419,219
Due from other governments	620,930
Due from lender	327,540
Inventories	26,632
Prepaid expenses	109,868
Capital assets not being depreciated	903,703
Capital assets being depreciated, net of accumulated depreciation	48,932,399
	55,420,250
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	753,047
 LIABILITIES	
Accounts payable and accrued expenses	571,501
Accrued wages	1,536,174
Due to fiduciary funds	360,217
Unearned revenues	23,246
Bond anticipation note payable	419,935
Accrued interest payable	229,442
Long-term liabilities	
Due within one year	
Bonds payable	2,363,109
Capital leases payable	471,313
Due in more than one year	
Bonds payable	30,692,798
Capital leases payable	2,407,168
Compensated absences	120,720
Net pension liability	466,598
	39,662,221
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	182,464
 NET POSITION	
Net investment in capital assets	15,717,206
Restricted for	
Capital projects	569,122
School lunch	125,119
State, local grants and donations	438,162
Unrestricted (deficit)	(520,997)
	\$ 16,328,612

See accompanying notes to basic financial statements.

Regional School Unit No. 22
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expenses)
		Charges for Services and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities					
Regular instruction	\$ 11,256,362	\$ 347,277	\$ 630,481	\$ -	\$ (10,278,604)
Special education instruction	5,664,266	-	278,648	-	(5,385,618)
Career and technical education	392,019	-	-	-	(392,019)
Other instruction	826,564	50,449	28,430	-	(747,685)
Student and staff support	2,198,687	-	103,159	-	(2,095,528)
System administration	999,979	81,451	71,162	-	(847,366)
School administration	1,415,198	-	60,441	-	(1,354,757)
Transportation and buses	1,291,519	-	36,892	-	(1,254,627)
Facilities maintenance	4,548,871	-	151,916	-	(4,396,955)
Adult education	60,225	14,150	14,801	-	(31,274)
On-behalf payments - State of Maine	1,482,205	-	1,482,205	-	-
Restricted grants	1,170,709	-	1,164,586	-	(6,123)
Food service	1,028,085	655,413	399,969	-	27,297
Interest and other charges	1,500,871	-	58,316	-	(1,442,555)
Capital outlay	892,229	-	-	4,941	(887,288)
Total governmental activities	\$ 34,727,789	\$ 1,148,740	\$ 4,481,006	\$ 4,941	(29,093,102)
General revenues					
Assessments					
Assessments, levied for general purposes					10,443,137
Assessments, levied for debt service					493,801
Grants and contributions not restricted to specific programs					18,824,189
Unrestricted investment earnings					28,781
Miscellaneous					122,541
Total general revenues					29,912,449
Change in net position					819,347
NET POSITION - BEGINNING					15,509,265
NET POSITION - ENDING					\$ 16,328,612

Regional School Unit No. 22
Balance Sheet - Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Fund - School Lunch Fund</u>	<u>Total Govern- mental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,331,231	\$ 6,845	\$ 502,784	\$ -	\$ 3,840,860
Restricted cash	-	-	239,099	-	239,099
Beneficial interests in assets held by others	-	419,219	-	-	419,219
Due from other funds	114,283	-	-	100,197	214,480
Due from other governments	139,896	459,034	-	22,000	620,930
Due from lender	-	-	327,540	-	327,540
Inventories	-	-	-	26,632	26,632
Prepaid expenses	109,868	-	-	-	109,868
Total assets	<u>\$ 3,695,278</u>	<u>\$ 885,098</u>	<u>\$ 1,069,423</u>	<u>\$ 148,829</u>	<u>\$ 5,798,628</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 198,961	\$ -	\$ 372,540	-	\$ 571,501
Accrued wages	1,535,710	-	-	464	1,536,174
Due to other funds	-	446,936	127,761	-	574,697
Unearned revenues	-	-	-	23,246	23,246
Total liabilities	<u>1,734,671</u>	<u>446,936</u>	<u>500,301</u>	<u>23,710</u>	<u>2,705,618</u>
Fund balances					
Nonspendable for					
Inventories	-	-	-	26,632	26,632
Prepays	109,868	-	-	-	109,868
Restricted for					
Capital projects	-	-	569,122	-	569,122
School lunch	-	-	-	98,487	98,487
State and local grants and donations	-	438,162	-	-	438,162
Assigned for compensated absences	120,720	-	-	-	120,720
Unassigned	1,730,019	-	-	-	1,730,019
Total fund balances	<u>1,960,607</u>	<u>438,162</u>	<u>569,122</u>	<u>125,119</u>	<u>3,093,010</u>
Total liabilities and fund balances	<u>\$ 3,695,278</u>	<u>\$ 885,098</u>	<u>\$ 1,069,423</u>	<u>\$ 148,829</u>	<u>\$ 5,798,628</u>

**Regional School Unit No. 22
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018**

Total fund balance, governmental funds	\$	3,093,010
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Capital assets, net of accumulated depreciation		49,836,102
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Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Deferred outflows related to pensions		753,047
Deferred inflows related to pensions		(182,464)

Some liabilities, (such as Capital Leases Payable, Bonds Payable, Accrued Interest, Compensated Absences, and Net Pension Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds and capital leases		(35,934,388)
Bond anticipation note		(419,935)
Accrued interest		(229,442)
Net pension liability		(466,598)
Compensated absences liability		(120,720)

