

Regional School Unit No. 22

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2020

CONTENTS

	Statement	Page
Independent Auditor's Report		4-5
Required Supplementary Information		
Management's Discussion and Analysis		6-14
Basic Financial Statements		
Government-wide Financial Statements		
Statement of net position	1	15
Statement of activities	2	16
Fund Financial Statements		
Balance sheet – governmental funds	3	17
Reconciliation of the governmental funds balance sheet to the statement of net position	3A	18
Statement of revenues, expenditures and changes in fund balances – governmental funds	4	19
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	4A	20
Statement of fiduciary net position – fiduciary funds	5	21
Statement of changes in fiduciary net position – fiduciary funds	6	22
Notes to basic financial statements		23-43
	Exhibit	
Required Supplementary Information		
Budget and actual (with budget to GAAP differences) – general fund	1	44
Budget and actual (with variances) – general fund	2	45
Schedule of the Unit's proportionate share of net pension liability – State Employees and Teachers Plan	3	46
Schedule of Unit pension contributions – State Employees and Teachers Plan	4	47

CONTENTS

	Exhibit	Page
Required Supplementary Information (continued)		
Schedule of the Unit's proportionate share of net OPEB liability – State Employees and Teachers Plan	5	48
Schedule of Unit OPEB contributions – State Employees and Teachers Plan	6	49
Schedule of Changes in Net OPEB Liability and Related Ratios – Postretirement Employee Healthcare Plan	7	50
	Schedule	
Other Supplementary Information		
Budget and assessment – general fund	1	51
Combining schedule of special revenue fund activity	2	52
Combining schedule of agency fund activity	3	53
Other Reports and Schedules		
Report on compliance with the requirements of the Maine School Finance Act		54
Reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System		55
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 <i>Government Auditing Standards</i>		56-57
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance		58-59
Schedule of expenditures of federal awards		60
Notes to the schedule of expenditures of federal awards		61
Schedule of findings and questioned costs		62-63
Summary schedule of prior audit findings		64

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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, 2020, 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, 2020, 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 44 through 50 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 June 29, 2021, 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.

Brantley Shibodeau & Associates

June 29, 2021

Regional School Unit No. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

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, 2020. 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, 2020 was \$7,358,407.
- The Units total long term debt decreased by \$2,411,392 for the year to \$36,414,230.
- Under the government-wide basis of reporting, the Unit's total net position increased by \$2,615,274.
- The fund balance as reported on the Unit's fund financial statements increased by \$1,110,222 to \$5,395,718.
- On a budget basis, the Unit's revenues exceeded its expenditures and transfers out by \$1,312,292. The Unit originally planned for a budget deficiency of \$509,600. The Unit experienced a positive budget variance and an increase in the budget-basis fund balance of \$1,312,292.

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 23-43 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 44-50 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 51-53 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 \$17,245,959 as of June 30, 2020.

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, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 8,209,137	\$ 6,617,045
Capital assets	<u>47,558,433</u>	<u>48,770,506</u>
Total Assets	<u>55,767,570</u>	<u>55,387,551</u>
Deferred outflows of resources	<u>1,109,374</u>	<u>854,977</u>
Current liabilities	3,025,961	2,556,432
Non-current liabilities	<u>36,414,230</u>	<u>38,825,622</u>
Total Liabilities	<u>39,440,191</u>	<u>41,382,054</u>
Deferred inflows of resources	<u>190,794</u>	<u>229,789</u>
Net position		
Net investment in capital assets	\$ 17,865,866	\$ 16,395,738
Restricted	984,388	1,186,458
Unrestricted (deficit)	<u>(1,604,295)</u>	<u>(2,951,511)</u>
Total Net position	<u>\$ 17,245,959</u>	<u>\$ 14,630,685</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position for the Period Ending June 30, 2020 and 2019 (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 \$3,239,088 and \$3,290,484 for the years ended June 30, 2020 and 2019, respectively.
- The Unit recorded depreciation expense of \$1,822,354 for the year ended June 30, 2020 and \$1,802,234 for the year ended June 30, 2019. The Unit also recorded interest expense of \$1,387,933 for the year ended June 30, 2020 and \$1,435,713 for the year ended June 30, 2019.

The following table presents a summary of the Unit's operations for the fiscal year ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
REVENUES		
Charges for services and other	\$ 982,396	\$ 1,048,267
Operating grants and contributions	3,987,769	4,342,678
Capital grants and contributions	3,798	4,307
General revenues		
Local assessments	12,532,079	12,012,021
Grants and contributions not restricted to specific programs	19,653,872	19,075,897
Other revenues	<u>171,212</u>	<u>126,557</u>
Total Revenues	<u>37,331,126</u>	<u>36,609,727</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position for the Period Ending June 30, 2020 and 2019 (Continued)

	<u>2020</u>	<u>2019</u>
EXPENSES		
Regular instruction	\$11,175,446	\$11,177,298
Special education instruction	5,881,962	5,564,992
Other instruction	765,043	894,590
Student and staff support	2,539,000	2,441,021
System administration	825,467	876,143
School administration	1,492,039	1,436,431
Transportation and buses	1,339,167	1,398,689
Facilities maintenance	4,651,257	4,779,688
Adult education	55,850	54,156
On-behalf payments – State of Maine	1,994,823	1,548,829
Restricted grants	1,113,038	1,283,521
Food service	1,042,396	1,051,393
Interest and other charges	1,387,933	1,435,713
Capital outlay	451,231	117,240
Total Expenses	<u>34,714,652</u>	<u>34,059,714</u>
Excess (deficiency) of revenues over expenses before special items	<u>2,616,474</u>	<u>2,550,013</u>
Special items (net)	<u>(1,200)</u>	<u>1,884</u>
Change in net position	<u>2,615,274</u>	<u>2,551,897</u>
Net position, beginning of year	<u>14,630,685</u>	<u>16,328,612</u>
Restatement for accounts payable and OPEB reporting	<u> </u>	<u>(4,249,924)</u>
Net position, beginning of year – restated	<u> </u>	<u>12,078,788</u>
Net position, end of year	<u>\$17,245,959</u>	<u>\$14,630,685</u>

Analysis of the Unit's Operations

Overall the Unit had a total increase in net position of \$2,615,274 from current year operations.

