

Regional School Unit No. 22

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2022

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Independent Auditor's Report

Board of Directors
Regional School Unit No. 22

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Regional School Unit No. 22, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Regional School Unit No. 22's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Regional School Unit No. 22's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Regional School Unit No. 22's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 7 through 15 and 45 through 51 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.

Supplementary 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 2 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 2, 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 2, 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 22, 2023, 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 Shibodan & Associates

Bangor, Maine
June 22, 2023

Regional School Unit No. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

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, 2022. 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, 2022 was \$12,472,228.
- The Units total long-term liabilities decreased by \$2,995,161 for the year to \$31,040,167.
- Under the government-wide basis of reporting, the Unit's total net position increased by \$4,436,533 and additionally there was a restatement of \$58,396 of the prior year fund balance.
- The fund balance as reported on the Unit's fund financial statements increased by \$3,174,446 to \$11,688,070
- On a budget basis, the Unit's revenues exceeded its expenditures and transfers out by \$2,385,290. The Unit originally planned for a budget deficiency of \$650,000. The Unit experienced a positive budget variance and an increase in the budget-basis fund balance of \$2,385,290.

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.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

This report also contains other required supplementary information in addition to the basic financial statements themselves.

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 16-21 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 custodial funds to account for resources held for outside entities. The basic fiduciary fund financial statements can be found on pages 22-23 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 24-44 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 45-51 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 52-53 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 \$27,563,650 as of June 30, 2022.

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, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
Current and other assets	\$14,338,321	\$10,792,374
Capital assets	<u>45,609,872</u>	<u>47,254,593</u>
Total Assets	<u>59,948,193</u>	<u>58,046,967</u>
 Deferred outflows of resources	 <u>\$ 1,922,924</u>	 <u>1,687,657</u>
 Current liabilities	 \$ 2,655,752	 2,527,493
Non-current liabilities	<u>31,040,167</u>	<u>34,035,328</u>
Total Liabilities	<u>33,695,919</u>	<u>36,562,821</u>
 Deferred inflows of resources	 <u>\$ 611,548</u>	 <u>103,082</u>
 Net position		
Net investment in capital assets	\$21,262,899	\$ 20,395,396
Restricted	2,793,762	2,005,606
Unrestricted (deficit)	<u>3,506,989</u>	<u>667,719</u>
Total Net position	<u>\$27,563,650</u>	<u>\$ 23,068,721</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position for the Period Ending June 30, 2022 and 2021 (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 \$3,239,088 for the years ended June 30, 2022 and 2021, respectively.
- The Unit recorded depreciation expense of \$1,946,751 for the year ended June 30, 2022 and \$1,898,679 for the year ended June 30, 2021. The Unit also recorded interest expense of \$353,320 for the year ended June 30, 2022 and \$1,288,003 for the year ended June 30, 2021. The Unit received interest credits on a bond starting in fiscal year ended June 30, 2022.

The following table presents a summary of the Unit's operations for the fiscal year ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
REVENUES		
Charges for services and other	\$ 876,155	\$ 717,554
Operating grants and contributions	5,828,602	8,012,885
Capital grants and contributions	223,303	6,313
General revenues		
Local assessments	13,158,608	12,779,384
Grants and contributions not restricted to specific programs	20,969,401	20,430,646
Other revenues	<u>156,874</u>	<u>47,693</u>
Total Revenues	<u>\$41,212,943</u>	<u>\$41,994,475</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position for the Period Ending June 30, 2022 and 2021 (Continued)

	<u>2022</u>	<u>2021</u>
EXPENSES		
Regular instruction	\$11,711,465	\$11,259,881
Special education instruction	6,400,429	5,906,256
Other instruction	894,220	682,843
Student and staff support	3,159,466	2,646,763
System administration	850,325	806,317
School administration	1,522,634	1,511,548
Transportation and buses	1,477,412	1,351,208
Facilities maintenance	4,922,991	4,613,889
Adult education	81,136	61,998
On-behalf payments – State of Maine	2,151,539	2,086,010
Restricted grants	1,750,300	3,379,096
Food service	1,271,654	878,416
Interest and other charges	353,320	1,288,003
Capital outlay	<u>229,519</u>	<u>253,839</u>
Total Expenses	<u>36,776,410</u>	<u>36,726,067</u>
Excess (deficiency) of revenues over expenses before special items	<u>4,436,533</u>	<u>5,268,408</u>
Change in net position	<u>4,436,533</u>	<u>5,268,409</u>
Net position, beginning of year	23,068,721	<u>17,245,959</u>
Restatement for Fiduciary funds	<u>58,396</u>	<u>554,354</u>
Net position, beginning of year – restated	<u>23,127,117</u>	<u>17,800,313</u>
Net position, end of year	<u>\$27,563,650</u>	<u>\$23,068,721</u>

Analysis of the Unit's Operations

Overall the Unit had a total increase in net position of \$4,436,533 from current year operations.

Total revenues for governmental activities decreased from the prior year by \$831,875. 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, 2022 totaled \$34,284,883. Of this amount, \$13,158,608 was from local assessments and \$20,969,401 was from the State of Maine and other revenues not allocated to various programs. In addition, \$156,874 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 \$5,828,602. 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 \$1,946,751. Depreciation expense has been allocated and is included in the various function/program expenses of the Unit.

Interest expense was reduced by \$184,846 to reflect a reduction in future interest costs.

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 \$876,155 for the year ended June 30, 2022.

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 \$11,688,070, \$3,232,842 higher than the previous year with a reclassification of funds of \$58,396.

In the general fund, the Unit budgeted to use \$650,000 of unassigned fund balance and transfer out an additional \$750,000 to capital reserves. Due to actual revenue on the budget basis being more than actual expenses on the budget basis, the general fund balance increased \$2,385,290 on a budgetary basis.

Revenues include intergovernmental revenue of \$24,474,065 and local assessments totaling \$13,158,608. On-behalf payments amounted to \$2,151,539 and \$2,086,010 during the years ended June 30, 2022 and 2021, respectively. Additional information on these "on-behalf" payments can be found in notes to the basic financial statements.

Charges for services contributed \$756,157 in total revenue during the year. Of this amount, \$134,842 represents revenues generated from the food service program.

Total governmental fund expenditures for the year were \$38,038,498 representing a decrease of \$1,647,270 or 5% less than the previous year. The Unit's debt service totaled \$3,435,701 for the year, which represents a decrease of \$755,004 from the previous year. The Unit paid \$263,353 in capital outlays during the year.