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>16,328,612</u>
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Regional School Unit No. 22
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Fund - School Lunch Fund	Total Govern- mental Funds
REVENUES					
Local assessments	\$ 10,936,938	\$ -	\$ -	\$ -	\$ 10,936,938
Intergovernmental revenue	19,085,263	998,869	-	399,969	20,484,101
On-behalf payments - State of Maine	1,482,205	-	-	-	1,482,205
Charges for services	442,879	-	-	655,411	1,098,290
Interest	28,781	-	4,941	-	33,722
Other	224,684	55,220	-	-	279,904
Total revenues	32,200,750	1,054,089	4,941	1,055,380	34,315,160
EXPENDITURES					
Current					
Regular instruction	10,670,956	-	-	-	10,670,956
Special education instruction	5,398,316	-	-	-	5,398,316
Career and technical education	392,019	-	-	-	392,019
Other instruction	799,626	-	-	-	799,626
Student and staff support	2,100,705	-	-	-	2,100,705
System administration	937,402	-	-	-	937,402
School administration	1,350,164	-	-	-	1,350,164
Transportation and buses	1,291,519	-	-	-	1,291,519
Facilities maintenance	2,837,956	-	-	-	2,837,956
Adult education	60,225	-	-	-	60,225
On-behalf payments - State of Maine	1,482,205	-	-	-	1,482,205
Restricted grants	-	1,048,213	-	-	1,048,213
Food service	-	-	-	1,028,085	1,028,085
Debt service					
Principal	2,948,315	-	-	-	2,948,315
Interest and other charges	1,510,071	-	-	-	1,510,071
Capital outlay	-	-	1,331,345	-	1,331,345
Total expenditures	31,779,479	1,048,213	1,331,345	1,028,085	35,187,122
Excess (deficiency) of revenues over expenditures	421,271	5,876	(1,326,404)	27,295	(871,962)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	419,935	-	419,935
Proceeds from capital leases	-	-	95,880	-	95,880
Transfers in	-	-	160,917	33,000	193,917
Transfers out	(193,917)	-	-	-	(193,917)
Total other financing sources (uses)	(193,917)	-	676,732	33,000	515,815
Net change in fund balances	227,354	5,876	(649,672)	60,295	(356,147)
FUND BALANCES - BEGINNING	1,733,253	432,286	1,218,794	64,823	3,449,156
FUND BALANCES - ENDING	\$ 1,960,607	\$ 438,162	\$ 569,122	\$ 125,119	\$ 3,093,010

Regional School Unit No. 22
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, 2018

Net change in fund balances - total governmental funds: \$ (356,147)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	\$ 439,116	
Depreciation expense	<u>(1,756,362)</u>	(1,317,246)

Some deferred outflows of resources and deferred inflows of resources related to pensions reported in the statement of activities do not require the use of current financial resources and these are not reported in governmental funds:

Deferred outflows related to pensions		582,584
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt issued	\$ (515,815)	
Principal repaid	<u>2,948,315</u>	2,432,500

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	9,200	
Change in compensated absences liability	(13,596)	
Net pension expense	<u>(517,948)</u>	<u>(522,344)</u>

Change in net position of governmental activities		<u>\$ 819,347</u>
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Regional School Unit No. 22
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 198,152	\$ -
Due from other funds	-	366,341
Due from other governments	-	14,815
	<u>198,152</u>	<u>381,156</u>
LIABILITIES		
Due to other funds	\$ 6,124	\$ -
Due to school groups	-	314,295
Due to other governments	-	66,861
	<u>6,124</u>	<u>381,156</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 192,028</u>	<u>\$ -</u>

Regional School Unit No. 22
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trust Funds
ADDITIONS	
Interest	\$ 4,461
Contributions	40,334
Total additions	44,795
DEDUCTIONS	
Scholarship awards	47,275
Total deductions	47,275
	314,295
Change in net position	(2,480)
NET POSITION - BEGINNING	194,508
NET POSITION - ENDING	\$ 192,028

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regional School Unit No. 22 was incorporated in 1970 under the laws of the State of Maine to provide educational services. The Unit was assigned a Regional School Unit number by the State Board of Education effective July 1, 2009 to comply with new legislation. Regional School Unit No. 22

The accounting and reporting policies of the Unit relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the Unit are described below.

A. FINANCIAL REPORTING ENTITY

In evaluating the Unit as a reporting entity, management has addressed all potential component units for which the Unit may be financially accountable and, as such, should be included within the Unit's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Unit 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 benefits or to impose specific financial burdens on the Unit. Additionally, the Unit is required to consider other organizations for which the nature and significance of their relationship with the Unit are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT WIDE STATEMENTS

The government-wide financial statements report information of all activities of the Unit, except for fiduciary funds. Governmental activities, which normally are supported by assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Unit has no business-type activities.

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Unit segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and fiduciary activities. The governmental statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column, when applicable. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

1. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Unit has presented the following major governmental funds:

General Fund

The general fund is the primary operating fund of the Unit and is always classified as a major fund. This fund is used to account for all financial resources not accounted for in other funds.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. This fund includes federal and state grants for specific purposes.

Capital Projects Fund

The capital projects fund is used to account for all resources for the acquisition, betterment or construction of capital facilities, including the Honeywell energy efficiency improvements project and the turf replacement project.

2. Fiduciary Funds (not included in the government-wide statements)

The Unit has presented the following fiduciary funds:

Private Purpose Trust Funds

Private purpose funds are funds held by the Unit in a trustee capacity and are accounted for in essentially the same manner as a private entity. Capital maintenance of private purpose funds is critical. The Unit accounts for the activities of scholarship accounts using this fund type.

Agency Funds

Agency funds account for assets held by the Unit in a purely custodial capacity and include student activity funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and the fund financial statements for fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net position and the operating statements present increases, revenues, and decreases, expenses, in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and compensated absences expenditures are recorded only when payment is due.

The revenues susceptible to accrual are intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Unit's general fund operating budget is approved by referendum in June for the upcoming fiscal year. Assessments are levied against the member towns after the budget is adopted.

Payments made by the State of Maine to the Maine Public Employees Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund in accordance with generally accepted accounting principles.

Appropriations for the general fund lapse at the end of the fiscal year.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the special revenue funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the Unit's fiscal year.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS

1. Deposits

For purposes of the statement of net position, cash and cash equivalents includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Unit, including amounts in repurchase accounts, when applicable. Additional information is presented in Note 2.

2. Inventories

Inventories of food and supplies in the food service program are valued at the lower of cost or market value using the first-in, first-out method.

3. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as "due to/from fiduciary funds".

4. Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities have been eliminated.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 years
Improvements	7-50 years
Machinery and Equipment	5-30 years

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

5. Capital Assets (Continued)

The Unit has no assets that it considers to be infrastructure. Assets such as parking lots are capitalized as improvements in accordance with the Unit's capitalization policy.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

6. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of general obligation bonds, capital leases, compensated absences liability, and net pension liability.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

The Unit's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these governmental compensated absences is recorded in the government-wide financial statements. The Unit maintains an equivalent amount as assigned fund balance in the fund financial statements.