Total revenues for governmental activities increased from the prior year by \$721,399. 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, 2020 totaled \$32,360,408. Of this amount, \$12,532,079 was from local assessments and \$19,653,872 was from the State of Maine and federal grants. In addition, \$174,457 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 \$3,987,769. 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 \$1,822,354. 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 \$982,396 for the year ended June 30, 2020.

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 \$5,395,718, \$1,110,222 higher than the previous year.

In the general fund, the Unit budgeted to use \$509,600 of unassigned and assigned fund balance. Due to actual revenue on the budget basis being more than actual expenses on the budget basis, the general fund balance increased \$1,312,292 on a budgetary basis.

Revenues include intergovernmental revenue of \$21,657,357 and local assessments totaling \$12,532,079. On-behalf payments amounted to \$1,994,823 and \$1,490,223 during the years ended June 30, 2020 and 2019, respectively. Additional information on these "on-behalf" payments can be found in notes to the basic financial statements.

Charges for services contributed \$840,815 in total revenue during the year. Of this amount, \$459,317 represents revenues generated from the food service program.

Total governmental fund expenditures for the year were \$36,456,359, representing an increase of \$1,809,430 or 5.2% more than the previous year. The Unit's debt service totaled \$4,339,617 for the year, which represents a decrease of \$103,445 from the previous year. The Unit paid \$624,737 in capital outlays during the year.

The focus of the Unit's fiduciary funds is to provide information on the scholarship accounts activity. The total scholarship balances at June 30, 2020 increased by \$6,495 to \$197,107. The Unit also had agency funds with amounts due to school groups of \$357,070 and other governments totaling \$151,401.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following summarizes capital assets at year-end:

	<u>2020</u>	<u>2019</u>
Land	\$ 669,844	\$ 669,844
Construction in process	-	-
Buildings	54,885,955	54,508,066
Equipment	1,078,052	936,341
Vehicles	93,498	24,747
Land Improvements	<u>12,839,253</u>	<u>12,782,352</u>
Total capital assets	69,566,602	68,967,121
Accumulated depreciation	<u>(22,008,169)</u>	<u>(20,196,615)</u>
Capital assets, net	<u>\$ 47,558,433</u>	<u>\$ 48,770,506</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>2020</u>	<u>2019</u>
Bonds payable	\$29,094,269	\$31,542,798
Capital lease obligations	2,222,660	2,419,624
Compensated absences	75,085	105,431
Net OPEB liability	4,534,270	4,309,147
Net pension liability	<u>487,946</u>	<u>448,622</u>
Total	<u>\$36,414,230</u>	<u>\$38,825,622</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 \$264,649. The causes include additional tuition revenues in excess of budgeted amounts, un-budgeted interest income, insurance proceeds and intergovernmental revenue.

Actual expenditures – budget basis was less than budgeted expenditures by \$1,557,243. Program expenditures in which variances exceed 5% of the final budgeted amounts are considered to be material budget variances. Regular instruction and Special education ended the year with 5% positive variances, Other Student Support ended the year with a 16% positive variance the result of various under-expended amounts in salaries, benefits and related instructional expenses due to the closure of schools on March 13, 2020 due to the COVID-19 pandemic. System Administration closed the year with an 8% positive variance due to savings in legal fees, travel, advertising and changes in employee benefits. Facilities maintenance ended the year with a 9% positive variance; the result of savings in salaries and benefits, custodial supplies, electricity, and other utilities. Adult Education ended with a 25% positive variance due savings in salaries, benefits and instructional costs due to early closure.

The FY20 approved budget is \$33,231,836, which is an increase of 4% 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 FY21 include the fact that incoming tuition student numbers are growing, 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' and support staff contracts.

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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,156,481
Beneficial interests in assets held by others	415,792
Due from other governments	363,762
Inventories	37,952
Prepaid expenses	235,150
Capital assets not being depreciated	669,844
Capital assets being depreciated, net of accumulated depreciation	46,888,589
	55,767,570
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and OPEB	1,109,374
LIABILITIES	
Accounts payable and accrued expenses	563,987
Accrued wages	1,704,428
Due to fiduciary funds	497,970
Unearned revenues	47,033
Accrued interest payable	212,543
Long-term liabilities	
Due within one year	
Bonds payable	2,448,868
Capital leases payable	453,745
Due in more than one year	
Bonds payable	26,645,401
Capital leases payable	1,768,915
Compensated absences	75,085
Net pension liability	487,946
Net OPEB liability	4,534,270
	39,440,191
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and OPEB	190,794
NET POSITION	
Net investment in capital assets	17,865,866
Restricted for	
Capital projects	257,054
School lunch	268,377
State, local grants and donations	458,957
Unrestricted (deficit)	(1,604,295)
	\$ 17,245,959

Regional School Unit No. 22
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Regular instruction	\$ 11,175,446	\$ 347,145	\$ 26,968	\$ -	\$ (10,801,333)
Special education instruction	5,881,962	132,897	33,629	-	(5,715,436)
Other instruction	765,043	33,254	10,507	-	(721,282)
Student and staff support	2,539,000	-	5,503	-	(2,533,497)
System administration	825,467	-	689	-	(824,778)
School administration	1,492,039	-	3,153	-	(1,488,886)
Transportation and buses	1,339,167	-	15,904	-	(1,323,263)
Facilities maintenance	4,651,257	3,245	31,012	-	(4,617,000)
Adult education	55,850	6,538	48,869	-	(443)
On-behalf payments - State of Maine	1,994,823	-	1,994,823	-	-
Restricted grants	1,113,038	-	1,070,168	-	(42,870)
Food service	1,042,396	459,317	711,894	-	128,815
Interest and other charges	1,387,933	-	34,650	-	(1,353,283)
Capital outlay	451,231	-	-	3,798	(447,433)
Total governmental activities	<u>\$ 34,714,652</u>	<u>\$ 982,396</u>	<u>\$ 3,987,769</u>	<u>\$ 3,798</u>	<u>(29,740,689)</u>
General revenues					
Assessments					
Assessments, levied for general purposes					12,052,708
Assessments, levied for debt service					479,371
Grants and contributions not restricted to specific programs					19,653,872
Unrestricted investment earnings					40,260
Miscellaneous					130,952
Special item - loss on disposal of capital assets					<u>(1,200)</u>
Total general revenues and special item					<u>32,355,963</u>
Change in net position					2,615,274
NET POSITION - BEGINNING					<u>14,630,685</u>
NET POSITION - ENDING					<u>\$ 17,245,959</u>