The Unit also had custodial funds with amounts held for other groups totaling \$229,182.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following summarizes capital assets at year-end:

	<u>2022</u>	<u>2021</u>
Land	\$ 669,844	\$ 669,844
Buildings	55,146,297	55,140,897
Equipment	2,278,951	2,068,635
Data Processing Equipment	66,916	66,916
Vehicles	198,566	198,566
Land Improvements	<u>13,065,147</u>	<u>13,016,583</u>
Total capital assets	70,755,877	71,161,441
Accumulated depreciation	<u>(25,815,849)</u>	<u>(23,906,848)</u>
Capital assets, net	<u>\$ 45,609,872</u>	<u>\$ 47,254,593</u>

Additional information on the Unit's capital assets can be found in Note 2 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 liabilities consists of bonds and financed purchased asset leases from various lending sources and other long term payables.

	<u>2022</u>	<u>2021</u>
Bonds payable	\$24,195,914	\$26,645,312
Financed purchase asset lease obligations	1,494,924	1,965,272
Compensated absences	73,413	100,502
Net OPEB liability	4,877,811	4,806,321
Net pension liability	<u>398,105</u>	<u>549,481</u>
Total	<u>\$31,040,167</u>	<u>\$34,066,888</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 \$772,279. The causes include additional tuition revenues in excess of budgeted amounts, un-budgeted interest income, facilities rental, sponsorships, an energy rebate and intergovernmental revenue.

Actual expenditures – budget basis was less than budgeted expenditures by \$3,034,554. Program expenditures in which variances exceed 5% of the final budgeted amounts are considered to be material budget variances. Regular instruction ended the year with a 8.35% positive variance and Special education ended the year with 11.09% positive variance, Other Student Instruction ended the year with a 8.56% positive variance the result of various under-expended amounts in salaries, benefits and related instructional expenses. System Administration closed the year with an 8.95% positive variance due to savings in legal fees, travel, advertising and changes in employee benefits. Facilities maintenance ended the year with a 7.39% positive variance; the result of savings in salaries and benefits, custodial supplies, electricity, and other utilities, and debt service 17.98%. Adult Education ended with an 18.93% positive variance due savings in salaries, benefits and instructional costs due to lower enrichment program participation.

The FY23 approved budget is \$36,131,709, which is an increase of 3% from the previous year. With state and national educational priorities uncertain, the Unit 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 FY23 include the fact that incoming tuition student numbers are growing, the completion of the third floor expansion project at Hampden Academy, and the Unit maintained a favorable fund balance. Looking to the near future and beyond, the Unit will be dealing with potential Building Committee projects, continued facilities upgrades, and ratification of the support staff contract currently in negotiations.

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, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 12,262,428
Cash and cash equivalents - restricted	209,800
Beneficial interests in assets held by others	498,776
Due from other governments	1,340,412
Inventories	26,905
Capital assets not being depreciated	669,844
Capital assets being depreciated, net of accumulated depreciation	44,940,028
Total assets	59,948,193
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and OPEB	1,922,924
LIABILITIES	
Accounts payable and accrued expenses	518,286
Accrued wages	1,893,782
Due to fiduciary funds	208,827
Unearned revenues	29,356
Accrued interest payable	5,501
Long-term liabilities	
Due within one year	
Bonds payable	2,449,848
Financed purchased asset leases	161,832
Due in more than one year	
Bonds payable	21,746,066
Financed purchased asset leases	1,333,092
Compensated absences	73,413
Net pension liability	398,105
Net OPEB liability	4,877,811
Total liabilities	33,695,919
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and OPEB	611,548
NET POSITION	
Net investment in capital assets	21,262,899
Restricted for	
Capital projects	1,135,896
School food service	486,718
State, local grants and donations	1,171,148
Unrestricted	3,506,989
Total net position	\$ 27,563,650

Regional School Unit No. 22
Statement of Activities
For the Year Ended June 30, 2022

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	\$ 11,711,465	\$ 583,003	\$ -	\$ -	\$ (11,128,462)
Special education instruction	6,400,429	100,914	1,665	-	(6,297,850)
Other instruction	894,220	50,899	9,300	-	(834,021)
Student and staff support	3,159,466	-	283,368	222,440	(2,653,658)
System administration	850,325	-	-	-	(850,325)
School administration	1,522,634	-	-	-	(1,522,634)
Transportation and buses	1,477,412	-	-	-	(1,477,412)
Facilities maintenance	4,922,991	550	26,594	-	(4,895,847)
Adult education	81,136	5,947	40,963	-	(34,226)
On-behalf payments - State of Maine	2,151,539	-	2,151,539	-	-
Restricted grants and contributions	1,750,300	-	1,916,205	-	165,905
Food service	1,271,654	134,842	1,398,968	-	262,156
Interest and other charges	353,320	-	-	-	(353,320)
Capital outlay	229,519	-	-	863	(228,656)
Total governmental activities	<u>\$ 36,776,410</u>	<u>\$ 876,155</u>	<u>\$ 5,828,602</u>	<u>\$ 223,303</u>	<u>(29,848,350)</u>
General revenues					
Assessments					
Assessments, levied for general purposes					12,664,720
Assessments, levied for debt service					493,888
Grants and contributions not restricted to specific programs					20,969,401
Unrestricted investment earnings					10,229
Miscellaneous					146,645
Total general revenues					<u>34,284,883</u>
Change in net position					4,436,533
NET POSITION - BEGINNING					23,068,721
Restatement of prior year debt service payment error					58,396
NET POSITION - BEGINNING, RESTATED					<u>23,127,117</u>
NET POSITION - ENDING					<u>\$ 27,563,650</u>

