

Regional School Unit No. 26

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. 26

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. 26, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Unit'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. 26 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. 26, 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. 26'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. 26'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. 26'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 6 through 13 and 48 through 58 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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. 26's basic financial statements. The other supplementary information on Schedules 1 and 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 the State of Maine and is also not a required part of the basic financial statements. The reconciliation of audit adjustments to annual financial data submitted to the 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 and 2, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to the 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 and 2, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to the 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 December 12, 2022, on our consideration of the Regional School Unit No. 26'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. 26'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. 26's internal control over financial reporting and compliance.

Brantley Whibodian & Associates

Bangor, Maine
December 12, 2022

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

As management of the Regional School Unit No. 26, 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 an 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 Regional School Unit No. 26 was formed on July 1, 2009 under new state of Maine legislation.

The Unit's 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.

FINANCIAL HIGHLIGHTS

- The total balance of the Unit's governmental activities cash and cash equivalents at June 30, 2022 was \$12,397,489.
- Under the government-wide basis of reporting, the Unit's total net position was \$6,381,661 at June 30, 2022 an increase of \$97,132 after a restatement for a prior year loan in the amount of \$(839,580).

OVERVIEW OF FINANCIAL STATEMENTS

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

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

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.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Unit's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Capital assets and depreciation are not included in the governmental funds financial statements.

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

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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 21-47 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 48-58 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 59-60 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 \$6,381,661, 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.

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position for the Period Ending June 30, 2022 and 2021

The current year's governmental activities financial statements are compared with prior year as follows:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------|---------------------|---------------------|
| Current and other assets | \$ 6,683,915 | \$15,075,525 |
| Capital assets (net of accumulated depreciation) | <u>19,967,607</u> | <u>13,515,035</u> |
| Total Assets | 26,651,522 | 28,590,560 |
| Deferred outflows of resources | <u>951,927</u> | <u>695,303</u> |
| Current liabilities | 1,436,131 | 2,240,735 |
| Non-current liabilities | <u>19,130,628</u> | <u>20,627,666</u> |
| Total Liabilities | 20,566,759 | 22,868,401 |
| Deferred inflows of resources | <u>655,029</u> | <u>132,933</u> |
| Net Position | | |
| Investment in capital assets (net of debt) | 4,381,625 | 2,342,903 |
| Restricted | 615,161 | 2,001,373 |
| Unrestricted | <u>1,384,875</u> | <u>1,940,253</u> |
| Total Net Position | <u>\$ 6,381,661</u> | <u>\$ 6,284,529</u> |

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

- The Unit recorded depreciation expense of \$301,775 for the year ended June 30, 2022. The Unit also recorded interest expense of \$492,648 the year ended June 30, 2022.

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 | \$ 2,305,765 | \$ 2,404,268 |
| Operating grants and contributions | 3,128,981 | 4,708,799 |
| Capital grants and contributions | 824,569 | 344,741 |
| General revenues | | |
| Local assessments | 6,842,402 | 7,296,560 |
| State subsidy | 5,270,671 | 4,842,678 |
| Interest income | 3,890 | 3,150 |
| Miscellaneous | <u>16,071</u> | <u>9,010</u> |
| Total Revenues | <u>18,392,349</u> | <u>19,609,206</u> |
| EXPENSES | | |
| Regular instruction | \$ 5,768,686 | \$ 5,785,939 |
| Special education | 2,972,293 | 3,272,883 |
| Other instruction | 650,687 | 629,886 |
| Student and staff support | 1,217,348 | 1,260,011 |
| System administration | 553,786 | 530,777 |
| School administration | 711,629 | 788,349 |
| Student transportation | 334,230 | 339,842 |
| Facilities and operations | 1,808,924 | 1,513,111 |
| Federal, state and local grant expense | 922,057 | 1,775,384 |
| Adult education | 80,393 | 66,921 |
| On-behalf payments – State of Maine | 1,050,896 | 1,030,847 |
| Food service | 410,121 | 379,908 |
| Interest and other charges | 492,648 | 436,137 |
| Capital outlay | <u>462,345</u> | <u>9,606</u> |
| Total Expenses | <u>17,436,043</u> | <u>17,819,601</u> |
| Excess of revenues over expenditures before special item | 956,306 | 1,789,605 |
| Special item – loss on disposal of capital assets | <u>(19,594)</u> | <u>-</u> |
| Change in net position | <u>936,712</u> | <u>1,789,605</u> |
| Net position, beginning of year | 6,284,529 | 4,294,352 |
| Restatement of net position | <u>(839,580)</u> | <u>200,572</u> |
| Net position, beginning of year, restated | <u>5,444,949</u> | <u>4,494,924</u> |
| Net position, end of year | <u>\$ 6,381,661</u> | <u>\$ 6,284,529</u> |

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Analysis of the Unit's Operations

Overall the Unit had a total increase in net position of \$936,712 from current year operations.

Total revenue 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 food service and adult education.

General revenues for the year ended June 30, 2022 totaled \$12,133,034. Of this amount, \$6,842,402 was from local assessments paid by the Town of Orono, Maine and \$5,270,671 was from the State of Maine. In addition, \$19,961 came from interest and other miscellaneous sources.

During the year, the Unit received program specific operating grants and contributions totaling \$3,128,981 and capital grants and contributions of \$824,569. 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 \$301,775. Depreciation expense has been allocated and is included in the various function/program expenses of the Unit.

Charges for services and other represent revenues earned by the Unit in return for services provided by the Unit or the use of the Unit's property. These revenues predominately consist of tuition, adult education fees and school lunch revenues. Charges for services totaled \$2,305,765 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 \$5,050,421, \$7,526,891 lower than the beginning balances after a restatement for a prior year loan in the amount of \$(839,580).

Revenues include intergovernmental revenue of \$6,853,634 and local assessments totaling \$6,853,634. On-behalf payments amounted to \$1,024,017. Additional information on these "on-behalf" payments can be found in notes to the basic financial statements.

Charges for services contributed \$2,304,374 in total revenue during the year. Of this amount, \$19 represents revenues generated from the food service program.

Total governmental fund expenditures before other financing for the year were \$24,532,653. The Unit's debt service totaled \$1,315,964 for the year.

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

FINANCIAL ANALYSIS OF THE UNIT'S BUDGET

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 principle differences between the two methods are as follows:

- 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.
- The budget basis revenues and expenditures do not include capital lease debt revenue and offsetting outlay activity. GAAP basis revenues and expenditures include the activity for proper reporting.

During the year, budgeted revenues exceeded actual revenues by \$15,987.

Budgeted expenditures exceeded actual expenditures by \$1,076,501.