7. 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 State Employees and Teachers (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET 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.

8. Use of Estimates

Preparation of the Unit's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

9. Government-wide Net position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Unit or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

10. Governmental Fund Balances

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

Nonspendable, such as fund balances associated with inventories or prepaid expenses. The Nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance category includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Unit's highest level of decision making authority, which is voter approval.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Directors and the Superintendent are authorized to assign funds for a particular purpose, under authority granted by voter approval.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Unit has not formally adopted a fund balance policy, but has implemented GASB 54 based on the definitions above. For expenditures that qualify for multiple categories, amounts will be considered first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance, except in the case of capital reserves, which are considered to be spent only after general fund appropriations are fully utilized or upon approval of the Board of Directors.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

11. New Governmental Accounting Standards

During the year ended June 30, 2018, the Unit implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

During the year ended June 30, 2018, the Unit implemented GASB Statement No. 85, *Omnibus 2017*. This statement improves financial reporting by enhancing consistency in the application of accounting and financial reporting requirements related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

12. Recent Accounting Pronouncements

In April 2018, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improves financial reporting by improving the consistency of the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The effect of this Statement on the Unit's financial statements is not known at this time.

NOTE 2. DEPOSITS

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Unit's deposits may not be returned to it. The Unit does not have a deposit policy for custodial credit risk. As of June 30, 2018, the Unit reported deposits of \$4,278,111 with bank balances of \$5,026,216. Of the Unit's total bank balance of \$5,026,216, \$3,010,825 was exposed to custodial credit risk. The entire exposed amount was collateralized by underlying securities held by the related bank, which were not in the Unit's name.

Deposits have been reported as follows:

Reported in governmental funds	\$4,079,959
Reported in private purpose trust funds	<u>198,152</u>
Total deposits	<u>\$4,278,111</u>

The Unit reported \$239,099 of restricted cash which is included in the above deposits but is not available for use in current operations. This amount represents unspent lease proceeds restricted for the Unit's energy efficiency project.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 3. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Retire- ments	Balance June 30, 2018
<i>Capital assets not being depreciated</i>				
Land	\$ 669,844	\$ -	\$ -	\$ 669,844
Construction in process	-	233,859	-	233,859
Total capital assets not being depreciated	<u>669,844</u>	<u>233,859</u>	<u>-</u>	<u>903,703</u>
<i>Capital assets being depreciated</i>				
Buildings	54,428,515	-	-	54,428,515
Equipment	881,496	-	-	881,496
Data processing equipment	24,747	-	-	24,747
Vehicles	34,908	-	-	34,908
Land improvements	11,774,011	205,257	-	11,979,268
Total capital assets being depreciated	<u>67,143,677</u>	<u>205,257</u>	<u>-</u>	<u>67,348,934</u>
<i>Less accumulated depreciation for</i>				
Buildings	(13,153,280)	(1,318,491)	-	(14,471,771)
Equipment	(568,268)	(41,549)	-	(609,817)
Data processing equipment	(19,909)	(2,697)	-	(22,606)
Vehicles	(31,133)	(1,200)	-	(32,333)
Land improvements	(2,887,583)	(392,425)	-	(3,280,008)
Total accumulated depreciation	<u>(16,660,173)</u>	<u>(1,756,362)</u>	<u>-</u>	<u>(18,416,535)</u>
Total capital assets being depreciated, net	<u>50,483,504</u>	<u>(1,551,105)</u>	<u>-</u>	<u>48,932,399</u>
Capital assets, net	<u>\$ 51,153,348</u>	<u>\$(1,317,246)</u>	<u>\$ -</u>	<u>\$ 49,836,102</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 45,447
Operations	<u>1,710,916</u>
Total depreciation expense	<u>\$1,756,363</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities of the Unit for the year ended June 30, 2018.

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Portion due within one year
General obligation bonds					
<i>Maine Municipal Bond Bank</i>					
Renovation project bonds due in annual principal installments of \$144,150 through November 2017; interest due semiannually at rates from 5.276% to 5.776%.	\$ 144,150	\$ -	\$ (144,150)	\$ -	\$ -
Hampden Academy construction project bonds due in annual principal installments of \$2,345,632; through November 2031; interest due semiannually at rates from 2.125% to 5.625%.	35,184,482	-	(2,345,632)	32,838,850	2,345,632
<i>Bangor Savings Bank</i>					
Qualified School Construction Bonds due in semiannual principal and interest payments through August 2028; Interest at rate of 4.8%.	234,124	-	(17,067)	217,057	17,477
 Total general obligation bonds	 <u>35,562,756</u>	 -	 <u>(2,506,849)</u>	 <u>33,055,907</u>	 <u>2,363,109</u>
 Capital leases	 3,224,067	 95,880	 (441,466)	 2,878,481	 471,313
 Compensated absences liability	 107,124	 58,127	 (44,531)	 120,720	 N/A
 Net pension liability	 <u>637,288</u>	 <u>321,608</u>	 <u>(492,298)</u>	 <u>466,598</u>	 <u>N/A</u>
 Total long-term liabilities	 <u>\$ 39,531,235</u>	 <u>\$ 475,615</u>	 <u>\$(3,485,144)</u>	 <u>\$ 36,521,706</u>	 <u>\$ 2,834,422</u>

General obligation bonds payable

Future maturities of general obligation bonds payable are as follows:

Year ended June 30	Principal	Interest	Total
2019	\$ 2,363,109	\$ 1,366,021	\$ 3,729,130
2020	2,363,528	1,305,394	3,668,922
2021	2,363,958	1,203,697	3,567,655
2022	2,364,398	1,070,865	3,435,263
2023	2,364,848	938,012	3,302,860
2024-2028	11,831,383	3,251,052	15,082,435
2029-2032	9,404,683	771,072	10,175,755
	<u>\$33,055,907</u>	<u>\$ 9,906,113</u>	<u>\$42,962,020</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds payable (Continued)

In accordance with Maine law, no school district shall incur debt for specific purposes in excess of certain percentages of State valuation of member municipalities. At June 30, 2018, the Unit was in compliance with these limitations.