Regional School Unit No. 22
Balance Sheet - Governmental Funds
June 30, 2022

	<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	\$ 11,830,286	\$ -	\$ 432,142	\$ -	\$ 12,262,428
Cash and cash equivalents- restricted	-	209,800	-	-	209,800
Beneficial interests in assets held by others	-	498,776	-	-	498,776
Due from other funds	609,800	-	735,172	412,128	1,757,100
Due from other governments	110,015	1,147,458	49	82,890	1,340,412
Inventories	-	-	-	26,905	26,905
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,550,101</u>	<u>\$ 1,856,034</u>	<u>\$ 1,167,363</u>	<u>\$ 521,923</u>	<u>\$ 16,095,421</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 407,789	\$ 74,106	\$ 31,467	\$ 4,924	\$ 518,286
Accrued wages	1,891,877	980	-	925	1,893,782
Due to other funds	1,356,127	609,800	-	-	1,965,927
Unearned revenues	-	-	-	29,356	29,356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,655,793</u>	<u>684,886</u>	<u>31,467</u>	<u>35,205</u>	<u>4,407,351</u>
Fund balances					
Nonspendable for					
Inventories	-	-	-	26,905	26,905
Restricted for					
Capital projects	-	-	1,135,896	-	1,135,896
Food service	-	-	-	459,813	459,813
School funds	-	388,471	-	-	388,471
Scholarship funds	-	225,327	-	-	225,327
Federal, state and local grants and donations	1,000	557,350	-	-	558,350
Assigned for compensated absences	73,413	-	-	-	73,413
Unassigned	8,819,895	-	-	-	8,819,895
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>8,894,308</u>	<u>1,171,148</u>	<u>1,135,896</u>	<u>486,718</u>	<u>11,688,070</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 12,550,101</u>	<u>\$ 1,856,034</u>	<u>\$ 1,167,363</u>	<u>\$ 521,923</u>	<u>\$ 16,095,421</u>

Regional School Unit No. 22
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total fund balance, governmental funds	\$	11,688,070
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets, net of accumulated depreciation		45,609,872
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Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Deferred outflows related to pensions and OPEB		1,922,924
Deferred inflows related to pensions and OPEB		(611,548)

Some liabilities, (such as Finance Obligations 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.

Bonds and capital leases		(25,690,838)
Accrued interest		(5,501)
Net pension liability		(398,105)
Net OPEB liability		(4,877,811)
Compensated absences liability		(73,413)

Net position of governmental activities in the statement of net position	\$	<u>27,563,650</u>
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Regional School Unit No. 22
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Fund - Food Service Fund	Total Governmental Funds
REVENUES					
Local assessments	\$ 13,158,608	\$ -	\$ -	\$ -	\$ 13,158,608
Intergovernmental revenue	21,086,774	1,988,323	-	1,398,968	24,474,065
On-behalf payments - State of Maine	2,151,539	-	-	-	2,151,539
Charges for services	615,368	5,947	-	134,842	756,157
Interest and investment earnings (loss)	10,229	(48,543)	862	-	(37,452)
Dividends and reimbursements	357,436	-	-	-	357,436
Donations	-	282,963	-	-	282,963
Other	66,129	3,499	-	-	69,628
Total revenues	37,446,083	2,232,189	862	1,533,810	41,212,944
EXPENDITURES					
Current					
Regular instruction	11,589,853	-	-	-	11,589,853
Special education instruction	6,338,269	-	-	-	6,338,269
Other instruction	897,991	-	-	-	897,991
Student and staff support	2,939,570	183,979	-	-	3,123,549
System administration	835,208	-	-	-	835,208
School administration	1,527,929	-	-	-	1,527,929
Transportation and buses	1,450,591	-	-	-	1,450,591
Facilities maintenance	3,076,333	-	-	-	3,076,333
Adult education	58,266	22,870	-	-	81,136
On-behalf payments - State of Maine	2,151,539	-	-	-	2,151,539
Restricted grants and contributions	-	1,963,744	-	-	1,963,744
Scholarships	-	39,711	-	-	39,711
Food service	-	-	-	1,263,591	1,263,591
Debt service					
Principal	2,919,745	-	-	-	2,919,745
Interest and other charges	515,956	-	-	-	515,956
Capital outlay	-	-	263,353	-	263,353
Total expenditures	34,301,250	2,210,304	263,353	1,263,591	38,038,498
Excess (deficiency) of revenues over expenditures	3,144,833	21,885	(262,491)	270,219	3,174,446
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	759,543	-	759,543
Transfers out	(759,543)	-	-	-	(759,543)
Total other financing sources (uses)	(759,543)	-	759,543	-	-
Net change in fund balances	2,385,290	21,885	497,052	270,219	3,174,446
FUND BALANCES - BEGINNING	6,450,622	1,149,263	638,844	216,499	8,455,228
Restatement for prior year debt service payments	58,396	-	-	-	58,396
FUND BALANCES - BEGINNING, RESTATED	6,509,018	1,149,263	638,844	216,499	8,513,624
FUND BALANCES - ENDING	\$ 8,894,308	\$ 1,171,148	\$ 1,135,896	\$ 486,718	\$ 11,688,070

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, 2022

Net change in fund balances - total governmental funds:		\$ 3,174,446
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
<p>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.</p>		
Capital outlays	\$ 302,030	
Depreciation expense	<u>(1,946,751)</u>	(1,644,721)
<p>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:</p>		
Deferred outflows related to pensions and OPEB	\$ 235,267	
Deferred inflows related to pensions and OPEB	<u>(508,466)</u>	(273,199)
<p>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.</p>		
Principal repaid		2,919,747
<p>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:</p>		
Change in accrued interest payable	\$ 184,846	
Change in compensated absences liability	(4,471)	
Net pension and OPEB expense	<u>79,885</u>	<u>260,260</u>
Change in net position of governmental activities		<u>\$ 4,436,533</u>

Regional School Unit No. 22
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2022

	Custodial Funds		
	Penobscot River Educational Partnership	Maine Cohort for Customized Learning	Total
ASSETS			
Due from other funds	\$ 208,758	\$ 69	\$ 208,827
Due from other governments	20,355	-	20,355
Total assets	229,113	69	229,182
NET POSITION			
Held for custodial restrictions	\$ 229,113	\$ 69	\$ 229,182

Regional School Unit No. 22
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2022

	Custodial Funds		Totals
	Penobscot River Educational Partnership	Maine Cohort for Customized Learning	
ADDITIONS			
Fees and contracted services	\$ 251,299	\$ -	\$ 251,299
Total additions	251,299	-	251,299
DEDUCTIONS			
Expenses	210,886	16	210,902
Change in net position	40,413	(16)	40,397
NET POSITION - BEGINNING	<u>188,700</u>	<u>85</u>	<u>188,785</u>
NET POSITION - ENDING	<u>\$ 229,113</u>	<u>\$ 69</u>	<u>\$ 229,182</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

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, 2022

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, scholarship and student activities.