Excess revenues over expenditures and other uses was \$(605,781). Accordingly, the budget basis fund balance decreased from \$3,508,114 to \$2,902,333.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following summarizes capital assets at year end:

| | Balance June 30, 2021 | Additions | Retire- ments | Balance June 30, 2022 |
|----------------------------|--------------------------------------|----------------------|--------------------------|--------------------------------------|
| Land and CIP | \$ 10,340,891 | \$ - | \$(10,340,891) | \$ - |
| Buildings and improvements | 5,025,953 | 17,120,832 | - | 22,146,785 |
| Equipment | 689,486 | - | (164,162) | 525,324 |
| Vehicles | 73,916 | - | - | 73,916 |
| Land improvements | <u>476,254</u> | <u>-</u> | <u>(50,385)</u> | <u>425,869</u> |
| Total capital assets | 16,606,500 | 17,120,832 | (10,555,438) | 23,171,894 |
| Accumulated depreciation | <u>(3,091,465)</u> | <u>(301,775)</u> | <u>188,953</u> | <u>(3,204,287)</u> |
| Capital assets, net | <u>\$ 13,515,035</u> | <u>\$ 16,819,057</u> | <u>\$(10,366,485)</u> | <u>\$19,967,607</u> |

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

The Unit's debt consists of bonds, several capital leases from various lending sources, net pension liability, net OPEB liability, and compensated absences liability.

| | Balance June 30, 2021 | Increases | Forgiveness/ Decreases | Balance June 30, 2022 |
|--------------------------------|--------------------------------------|--------------------|-----------------------------------|--------------------------------------|
| Bonds payable | \$12,394,174 | \$ - | \$(1,254,174) | \$11,140,000 |
| Bond anticipation note payable | 4,350,000 | - | - | 4,350,000 |
| Capital lease obligations | 1,802,518 | 469,130 | (482,029) | 1,789,619 |
| Net pension liability | 404,505 | 384,974 | (659,728) | 129,751 |
| Net OPEB liability | 1,601,155 | 280,675 | (222,478) | 1,659,352 |
| Compensated absences | <u>75,314</u> | <u>158</u> | <u>(13,566)</u> | <u>61,906</u> |
| Total | <u>\$20,627,666</u> | <u>\$1,134,937</u> | <u>\$(2,631,975)</u> | <u>\$19,130,628</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Our community is very proud of its school and the current level of program offerings. The School Board and administration view the money spent on schools as an investment into our future. We try very hard to develop budgets that are lean yet maintain the current program levels which our community has grown to expect.

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 10 Goodridge Dr, Orono, Maine, 04473 or call (207) 866-7110.

Regional School Unit No. 26
Statement of Net Position
June 30, 2022

| | Governmental Activities |
|-------------------------------------------------------------------|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,667,825 |
| Cash - restricted | 1,606,859 |
| Other receivable | 2,350 |
| Due from other governments | 963,749 |
| Due from IRS - bond interest refund receivable | 81,256 |
| Inventories | 7,020 |
| Due from Town of Glenburn for future debt service | 354,856 |
| Capital assets being depreciated, net of accumulated depreciation | 19,967,607 |
| Total assets | 26,651,522 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 713,488 |
| Deferred outflows related to OPEB | 238,439 |
| Total deferred outflows of resources | 951,927 |
| LIABILITIES | |
| Accounts payable and accrued expenses | 272,259 |
| Due to MainePers | 86,371 |
| Accrued wages payable | 832,870 |
| Unearned revenue | 5,884 |
| Accrued interest payable | 238,747 |
| Long-term liabilities | |
| Due within one year | |
| Bonds payable | 518,000 |
| Capital leases payable | 448,905 |
| Due in more than one year | |
| Bonds payable | 10,622,000 |
| Bond anticipation note payable | 4,350,000 |
| Capital leases payable | 1,340,714 |
| Net pension liability | 129,751 |
| Net OPEB liability | 1,659,352 |
| Compensated absences | 61,906 |
| Total liabilities | 20,566,759 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 554,980 |
| Deferred inflows related to OPEB | 100,049 |
| Total deferred inflows of resources | 655,029 |
| NET POSITION | |
| Net investment in capital assets | 4,381,625 |
| Restricted for grants and contributions | 386,169 |
| Restricted for food service fund | 228,992 |
| Unrestricted | 1,384,875 |
| Total net position | \$ 6,381,661 |

See accompanying notes to basic financial statements.

Regional School Unit No. 26
Statement of Activities
For the Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenue | | Capital Grants and Contributions | Net (Expenses) Revenue and Changes in Net Position |
|-------------------------------------------------------------|----------------------|--------------------------------|------------------------------------|----------------------------------|----------------------------------------------------|
| | | Charges for Services and Other | Operating Grants and Contributions | | Governmental Activities |
| Governmental activities | | | | | |
| Regular instruction | \$ 5,768,686 | \$ 1,903,682 | \$ 135,536 | \$ - | \$ (3,729,468) |
| Special education | 2,972,293 | 393,811 | 139,883 | - | (2,438,599) |
| Other instruction | 650,687 | 8 | 18,384 | - | (632,295) |
| Student and staff support | 1,217,348 | - | 192,251 | - | (1,025,097) |
| System administration | 553,786 | - | 7,042 | - | (546,744) |
| School administration | 711,629 | - | 19,600 | - | (692,029) |
| Student transportation | 334,230 | - | - | - | (334,230) |
| Facilities maintenance | 1,808,924 | 1,375 | - | - | (1,807,549) |
| Federal, state and local grant expense | 922,057 | - | 961,006 | - | 38,949 |
| Adult education | 80,393 | 6,870 | 61,838 | - | (11,685) |
| On-behalf payments - State of Maine | 1,050,896 | - | 1,050,896 | - | - |
| Food service | 410,121 | 19 | 542,545 | - | 132,443 |
| Interest and other charges | 492,648 | - | - | 82,761 | (409,887) |
| Leased equipment | 457,422 | - | - | 457,422 | - |
| Capital outlay | 4,923 | - | - | 284,386 | 279,463 |
| Total governmental activities | \$ 17,436,043 | \$ 2,305,765 | \$ 3,128,981 | \$ 824,569 | (11,176,728) |
| General revenues | | | | | |
| Assessments | | | | | 6,842,402 |
| Assessments, levied for general purposes | | | | | 5,270,671 |
| State subsidy | | | | | 3,890 |
| Unrestricted interest earnings | | | | | 16,071 |
| Miscellaneous | | | | | (19,594) |
| Special item - loss on disposal of capital assets | | | | | (19,594) |
| Total general revenues | | | | | 12,113,440 |
| Change in net position | | | | | 936,712 |
| NET POSITION - BEGINNING | | | | | 6,284,529 |
| Restatement for prior year loan receivable and loan payable | | | | | (839,580) |
| NET POSITION - BEGINNING, RESTATED | | | | | 5,444,949 |
| NET POSITION - ENDING | | | | | \$ 6,381,661 |