Obligations under capital leases

The Unit is the lessee of various equipment and software under outstanding capital leases expiring in 2019, 2020, 2021, and 2022; and has financed various capital improvements with capital leases expiring in 2022, 2028, and 2033. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

As of June 30, 2018, the Unit has recorded \$2,625,045 in buildings and \$37,590 in equipment related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2018 is \$617,192.

Minimum future lease payments under capital leases as of June 30, 2018 are:

2019	\$ 561,590
2020	458,975
2021	413,244
2022	375,665
2023	157,330
2024-2028	782,874
2029-2033	<u>587,894</u>
	3,337,572
Less amount representing interest	<u>(459,091)</u>
Present value of minimum lease payments	<u>\$ 2,878,481</u>

The amount of principal due within one year for the above capital leases is \$471,313.

Obligations under operating leases

The Unit is currently committed to operating lease payments of \$155,100 over the next six years for copier leases. Future lease payment requirements are as follows:

2019	\$ 28,200
2020	28,200
2021	28,200
2022	28,200
2023	28,200
2024	<u>14,100</u>
Total	<u>\$ 155,100</u>

Operating lease payments were \$21,150 for fiscal year 2018.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 5. INTERFUND TRANSACTIONS

During the course of normal operations the Unit has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payable balances at June 30, 2018, arising from these transactions were as follows:

	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 114,283	\$ -	\$ -	\$ 193,917
Special revenue fund	-	446,936	-	-
Capital projects fund	-	127,761	160,917	-
Nonmajor governmental funds	100,197	-	33,000	-
Fiduciary funds	<u>366,341</u>	<u>6,124</u>	<u>-</u>	<u>-</u>
	<u>\$ 580,821</u>	<u>\$ 580,821</u>	<u>\$ 193,917</u>	<u>\$ 193,917</u>

The outstanding balances between funds result mainly from short-term cash flow needs that are funded by the general fund as it holds the Unit's checking account. The transfers of \$193,917 were used to move funds in accordance with budgetary authorizations.

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS

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 related bonds and leases payable, adding back any unspent proceeds. The Unit's net investment in capital assets was calculated as follows at June 30, 2018:

Capital assets	\$68,252,637
Accumulated depreciation	(18,416,535)
Related bonds payable	(33,055,907)
Related capital leases payable	<u>(1,062,989)</u>
Total balance	<u>\$ 15,717,206</u>

NOTE 7. RESTRICTED FOR CAPITAL PROJECTS

At June 30, 2018 the Unit had amounts restricted for future capital projects as follows:

Capital maintenance	\$ 375,607
New HA Bronco construction	1,500
Field maintenance	112,018
Schools energy efficiency project	<u>79,997</u>
	<u>\$ 569,122</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 8. BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

The Unit is an income beneficiary of assets held by Maine Community Foundation (MCF) as a result of making reciprocal transfers of assets to MCF and specifying itself as the beneficiary. As such, the Unit receives distributions amounting to a percentage of the fair value of these assets each year. The Unit has granted variance power to MCF. The Board of Trustees of the MCF has the power to modify, consistent with State law, including seeking approval of the appropriate court or Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified Units if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Annual distributions from these assets have been reported as revenue.

The estimated fair market value of the beneficial interests in the assets, which approximate the present values of expected future cash flows from the assets, are recognized in the statement of financial position as beneficial interests in assets held by others. This amounted to \$419,219 at June 30, 2018. The entire amount is reported in governmental funds.

NOTE 9. COMMITMENTS

At June 30, 2018, the Unit was committed to \$1,131,106 for transportation until June 2019; \$32,301 for phone services through 2021; \$79,551 for an ongoing energy efficiency project; and \$521,235 for an ongoing turf replacement and lighting improvements project.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's State Employee and Teacher (SET) Plan. The SET plan is a cost-sharing multiple employer defined benefit plan with a special funding situation, established by the Maine State legislature. The State of Maine is 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.

Pension Benefits

Benefit terms are established in Maine statute. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers 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. 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.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 2.45%.

Contributions

Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Contributions - SET Plan

SET plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required to contribute 11.08% of compensation for non-federally funded employees. The Unit is required to contribute 3.97% of compensation to cover the normal costs for non-federally funded employees. The Unit is also required to contribute 15.65% of compensation for federally funded employees.

The contributions for the year ended June 30, 2018 were as follows:

	<u>Covered Payroll</u>	<u>Contribution Percentage</u>	<u>Contribution Amount</u>
Employee contribution	\$ 13,540,956	7.65%	\$ 1,035,883
State DOE contribution for non-federally funded employees	13,134,750	11.08%	1,455,330
Employer contribution for normal costs of non-federally funded employees	13,134,750	3.97%	521,450
Employer contribution for federally funded employees	406,206	15.65%	63,571

The System separately accounts for the two groups within the SET plan, state employees being one group, and teachers the second group. Amounts disclosed for the SET plan reflect only the teachers' group portion, where applicable.

The collective net pension liability measured as of June 30, 2018 was as follows:

	<u>SET Plan</u>
Plan collective total pension liability	\$ 8,721,778,572
Less plan net position	<u>(7,269,242,349)</u>
Plan collective net pension liability	<u>\$ 1,452,536,223</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2018, the Unit reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Unit for contributions to the SET Plan. The amount recognized by the Unit as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Unit were as follows:

	<u>SET Plan</u>
Unit's proportionate share of the net pension liability	\$ 466,598
State's proportionate share of the net pension liability associated with the Unit	<u>15,886,028</u>
Total	<u>\$ 16,352,626</u>

The net pension liability for the Unit was measured as of June 30, 2017, and the total collective pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Unit's proportionate share percentage of the collective net pension liability for the SET Plan was 0.032123%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.036073% at the prior measurement date of June 30, 2016.