Capital Projects Fund

The capital projects fund is used to account for all resources for the acquisition, betterment or construction of capital facilities, 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:

Custodial Funds

Custodial funds account for assets held by the Unit in a purely custodial capacity funds. Since 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, 2022

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, 2022

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, 2022

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 Liabilities

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

Long-term liabilities for governmental funds is not reported as a liability in the fund financial statements. 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, 2022

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, 2022

NOTE 1. 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, 2022, the Unit reported deposits of \$12,472,228 with bank balances of \$12,830,588. Of the Unit's total bank balance of \$12,830,588, \$11,100,855 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 \$12,472,228

NOTE 2. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Retire- ments	Balance June 30, 2022
<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	55,140,897	5,400	-	55,146,297
Equipment	2,068,635	248,066	(37,750)	2,278,951
Data processing equipment	66,916	-	-	66,916
Vehicles	198,566	-	-	198,566
Land improvements	<u>13,016,583</u>	<u>48,564</u>	<u>-</u>	<u>13,065,147</u>
Total capital assets being depreciated	<u>70,491,597</u>	<u>302,030</u>	<u>(37,750)</u>	<u>70,755,877</u>
<i>Less accumulated depreciation for</i>				
Buildings	(18,459,897)	(1,339,522)	-	(19,799,409)
Equipment	(745,043)	(104,625)	37,750	(811,918)
Data processing equipment	(39,387)	(8,434)	-	(47,821)
Vehicles	(46,107)	(38,613)	-	(84,720)
Land improvements	<u>(4,616,424)</u>	<u>(455,557)</u>	<u>-</u>	<u>(5,071,981)</u>
Total accumulated depreciation	<u>(23,906,848)</u>	<u>(1,946,751)</u>	<u>37,750</u>	<u>(25,815,849)</u>
Total capital assets being depreciated, net	<u>46,584,749</u>	<u>(1,644,721)</u>	<u>-</u>	<u>44,940,028</u>
Capital assets, net	<u>\$ 47,254,593</u>	<u>\$ (1,644,721)</u>	<u>\$ -</u>	<u>\$ 45,609,872</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 16,587
Operations	1,891,814
Other instruction	3,467
Transportation	26,821
Food service	<u>8,062</u>
Total depreciation expense	<u>\$1,946,751</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 3. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities of the Unit for the year ended June 30, 2022.

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Portion due within one year
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%.	\$25,801,954	\$ -	\$ (2,345,632)	\$ 23,456,322	\$ 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%.	680,000	-	(85,000)	595,000	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>163,358</u>	-	<u>(18,766)</u>	<u>144,592</u>	<u>18,766</u>
Total general obligation bonds	<u>26,645,312</u>	-	<u>(2,449,398)</u>	<u>24,195,914</u>	<u>2,449,398</u>
Financed purchased leases payable	1,965,272	-	(470,348)	1,494,924	161,832
Compensated absences liability	68,942	16,172	(11,701)	73,413	N/A
Net OPEB liability	4,806,321	212,697	(141,207)	4,877,811	N/A
Net pension liability	<u>549,481</u>	<u>541,431</u>	<u>(692,807)</u>	<u>398,105</u>	<u>N/A</u>
Total long-term liabilities	<u>\$ 34,035,328</u>	<u>\$ 770,300</u>	<u>\$ (3,765,461)</u>	<u>\$ 31,040,167</u>	<u>\$ 2,611,230</u>

General obligation bonds payable

Future maturities of general obligation bonds payable are as follows:

Year ended June 30	Principal	Interest	Interest Credits	Total
2023	\$ 2,449,848	\$ 953,189	\$ (627,830)	\$ 2,775,207
2024	2,450,309	841,125	(321,399)	2,970,035
2025	2,450,782	770,012	(111,226)	3,109,568
2026	2,451,265	683,520	(134,401)	3,000,384
2027	2,451,760	555,872	(258,980)	2,748,652
2028-2032	<u>11,941,950</u>	<u>1,215,391</u>	<u>(1,208,224)</u>	<u>11,949,117</u>
	<u>\$24,195,914</u>	<u>\$ 5,019,109</u>	<u>\$ (2,662,060)</u>	<u>\$26,552,963</u>

School Revolving Renovation Fund Project Loan

During the year ended June 24, 2022, the Unit was approved for a \$886,080 School Revolving Renovation Fund (SRRF) funded through the Maine Bond Bank. The Unit did not draw down or expend any of the loan during the year ended June 30, 2022.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 3. LONG-TERM LIABILITIES (CONTINUED)

Obligations under financed purchased asset capital leases

The Unit is the lessee of musical equipment under outstanding financed purchase asset capital leases expiring in years ending June 30, 2026; and has financed two capital improvements expiring in years ending June 30, 2028, and 2033. The liabilities under financed purchase asset 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, 2022, the Unit has recorded \$427,641 in buildings related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2022 is \$427,641.

Payment schedule under financed purchased asset capital leases as of June 30, 2022 are:

	Principal	Interest	Total
2023	\$ 161,832	\$ 38,733	\$ 200,565
2024	165,832	34,481	200,313
2025	169,950	30,114	200,064
2026	174,190	25,619	199,809
2027	135,320	21,003	156,323
2028-2032	623,365	55,276	678,641
2033-2036	64,435	890	65,325
	<u>\$ 1,494,924</u>	<u>\$ 206,116</u>	<u>1,701,040</u>

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, 2022, the Unit was in compliance with these limitations.

NOTE 4. 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, 2022, arising from these transactions were as follows:

	Receivables	Payables	Transfers In	Transfers Out
General fund	\$ 609,800	\$1,356,127	\$ -	\$ 759,543
Special revenue fund	-	609,800	-	-
Capital projects fund	735,172	-	759,543	-
Nonmajor governmental funds	412,128	-	-	-
Fiduciary funds	<u>208,827</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,965,927</u>	<u>\$1,965,927</u>	<u>\$759,543</u>	<u>\$ 759,543</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 \$759,543 were used to move funds in accordance with budgetary authorizations.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 5. 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, 2022:

Capital assets	\$71,425,721
Accumulated depreciation	(25,815,849)
Related bonds payable	(24,195,914)
Related financed purchased asset leases	(151,059)
Total balance	<u>\$21,262,899</u>

NOTE 6. RESTRICTED FOR SPECIAL REVENUE FUNDS – GRANTS AND DONATIONS

At June 30, 2022 the Unit had amounts restricted for special revenue grants and donations as follows:

Tibbetts	\$ 498,408
Signage	21,806
Wellness program	3,956
Adult education enrichment	7,109
Penobscot jail training program	5,508
Maine education grant	1,500
Maine Arts	7,008
Dental	453
Proficiency based diploma	9,711
MoMEentum grant	391
Teens to trails	1,500
	<u>\$ 557,350</u>

NOTE 7. RESTRICTED FOR CAPITAL PROJECTS

At June 30, 2022 the Unit had amounts restricted for future capital projects as follows:

Capital maintenance	\$ 332,476
New HA Bronco construction	1,500
Field maintenance	351,743
Stabilization	100,000
Technology	350,000
Lease purchase fund	177
	<u>\$ 1,135,896</u>

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 \$498,776 at June 30, 2022. The entire amount is reported in governmental funds.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 9. COMMITMENTS

At June 30, 2022, the Unit was committed to \$4,874,132 for transportation services through 2026 and maintenance contracts of \$396,320 through 2022 and 2024.