Regional School Unit No. 26
Balance Sheet
Governmental Funds
June 30, 2022

| | General Fund | Special Revenue Fund | Capital Projects Funds | Other Govern- mental Funds- School Food Service | Total Govern- mental Funds |
|-------------------------------------------------------------------------------|---------------------|----------------------------|------------------------------|----------------------------------------------------------|----------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,435,426 | \$ 232,399 | \$ - | \$ - | \$ 3,667,825 |
| Cash - restricted | - | - | 1,606,859 | - | 1,606,859 |
| Due from other funds | - | - | - | 203,444 | 203,444 |
| Due from other governments | 609,280 | 329,284 | - | 25,185 | 963,749 |
| Accounts receivable | 1,350 | 1,000 | - | - | 2,350 |
| Inventories | - | - | - | 7,020 | 7,020 |
| Total assets | \$ 4,046,056 | \$ 562,683 | \$ 1,606,859 | \$ 235,649 | \$ 6,451,247 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 149,696 | \$ 47,856 | \$ 73,932 | \$ 773 | \$ 272,257 |
| Due to MainePers | 86,371 | - | - | - | 86,371 |
| Accrued summer teacher pay and wages | 832,870 | - | - | - | 832,870 |
| Due to other funds | 74,786 | 128,658 | - | - | 203,444 |
| Total liabilities | 1,143,723 | 176,514 | 73,932 | 773 | 1,394,942 |
| Deferred inflow of resources - unearned revenue | - | - | - | 5,884 | 5,884 |
| Fund balances | | | | | |
| Nonspendable for inventory | - | - | - | 7,020 | 7,020 |
| Restricted for food service funds | - | - | - | 221,972 | 221,972 |
| Restricted for grants and contributions | - | 153,770 | - | - | 153,770 |
| Restricted for scholarship funds | - | 1,306 | - | - | 1,306 |
| Restricted for school funds | - | 231,093 | - | - | 231,093 |
| Restricted for capital projects | - | - | 1,005,648 | - | 1,005,648 |
| Committed for capital projects | - | - | 527,279 | - | 527,279 |
| Committed for future debt service | 25,741 | - | - | - | 25,741 |
| Committed for fuel stabilization | 78,540 | - | - | - | 78,540 |
| Unassigned | 2,798,052 | - | - | - | 2,798,052 |
| Total fund balances | 2,902,333 | 386,169 | 1,532,927 | 228,992 | 5,050,421 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 4,046,056 | \$ 562,683 | \$ 1,606,859 | \$ 235,649 | \$ 6,451,247 |

Regional School Unit No. 26
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------|
| Total fund balance, governmental funds | \$ | 5,050,421 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p> | | |
| Capital assets, net of accumulated depreciation | | 19,967,607 |
| <p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p> | | |
| Bond interest refund receivable | \$ | 81,256 |
| Due from other governments - Town of Glenburn | | 436,112 |
| | | 354,856 |
| <p>Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund statement, but are reported in the governmental activities of the Statement of Net Position.</p> | | |
| Deferred outflows related to pensions | \$ | 713,488 |
| Deferred inflows related to pensions | | (554,980) |
| Deferred outflows related to OPEB | | 238,439 |
| Deferred inflows related to OPEB | | (100,049) |
| | | 296,898 |
| <p>Certain other liabilities that will not be paid by current assets and are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p> | | |
| Accrued interest payable | \$ | (238,747) |
| Compensated absences liability | | (300,654) |
| | | (300,654) |
| <p>Some liabilities, (such as Capital Lease Payable, Bonds Payable and Net Pension Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p> | | |
| Bonds, capital leases and net pension and OPEB liability | | (19,068,723) |
| Net Position of Governmental Activities in the Statement of Net Position | \$ | 6,381,661 |

Regional School Unit No. 26
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 Funds | Other Govern- mental Funds- School Food Service | Total Govern- mental Funds |
|------------------------------------------------------|---------------------|-------------------------|------------------------------|----------------------------------------------------------|-------------------------------|
| REVENUES | | | | | |
| Local assessments | \$ 6,842,402 | \$ 40,000 | \$ - | \$ 50,000 | \$ 6,932,402 |
| Intergovernmental revenue | 5,391,607 | 969,482 | - | 492,545 | 6,853,634 |
| On-behalf payments - State of Maine | 1,024,017 | - | - | - | 1,024,017 |
| Charges for services | 2,297,485 | 6,870 | - | 19 | 2,304,374 |
| Interest | 3,898 | 1 | 5,490 | - | 9,389 |
| Other | 23,452 | 162,930 | 145 | - | 186,527 |
| Total revenues | <u>15,582,861</u> | <u>1,180,383</u> | <u>5,635</u> | <u>542,564</u> | <u>17,311,443</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Regular instruction | 5,711,194 | - | - | - | 5,711,194 |
| Special education | 2,832,395 | - | - | - | 2,832,395 |
| Other instruction | 623,052 | - | - | - | 623,052 |
| Student and staff support | 1,051,117 | 115,832 | - | - | 1,166,949 |
| System administration | 546,673 | - | - | - | 546,673 |
| School administration | 715,580 | - | - | - | 715,580 |
| Transportation | 334,230 | - | - | - | 334,230 |
| Facilities maintenance | 1,760,897 | - | - | - | 1,760,897 |
| Federal, state and local grant expense | - | 961,420 | - | - | 961,420 |
| Adult education | - | 77,894 | - | - | 77,894 |
| On-behalf payments - State of Maine | 1,024,017 | - | - | - | 1,024,017 |
| Food service | - | - | - | 412,938 | 412,938 |
| Debt service | | | | | |
| Principal - other | 799,665 | - | - | - | 799,665 |
| Interest and other charges | 516,299 | - | - | - | 516,299 |
| Capital outlay | 457,422 | - | 6,592,028 | - | 7,049,450 |
| Total expenditures | <u>16,372,541</u> | <u>1,155,146</u> | <u>6,592,028</u> | <u>412,938</u> | <u>24,532,653</u> |
| Excess (deficiency) of revenues over expenditures | <u>(789,680)</u> | <u>25,237</u> | <u>(6,586,393)</u> | <u>129,626</u> | <u>(7,221,210)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from capital leases | 457,422 | - | - | - | 457,422 |
| Bond interest refund | 76,477 | - | - | - | 76,477 |
| Transfers in | - | - | 350,000 | - | 350,000 |
| Transfers out | (350,000) | - | - | - | (350,000) |
| Total other financing sources (uses) | <u>183,899</u> | <u>-</u> | <u>350,000</u> | <u>-</u> | <u>533,899</u> |
| Net change in fund balances | <u>(605,781)</u> | <u>25,237</u> | <u>(6,236,393)</u> | <u>129,626</u> | <u>(6,687,311)</u> |
| FUND BALANCES - BEGINNING | 3,508,114 | 360,932 | 8,608,900 | 99,366 | 12,577,312 |
| Restate prior year loan proceeds and loan receivable | - | - | (839,580) | - | (839,580) |
| FUND BALANCES - BEGINNING, RESTATED | <u>3,508,114</u> | <u>360,932</u> | <u>7,769,320</u> | <u>99,366</u> | <u>11,737,732</u> |
| FUND BALANCES - ENDING | <u>\$ 2,902,333</u> | <u>\$ 386,169</u> | <u>\$ 1,532,927</u> | <u>\$ 228,992</u> | <u>\$ 5,050,421</u> |

Regional School Unit No. 26
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: \$ (6,687,311)

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

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

| | | |
|----------------------|------------------|-----------|
| Capital outlays | \$ 6,779,941 | |
| Depreciation expense | <u>(301,775)</u> | 6,478,166 |

Governmental funds report the entire net loss from disposal of an asset as a special item because it effects current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold or disposed of.