Pension Expense and Revenue

For the year ended June 30, 2018, the Unit recognized pension expense of \$524,427 related to the SET Plan, made up of the Unit's proportionate share of plan pension expense \$48,341, pension expense related to specific liabilities of individual employers \$446,347, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$29,739, and recognized revenue of \$1,198,983 for support provided by the State.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 19,623	\$ -
Changes of assumptions	-	7,288
Net difference between projected and actual investment earnings on pension plan investments	130,177	137,039
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,663	38,137
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>582,584</u>	<u>-</u>
Total	<u>\$ 753,047</u>	<u>\$ 182,464</u>

\$582,584 reported as deferred outflows related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	SET Plan Amount
2019	\$ (4,203)
2020	14,062
2021	3,119
2022	<u>(24,977)</u>
	<u>\$ 12,001</u>

Actuarial Assumptions, Discount Rate, and Pension Plan Fiduciary Net Position

Information on the pension plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net pension liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and Pension Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at www.maineopers.org/Publications/Publications.htm#Annual Reports.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 11. DEFINED BENEFIT OPEB PLAN

Maine Public Employees Retirement System – Group Life Insurance

The Group Life Insurance Plan for Retired State Employees and Teachers (the SET Plan) is a multiple-employer cost sharing plan with a special funding situation. The State is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan.

Other Post-Employment Benefits (OPEB)

The Group Life Insurance Plans (the Plans) provide basic group life insurance benefits, during retirement, to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution.

Net OPEB Liability

The System separately accounts for the two groups within the SET plan, state employees being one group, and teachers the second group. Amounts disclosed for the SET plan reflect only the teachers' group portion, where applicable.

The collective net OPEB liability measured as of June 30, 2018 was as follows:

	SET Plan
Plan collective total OPEB liability	\$ 90,479,201
Less plan net fiduciary position	<u>(54,387,771)</u>
Plan collective net OPEB liability	<u>\$ 36,091,430</u>

The total portion of the net OPEB liability that was associated with the Unit were as follows:

	SET Plan
Unit's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Unit	<u>296,533</u>
Total	<u>\$ 296,533</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 11. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability (Continued)

The net OPEB liability for the Unit was measured as of June 30, 2017, and the total collective OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. Because of the special funding situation in which the State pays the total dollar amount of each year's annual required contribution, the Unit's proportionate share percentage of the collective net OPEB liability for the SET Plan was 0.0%, and the entire net OPEB liability is reported by the State of Maine.

OPEB Expense and Revenue

For the year ended June 30, 2018, the Unit recognized OPEB expense of \$32,991 related to the SET Plan and recognized revenue of \$32,991 for support provided by the State, and recognized offsetting revenue and expense of \$26,875 for payments made by the State on-behalf of the Unit pursuant to the special funding situation of the SET Plan.

Actuarial Assumptions, Discount Rate, and OPEB Plan Fiduciary Net Position

Information on the OPEB plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net OPEB liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and OPEB Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at www.maineopers.org/Publications/Publications.htm#Annual Reports.

NOTE 12. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Unit is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The Unit maintains various commercial insurance policies to mitigate these risks to an acceptable level and to limit the Unit's exposure to losses.

The Unit is a member of the Maine School Management Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Unit pays an annual premium to the Fund for its worker's compensation coverage. The Unit's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member Units for claims in excess of \$500,000 with an excess limit of \$25,000,000.

The Unit is also a member of the Maine School Management Association - Unemployment Compensation Trust Fund ("MSMA"). MSMA was created to formulate, develop and administer a program of modified self-funding for MSMA's membership, obtain lower costs for unemployment compensation coverage and develop a comprehensive loss control program. The Unit contributes to MSMA based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. If the reserve is higher than is determined by the actuary, excess contributions are returned to the member. The annual rate set by MSMA's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its own excess of claims over reserve.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2018

NOTE 13. CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Unit's financial position.

The Unit participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Unit's compliance with applicable grant requirements may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 14. JOINTLY GOVERNED ORGANIZATION

The Unit and various entities in the region have jointly agreed to operate a vocational education school. A separate legal entity known as the United Technologies Center (UTC) was established by State law and is governed by a nine-member board, of which one member represents the Unit. Complete financial statements for the UTC can be obtained from the United Technologies Center; 200 Hogan Road, Bangor, Maine, 04401.

The Unit is assessed a fee for vocational education services provided to students in the Unit. For the fiscal year ended June 30, 2018, UTC assessed the Unit \$399,134 for these services.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 14, 2019, the date the financial statements were available to be issued.

Regional School Unit No. 22
Budget and Actual (with Budget to GAAP Differences) - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Budget to GAAP Differ- ences **	Actual Amounts - GAAP Basis
	Original	Changes*	Final			
REVENUES						
Local assessments	\$ 10,936,938	\$ -	\$ 10,936,938	10,936,938	\$ -	10,936,938
Intergovernmental	19,132,504	-	19,132,504	19,160,995	(75,732)	19,085,263
On-behalf payments - State of Maine	-	-	-	-	1,482,205	1,482,205
Tuition and fees	347,000	-	347,000	371,796.00	71,083	442,879
Interest	-	-	-	28,781	-	28,781
Other	183,417	-	183,417	224,684	-	224,684
Total revenues	30,599,859	-	30,599,859	30,723,194	1,477,556	32,200,750
EXPENDITURES						
Current						
Regular instruction	10,941,075	(78,844)	10,862,231	10,670,956	-	10,670,956
Special education instruction	5,478,931	-	5,478,931	5,398,316	-	5,398,316
Career and technical education	392,019	-	392,019	392,019	-	392,019
Other instruction	780,411	19,215	799,626	799,626	-	799,626
Student and staff support	2,404,535	-	2,404,535	2,273,007	(172,302)	2,100,705
System administration	854,849	15,889	870,738	870,738	66,664	937,402
School administration	1,378,854	-	1,378,854	1,350,164	-	1,350,164
Transportation and buses	1,247,779	43,740	1,291,519	1,291,519	-	1,291,519
Facilities maintenance	3,487,850	-	3,487,850	3,221,714	(383,758)	2,837,956
Adult education	68,000	-	68,000	60,225	-	60,225
On-behalf payments - State of Maine	-	-	-	-	1,482,205	1,482,205
Debt service						
Principal	2,546,751	-	2,546,751	2,546,751	401,535	2,948,286
Interest and other charges	1,426,888	-	1,426,888	1,426,888	83,212	1,510,100
Total expenditures	31,007,942	-	31,007,942	30,301,923	1,477,556	31,779,479
Excess (deficiency) of revenues over expenditures	(408,083)	-	(408,083)	421,271	-	421,271
OTHER FINANCING SOURCES (USES)						
Use of assigned fund balances	452,000	-	452,000	-	-	-
Use of unassigned fund balances	-	150,000	150,000	-	-	-
Transfers out	(43,917)	(150,000)	(193,917)	(193,917)	-	(193,917)
Total other financing sources (uses)	408,083	-	408,083	(193,917)	-	(193,917)
Net change in fund balances	\$ -	\$ -	\$ -	227,354	-	227,354
FUND BALANCE - BEGINNING				1,733,253	-	1,733,253
FUND BALANCE - ENDING				\$ 1,960,607	\$ -	\$ 1,960,607