Regional School Unit No. 22
Balance Sheet - Governmental Funds
June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Fund - Food Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,728,874	\$ 6,983	\$ 420,624	\$ -	\$ 7,156,481
Beneficial interests in assets held by others	-	415,792	-	-	415,792
Due from other funds	-	-	-	190,111	190,111
Due from other governments	41,244	238,699	-	83,819	363,762
Inventories	-	-	-	37,952	37,952
Prepaid expenses	235,150	-	-	-	235,150
Total assets	<u>\$ 7,005,268</u>	<u>\$ 661,474</u>	<u>\$ 420,624</u>	<u>\$ 311,882</u>	<u>\$ 8,399,248</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 466,646	\$ 21,098	\$ 74,664	\$ 1,579	\$ 563,987
Accrued wages	1,702,099	869	-	1,460	1,704,428
Due to other funds	420,245	178,931	88,906	-	688,082
Unearned revenues	4,948	1,619	-	40,466	47,033
Total liabilities	<u>2,593,938</u>	<u>202,517</u>	<u>163,570</u>	<u>43,505</u>	<u>3,003,530</u>
Fund balances					
Nonspendable for					
Inventories	-	-	-	37,952	37,952
Prepays	235,150	-	-	-	235,150
Restricted for					
Capital projects	-	-	257,054	-	257,054
Food service	-	-	-	230,425	230,425
State and local grants and donations	1,000	458,957	-	-	459,957
Assigned for compensated absences	75,085	-	-	-	75,085
Unassigned	4,100,095	-	-	-	4,100,095
Total fund balances	<u>4,411,330</u>	<u>458,957</u>	<u>257,054</u>	<u>268,377</u>	<u>5,395,718</u>
Total liabilities and fund balances	<u>\$ 7,005,268</u>	<u>\$ 661,474</u>	<u>\$ 420,624</u>	<u>\$ 311,882</u>	<u>\$ 8,399,248</u>

Regional School Unit No. 22
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balance, governmental funds	\$	5,395,718
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		
Capital assets, net of accumulated depreciation		47,558,434
<p>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.</p>		
Deferred outflows related to pensions and OPEB		1,109,374
Deferred inflows related to pensions and OPEB		(190,794)
<p>Some liabilities, (such as Capital Leases Payable, Bonds Payable, Accrued Interest, Compensated Absences, Net OPEB liability 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.</p>		
Bonds and capital leases		(31,316,929)
Accrued interest		(212,543)
Net pension liability		(487,946)
Net OPEB liability		(4,534,270)
Compensated absences liability		(75,085)
Net position of governmental activities in the statement of net position	\$	<u>17,245,959</u>

Regional School Unit No. 22
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Fund - Food Service Fund</u>	<u>Total Govern- mental Funds</u>
REVENUES					
Local assessments	\$ 12,532,079	\$ -	\$ -	\$ -	\$ 12,532,079
Intergovernmental revenue	19,872,199	1,075,264	-	709,894	21,657,357
On-behalf payments - State of Maine	1,994,823	-	-	-	1,994,823
Charges for services	376,473	5,025	-	459,317	840,815
Interest and investment earnings	40,260	3,403	3,797	-	47,460
Dividends and reimbursements	84,932	-	-	-	84,932
Donations	-	25,675	-	-	25,675
Other	79,298	10,292	-	-	89,590
	<u>34,980,064</u>	<u>1,119,659</u>	<u>3,797</u>	<u>1,169,211</u>	<u>37,272,731</u>
EXPENDITURES					
Current					
Regular instruction	11,142,837	-	-	-	11,142,837
Special education instruction	5,873,201	-	-	-	5,873,201
Other instruction	765,003	-	-	-	765,003
Student and staff support	2,577,962	-	-	-	2,577,962
System administration	853,301	-	-	-	853,301
School administration	1,493,025	-	-	-	1,493,025
Transportation and buses	1,364,591	-	-	-	1,364,591
Facilities maintenance	2,931,105	-	-	-	2,931,105
Adult education	52,965	2,845	-	-	55,810
On-behalf payments - State of Maine	1,994,823	-	-	-	1,994,823
Restricted grants	-	1,114,078	-	-	1,114,078
Food service	-	-	-	1,032,419	1,032,419
Debt service					
Principal	2,939,344	-	-	-	2,939,344
Interest and other charges	1,400,273	-	-	-	1,400,273
Capital leases outlay	293,850	-	-	-	293,850
Capital outlay	-	-	624,737	-	624,737
	<u>33,682,280</u>	<u>1,116,923</u>	<u>624,737</u>	<u>1,032,419</u>	<u>36,456,359</u>
Excess (deficiency) of revenues over expenditures	<u>1,297,784</u>	<u>2,736</u>	<u>(620,940)</u>	<u>136,792</u>	<u>816,372</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	293,850	-	-	-	293,850
Transfers in	-	-	279,342	-	279,342
Transfers out	<u>(279,342)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279,342)</u>
Total other financing sources (uses)	<u>14,508</u>	<u>-</u>	<u>279,342</u>	<u>-</u>	<u>293,850</u>
Net change in fund balances	1,312,292	2,736	(341,598)	136,792	1,110,222
FUND BALANCES - BEGINNING	<u>3,099,038</u>	<u>456,221</u>	<u>598,652</u>	<u>131,585</u>	<u>4,285,496</u>
FUND BALANCES - ENDING	<u>\$ 4,411,330</u>	<u>\$ 458,957</u>	<u>\$ 257,054</u>	<u>\$ 268,377</u>	<u>\$ 5,395,718</u>

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, 2020

Net change in fund balances - total governmental funds: \$ 1,110,222

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	\$ 611,481	
Depreciation expense	<u>(1,822,354)</u>	(1,210,873)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(1,200)

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 and OPEB		254,398
Deferred inflows related to pensions and OPEB		38,995

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	\$ (293,850)	
Principal repaid	<u>2,939,343</u>	2,645,493

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	\$ 12,340	
Change in compensated absences liability	30,347	
Net pension and OPEB expense	<u>(264,448)</u>	<u>(221,761)</u>

Change in net position of governmental activities \$ 2,615,274

Regional School Unit No. 22
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 201,926	\$ -
Due from other funds	-	502,290
Due from other governments	-	10,605
	<u>201,926</u>	<u>512,895</u>
LIABILITIES		
Accounts payable	\$ 500	\$ 4,424
Due to school groups	-	357,070
Due to other governments	-	151,401
	<u>4,819</u>	<u>512,895</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 197,107</u>	<u>\$ -</u>