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.

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 0.93%.

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.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 14.29% of compensation for non-federally funded employees. The Unit is required to contribute 3.84% of compensation to cover the normal costs for non-federally funded employees. The Unit is also required to contribute 18.73% of compensation for federally funded employees.

The contributions for the year ended June 30, 2022 were as follows:

	<u>Covered Payroll</u>	<u>Contribution Percentage</u>	<u>Contribution Amount</u>
Employee contribution	\$ 15,602,521	7.65%	\$ 1,193,593
State DOE contribution for non-federally funded employees	15,056,256	14.29%	2,151,539
Employer contribution for normal costs of non-federally funded employees	15,056,256	3.84%	578,160
Employer contribution for federally funded employees	546,264	18.73%	102,315

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, 2021 was as follows:

	<u>SET Plan</u>
Plan collective total pension liability	\$ 10,736,439,623
Less plan net position	<u>(9,890,613,635)</u>
Plan collective net pension liability	<u>\$ 845,825,988</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2022, 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	\$ 398,105
State's proportionate share of the net pension liability associated with the Unit	<u>9,075,882</u>
Total	<u>\$ 9,473,987</u>

The net pension liability for the Unit was measured as of June 30, 2021, 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 0.047067%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.033664% at the prior measurement date of June 30, 2020.

Special Funding Situation – SET Plan

The Unit participates in the SET Plan as a non-employer contributing entity in that the State pays the Initial Unfunded Actuarial Liability (IUAL) associated with the teachers and the local teacher districts pay the normal cost contributions as determined by the actuary.

Actuarial Methods and Assumptions

The collective total pension liability for the Plans was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each member is the product of a member's pay and normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The IUAL of the SET Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses, and changes are amortized over twenty-year periods beginning on the date as of which they occur.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

Investment Rate of Return	6.75% per annum, compounded annually
Inflation Rate	2.75%
Annual Salary Increases, Including Inflation	2.75% - 11.48%
Cost of Living Benefit Increases	2.20%
Mortality Rates	Based on the 2010 Public Plan Teacher Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	6.0%
US Government	2.3
Private Equity	7.6
Real Assets:	
Real Estate	5.2
Infrastructure	5.3
Natural Resources	5.0
Traditional Credit	3.0
Alternative Credit	7.2
Diversifiers	5.9

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2021 for the SET Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
SET Plan	\$ 2,221,235,774	\$ 845,825,988	\$ (299,341,540)

Pension Expense and Revenue

For the year ended June 30, 2022, the Unit recognized pension expense of \$578,538 related to the SET Plan, made up of the Unit's proportionate share of plan pension expense \$89,816, pension expense related to specific liabilities of individual employers \$581,252, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$7,470.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2022, 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	\$ 5,901	\$ 8,139
Changes of assumptions	271,421	-
Net difference between projected and actual investment earnings on pension plan investments	-	542,450
Changes in proportion and differences between employer contributions and proportionate share of contributions	140,132	-
Employer's contributions to plan subsequent to measurement date of collective net pension liability	679,328	-
Total	<u>\$1,096,782</u>	<u>\$ 550,589</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

\$679,328 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, 2023. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	SET Plan Amount
2023	\$ 56,436
2024	84,850
2025	(123,220)
2026	(151,201)
	<u>\$ (133,135)</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](http://www.maineopers.org/Publications/Publications.htm#Annual%20Reports).

Payable to MEPERS

The Unit owed MEPERS a balance of \$186,352 at June 30, 2022.

NOTE 11. OTHER POST RETIREMENT 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.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

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

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, 2021 was as follows:

	SET Plan
Plan collective total OPEB liability	\$ 108,392,510
Less plan net fiduciary position	<u>(88,750,303)</u>
Plan collective net OPEB liability	<u>\$ 19,642,207</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>182,524</u>
Total	<u>\$ 182,524</u>

The net OPEB liability for the Unit was measured as of June 30, 2021, 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, 2022, the Unit recognized OPEB expense of \$2,291 related to the SET Plan and recognized revenue of \$2,291 for support provided by the State, and recognized offsetting revenue and expense of \$42,757 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.

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Notes to Basic Financial Statements
June 30, 2022

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

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, 2021, the following employees were covered by the Plan benefit terms:

Inactive retirees or beneficiaries	138
Active employees	<u>255</u>
Total	<u>393</u>

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 \$4,877,811 was measured as of June 30, 2021, 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, 2021	\$ 4,806,321
Changes for the year:	
Service Cost	69,291
Interest	106,199
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	37,207
Benefit payments	<u>(141,207)</u>
Net changes	<u>71,490</u>
Balance at June 30, 2022	<u>\$ 4,877,811</u>

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 (2.21%) and the end of the measurement date (2.16%).

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

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 (Continued)

For the year ended June 30, 2022, The Unit recognized OPEB expense of \$298,142 related to the Plan. At June 30, 2022, 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	\$281,005	\$ -
Changes in assumptions or other inputs	412,351	60,959
Employer contributions after measurement date	<u>132,786</u>	<u>-</u>
Total	<u>\$826,142</u>	<u>\$ 60,959</u>

\$132,786 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, 2023. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:	
2023	\$ 122,652
2024	122,653
2025	153,134
2026	114,322
2027	114,319
Thereafter	<u>5,317</u>
Total	<u>\$ 632,397</u>

Actuarial Assumptions - Plan - The total OPEB liability in the June 30, 2021 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 2010 Public Plan Teacher Benefits Weighted Employee Mortality Table, for males and females. The rates are generationally projected using the RPEC_2020 model.

The actuarial assumptions used in the June 30, 2021 valuation for the Plan were based on the results of an actuarial experience study for the period June 30, 2015 through June 30, 2021.

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Plan was 2.16% 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.

Regional School Unit No. 22
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June 30, 2022

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

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

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 2.16%, 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 (1.16%) or 1 percentage-point higher (3.16%) than the current rate:

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability	\$ 5,715,186	\$ 4,877,811	\$ 4,205,016
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 5,715,186</u>	<u>\$ 4,877,811</u>	<u>\$ 4,205,016</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 17.2%. A one percent increase in the discount rate decreases the NOL by approximately 13.8%.