* Changes are comprised of authorized transfers of budget lines as allowed under Maine statute

** The Unit budgets for the State of Maine payment of Frankfort debt service obligations, but on the GAAP basis these are revenues and expenses of the Unit that reports the debt.
The Unit does not budget for the on-behalf payments from the State of Maine.
The Unit does not budget for the revenues and expenditures of service agreements.
The Unit prepares its budget in accordance with State Law and therefore budgets only major projects' debt as debt service.
The Unit does not budget for the receipt or expenditure of capital leases.

Regional School Unit No. 22
Budget and Actual (with Variances) - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Changes*	Final		
REVENUES					
Local assessments	\$ 10,936,938	\$ -	\$ 10,936,938	\$ 10,936,938	\$ -
Intergovernmental revenue	19,132,504	-	19,132,504	19,160,995	28,491
Tuition	347,000	-	347,000	371,796	24,796
Interest	-	-	-	28,781	28,781
Other	183,417	-	183,417	224,684	41,267
Total revenues	30,599,859	-	30,599,859	30,723,194	123,335
EXPENDITURES					
Current					
Regular instruction	10,941,075	(78,844)	10,862,231	10,670,956	191,275
Special education instruction	5,478,931	-	5,478,931	5,398,316	80,615
Career and technical education	392,019	-	392,019	392,019	-
Other instruction	780,411	19,215	799,626	799,626	-
Student and staff support	2,404,535	-	2,404,535	2,273,007	131,528
System administration	854,849	15,889	870,738	870,738	-
School administration	1,378,854	-	1,378,854	1,350,164	28,690
Transportation and buses	1,247,779	43,740	1,291,519	1,291,519	-
Facilities maintenance	3,487,850	-	3,487,850	3,221,714	266,136
Adult education	68,000	-	68,000	60,225	7,775
Debt service					
Principal	2,546,751	-	2,546,751	2,546,751	-
Interest and other charges	1,426,888	-	1,426,888	1,426,888	-
Total expenditures	31,007,942	-	31,007,942	30,301,923	706,019
Excess (deficiency) of revenues over expenditures	(408,083)	-	(408,083)	421,271	829,354
OTHER FINANCING SOURCES (USES)					
Use of assigned fund balance	452,000	-	452,000	-	(452,000)
Use of unassigned fund balance	-	150,000	150,000	-	(150,000)
Transfers out	(43,917)	(150,000)	(193,917)	(193,917)	-
Total other financing sources (uses)	408,083	-	408,083	(193,917)	(602,000)
Net change in fund balances	\$ -	\$ -	\$ -	227,354	\$ 227,354
FUND BALANCE - BEGINNING				1,733,253	
FUND BALANCE - ENDING				\$ 1,960,607	

* Changes are comprised of authorized transfers of budget lines as allowed under Maine statute

Regional School Unit No. 22
 Schedule of the Unit's Proportionate Share of the Net Pension Liability
 State Employees and Teachers Plan
 Last 10 Fiscal Years*
 For the years ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Unit's proportion of the net pension liability	0.032123%	0.036073%	0.031592%	0.025736%	0.023857%					
Unit's proportionate share of the net pension liability	\$ 466,598	\$ 637,288	\$ 426,529	\$ 278,034	\$ 379,290					
State's proportionate share of the net pension liability associated with the Unit	15,886,028	19,006,901	14,762,480	11,666,980	17,115,322					
Total	\$ 16,352,626	\$ 19,644,189	\$ 15,189,009	\$ 11,945,014	\$ 17,494,612					
Unit's covered-employee payroll	\$ 13,612,461	\$ 13,037,573	\$ 12,859,165	\$ 12,423,732	\$ 12,357,812					
Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.43%	4.89%	3.32%	2.24%	3.07%					
Plan fiduciary net position as a percentage of the total pension liability **	83.35%	79.05%	83.55%	86.46%	76.85%					

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

** Plan net position and collective net pension liability reflect only the teachers' group portion of the SET plan

Regional School Unit No. 22
 Schedule of Unit Contributions
 State Employees and Teachers Plan
 Last 10 Fiscal Years*
 For the years ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 492,298	\$ 480,648	\$ 389,649	\$ 367,689	\$ 37,398					
Contributions in relation to the contractually required contribution	(492,298)	(480,648)	(389,649)	(367,689)	(37,398)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
Unit's covered-employee payroll	\$ 13,612,461	\$ 13,037,573	\$ 12,859,165	\$ 12,423,732	\$ 12,357,812					
Contributions as a percentage of covered-employee payroll	3.62%	3.69%	3.03%	2.96%	0.30%					

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Regional School Unit No. 22
Schedule of the Unit's Proportionate Share of the Net OPEB Liability
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Unit's proportion of the net OPEB liability	0.000000%									
Unit's proportionate share of the net OPEB liability	\$ -									
State's proportionate share of the net OPEB liability associated with the Unit	296,533									
Total	\$ 296,533									
Unit's covered-employee payroll	\$ 5,998,000									
Unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%									
Plan fiduciary net position as a percentage of the total OPEB liability **	60.11%									