(25,594)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

| | | |
|----------------------------------------------------|-----------------|----------|
| Debt payment receivable adjustment from other Town | \$ (68,902) | |
| Bond interest refund revenue | <u>(15,744)</u> | (84,646) |

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

| | | |
|---------------------------------------|---------------|-----------|
| Deferred outflows related to pensions | \$ 268,719 | |
| Deferred inflows related to pensions | (543,022) | |
| Deferred outflows related to OPEB | (12,095) | |
| Deferred inflows related to OPEB | <u>20,926</u> | (265,472) |

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

| | | |
|------------------|------------------|-----------|
| Debt issued | \$ (457,422) | |
| Principal repaid | <u>1,724,495</u> | 1,267,073 |

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:

| | | |
|----------------------------------------------------------|---------------|---------|
| Net pension expense | \$ 274,754 | |
| Net OPEB expense | (58,197) | |
| Accrued interest not reflected on Governmental funds | 24,532 | |
| Compensated absences not reflected on Governmental funds | <u>13,407</u> | 254,496 |

Change in net position of governmental activities \$ 936,712

See accompanying notes to basic financial statements.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Regional School Unit No. 26 provides educational services for the Town of Orono. The Unit was assigned a Regional School Unit number by the State Board of Education effective July 1, 2009 to comply with new legislation.

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.

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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

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 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, student activity accounts, and scholarship accounts.

Capital Projects Fund

The capital projects fund is used to account for all resources for the acquisition or construction of capital facilities or items by the Unit as well as the resources held in reserves for future projects.

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 position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

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 assessments, intergovernmental revenues and charges for services. 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 Town of Orono 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.

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. 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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

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 activities column on 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 | 20-50 years |
| Improvements | 25-100 years |
| Machinery and Equipment | 3-30 years |

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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

6. Long-term Debt

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

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

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

Compensated absences liability is reported in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. The Unit's policy is described below:

Sick time:

Upon retirement, all hourly employees with at least ten (10) years of employment, but less than twenty (20) years of employment with the schools comprising RSU 26 shall be reimbursed at their regular hourly rate of pay for unused sick leave up to one thousand three hundred dollars (\$1,300). Employees with at least twenty (20) years, but less than thirty (30) years of employment with the schools comprising RSU 26 shall be reimbursed under this provision up to two thousand dollars (\$2,000). Employees with thirty (30) or more years of employment within the schools comprising RSU 26 shall be reimbursed under this provision up to two thousand seven hundred dollars (\$2,700).

Upon retirement, all contracted teachers are compensated at the per-diem rate for up to forty 40 days of accumulated sick leave under the Maine Public Employee Retirement System if the employee has been employed by RSU 26 for at least fifteen (15) years and provided that written notice of intention to retire is received by the Superintendent of Schools on or before March 1 of the year prior to the year of retirement. Teachers who provide notice by March 1 of the year prior to retirement shall receive payment by June 30 of the year in which that teacher retires. Teachers who give notice later than March 1 of the year prior to retirement shall receive the payment in July of the year following the year in which that teacher retires.

Vacation:

Employees are required to take their vacation during the year it is awarded. Vacation time may not be carried forward to the next employment year except under unusual circumstances with the permission of the Superintendent or designee. Vacation time that current employees have been allowed to accrue will be honored, but no further unused vacation time can be accrued, except as specified.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

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 the Participating Local Districts (PLD) 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 respective plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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.

9. Government-wide Net Position

Net position represents the difference between asset and deferred outflows and liabilities and deferred inflows 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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

10. Governmental Fund Balances (Continued)

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government'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 is authorized to assign amounts under authority granted by the Unit's budget policies.

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.

NOTE 2. CASH AND CASH EQUIVALENTS

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 \$5,274,684 with bank balances of \$5,532,653. Of the Unit's total bank balance of \$5,532,653, \$641,588 was exposed to custodial credit risk.

Deposits have been reported as follows:

| | |
|--------------------------------|--------------------|
| Reported in governmental funds | <u>\$5,274,684</u> |
|--------------------------------|--------------------|

The Unit has \$1,606,859 in restricted cash for capital projects as of June 30, 2022.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 3. CAPITAL ASSETS

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

| | Balance June 30, 2021 | Additions | Disposals/ Retire- ments | Balance June 30, 2022 |
|---------------------------------------------|--------------------------------------|---------------------|-----------------------------------------|--------------------------------------|
| <i>Capital assets not being depreciated</i> | | | | |
| Construction in process | \$ 10,340,891 | \$ - | \$(10,340,891) | \$ - |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings and improvements | 5,025,953 | 17,120,832 | - | 22,146,785 |
| Equipment | 689,486 | - | (164,162) | 525,324 |
| Vehicles | 73,916 | - | - | 73,916 |
| Land improvements | 476,254 | - | (50,385) | 425,869 |
| Total capital assets being depreciated | <u>6,265,609</u> | <u>17,120,832</u> | <u>(214,547)</u> | <u>23,171,894</u> |
| <i>Less accumulated depreciation for</i> | | | | |
| Buildings and improvements | (2,344,356) | (254,965) | - | (2,599,321) |
| Equipment | (496,009) | (18,949) | 141,566 | (373,392) |
| Vehicles | (7,391) | (7,392) | - | (14,783) |
| Land improvements | (243,710) | (20,469) | 47,387 | (216,792) |
| Total accumulated depreciation | <u>(3,091,465)</u> | <u>(301,775)</u> | <u>188,953</u> | <u>(3,204,287)</u> |
| Total capital assets being depreciated, net | <u>3,174,144</u> | <u>16,819,057</u> | <u>(25,594)</u> | <u>19,967,607</u> |
| Capital assets, net | <u>\$ 13,515,035</u> | <u>\$16,819,057</u> | <u>\$(10,366,485)</u> | <u>\$ 19,967,607</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|-------------------|
| Regular education | \$ 8,627 |
| Special education | 2,848 |
| Other instruction | 5,408 |
| Facilities maintenance | 284,038 |
| Food service | 854 |
| Total depreciation expense | <u>\$ 301,775</u> |