Regional School Unit No. 22
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2020

	Private Purpose Trust Funds
ADDITIONS	
Interest	\$ 1,783
Contributions	36,762
Total additions	38,545
DEDUCTIONS	
Scholarship awards	32,050
Change in net position	6,495
NET POSITION - BEGINNING	190,612
NET POSITION - ENDING	\$ 197,107

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

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, 2020

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, 2020

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, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents

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, 2020

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, net OPEB 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 and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the State Employees and Teachers (SET) Pension Plan and OPEB Plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the SET plans. 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, 2020

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, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

11. New and Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This statement improves financial reporting by increasing the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The statement was originally issued to be effective for periods beginning after December 15, 2019 but in May of 2020, the Governmental Accounting Standards Board postponed the effective date of this Statement to periods beginning after June 15, 2021. The effect of this Statement on the Unit's financial statements is not known at this time.

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The statement was originally issued to be effective for periods beginning after December 15, 2018 but in May of 2020, the Governmental Accounting Standards Board postponed the effective date of this Statement to periods beginning after December 15, 2019. The effect of this Statement on the Unit's financial statements is not known at this time.

NOTE 2. CASH AND CASH EQUIVALENTS

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, 2020, the Unit reported deposits of \$7,358,407 with bank balances of \$7,677,602. Of the Unit's total bank balance of \$7,677,602, \$5,953,992 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	\$7,156,481
Reported in private purpose trust funds	<u>201,926</u>
Total deposits	<u>\$7,358,407</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 3. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Retire- ments	Balance June 30, 2020
<i>Capital assets not being depreciated</i>				
Land	\$ 669,844	\$ -	\$ -	\$ 669,844
Total capital assets not being depreciated	<u>669,844</u>	<u>-</u>	<u>-</u>	<u>669,844</u>
<i>Capital assets being depreciated</i>				
Buildings	54,508,066	377,889	-	54,885,955
Equipment	911,594	99,542	-	1,011,136
Data processing equipment	24,747	42,169	-	66,916
Vehicles	70,518	34,980	(12,000)	93,498
Land improvements	<u>12,782,352</u>	<u>56,901</u>	<u>-</u>	<u>12,839,253</u>
Total capital assets being depreciated	<u>68,297,277</u>	<u>611,481</u>	<u>(12,000)</u>	<u>68,896,758</u>
<i>Less accumulated depreciation for</i>				
Buildings	(15,790,262)	(1,322,372)	-	(17,112,634)
Equipment	(644,424)	(38,394)	-	(682,818)
Data processing equipment	(24,608)	(8,210)	-	(32,818)
Vehicles	(16,025)	(11,029)	10,800	(16,254)
Land improvements	<u>(3,721,296)</u>	<u>(442,349)</u>	<u>-</u>	<u>(4,163,645)</u>
Total accumulated depreciation	<u>(20,196,615)</u>	<u>(1,822,354)</u>	<u>10,800</u>	<u>(22,008,169)</u>
Total capital assets being depreciated, net	<u>48,100,662</u>	<u>(1,210,873)</u>	<u>(1,200)</u>	<u>46,888,589</u>
Capital assets, net	<u>\$ 48,770,506</u>	<u>\$ (1,210,873)</u>	<u>\$ (1,200)</u>	<u>\$ 47,558,433</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 19,234
Operations	1,784,296
Other instruction	711
Transportation	9,554
Food service	<u>8,559</u>
Total depreciation expense	<u>\$1,822,354</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities of the Unit for the year ended June 30, 2020.

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Portion due within one year</u>
General obligation bonds payable					
<i>Maine Municipal Bond Bank</i>					
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%.	\$30,493,218	\$ -	\$ (2,345,632)	\$ 28,147,586	\$ 2,345,632
Turf replacement and lighting upgrades bond due in annual principal installments of \$85,000; through November 2029; interest due semiannually at rates from 2.200% to 2.990%.	850,000	-	(85,000)	765,000	85,000
<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%.	<u>199,580</u>	<u>-</u>	<u>(17,897)</u>	<u>181,683</u>	<u>18,236</u>
Total general obligation bonds	<u>31,542,798</u>	<u>-</u>	<u>(2,448,529)</u>	<u>29,094,269</u>	<u>2,448,868</u>
Capital leases payable	2,419,624	293,850	(490,814)	2,222,660	453,745
Compensated absences liability	105,431	2,055	(32,401)	75,085	N/A
Net OPEB liability	4,309,147	430,754	(205,631)	4,534,270	N/A
Net pension liability	<u>448,622</u>	<u>636,011</u>	<u>(596,687)</u>	<u>487,946</u>	<u>N/A</u>
Total long-term liabilities	<u>\$ 38,825,622</u>	<u>\$ 1,362,670</u>	<u>\$ (3,774,062)</u>	<u>\$ 36,414,230</u>	<u>\$ 2,902,613</u>

General obligation bonds payable

Future maturities of general obligation bonds payable are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,448,958	\$ 1,222,894	\$ 3,671,852
2022	2,449,398	1,088,086	3,537,484
2023	2,449,848	953,189	3,403,037
2024	2,450,309	841,125	3,291,434
2025	2,450,781	770,012	3,220,793
2026-2030	12,153,711	2,250,010	14,403,721
2031-2032	<u>4,691,264</u>	<u>204,774</u>	<u>4,896,038</u>
	<u>\$29,094,269</u>	<u>\$ 7,330,090</u>	<u>\$36,424,359</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

Obligations under capital leases

The Unit is the lessee of various equipment and software under outstanding capital leases expiring in years ending June 30, 2021 and 2022; and has financed various capital improvements with capital leases expiring in years ending June 30, 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, 2020, the Unit has recorded \$2,674,151 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, 2020 is \$824,011.

Minimum future lease payments under capital leases as of June 30, 2020 are:

2021	\$ 525,742
2022	484,657
2023	157,330
2024	157,078
2025	156,829
2026-2030	730,252
2031-2033	<u>326,609</u>
	2,538,497
Less amount representing interest	<u>(315,837)</u>
Present value of minimum lease payments	<u>\$ 2,222,660</u>

The amount of principal due within one year for the above capital leases is \$453,745.