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

** Plan net position and collective net OPEB liability reflect only the teachers' group portion of the SET plan

Regional School Unit No. 22
 Schedule of Unit OPEB Contributions
 State Employees and Teachers Plan
 Last 10 Fiscal Years*
 For the years ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ -									
Contributions in relation to the contractually required contribution	-									
Contribution deficiency (excess)	\$ -									
Unit's covered-employee payroll	\$ 5,998,000									
Contributions as a percentage of covered-employee payroll	0.00%									

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

**Regional School Unit No. 22
Budget and Assessment - General Fund
For the Year Ended June 30, 2018**

BUDGET REQUIREMENTS

Operations and indebtedness	\$ 31,007,942
Transfers out	<u>193,917</u>
Total budget requirements	<u>31,201,859</u>

REDUCTIONS OF REQUIREMENTS

Estimated revenues	19,662,921
Utilization of fund balance - budget	<u>602,000</u>
Total reductions of requirements	<u>20,264,921</u>

Net budget requirements	<u>\$ 10,936,938</u>
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ASSESSMENTS

Hampden	\$ 6,370,595
Newburgh	1,071,633
Winterport	2,663,836
Frankfort	<u>830,874</u>

Total assessments	<u>\$ 10,936,938</u>
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Regional School Unit No. 22
Combining Schedule of Special Revenue Fund Activity
For the Year Ended June 30, 2018

	June 30, 2017			June 30, 2018
	Balance	Revenues	Expenditures	Balance
<i>Federal grants</i>				
Chapter I/Title IA	\$ -	\$ 345,880	\$ 345,880	\$ -
Title IA Focus Schools	-	6,184	6,184	-
Local Entitlement	-	563,087	563,087	-
Title II-A	-	69,437	69,437	-
	<u>-</u>	<u>984,588</u>	<u>984,588</u>	<u>-</u>
<i>State grants and reimbursements</i>				
Dental	-	500	47	453
National Board Certification	-	9,350	9,350	-
College Transitions Grant	-	4,431	4,652	(221)
Proficiency Grant	25,446	-	15,735	9,711
PEPG Grant	1,759	-	4,865	(3,106)
	-	11,927	11,639	288
	<u>27,205</u>	<u>26,208</u>	<u>46,288</u>	<u>7,125</u>
<i>Local grants and insurance proceeds</i>				
Wellness Grant	4,622	7,429	6,369	5,682
Defunded sports	1,419	1,500	4,645	(1,726)
New Hampden Academy donations	399,040	34,364	6,323	427,081
	<u>405,081</u>	<u>43,293</u>	<u>17,337</u>	<u>431,037</u>
Totals	<u>\$ 432,286</u>	<u>\$ 1,054,089</u>	<u>\$ 1,048,213</u>	<u>\$ 438,162</u>

Regional School Unit No. 22
Combining Schedule of Agency Fund Activity
For the Year Ended June 30, 2018

	June 30, 2017			June 30, 2018
	Balance	Receipts	Disbursements	Balance
Hampden Academy	\$ 103,881	\$ 84,808	\$ 56,341	\$ 132,348
Alternative Education	62	-	-	62
Hampden Academy athletics	49,033	46,414	47,698	47,749
Trails Project	598	1,200	1,800	(2)
McGraw School	12,653	5,487	4,057	14,083
Special Olympics	3,404	1,020	95	4,329
Leroy Smith School	37,889	18,476	15,797	40,568
Weatherbee School	25,823	17,778	27,611	15,990
Wagner School	20,301	29,261	36,133	13,429
Reeds Brook School	34,649	30,014	27,523	37,140
Fundraising	3,463	12,883	7,747	8,599
Total school agency accounts	291,756	247,341	224,802	314,295
Penobscot River Educational Partnership	34,906	237,524	205,654	66,776
Maine Cohort for Customized Learning	102,796	190,246	292,957	85
Total agency fund activity	\$ 429,458	\$ 675,112	\$ 723,414	\$ 381,156

**Report on Compliance
With the Requirements of the
Maine School Finance Act**

Board of Directors
Regional School Unit No. 22

We audited the financial statements of the Regional School Unit No. 22 as of and for the year ended June 30, 2018, and have issued our report thereon dated January 14, 2019.

The management of the Regional School Unit No. 22 is responsible for the Unit's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Unit's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of the Regional School Unit No. 22.

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

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits as indicated in federal Office of Management and Budget circulars.
2. Budgetary controls were in place.
3. A determination of whether or not the annual financial data submitted to the department is correct.
4. A determination of whether or not the Unit has exceeded its authority to expend funds as provided by the total budget summary article.
5. The Unit has complied with applicable provisions of the Essential Services and Program Funding Act.
6. A determination of whether the school administrative unit has complied with the applicable provisions of the unexpended balances requirements established under section 15004.
7. The Unit has complied with transfer limitations between budget cost centers pursuant to section 1485, subsection 4.
8. The Unit has complied with budget content requirements pursuant to section 15693, subsection 1 and cost center summary budget format requirements pursuant to sections 1305C, 1485, 1701C and 2307.

The results of our tests indicate that, for the items tested, the Regional School Unit No. 22 complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, the Regional School Unit No. 22 was not in compliance with Maine laws and regulations.

Brantner Thibodeau & Associates

January 14, 2019

Regional School Unit No. 22
Reconciliation of Audit Adjustments to the Annual Financial Data
Submitted to Maine Education Financial System
For the Year Ended June 30, 2018

	General Fund	Special Revenue Funds	Capital Projects Fund	Nonmajor Governmental Fund - School Lunch Program	Totals
<i>June 30 balance as per Maine Education Financial System</i>	\$ 18,015,860	\$ 332,008	\$ 961,922	\$ 144,244	\$ 19,454,034
Fund Balance Adjustments	(15,346,072)	4,728	-	3,560	(15,337,784)
Revenue Adjustments	<u>(505,720)</u>	<u>113,981</u>	<u>(173,156)</u>	<u>(4,504)</u>	<u>(569,399)</u>
Expenditure Adjustments	<u>(203,460)</u>	<u>(12,555)</u>	<u>(219,644)</u>	<u>(18,181)</u>	<u>(453,840)</u>
Rounding Adjustment	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Audited GAAP Basis Fund Balance	<u>\$ 1,960,607</u>	<u>\$ 438,162</u>	<u>\$ 569,122</u>	<u>\$ 125,119</u>	<u>\$ 3,093,010</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

Board of Directors
Regional School Unit No. 22

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 22, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 22's basic financial statements, and have issued our report thereon dated January 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 22's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 22's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 22's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional School Unit No. 22's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item #2018-002.