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	\$ 4,123,456	\$ 4,877,811	\$ 5,839,213
Plan Fiduciary net Position	-	-	-
Net OPEB Liability	<u>\$ 4,123,456</u>	<u>\$ 4,877,811</u>	<u>\$ 5,839,213</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 15.5%. A one percent increase in the healthcare trend rate increases the NOL by approximately 19.7%.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2022

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.

NOTE 13. RESTATEMENT OF BEGINNING FUND BALANCE

The Unit restated its beginning net position and undesignated general fund balance by an increase of \$58,396 as a result of prior year accounts payable debt service recording errors.

NOTE 14. 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 15. 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 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 22, 2023 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, 2022

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Budget to GAAP Differences **	Actual Amounts - GAAP Basis
	Original	Changes*	Final			
REVENUES						
Local assessments	\$ 13,158,608	\$ -	\$ 13,158,608	13,158,608	\$ -	13,158,608
Intergovernmental	20,917,070	14,793	20,931,863	21,159,667	(72,893)	21,086,774
On-behalf payments - State of Maine	-	-	-	-	2,151,539	2,151,539
Tuition and fees	421,480	-	421,480	615,368.00	-	615,368
Interest	-	-	-	10,229	-	10,229
Dividends and reimbursements	87,000	-	87,000	357,436	-	357,436
Other	11,000	9,543	20,543	66,129	-	66,129
Total revenues	34,595,158	24,336	34,619,494	35,367,437	2,078,646	37,446,083
EXPENDITURES						
Current						
Regular instruction	12,828,845	(14,312)	12,814,533	11,738,697	(148,844)	11,589,853
Special education instruction	7,129,414	-	7,129,414	6,338,269	-	6,338,269
Other instruction	982,250	-	982,250	897,991	-	897,991
Student and staff support	2,974,187	-	2,974,187	2,949,724	(10,154)	2,939,570
System administration	916,872	-	916,872	835,208	-	835,208
School administration	1,603,889	-	1,603,889	1,527,929	-	1,527,929
Transportation and buses	1,436,279	14,312	1,450,591	1,450,591	-	1,450,591
Facilities maintenance	3,855,423	-	3,855,423	3,570,221	(493,888)	3,076,333
Adult education	48,000	14,793	62,793	58,266	-	58,266
On-behalf payments - State of Maine	-	-	-	-	2,151,539	2,151,539
Debt service						
Principal	2,410,767	-	2,410,767	2,410,767	508,978	2,919,745
Interest and other charges	1,071,232	-	1,071,232	444,941	71,015	515,956
Total expenditures	35,257,158	14,793	35,271,951	32,222,604	2,078,646	34,301,250
Excess (deficiency) of revenues over expenditures	(662,000)	9,543	(652,457)	3,144,833	-	3,144,833
OTHER FINANCING SOURCES (USES)						
Use of unassigned fund balances	662,000	750,000	1,412,000	-	-	-
Transfers out	-	(759,543)	(759,543)	(759,543)	-	(759,543)
Total other financing sources (uses)	662,000	(9,543)	652,457	(759,543)	-	(759,543)
Net change in fund balances	\$ -	\$ -	\$ -	2,385,290	-	2,385,290
FUND BALANCE - BEGINNING				6,450,622	-	6,450,622
Restatement of prior year debt service payments				58,396	-	58,396
FUND BALANCE - BEGINNING, RESTATED				6,509,018	-	6,509,018
FUND BALANCE - ENDING				\$ 8,894,308	\$ -	\$ 8,894,308

* Changes are comprised of authorized transfers of budget lines as allowed under Maine statute and use of additional revenues.

** 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	\$ 2,385,290
On behalf payments revenue	2,151,539
On behalf payments expenditures	(2,151,539)
Separation agreement debt payment reimbursement	(72,893)
Separation agreement debt service	72,893
Net change in fund balances - GAAP basis	\$ 2,385,290

**Regional School Unit No. 22
Budget and Actual (with Variances) - General Fund
For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>			<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Changes*</u>	<u>Final</u>		
REVENUES					
Local assessments	\$ 13,158,608	\$ -	\$ 13,158,608	\$ 13,158,608	\$ -
Intergovernmental revenue	20,917,070	14,793	20,931,863	21,159,667	227,804
Tuition	421,480	-	421,480	615,368	193,888
Interest	-	-	-	10,229	10,229
Dividends and reimbursements	87,000	-	87,000	357,436	270,436
Other	11,000	9,543	20,543	66,129	45,586
Total revenues	34,595,158	24,336	34,619,494	35,367,437	747,943
EXPENDITURES					
Current					
Regular instruction	12,828,845	(14,312)	12,814,533	11,738,697	1,075,836
Special education instruction	7,129,414	-	7,129,414	6,338,269	791,145
Other instruction	982,250	-	982,250	897,991	84,259
Student and staff support	2,974,187	-	2,974,187	2,949,724	24,463
System administration	916,872	-	916,872	835,208	81,664
School administration	1,603,889	-	1,603,889	1,527,929	75,960
Transportation and buses	1,436,279	14,312	1,450,591	1,450,591	-
Facilities maintenance	3,855,423	-	3,855,423	3,570,221	285,202
Adult education	48,000	14,793	62,793	58,266	4,527
Debt service					
Principal	2,410,767	-	2,410,767	2,410,767	-
Interest and other charges	1,071,232	-	1,071,232	444,941	626,291
Total expenditures	35,257,158	14,793	35,271,951	32,222,604	3,049,347
Excess (deficiency) of revenues over expenditures	(662,000)	9,543	(652,457)	3,144,833	3,797,290
OTHER FINANCING SOURCES (USES)					
Use of unassigned fund balance	662,000	750,000	1,412,000	-	(1,412,000)
Transfers out	-	(759,543)	(759,543)	(759,543)	-
Total other financing sources (uses)	662,000	(9,543)	652,457	(759,543)	(1,412,000)
Net change in fund balances	\$ -	\$ -	\$ -	2,385,290	\$ 2,385,290
FUND BALANCE - BEGINNING				6,450,622	
Restatement of prior year debt service payments				58,396	
FUND BALANCE - BEGINNING, RESTATED				6,509,018	
FUND BALANCE - ENDING				\$ 8,894,308	

* Changes are comprised of authorized transfers of budget lines as allowed under Maine statute and use of additional revenues.