Obligations under operating leases

The Unit is currently committed to operating lease payments of \$98,700 for copiers over the next four years for copier leases. Future lease payment requirements are as follows:

2021	\$ 28,200
2022	28,200
2023	28,200
2024	<u>14,100</u>
Total	<u>\$ 98,700</u>

Operating lease payments were \$28,200 for fiscal year 2020.

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, 2020, the Unit was in compliance with these limitations.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

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, 2020, arising from these transactions were as follows:

	Receivables	Payables	Transfers In	Transfers Out
General fund	\$ -	\$ 424,587	\$ -	\$ 283,684
Special revenue fund	-	178,931	-	-
Capital projects fund	-	84,564	283,684	-
Nonmajor governmental funds	190,111	-	-	-
Fiduciary funds	<u>502,290</u>	<u>4,319</u>	<u>-</u>	<u>-</u>
	<u>\$ 692,401</u>	<u>\$ 692,401</u>	<u>\$283,684</u>	<u>\$283,684</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 \$283,684 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, 2020:

Capital assets	\$69,566,602
Accumulated depreciation	(22,008,169)
Related bonds payable	(29,094,269)
Related capital leases payable	<u>(598,298)</u>
Total balance	<u>\$ 17,865,866</u>

NOTE 7. RESTRICTED FOR CAPITAL PROJECTS

At June 30, 2020 the Unit had amounts restricted for future capital projects as follows:

Capital maintenance	\$ 168,803
New HA Bronco construction	1,500
Field maintenance	86,574
Lease purchase fund	<u>177</u>
	<u>\$ 257,054</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

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 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 \$415,792 at June 30, 2020. The entire amount is reported in governmental funds.

NOTE 9. COMMITMENTS

At June 30, 2020, the Unit was committed to \$10,767 for phone services through 2021 and maintenance contract of \$118,120 and paving contract of \$73,400 through 2021.

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, 2020

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 2.4%.

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 14.33% of compensation for non-federally funded employees. The Unit is required to contribute 4.16% of compensation to cover the normal costs for non-federally funded employees. The Unit is also required to contribute 19.11% of compensation for federally funded employees.

The contributions for the year ended June 30, 2020 were as follows:

	<u>Covered Payroll</u>	<u>Contribution Percentage</u>	<u>Contribution Amount</u>
Employee contribution	\$ 14,347,941	7.65%	\$ 1,097,617
State DOE contribution for non-federally funded employees	13,920,609	14.33%	1,994,823
Employer contribution for normal costs of non-federally funded employees	13,920,609	4.16%	579,097
Employer contribution for federally funded employees	427,332	19.11%	81,663

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, 2020 was as follows:

	<u>SET Plan</u>
Plan collective total pension liability	\$ 9,469,173,597
Less plan net position	<u>(8,003,297,686)</u>
Plan collective net pension liability	<u>\$ 1,465,875,911</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2020, 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:

	SET Plan
Unit's proportionate share of the net pension liability	\$ 487,946
State's proportionate share of the net pension liability associated with the Unit	<u>15,425,515</u>
Total	<u>\$ 15,913,461</u>

The net pension liability for the Unit was measured as of June 30, 2019, 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 0.033287%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.033245% at the prior measurement date of June 30, 2018.

Pension Expense and Revenue

For the year ended June 30, 2020, the Unit recognized pension expense of \$624,810 related to the SET Plan, made up of the Unit's proportionate share of plan pension expense \$102,338, pension expense related to specific liabilities of individual employers \$535,976, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$13,504).

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, 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	\$ 37,955	\$ -
Changes of assumptions	14,127	-
Net difference between projected and actual investment earnings on pension plan investments	-	68,875
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,760	-
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>634,266</u>	<u>-</u>
Total	<u>\$ 692,108</u>	<u>\$ 68,875</u>

\$634,266 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, 2021. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	SET Plan Amount
2021	\$ 28,023
2022	(23,787)
2023	(15,478)
2024	<u>209</u>
	<u>\$ (11,033)</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.

Payable to MEPERS

The Unit owed MEPERS a balance of \$165,915 at June 30, 2020.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 11. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

A. MAINE PUBLIC EMPLOYEE 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, 2019 was as follows:

	SET Plan
Plan collective total OPEB liability	\$ 102,191,125
Less plan net fiduciary position	<u>(63,655,685)</u>
Plan collective net OPEB liability	<u>\$ 38,535,440</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>313,181</u>
Total	<u>\$ 313,181</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 11. OTHER POST RETIREMENT BENEFIT (OPEB) PLANS (CONTINUED)

Net OPEB Liability (Continued)

The net OPEB liability for the Unit was measured as of June 30, 2019, 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, 2020, the Unit recognized OPEB expense of \$29,567 related to the SET Plan and recognized revenue of \$29,567 for support provided by the State, and recognized offsetting revenue and expense of \$28,827 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.

B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN

The Unit sponsors a post-retirement benefit plan providing an implicit rate subsidy of 45% based on the blended single premium for the retiring employee (hereafter referred to as the Plan). Under State law, the blended premium is determined by blending rates for active members and retired members. The Plan is a single-employer OPEB plan administered by the Maine Education Association Benefits Trust (MEABT).

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

Under the Plan, MEABT provides a partial premium rate subsidy for retirees that have participated in the MEA Benefits Trust health plan for the 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above). For those Unit employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the Plan benefit terms:

Inactive retirees or beneficiaries	145
Active employees	<u>257</u>
Total	<u>402</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 11. OTHER POST RETIREMENT BENEFIT (OPEB) PLANS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Unit's total Plan OPEB liability of \$4,534,270 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Changes in the Total Plan OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 4,309,147
Changes for the year:	
Service Cost	33,763
Interest	164,129
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	232,862
Benefit payments	<u>(205,631)</u>
Net changes	<u>225,123</u>
 Balance at June 30, 2020	 <u>\$ 4,534,270</u>

This is the first valuation performed. The changes that are provided in the deferred inflows and outflows are related to the change in the discount rate between the beginning of the measurement date (3.87%) and the end of the measurement date (3.50%). No other changes in assumptions were made.