Regional School Unit No. 22's Response to Findings

Regional School Unit No. 22's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Regional School Unit No. 22's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bhartrui Chibodan & Associates

January 14, 2019

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**Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Directors
Regional School Unit No. 22

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 22's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 22's major federal programs for the year ended June 30, 2018. Regional School Unit No. 22's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Regional School Unit No. 22's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Regional School Unit No. 22's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Regional School Unit No. 22's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 22, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items #2018-002. Our opinion on each major federal program is not modified with respect to these matters.

Regional School Unit No. 22's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Regional School Unit No. 22's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Regional School Unit No. 22 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional School Unit No. 22's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 22's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2018-002 to be a significant deficiency.

Regional School Unit No. 22's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Regional School Unit No. 22's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Branter Hibodan & Associates

January 14, 2019

Regional School Unit No. 22
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures
<i>U.S. Department of Education</i>			
Passed through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	013-05A-3057-13	\$ 345,880
Title 1A Focus School	84.010	013-05A-3106-13	6,184
Improving Teacher Quality Grant	84.367	013-05A-3042-11	69,437
<i>Special Education Cluster</i>			
Special Education - Grants to States	84.027	013-05A-3046-12	<u>563,087</u>
Total U.S. Department of Education			<u>984,588</u>
<i>U.S. Department of Agriculture</i>			
Passed through State Department of Education			
Fresh Fruit & Vegetable Program	10.582	013-05A-3028-05	1,324
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	013-05A-3024-05	281,979
National School Lunch Program - donated commodities	10.555	013-05A-3024-05	60,262
National School Lunch- Performance Based Reimbursement	10.555	013-05A-3125-05	12,271
Summer Food Service Program for Children	10.559	013-05A-7130-05	4,602
School Breakfast Program	10.553	013-05A-3014-05	<u>83,674</u>
<i>Total Child Nutrition Cluster</i>			<u>442,788</u>
Total U.S. Department of Agriculture			<u>444,112</u>
Total expenditures of federal awards			<u>\$ 1,428,700</u>

Regional School Unit No. 22
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

PURPOSE OF THE SCHEDULE

The Uniform Guidance requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of Regional School Unit No. 22 for the fiscal year ended June 30, 2018. The reporting entity is defined in the Notes to the Financial Statements of Regional School Unit No. 22.

2. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

- a. Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. The Uniform Guidance establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the Unit have been identified in the Schedule of Findings and Questioned Costs

3. BASIS OF ACCOUNTING

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the Unit's general purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general purpose financial statements.

4. NONCASH AWARDS

The amount reported on the schedule is the value of commodities received by the Unit during the current year and priced as prescribed by USDA and is included in the National School Lunch Program total.

5. CHILD NUTRITION CLUSTER

The Unit commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Unit assumes it expends federal monies first.

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP - *Unmodified opinion*

Internal control over financial reporting

- Material weakness(es) identified? - yes no
- Significant deficiencies identified that are not considered to be material weaknesses? - yes no

Noncompliance material to financial statements noted? - yes no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? - yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? - yes none reported

Type of auditor's report issued on compliance for major programs - *Unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? - yes no

Identification of major programs

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs - \$750,000

Auditee qualified as low-risk auditee? - yes no

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018**

Section II — Financial Statement Findings

	#2018-001
<i>Criteria or specific requirement</i>	Maintain a system of internal control appropriate to prevent, or detect and correct, material misstatements on a timely basis.
<i>Condition</i>	Controls over financial statement accuracy and preparation procedures were not implemented appropriately and effectively and as intended throughout the year.
<i>Questioned costs</i>	None noted
<i>Context</i>	Client did not perform control procedures timely throughout year, and did not keep up on posting of general ledger activity, required adjustments, and end of period reconciliations.
<i>Effect</i>	Accounts are at higher risk of misstatement and higher risk of misappropriation.
<i>Cause</i>	Client was behind in duties this year because it was a transition year in staff and management.
<i>Recommendation</i>	Recommend that the established controls in place be applied consistently and timely throughout year and recommend client stay caught up with posting and other duties as much as possible to allow for timely oversight of accountant's work.
<i>Management's response</i>	<i>Management has implemented several new procedures and controls over the financial statements and reconciliations that is in place for the next fiscal year.</i>

Section III — Federal Award Findings and Questioned Costs

	#2018-002
<i>Information on the federal program</i>	CFDA 84.010 Title I Grants to Local Educational Agencies
<i>Pass-through entity</i>	State of Maine Department of Education
<i>Finding type</i>	Compliance; Internal control over compliance
<i>Criteria or specific requirement (including statutory, regulatory, or other citation)</i>	2 CFR Part 200.430(i) Allowable Costs/Cost Principles/ Compensation – Standards for Documentation of Personnel Services Charges for salaries must be based on records that accurately reflect the work performed and supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated. The documentation must support distribution of salaries among specific activities including federal or non-federal.

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018**

Section III — Federal Award Findings and Questioned Costs (Continued)

#2018-002 (Continued)

<i>Condition</i>	Documentation of time and effort certifications for certain federally funded employees for period January 1 – June 30, 2018 were not prepared.
<i>Cause and effect</i>	In response to the audit inquiry, the program director indicated that this procedure was overlooked for proper timeframe completion. The Unit must correct oversight to avoid future funding loss.
<i>Recommendation</i>	Recommend re-designing forms used to allow for multiple cost centers on a single timesheet and recommend changing the timing of the certification to be done after the work performed.
<i>Management's response</i>	<i>Management will make changes to the certification process and will change the design of the performance activity report used for federally funded employees.</i>