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 4. 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 | Forgiveness/ Decreases | Balance June 30, 2022 | Portion due within one year |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------|-----------------------------------|--------------------------------------|--------------------------------------------|
| General Obligation Bonds | | | | | |
| Bangor Savings Bank | | | | | |
| 2011 qualified school construction bond due in annual principal installments of \$43,000 through July 2026; interest due semi-annually at 5.04%. | \$ 258,000 | \$ - | \$ (43,000) | \$ 215,000 | \$ 43,000 |
| US Bank | | | | | |
| 2019 general obligation bonds due in annual principal installments of \$475,000 through September 2044; interest due semi-annually at rates from 2.0% to 5.0% | 11,400,000 | - | (475,000) | 10,925,000 | 475,000 |
| US Bank | | | | | |
| 2020 general obligation bond anticipation notes due in September 2023; interest due annually at a rate of 2.00% | 4,350,000 | - | - | 4,350,000 | - |
| Maine Municipal Bond Bank | | | | | |
| 2020 revolving renovation bond due in annual principal installments through 2031, Interest is 0% | 736,174 | - | (736,174) | - | - |
| Total general obligation bonds | 16,744,174 | - | (1,254,174) | 15,490,000 | 518,000 |
| Capital Leases | 1,802,518 | 469,130 | (482,029) | 1,789,619 | 448,905 |
| Net pension liability | 404,505 | 384,974 | (659,728) | 129,751 | N/A |
| Net OPEB liability | 1,601,155 | 280,675 | (222,478) | 1,659,352 | N/A |
| Compensated Absences | 75,314 | 158 | (13,566) | 61,906 | N/A |
| Total long-term liabilities | <u>\$20,627,666</u> | <u>\$ 1,134,937</u> | <u>\$ (2,631,975)</u> | <u>\$19,130,628</u> | <u>\$ 966,905</u> |

Retirement of SRRF obligation

The Unit did not receive or expend the remaining SRRF obligation of \$736,174 during the year ended June 30, 2022 due to loan proceeds that were not drawn for construction project expenses paid from the Bond Anticipation Note.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 4. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds Payable

Future maturities of general obligation bonds are as follows:

| Year ended June 30 | Principal | Interest | Total |
|-----------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 518,000 | \$ 399,616 | \$ 917,616 |
| 2024 | 518,000 | 373,484 | 891,484 |
| 2025 | 518,000 | 347,355 | 865,355 |
| 2026 | 518,000 | 321,220 | 839,220 |
| 2027 | 518,000 | 295,088 | 813,088 |
| 2028-2032 | 2,375,000 | 1,113,281 | 3,488,281 |
| 2033-2037 | 2,375,000 | 687,741 | 3,062,741 |
| 2038-2042 | 2,375,000 | 384,869 | 2,759,869 |
| 2043-2045 | <u>1,425,000</u> | <u>64,125</u> | <u>1,489,125</u> |
| | <u>\$ 11,140,000</u> | <u>\$ 3,986,779</u> | <u>\$ 15,126,779</u> |

Obligations under bond anticipation notes

The General Obligation Bond Anticipation Notes in the amount of \$4,350,000 provide temporary financing for the Unit's construction project and are due on September 30, 2023. \$87,000 in interest was paid by the Unit in the fiscal year ended June 30, 2022.

Obligations under capital leases

The Unit is the lessee of copiers and a Qualified School Construction Bond Lease under capital leases expiring in 2024 and 2027. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

As of June 30, 2022, the Unit had recorded \$4,189,798 in equipment and 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 \$2,169,972.

Minimum future lease payments under capital leases as of June 30, 2022 are:

| | |
|-----------------------------------------|---------------------|
| 2023 | \$ 534,173 |
| 2024 | 522,553 |
| 2025 | 337,236 |
| 2026 | 325,503 |
| 2027 | <u>313,710</u> |
| | 2,033,175 |
| Less amount representing interest | <u>(243,556)</u> |
| Present value of minimum lease payments | <u>\$ 1,789,619</u> |

The amount of principal due within one year for the above capital leases is \$448,905.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 4. LONG-TERM LIABILITIES (Continued)

Obligations under operating leases

The Unit is currently committed to operating lease payments of \$17,040 over the next year for a portable classroom. Future lease payment requirements are as follows:

2023 \$ 17,040

Operating lease payments were \$39,321 for fiscal year 2022.

In accordance with Maine law, no school unit 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 5. INTERFUND TRANSACTIONS

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

Individual fund interfund receivable and payable balances at June 30, 2022 arising from these transactions were as follows:

| | <u>Receivables</u> | <u>Payables</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------|--------------------|-------------------|-------------------------|--------------------------|
| General fund | \$ - | \$ 74,786 | \$ - | \$ 350,000 |
| Special revenue fund | - | 128,658 | - | - |
| Capital projects fund | - | - | 350,000 | - |
| Nonmajor fund-food service fund | <u>203,444</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 203,444</u> | <u>\$ 203,444</u> | <u>\$ 350,000</u> | <u>\$ 350,000</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 transfer of \$350,000 from the general fund to the capital reserve fund per budgetary authorization.

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable adding back any unspent proceeds. The Unit's net position invested in capital assets, net of related debt was calculated as follows at June 30, 2022:

| | |
|-----------------------------------|---------------------|
| Capital assets | \$ 23,171,894 |
| Accumulated depreciation | (3,204,287) |
| Receivable offset to debt service | 354,856 |
| Related bonds payable | (14,484,354) |
| Related capital leases payable | <u>(1,456,484)</u> |
| Total balance | <u>\$ 4,381,625</u> |

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 7. RESTRICTED FUND BALANCES – SPECIAL REVENUE FUND

At June 30, 2022, the Unit maintained restricted fund balances in its special revenue fund for the following programs:

| | |
|------------------------------------------|-------------------|
| Adult education – Orono | \$ 96,576 |
| Adult education – Hampden | 16,054 |
| Transition | 7,940 |
| Improvement of instruction training | 2,367 |
| Stephen & Tabitha King | 200 |
| NSF – Johnson | 2,557 |
| OEA – Orono | 14,506 |
| Maine math and science | 638 |
| Region IV | 1,162 |
| Art (PAL) | 124 |
| Board Scholarship | 5,850 |
| Adult ed courage consortium | 1,896 |
| Student activity accounts | 231,092 |
| Scholarship account | 1,307 |
| Miscellaneous local grants and donations | <u>3,900</u> |
| | <u>\$ 386,169</u> |

NOTE 8. 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. Eligible employees other than teachers participate in the Maine Public Employees Retirement System’s Participating Local District (PLD) Plan. The PLD plan is a multiple-employer cost sharing defined benefit plan. Eligible employers (districts) are defined in Maine statute.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. 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. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 0.93%.