For the year ended June 30, 2020, The Unit recognized OPEB expense of \$206,222 related to the Plan. At June 30, 2020, The Unit reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	194,052	121,919
Employer contributions after measurement date	<u>223,214</u>	<u>-</u>
Total	<u>\$417,266</u>	<u>\$121,919</u>

\$223,214 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, 2021. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:	
2021	\$ 8,330
2022	8,330
2023	8,330
2024	8,331
2025	<u>38,812</u>
Total	<u>\$ 72,133</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 11. OTHER POST RETIREMENT BENEFIT (OPEB) PLANS (CONTINUED)

Actuarial Assumptions - Plan - The total OPEB liability in the June 30, 2018 actuarial valuation for the Plan was determined using assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

Mortality rates for the Plan were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2019 valuation for the Plan were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Plan was 3.50% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax- exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Sensitivity of the Total Plan OPEB Liability to Changes in the Discount Rate - Changes in the discount rate affect the measurement of the Total OPEB Liability (TOL). Lower discount rates produce higher TOL and higher discount rates produce a lower TOL. The following table presents the Unit's total OPEB liability related to the Plan calculated using the discount rate of 3.50%, as well as what the Unit's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage-point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 5,270,789	\$ 4,534,270	\$ 3,945,877
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 5,270,789</u>	<u>\$ 4,534,270</u>	<u>\$ 3,945,877</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 16.2%. A one percent increase in the discount rate decreases the NOL by approximately 13.0%.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2020

NOTE 11. OTHER POST RETIREMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates - Changes in the healthcare trend rate affect the measurement of the Total OPEB Liability (TOL). Lower healthcare trend rates produce higher TOL and higher healthcare trend rates produce a lower TOL. The following table presents the Unit's total OPEB liability related to the Plan calculated using the current healthcare cost trend rate, as well as what the Unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 3,879,146	\$ 4,534,270	\$ 5,358,819
Plan Fiduciary net Position	-	-	-
Net OPEB Liability	<u>\$ 3,879,146</u>	<u>\$ 4,534,270</u>	<u>\$ 5,358,819</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 14.4%. A one percent increase in the healthcare trend rate increases the NOL by approximately 18.2%.

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, 2020

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.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2021 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, 2020

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Budget to GAAP Differences **	Actual Amounts - GAAP Basis
	Original	Changes*	Final			
REVENUES						
Local assessments	\$ 12,532,079	\$ -	\$ 12,532,079	12,532,079	\$ -	12,532,079
Intergovernmental	19,833,387	-	19,833,387	19,948,784	(76,585)	19,872,199
On-behalf payments - State of Maine	-	-	-	-	1,994,823	1,994,823
Tuition and fees	355,000	-	355,000	376,473.00	-	376,473
Interest	-	-	-	40,260	-	40,260
Dividends and reimbursements	42,069	-	42,069	84,932	-	84,932
Other	30,300	4,342	34,642	79,298	-	79,298
Total revenues	32,792,835	4,342	32,797,177	33,061,826	1,918,238	34,980,064
EXPENDITURES						
Current						
Regular instruction	11,813,946	-	11,813,946	11,255,531	(112,694)	11,142,837
Special education instruction	6,245,439	-	6,245,439	5,873,201	-	5,873,201
Other instruction	902,695	-	902,695	765,003	-	765,003
Student and staff support	2,672,730	-	2,672,730	2,642,063	(64,101)	2,577,962
System administration	920,576	-	920,576	853,301	-	853,301
School administration	1,540,279	-	1,540,279	1,493,025	-	1,493,025
Transportation and buses	1,375,603	-	1,375,603	1,364,591	-	1,364,591
Facilities maintenance	4,042,107	(275,000)	3,767,107	3,452,052	(520,947)	2,931,105
Adult education	70,600	-	70,600	52,965	-	52,965
On-behalf payments - State of Maine	-	-	-	-	1,994,823	1,994,823
Debt service						
Principal	2,408,156	-	2,408,156	2,408,156	531,188	2,939,344
Interest and other charges	1,310,304	-	1,310,304	1,310,304	89,969	1,400,273
Capital outlay - capital leases	-	-	-	-	293,850	293,850
Total expenditures	33,302,435	(275,000)	33,027,435	31,470,192	2,212,088	33,682,280
Excess (deficiency) of revenues over expenditures	(509,600)	279,342	(230,258)	1,591,634	(293,850)	1,297,784
OTHER FINANCING SOURCES (USES)						
Use of unassigned fund balances	509,600	-	509,600	-	-	-
Proceeds from capital leases	-	-	-	-	293,850	293,850
Transfers out	-	(279,342)	(279,342)	(279,342)	-	(279,342)
Total other financing sources (uses)	509,600	(279,342)	230,258	(279,342)	293,850	14,508
Net change in fund balances	\$ -	\$ -	\$ -	1,312,292	-	1,312,292
FUND BALANCE - BEGINNING				3,099,038	-	3,099,038
FUND BALANCE - ENDING				\$ 4,411,330	\$ -	\$ 4,411,330

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

** Adjustments necessary to convert the general fund net change in balances on the budget basis to a GAAP basis are provided below:

Net change in fund balances - budget basis	\$ 1,312,292
On behalf payments revenue	1,994,823
On behalf payments expenditures	(1,994,823)
Separation agreement debt payment reimbursement	(76,585)
Separation agreement debt service	76,585
Capital lease outlay	(293,850)
Capital lease proceeds	293,850
Net change in fund balances - GAAP basis	\$ 1,312,292

Regional School Unit No. 22
Budget and Actual (with Variances) - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Changes*	Final		
REVENUES					
Local assessments	\$ 12,532,079	\$ -	\$ 12,532,079	\$ 12,532,079	\$ -
Intergovernmental revenue	19,833,387	-	19,833,387	19,948,784	115,397
Tuition	355,000	-	355,000	376,473	21,473
Interest	-	-	-	40,260	40,260
Dividends and reimbursements	42,069	-	42,069	84,932	42,863
Other	30,300	4,342	34,642	79,298	44,656
	32,792,835	4,342	32,797,177	33,061,826	264,649
EXPENDITURES					
Current					
Regular instruction	11,813,946	-	11,813,946	11,255,531	558,415
Special education instruction	6,245,439	-	6,245,439	5,873,201	372,238
Other instruction	902,695	-	902,695	765,003	137,692
Student and staff support	2,672,730	-	2,672,730	2,642,063	30,667
System administration	920,576	-	920,576	853,301	67,275
School administration	1,540,279	-	1,540,279	1,493,025	47,254
Transportation and buses	1,375,603	-	1,375,603	1,364,591	11,012
Facilities maintenance	4,042,107	(275,000)	3,767,107	3,452,052	315,055
Adult education	70,600	-	70,600	52,965	17,635
Debt service					
Principal	2,408,156	-	2,408,156	2,408,156	-
Interest and other charges	1,310,304	-	1,310,304	1,310,304	-
	33,302,435	(275,000)	33,027,435	31,470,192	1,557,243
Excess (deficiency) of revenues over expenditures	(509,600)	279,342	(230,258)	1,591,634	1,821,892
OTHER FINANCING SOURCES (USES)					
Use of unassigned fund balance	509,600	-	509,600	-	(509,600)
Transfers out	-	(279,342)	(279,342)	(279,342)	-
Total other financing sources (uses)	509,600	(279,342)	230,258	(279,342)	(509,600)
Net change in fund balances	\$ -	\$ -	\$ -	1,312,292	\$ 1,312,292
FUND BALANCE - BEGINNING				3,099,038	
FUND BALANCE - ENDING				\$ 4,411,330	