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,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Unit's proportion of the net pension liability	0.047067%	0.033664%	0.033287%	0.033245%	0.032123%	0.036073%	0.031592%	0.025736%	0.023857%
Unit's proportionate share of the net pension liability	\$ 398,105	\$ 549,481	\$ 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	<u>9,075,882</u>	<u>17,521,514</u>	<u>15,425,515</u>	<u>14,398,045</u>	<u>15,886,028</u>	<u>19,006,901</u>	<u>14,762,480</u>	<u>11,666,980</u>	<u>17,115,322</u>
Total	<u>\$ 9,473,987</u>	<u>\$ 18,070,995</u>	<u>\$ 15,913,461</u>	<u>\$ 14,846,667</u>	<u>\$ 16,352,626</u>	<u>\$ 19,644,189</u>	<u>\$ 15,189,009</u>	<u>\$ 11,945,014</u>	<u>\$ 17,494,612</u>
Unit's covered-employee payroll ***	\$ 15,178,339	\$ 14,347,941	\$ 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	2.62%	3.83%	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 **	92.12%	83.06%	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 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 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,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 692,807	\$ 634,266	\$ 596,687	\$ 582,584	\$ 492,298	\$ 480,648	\$ 389,649	\$ 367,689	\$ 37,398
Contributions in relation to the contractually required contribution **	<u>(692,807)</u>	<u>(634,266)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll ***	\$ 15,178,339	\$ 14,347,941	\$ 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	4.56%	4.42%	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 employers, 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 2022

Changes in Benefit Assumptions: There were no changes of benefit assumptions in FY2022

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unit's proportion of the net OPEB liability	0.000000%	0.000000%	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>182,524</u>	<u>356,329</u>	<u>313,181</u>	<u>312,128</u>	<u>296,533</u>					
Total	<u>\$ 182,524</u>	<u>\$ 356,329</u>	<u>\$ 313,181</u>	<u>\$ 312,128</u>	<u>\$ 296,533</u>					
Unit's covered-employee payroll	\$ 7,767,000	\$ 7,320,000	\$ 6,515,000	\$ 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%	0.00%	0.00%					
Plan fiduciary net position as a percentage of the total OPEB liability **	81.88%	62.70%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -					
Contributions in relation to the contractually required contribution	-	-	-	-	-					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Unit's covered-employee payroll	\$ 7,767,000	\$ 7,320,000	\$ 6,515,000	\$ 6,485,903	\$ 5,998,000					
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	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,

	2022 Actuarial Valuation Date June 30, 2021	2021 Actuarial Valuation Date June 30, 2020	2020 Actuarial Valuation Date June 30, 2019	2019 Actuarial Valuation Date June 30, 2018
<u>Total OPEB Liability</u>				
Service cost (BOY)	\$ 69,291	\$ 39,993	\$ 33,763	\$ 36,091
Interest (includes interest on service cost)	106,199	156,227	164,129	158,717
Changes of benefit terms	-	(464,001)	-	-
Differences between expected and actual experience	-	393,407	-	-
Changes in assumptions	37,207	369,639	232,862	(182,879)
Benefit payments, including refunds of member contributions	(141,207)	(223,214)	(205,631)	(198,524)
Net change in total OPEB liability	\$ 71,490	\$ 272,051	\$ 225,123	\$ (186,595)
Total OPEB liability - beginning	\$ 4,806,321	\$ 4,534,270	\$ 4,309,147	\$ 4,495,742
Total OPEB liability - ending	\$ 4,877,811	\$ 4,806,321	\$ 4,534,270	\$ 4,309,147
<u>Plan fiduciary net position</u>				
Contributions - employer	141,207	223,214	205,631	198,524
Contributions - member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(141,207)	(223,214)	(205,631)	(198,524)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-
Net OPEB liability - ending	\$ 4,877,811	\$ 4,806,321	\$ 4,534,270	\$ 4,309,147
Covered employee payroll	\$ 11,389,518	\$ 11,111,725	\$ 11,688,231	\$ 11,375,407
Net OPEB liability as a percentage of covered employee payroll	<u>42.8%</u>	<u>43.3%</u>	<u>38.8%</u>	<u>37.9%</u>

Notes to schedule:

Changes in Benefit Terms - MEABT changes in Medicare plans reflect changes in the obligation

Fiscal Year	Impact on Obligation
2022	-
2021	(\$464,001)

Changes of Assumptions - Under the Health Plan, changes of assumptions and other inputs reflect the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.87%

Regional School Unit No. 22
Budget and Assessment - General Fund
For the Year Ended June 30, 2022

BUDGET REQUIREMENTS

Operations and indebtedness	\$ 35,257,158
Transfers out	<u>750,000</u>
Total budget requirements	<u>36,007,158</u>

REDUCTIONS OF REQUIREMENTS

Estimated revenues	21,436,550
Utilization of fund balance - budget	<u>1,412,000</u>
Total reductions of requirements	<u>22,848,550</u>

Net budget requirements	<u><u>\$ 13,158,608</u></u>
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ASSESSMENTS

Hampden	\$ 7,661,785
Newburgh	1,296,158
Winterport	3,168,068
Frankfort	<u>1,032,597</u>
Total assessments	<u><u>\$ 13,158,608</u></u>

Regional School Unit No. 22
Combining Schedule of Special Revenue Fund Activity
For the Year Ended June 30, 2022