Contributions

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

Contributions - SET Plan

SET plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required to contribute 14.29% 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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions - SET Plan (Continued)

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

| | Covered Payroll | Contribution Percentage | Contribution Amount |
|--------------------------------------------------------------------------|--------------------|----------------------------|------------------------|
| Employee contribution | \$ 7,384,631 | 7.65% | \$ 564,924 |
| State DOE contribution for non-federally funded employees | 7,165,967 | 14.29% | 1,024,017 |
| Employer contribution for normal costs of non-federally funded employees | 7,165,967 | 3.84% | 283,570 |
| Employer contribution for federally funded employees | 218,664 | 18.73% | 40,956 |

Contributions - PLD Plan

PLD plan members are required to contribute 7.32% of their annual salary to the plan. The Unit is required to pay 10.30% of members' compensation. The Unit had covered payroll of \$574,679 for the year ended June 30, 2022. Unit contributions were as follows:

| | Year ended 6/30/22 | | Year ended 6/30/21 | | Year ended 6/30/20 | |
|----------|-----------------------|------------|-----------------------|------------|-----------------------|------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| Employer | \$ 59,192 | 10.30% | \$ 49,323 | 10.10% | \$ 46,686 | 10.00% |
| Employee | 42,075 | 7.32% | 37,959 | 7.77% | 37,332 | 7.83% |

Net Pension 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 pension liability measured as of June 30, 2021 was as follows:

| | SET Plan | PLD Plan |
|-----------------------------------------|------------------------|------------------------|
| Plan collective total pension liability | \$ 10,736,439,623 | \$ 3,719,016,414 |
| Less plan net position | <u>(9,890,613,635)</u> | <u>(3,751,152,623)</u> |
| Plan collective net pension liability | <u>\$ 845,825,988</u> | <u>\$ (32,136,209)</u> |

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. 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 | PLD Plan |
|-----------------------------------------------------------------------------------|--------------|-------------|
| Unit's proportionate share of the net pension liability | \$ 154,439 | \$ (24,688) |
| State's proportionate share of the net pension liability associated with the Unit | 4,366,607 | - |
| Total | \$ 4,521,046 | \$ (24,688) |

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 0.018259%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.006396% at the prior measurement date of June 30, 2020. The Unit's proportionate share percentage of the collective net pension liability for the PLD Plan was 0.076823%, allocated based on adjusted contributions to the plan for the year ended June 30, 2021. This percentage was 0.075534% 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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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

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.

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

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% SET / 1.91% PLD |
| Mortality Rates | For teachers: based on the 2010 Public Plan Teacher Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. For PLD: based on the 2010 Public Plan General Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. |

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Significant Actuarial Assumptions (Continued)

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 |

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2021 for each 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) |
| PLD Consolidated Plan | 457,316,812 | (32,136,209) | (436,978,368) |

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Revenue

For the year ended June 30, 2022, the Unit recognized pension expense of \$378,889 related to the SET Plan, made up of the Unit's proportionate share of plan pension expense \$22,973, pension expense related to specific liabilities of individual employers \$292,466, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$63,450, and recognized revenue of \$332,020 for support provided by the State.

For the year ended June 30, 2022, the Unit recognized pension expense of \$421 related to the PLD Plan, made up of the Unit's proportionate share of plan pension expense \$(3,151), pension expense related to specific liabilities of individual employers (\$69), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$3,641.

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 | | PLD Plan | |
|---------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Deferred Outflows | Deferred Inflows | Deferred Outflows | Deferred Inflows |
| Differences between expected and actual experience | \$ 2,289 | \$ 3,157 | \$ 15,970 | \$ 1,678 |
| Changes of assumptions | 105,294 | - | 82,901 | - |
| Net difference between projected and actual investment earnings on pension plan investments | - | 210,436 | - | 336,511 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 124,674 | 1 | 8,351 | 3,197 |
| Employer's contributions to plan subsequent to measurement date of collective net pension liability | <u>314,817</u> | <u>-</u> | <u>59,192</u> | <u>-</u> |
| Total | <u>\$ 547,074</u> | <u>\$ 213,594</u> | <u>\$ 166,414</u> | <u>\$ 341,386</u> |

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

\$374,009 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 | PLD Plan Amount |
|-----------------------|--------------------|---------------------|
| 2023 | \$ 57,844 | \$ (33,782) |
| 2024 | 67,277 | (30,268) |
| 2025 | (47,801) | (76,602) |
| 2026 | <u>(58,657)</u> | <u>(93,512)</u> |
| | <u>\$ 18,663</u> | <u>\$ (234,164)</u> |

Further Information Available

Further information, schedules, as well as the actuarial valuation reports for each of the Maine Public Employee Retirement 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).

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE

The Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. 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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

**A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE
(CONTINUED)**

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. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

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 | PLD Plan |
|--------------------------------------|----------------------|----------------------|
| Plan collective total OPEB liability | \$ 108,392,510 | \$ 31,531,361 |
| Less plan net fiduciary position | <u>(88,750,303)</u> | <u>(21,207,382)</u> |
| Plan collective net OPEB liability | <u>\$ 19,642,207</u> | <u>\$ 10,323,979</u> |

At June 30, 2022, the Unit reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the Unit for contributions to the SET Plan. The amount recognized by the Unit as its proportionate share of the net OPEB liability and the total portion of the net OPEB liability that was associated with the Unit were as follows:

| | SET Plan | PLD Plan |
|--------------------------------------------------------------------------------|-------------------|-----------------|
| Unit’s proportionate share of the net OPEB liability | \$ - | \$ 3,553 |
| State’s proportionate share of the net OPEB liability associated with the Unit | <u>114,745</u> | <u>-</u> |
| Total | <u>\$ 114,745</u> | <u>\$ 3,553</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. The Unit’s proportionate share percentage of the collective net OPEB liability for the PLD Plan was 0.034415%, allocated based on adjusted contributions to the plan for the year ended June 30, 2021. This percentage was 0.035241% at the prior measurement date of June 30, 2020. 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.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

**A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE
(CONTINUED)**

OPEB Expense and Revenue

For the year ended June 30, 2022, the Unit recognized OPEB expense of (\$444) related to the PLD Plan, made up of the Unit's proportionate share of plan OPEB expense (\$409), OPEB expense related to specific liabilities of individual employers \$0, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$35). For the year ended June 30, 2022, the Unit recognized OPEB expense of \$1,440 related to the SET Plan and recognized revenue of \$1,440 for support provided by the State, and recognized offsetting revenue and expense of \$26,879 for payments made by the State on-behalf of the Unit pursuant to the special funding situation of the SET Plan.

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 OPEB from the following sources:

| | PLD Plan | |
|---------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| | Deferred Outflows | Deferred Inflows |
| Differences between expected and actual experience | \$ 401 | \$ - |
| Changes of assumptions | 599 | 2,396 |
| Net difference between projected and actual investment earnings on OPEB plan investments | - | 1,090 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 64 | 286 |
| Employer's contributions to plan subsequent to measurement date of collective net OPEB liability | - | - |
| Total | <u>\$ 1,064</u> | <u>\$ 3,772</u> |

Amounts reported as deferred inflows and outflows will be recognized as OPEB expense as follows:

| Year ended June 30 | PLD Plan Amount |
|-----------------------|--------------------|
| 2023 | \$ (836) |
| 2024 | (495) |
| 2025 | (697) |
| 2026 | (722) |
| 2027 | 22 |
| Thereafter | 20 |
| | <u>\$ (2,708)</u> |

**Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022**

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

**A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE
(CONTINUED)**

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.mainebers.org/Publications/Publications.htm#Annual Reports.