* 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,

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Unit's proportion of the net pension liability	0.033287%	0.033245%	0.032123%	0.036073%	0.031592%	0.025736%	0.023857%			
Unit's proportionate share of the net pension liability	\$ 487,946	\$ 448,622	\$ 466,598	\$ 637,288	\$ 426,529	\$ 278,034	\$ 379,290			
State's proportionate share of the net pension liability associated with the Unit	15,425,515	14,398,045	15,886,028	19,006,901	14,762,480	11,666,980	17,115,322			
Total	\$ 15,913,461	\$ 14,846,667	\$ 16,352,626	\$ 19,644,189	\$ 15,189,009	\$ 11,945,014	\$ 17,494,612			
Unit's covered-employee payroll ***	\$ 13,866,508	\$ 13,540,956	\$ 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	3.52%	3.31%	3.43%	4.89%	3.32%	2.24%	3.07%			
Plan fiduciary net position as a percentage of the total pension liability **	84.52%	85.17%	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

***Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required

*** The Unit's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 596,687	\$ 582,584	\$ 492,298	\$ 480,648	\$ 389,649	\$ 367,689	\$ 37,398
Contributions in relation to the contractually required contribution **	<u>(596,687)</u>	<u>(582,584)</u>	<u>(492,298)</u>	<u>(480,648)</u>	<u>(389,649)</u>	<u>(367,689)</u>	<u>(37,398)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll ***	\$ 13,866,508	\$ 13,540,956	\$ 13,612,461	\$ 13,037,573	\$ 12,859,165	\$ 12,423,732	\$ 12,357,812
Contributions as a percentage of covered-employee payroll	4.30%	4.30%	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

**Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

*** The Unit's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employees, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Notes to Schedule:

Changes of Benefit Terms: There were no changes of benefit terms in FY 2020
Changes in Benefit Assumptions: There were no changes of benefit assumptions in FY2020

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,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unit's proportion of the net OPEB liability	0.000000%	0.000000%	0.000000%
Unit's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Unit	<u>313,181</u>	<u>312,128</u>	<u>296,533</u>
Total	<u>\$ 313,181</u>	<u>\$ 312,128</u>	<u>\$ 296,533</u>
Unit's covered-employee payroll	\$ 7,320,000	\$ 6,485,903	\$ 5,998,000
Unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability **	62.29%	61.14%	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,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll	\$ 7,320,000	\$ 6,485,903	\$ 5,998,000
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

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

Regional School Unit 22
Schedule of Changes in Net OPEB Liability and Related Ratios -
Postretirement Employee Healthcare Plan
For the Year Ended June 30,

	2020	2019
	Actuarial	Actuarial
	Valuation Date	Valuation Date
	June 30, 2019	June 30, 2018
<u>Total OPEB Liability</u>		
Service cost (BOY)	\$ 33,763	\$ 36,091
Interest (includes interest on service cost)	164,129	158,717
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	232,862	(182,879)
Benefit payments, including refunds of member contributions	<u>(205,631)</u>	<u>(198,524)</u>
Net change in total OPEB liability	\$ 225,123	\$ (186,595)
Total OPEB liability - beginning	\$ 4,309,147	\$ 4,495,742
Total OPEB liability - ending	<u>\$ 4,534,270</u>	<u>\$ 4,309,147</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	205,631	198,524
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(205,631)	(198,524)
Administrative expense	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>-</u>	<u>-</u>
Net OPEB liability - ending	<u>\$ 4,534,270</u>	<u>\$ 4,309,147</u>
Covered employee payroll	<u>\$ 11,688,231</u>	<u>\$ 11,375,407</u>
Net OPEB liability as a percentage of covered employee payroll	<u>38.8%</u>	<u>37.9%</u>

Notes to schedule:**Changes in Benefit Terms** - None**Changes of Assumptions** - Under the Health Plan, changes of assumptions and other inputs reflect the

Fiscal Year	Rate
2020	3.50%
2019	3.87%

**Regional School Unit No. 22
Budget and Assessment - General Fund
For the Year Ended June 30, 2020**

BUDGET REQUIREMENTS

Operations and indebtedness	\$ 33,027,435
Transfers out	<u>283,684</u>
Total budget requirements	<u>33,311,119</u>

REDUCTIONS OF REQUIREMENTS

Estimated revenues	20,269,440
Utilization of fund balance - budget	<u>509,600</u>
Total reductions of requirements	<u>20,779,040</u>

Net budget requirements \$ 12,532,079

ASSESSMENTS

Hampden	\$ 7,260,669
Newburgh	1,217,005
Winterport	3,071,836
Frankfort	<u>982,569</u>

Total assessments \$ 12,532,079

Regional School Unit No. 22
Combining Schedule of Special Revenue Fund Activity
For the Year Ended June 30, 2020

	June 30, 2019 Balance	Revenues/ Transfers in	Expenditures	June 30, 2020 Balance
<i>Federal grants</i>				
Title IA	\$ -	\$ 367,129	\$ 367,129	\$ -
Title V Student Support grant	-	18,815	18,815	-
Local Entitlement	-	586,739	586,739	-
Title II-A	-	60,098	60,098	-
	<u>-</u>	<u>1,032,781</u>	<u>1,032,781</u>	<u>-</u>
<i>State grants and reimbursements</i>				
Dental	453	-	-	453
Adult education enrichment	-	5,025	3,340	1,685
National Board Certification	-	10,625	10,625	-
Momentum grant	280	3,685	3,694	271
Penobscot job training program	1,062	31,860	32,649	273
Proficiency Grant	9,711	-	-	9,711
	<u>11,506</u>	<u>51,195</u>	<u>50,308</u>	<u>12,393</u>
<i>Local grants and insurance proceeds</i>				
Wellness Grant	5,182	6,605	3,951	7,836
Cole foundation	-	6,000	6,000	-
Signage	-	19,675	494	19,181
New Hampden Academy donations	439,533	3,403	23,389	419,547
	<u>444,715</u>	<u>35,683</u>	<u>33,834</u>	<u>446,564</u>
Totals	<u>\$ 456,221</u>	<u>\$ 1,119,659</u>	<u>\$ 1,116,923</u>	<u>\$ 458,957</u>