	June 30, 2021 Balance	Revenues/ Transfers in	Expenditures	June 30, 2022 Balance
<i>Federal grants</i>				
Title IA	\$ -	\$ 318,390	\$ 318,390	\$ -
Title IV rural and low income	-	537	537	-
Title V student support grant	-	3,146	3,146	-
Local Entitlement	-	550,206	550,206	-
Local Entitlement - ARP	-	135,951	135,951	-
Preschool ARP	-	235	235	-
Title II-A	-	64,841	64,841	-
BARR	-	10,168	10,168	-
ESSERR Funds	-	679,135	679,135	-
Adult basic education	-	9,084	9,084	-
	<u>-</u>	<u>1,771,693</u>	<u>1,771,693</u>	<u>-</u>
<i>State grants and reimbursements</i>				
Dental	453	-	-	453
Adult education enrichment	3,371	5,948	2,209	7,110
National Board Certification	-	4,750	4,750	-
Maine Arts	-	7,500	492	7,008
MEEA grants	-	3,000	1,500	1,500
MLTI	-	182,682	182,682	-
Momentum grant	388	3	-	391
Penobscot job training program	-	17,086	11,577	5,509
Proficiency Grant	9,711	-	-	9,711
Teens to trails	-	1,500	-	1,500
	<u>13,923</u>	<u>222,469</u>	<u>203,210</u>	<u>33,182</u>
<i>Local grants and insurance proceeds</i>				
Wellness Grant	5,566	500	2,110	3,956
Computer science	-	3,109	3,109	-
Signage	21,806	-	-	21,806
New Hampden Academy donations	553,848	(48,950)	6,492	498,406
	<u>581,220</u>	<u>(45,341)</u>	<u>11,711</u>	<u>524,168</u>
<i>Total Federal, state and local grants and donations</i>	<u>595,143</u>	<u>1,948,821</u>	<u>1,986,614</u>	<u>557,350</u>
<i>Student and school activity funds</i>				
Hampden Academy	155,539	100,203	76,979	178,763
Alternative Education	3	1,060	-	1,063
Hampden Academy athletics	43,459	65,428	52,897	55,990
Trails Project	584	-	-	584
McGraw School	17,284	5,142	2,735	19,691
Special Olympics	75	-	-	75
Leroy Smith School	45,786	14,177	6,536	53,427
Weatherbee School	18,042	913	3,841	15,114
Wagner School	18,217	14,890	12,290	20,817
Reeds Brook School	39,092	23,957	28,701	34,348
Fundraising	8,599	-	-	8,599
	<u>346,680</u>	<u>225,770</u>	<u>183,979</u>	<u>388,471</u>
<i>Total Student and school activity funds</i>	<u>346,680</u>	<u>225,770</u>	<u>183,979</u>	<u>388,471</u>
<i>Student scholarship funds</i>	<u>207,440</u>	<u>57,598</u>	<u>39,711</u>	<u>225,327</u>
Totals	<u>\$ 1,149,263</u>	<u>\$ 2,232,189</u>	<u>\$ 2,210,304</u>	<u>\$ 1,171,148</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, 2022, and have issued our report thereon dated June 22, 2023.

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 22, 2023

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, 2022

	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>	\$ 8,692,645	\$ 645,342	\$ 1,126,254	\$ 494,625	\$ 10,958,866
Fund Balance Adjustments	970,621	559,194	(1)	-	1,529,814
Revenue Adjustments	4,660	178,344	-	508	183,512
Expenditure Adjustments	<u>(773,618)</u>	<u>(211,732)</u>	<u>9,643</u>	<u>(8,415)</u>	<u>(984,122)</u>
<i>Audited GAAP Basis Fund Balance</i>	<u>\$ 8,894,308</u>	<u>\$ 1,171,148</u>	<u>\$ 1,135,896</u>	<u>\$ 486,718</u>	<u>\$ 11,688,070</u>

Regional School Unit No. 22
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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 of Maine Department of Education			
Title IA Grants to Local Educational Agencies	84.010	013-05A-3057-13	\$ 318,390
Title V Student support and academic achievement	84.424	013-05A-3345-18	3,146
Title IV Rural and low income	84.358	013-05A-3305	537
Title IIA Improving Teacher Quality Grant	84.367	013-05A-3042-11	64,841
Elementary and Secondary School Emergency Relief Fund I (COVID-19)	84.425D	3-05A-7006-90-6306-7006ESG-F20	134,948
Elementary and Secondary School Emergency Relief Fund II (COVID-19)	84.425D	13-05A-7041-90	473,484
Elementary and Secondary School Emergency Relief Fund III (COVID-19)	84.425D	025-05A-7071-90	46,988
Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act - PPE Masks	84.425	025-05A-7072	4,860
Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act - Learning management ARP ESSER III	84.425	13-05A-7042-90	15,915
ARP homeless children and youth - ESSER	84.425W	025-05A-3161	2,940
Total Elementary and Secondary School Emergency Relief Funds			679,135
<i>Special Education Cluster</i>			
Special Education - Grants to States	84.027	013-05A-3046-12	550,206
Special Education - Grants to State - American Rescue Plan	84.027	025-05A-7170	135,951
Special Education - Preschool Grant	84.173	013-05A-6241-23	
Special Education - Preschool Grant American Rescue Plan	84.173	025-05A-7170	235
Total Special Education Cluster			686,392
<i>Passed through City of Bangor School Department</i>			
Adult basic education	84.002	13-05A-6296-64	9,084
<i>Passed through Spurwink</i>			
Building assets-reducing risks (BARR) innovation project	84.411	Unknown	10,168
Total U.S. Department of Education			1,771,693
<i>U.S. Department of Agriculture</i>			
Passed through State of Maine Department of Education			
Supply chain assistance - COVID-19 grant	10.560	013-05A-6670	42,841
Pandemic EBT administrative costs	10.649	013-05A-6184	4,298
<i>Child Nutrition Cluster</i>			
Fresh Fruit & Vegetable Program	10.582	013-05A-3028-05	28,935
National School Lunch Program	10.555	013-05A-3024-05	1,028,081
National School Lunch Program - donated commodities	10.555	013-05A-3024-05	42,513
National School Lunch - Breakfast	10.553	013-05A-3014-05	240,049
Summer Food Service Program for Children (CARES)	10.559	013-05A-7130-05	34,422
Total Child Nutrition Cluster			1,374,000
Total U.S. Department of Agriculture			1,421,139
Total expenditures of federal awards			\$ 3,192,832

Regional School Unit No. 22
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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, 2022. 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 \$42,513 is reported on the schedule of 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.



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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, 2022, 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 22, 2023.

Report on 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2022-001, that we consider to be a material weakness.

Report on 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 Whibodian & Associates

Bangor, Maine
June 22, 2023



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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

Opinion on Each Major Federal Program

We have audited Regional School Unit No. 26'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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Regional School Unit No. 22 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with each major federal program. Our audit does not provide a legal determination of Regional School Unit No. 22's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Regional School Unit No. 22.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Regional School Unit No. 22's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Regional School Unit No. 22's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Regional School Unit No. 22's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Regional School Unit No. 22's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Regional School Unit No. 22's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Whibodan & Associates

Bangor, Maine
June 22, 2023

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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? - X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? - yes X no

Noncompliance material to financial statements noted? - yes X no

Federal Awards

Internal control over major programs

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

Identification of major programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? - X yes no

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022**

Section II — Financial Statement Findings

	#2022-001
<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 including accounts payable 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 all.
<i>Management's response</i>	<i>The Unit has contracted for services designed to assist with and perform many year-end closing and reconciliation procedures 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, 2022**

#2021-001

Condition

System of internal control was not appropriate to prevent, or detect or correct, misstatements on a timely basis including unrecorded activity for proper financial reporting.

Status

No change