B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN

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

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

Benefits Provided

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

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the Plan benefit terms:

| | |
|------------------------------------|------------|
| Inactive retirees or beneficiaries | 47 |
| Active employees | <u>111</u> |
| Total | <u>158</u> |

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

**B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN
(CONTINUED)**

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

The Unit's total Plan OPEB liability of \$1,655,799 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 | \$ 1,596,506 |
| Changes for the year: | |
| Service Cost | 37,686 |
| Interest | 35,808 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions or other inputs | 13,792 |
| Benefit payments | <u>(27,993)</u> |
| Net changes | <u>59,293</u> |
| Balance at June 30, 2022 | <u>\$ 1,655,799</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%).

For the year ended June 30, 2022, The Unit recognized OPEB expense of \$89,463 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 | \$ 134,331 | \$ - |
| Changes in assumptions or other inputs | 63,799 | 96,277 |
| Employer contributions after measurement date | <u>39,245</u> | <u>-</u> |
| Total | <u>\$ 237,375</u> | <u>\$ 96,277</u> |

**Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022**

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

**B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN
(CONTINUED)**

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

\$39,245 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 | \$ 15,969 |
| 2024 | 15,969 |
| 2025 | 15,967 |
| 2026 | 26,029 |
| 2027 | 13,094 |
| Thereafter | <u>14,825</u> |
| Total | <u>\$ 101,853</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 - 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. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

**B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN
(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 | \$ 1,967,914 | \$ 1,655,799 | \$ 1,407,616 |
| Plan Fiduciary Net Position | - | - | - |
| Net OPEB Liability | <u>\$ 1,967,914</u> | <u>\$ 1,655,799</u> | <u>\$ 1,407,616</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 18.8%. A one percent increase in the discount rate decreases the NOL by approximately 15.0%.

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 | \$ 1,372,860 | \$ 1,655,799 | \$ 2,024,481 |
| Plan Fiduciary Net Position | - | - | - |
| Net OPEB Liability | <u>\$ 1,372,860</u> | <u>\$ 1,655,799</u> | <u>\$ 2,024,481</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 17.1%. A one percent increase in the healthcare trend rate increases the NOL by approximately 22.3%.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 10. 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 11. 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 12. 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 an eight-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 13. COMMITMENTS

At June 30, 2022, the Unit is committed to school renovation construction contracts totaling approximately \$443,679 and a maintenance contract totaling \$343,488.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2022

NOTE 14. RESTATEMENT OF BEGINNING NET POSITION AND BEGINNING FUND BALANCE

The Unit restated its beginning net position on the government-wide statements by \$839,580 for a prior year loan receivable and loan payable. The Unit restated its beginning fund balance of capital projects funds on the fund financial statements by \$839,580 for prior year loan proceeds and loan receivable.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2022, the date on which the financial statements were available to be issued.

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Regional School Unit No. 26
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 | Budget Changes * | Final | | | |
| REVENUES | | | | | | |
| Local assessments | \$ 6,842,402 | \$ - | \$ 6,842,402 | \$ 6,842,402 | \$ - | \$ 6,842,402 |
| Intergovernmental revenue | 5,356,967 | - | 5,356,967 | 5,391,607 | - | 5,391,607 |
| On-behalf payments - State of Maine | - | - | - | - | 1,024,017 | 1,024,017 |
| Charges for services | 2,369,962 | - | 2,369,962 | 2,297,485 | - | 2,297,485 |
| Interest | 3,000 | - | 3,000 | 3,898 | - | 3,898 |
| Other | 2,500 | - | 2,500 | 23,452 | - | 23,452 |
| Total revenues | 14,574,831 | - | 14,574,831 | 14,558,844 | 1,024,017 | 15,582,861 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Regular instruction | 6,011,725 | (15,000) | 5,996,725 | 5,711,194 | - | 5,711,194 |
| Special education | 3,274,400 | - | 3,274,400 | 2,832,395 | - | 2,832,395 |
| Other instruction | 675,753 | - | 675,753 | 623,052 | - | 623,052 |
| Student and staff support | 1,184,833 | - | 1,184,833 | 1,051,117 | - | 1,051,117 |
| System administration | 567,962 | - | 567,962 | 546,673 | - | 546,673 |
| School administration | 792,096 | - | 792,096 | 715,580 | - | 715,580 |
| Transportation | 395,307 | - | 395,307 | 334,230 | - | 334,230 |
| Facilities maintenance | 1,383,656 | 381,020 | 1,764,676 | 1,760,897 | - | 1,760,897 |
| On-behalf payments - State of Maine | - | - | - | - | 1,024,017 | 1,024,017 |
| Debt service | | | | | | |
| Principal | 799,550 | - | 799,550 | 799,665 | - | 799,665 |
| Interest and other charges | 516,301 | - | 516,301 | 516,299 | - | 516,299 |
| Capital outlay - capital leases | - | - | - | - | 457,422 | 457,422 |
| Total expenditures | 15,601,583 | 366,020 | 15,967,603 | 14,891,102 | 1,481,439 | 16,372,541 |
| Excess (deficiency) of revenues over expenditures | (1,026,752) | (366,020) | (1,392,772) | (332,258) | (457,422) | (789,680) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from capital leases | - | - | - | - | 457,422 | 457,422 |
| Use of carryover fund balance | 951,000 | 366,020 | 1,317,020 | - | - | - |
| Bond interest refund | 75,752 | - | 75,752 | 76,477 | - | 76,477 |
| Transfers out | - | - | - | (350,000) | - | (350,000) |
| Total other financing sources (uses) | 1,026,752 | 366,020 | 1,392,772 | (273,523) | 457,422 | 183,899 |
| Net change in fund balances | \$ - | \$ - | \$ - | (605,781) | - | (605,781) |
| FUND BALANCE - BEGINNING | | | | 3,508,114 | - | 3,508,114 |
| FUND BALANCE - ENDING | | | | \$ 2,902,333 | \$ - | \$ 2,902,333 |

* Adjustments to budget for additional use of fund balance and cost center transfers

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

| | |
|--------------------------------------------|--------------|
| Net change in fund balances - budget basis | \$ (605,781) |
| On-behalf payments revenue | 1,024,017 |
| On-behalf payments expenditures | (1,024,017) |
| Capital lease outlay | 457,422 |
| Capital lease proceeds | (457,422) |
| Net change in fund balances - GAAP basis | \$ (605,781) |