Regional School Unit No. 22
Combining Schedule of Agency Fund Activity
For the Year Ended June 30, 2020

	June 30, 2019			June 30, 2020
	Balance	Receipts	Disbursements	Balance
Hampden Academy	\$ 133,524	\$ 75,025	\$ 50,170	\$ 158,379
Alternative Education	3	-	-	3
Hampden Academy athletics	54,374	54,336	58,665	50,045
Trails Project	584	-	-	584
McGraw School	15,153	5,175	4,269	16,059
Special Olympics	1,804	168	1,974	(2)
Leroy Smith School	40,071	6,060	3,747	42,384
Weatherbee School	18,281	16,929	15,919	19,291
Wagner School	13,805	8,588	6,260	16,133
Reeds Brook School	46,122	18,130	18,657	45,595
Fundraising	8,599	-	-	8,599
	<hr/>	<hr/>	<hr/>	<hr/>
Total school agency accounts	332,320	184,411	159,661	357,070
Penobscot River Educational Partnership	98,376	236,422	183,482	151,316
Maine Cohort for Customized Learning	85	-	-	85
	<hr/>	<hr/>	<hr/>	<hr/>
Total agency fund activity	<u>\$ 430,781</u>	<u>\$ 420,834</u>	<u>\$ 343,144</u>	<u>\$ 508,471</u>



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**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, 2020, and have issued our report thereon dated June 29, 2021.

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

June 29, 2021

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, 2020

	General Fund	Special Revenue Funds	Capital Projects Fund	Nonmajor Governmental Fund - School Food Service Program	Totals
<i>June 30 balance as per Maine Education Financial System</i>	\$ 20,387,389	\$ 211,965	\$ (22,288)	\$ 131,353	\$ 20,708,419
Fund Balance Adjustments	(15,645,758)	244,573	-	45,310	(15,355,875)
Revenue Adjustments	3,743	2,419	283,684	85,316	375,162
Expenditure Adjustments	(343,074)	-	-	6,398	(336,676)
<i>Audited GAAP Basis Fund Balance</i>	<u>\$ 4,402,300</u>	<u>\$ 458,957</u>	<u>\$ 261,396</u>	<u>\$ 268,377</u>	<u>\$ 5,391,030</u>



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**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, 2020, 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 June 29, 2021.

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) as a basis for designing 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 #2020-001, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Regional School Unit No. 22's Response to Findings

Regional School Unit No. 22's response to the finding 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.

Brantner Hibodan & Associates

June 29, 2021



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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, 2020. 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, 2020.

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Brantley Hibbard & Associates

June 29, 2021

Regional School Unit No. 22
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

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 IA Grants to Local Educational Agencies	84.010	013-05A-3057-13	\$ 367,128
Title V Student support and academic achievement	84.424	013-05A-3345-18	18,815
Improving Teacher Quality Grant	84.367	013-05A-3042-11	60,098
<i>Special Education Cluster</i>			
Special Education - Grants to States	84.027	013-05A-3046-12	<u>586,740</u>
Total U.S. Department of Education			<u>1,032,781</u>
<i>U.S. Department of Agriculture</i>			
Passed through State Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	013-05A-3024-05	187,394
National School Lunch Program - donated commodities	10.555	013-05A-3024-05	64,834
National School Lunch- Performance Based Reimbursement	10.555	013-05A-3125-05	9,494
Summer Food Service Program for Children (CARES)	10.559	013-05A-7130-05	442,110
School Breakfast Program	10.553	013-05A-3014-05	<u>50,682</u>
<i>Total Child Nutrition Cluster</i>			<u>754,514</u>
Total U.S. Department of Agriculture			<u>754,514</u>
Total expenditures of federal awards			<u>\$ 1,787,295</u>

Regional School Unit No. 22
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

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, 2020. 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. INDIRECT COST RATE

The Unit has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

5. NONCASH AWARDS

An amount of \$64,834 is reported on the schedule of the 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.

6. 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, 2020**

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)	Name of Federal Program or Cluster
10.553,10.555,10.559	Child Nutrition Cluster

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, 2020**

Section II — Financial Statement Findings

	#2020-001
<i>Criteria or specific requirement</i>	Maintain a system of internal control appropriate to prevent, or detect and correct, misstatements on a timely basis including unrecorded activity for proper financial reporting.
<i>Condition</i>	Certain funds and accounts were not adjusted or not adjusted on a timely basis causing misstatements to occur in the financial statements noted during the audit.
<i>Context</i>	Unit did not completely adjust the financial statements for certain activity related to its capital projects and special revenue funds from subsidiary ledger information.
<i>Effect</i>	Certain accounts are at higher risk of misstatement and reporting incorrect amounts to users of the financial statements.
<i>Cause</i>	Lack of retrospective review of financial statements causing some activity to not be recorded or adjusted to supporting documents and lack of time issues prior to audit to complete reconciliations.
<i>Recommendation</i>	Recommend that the established controls in place be applied consistently and timely throughout year and recommend client stay caught up with activity of the capital projects fund and federal grant requests for reimbursements for the special revenue funds.
<i>Management's response</i>	<i>The Unit's Accountant will continue to implement 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

	None noted
<i>Information on the federal program</i>	
<i>Pass-through entity</i>	
<i>Finding type</i>	
<i>Criteria or specific requirement (including statutory, regulatory, or other citation)</i>	
<i>Condition</i>	
<i>Cause and effect</i>	
<i>Recommendation</i>	
<i>Management's response</i>	

**Regional School Unit No. 22
Schedule of Prior Audit Findings
For the Year Ended June 30, 2020**

#2019-001

Condition

Certain funds and accounts were not adjusted or not adjusted on a timely basis causing misstatements to occur in the financial statements noted during the audit.

Status

Improved for year ended June 30, 2020