Regional School Unit No. 26
Budget and Actual (with Variances)
General Fund
For the Year Ended June 30, 2022

| | Budgeted Amounts | | | Actual Amounts - Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|------------------------------------------------------|------------------|---------------------|--------------|-------------------------------------------|-----------------------------------------------------------|
| | Original | Budget Changes * | Final | | |
| REVENUES | | | | | |
| Local assessments | \$ 6,842,402 | \$ - | \$ 6,842,402 | \$ 6,842,402 | \$ - |
| Intergovernmental revenue | 5,356,967 | - | 5,356,967 | 5,391,607 | 34,640 |
| Charges for services | 2,369,962 | - | 2,369,962 | 2,297,485 | (72,477) |
| Interest | 3,000 | - | 3,000 | 3,898 | 898 |
| Other | 2,500 | - | 2,500 | 23,452 | 20,952 |
| | 14,574,831 | - | 14,574,831 | 14,558,844 | (15,987) |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Regular instruction | 6,011,725 | (15,000) | 5,996,725 | 5,711,194 | 285,531 |
| Special education | 3,274,400 | - | 3,274,400 | 2,832,395 | 442,005 |
| Other instruction | 675,753 | - | 675,753 | 623,052 | 52,701 |
| Student and staff support | 1,184,833 | - | 1,184,833 | 1,051,117 | 133,716 |
| System administration | 567,962 | - | 567,962 | 546,673 | 21,289 |
| School administration | 792,096 | - | 792,096 | 715,580 | 76,516 |
| Transportation | 395,307 | - | 395,307 | 334,230 | 61,077 |
| Facilities maintenance | 1,383,656 | 381,020 | 1,764,676 | 1,760,897 | 3,779 |
| Debt service | | | | | |
| Principal - other | 799,550 | - | 799,550 | 799,665 | (115) |
| Interest and other charges | 516,301 | - | 516,301 | 516,299 | 2 |
| | 15,601,583 | 366,020 | 15,967,603 | 14,891,102 | 1,076,501 |
| Excess (deficiency) of revenues over expenditures | (1,026,752) | (366,020) | (1,392,772) | (332,258) | 1,060,514 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Use of carryover fund balances | 951,000 | 366,020 | 1,317,020 | - | (1,317,020) |
| Bond interest refund | 75,752 | - | 75,752 | 76,477 | 725 |
| Transfers out | - | - | - | (350,000) | (350,000) |
| | 1,026,752 | 366,020 | 1,392,772 | (273,523) | (1,666,295) |
| Net change in fund balances | \$ - | \$ - | \$ - | (605,781) | \$ (605,781) |
| FUND BALANCE - BEGINNING | | | | 3,508,114 | |
| FUND BALANCE - ENDING | | | | \$ 2,902,333 | |

* Adjustments to budget for additional use of fund balance and cost center transfers

Regional School Unit No. 26
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> | <u>2013</u> |
|---------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| Unit's proportion of the net pension liability | 0.018259% | 0.006396% | 0.005935% | 0.005946% | 0.006694% | 0.011011% | 0.007050% | 0.600800% | 0.011899% | |
| Unit's proportionate share of the net pension liability | \$ 154,439 | \$ 104,399 | \$ 87,000 | \$ 80,239 | \$ 97,233 | \$ 147,870 | \$ 95,183 | \$ 64,906 | \$ 189,176 | |
| State's proportionate share of the net pension liability associated with the Unit | <u>4,366,607</u> | <u>8,834,645</u> | <u>7,715,636</u> | <u>7,293,016</u> | <u>7,640,487</u> | <u>9,045,557</u> | <u>6,802,550</u> | <u>5,414,625</u> | <u>7,946,464</u> | |
| Total | <u>\$ 4,521,046</u> | <u>\$ 8,939,044</u> | <u>\$ 7,802,636</u> | <u>\$ 7,373,255</u> | <u>\$ 7,737,720</u> | <u>\$ 9,193,427</u> | <u>\$ 6,897,733</u> | <u>\$ 5,479,531</u> | <u>\$ 8,135,640</u> | |
| Unit's covered-employee payroll *** | \$ 7,243,277 | \$ 7,100,141 | \$ 6,801,624 | \$ 6,710,703 | \$ 6,440,230 | \$ 6,108,893 | \$ 5,859,314 | \$ 5,679,613 | \$ 10,263,910 | |
| Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 2.13% | 1.47% | 1.28% | 1.20% | 1.51% | 2.42% | 1.56% | 1.14% | 1.84% | |
| 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. 26
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> | <u>2013</u> |
|-------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------|
| Contractually required contribution | \$ 334,934 | \$ 307,000 | \$ 277,732 | \$ 274,465 | \$ 183,846 | \$ 175,406 | \$ 168,792 | \$ 159,812 | \$ 293,111 | |
| Contributions in relation to the contractually required contribution ** | <u>(334,934)</u> | <u>(307,000)</u> | <u>(277,732)</u> | <u>(274,465)</u> | <u>(183,846)</u> | <u>(175,406)</u> | <u>(168,792)</u> | <u>(159,812)</u> | <u>(293,111)</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 *** | \$ 7,243,277 | \$ 7,100,141 | \$ 6,801,624 | \$ 6,710,703 | \$ 6,440,230 | \$ 6,108,893 | \$ 5,859,314 | \$ 5,679,613 | \$ 10,263,910 | |
| Contributions as a percentage of covered-employee payroll | 4.62% | 4.32% | 4.08% | 4.09% | 2.85% | 2.87% | 2.76% | 2.84% | 2.86% | |

* 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. 26
Schedule of the Unit's Proportionate Share of the Net Pension Liability
Participating Local Districts 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 pension liability | 0.076823% | 0.075534% | 0.078435% | 0.071294% | 0.090726% | 0.092736% | 0.080650% | 0.094848% | 0.061648% | |
| Unit's proportionate share of the net pension liability | \$ (24,688) | \$ 300,106 | \$ 239,747 | \$ 195,116 | \$ 371,465 | \$ 492,734 | \$ 257,311 | \$ 94,865 | \$ 303,574 | |
| Unit's covered-employee payroll *** | \$ 488,344 | \$ 476,858 | \$ 479,798 | \$ 412,259 | \$ 489,483 | \$ 488,948 | \$ 422,655 | \$ 328,787 | \$ 547,560 | |
| Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll | -5.06% | 62.93% | 49.97% | 47.33% | 75.89% | 100.77% | 60.88% | 28.85% | 55.44% | |
| Plan fiduciary net position as a percentage of the total pension liability ** | 100.86% | 88.35% | 90.62% | 91.14% | 86.43% | 81.61% | 88.27% | 94.10% | 87.50% | |

* 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 employees' 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. 26
Schedule of Unit Pension Contributions
Participating Local Districts 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 | \$ 49,323 | \$ 47,686 | \$ 47,980 | \$ 39,577 | \$ 46,500 | \$ 43,516 | \$ 32,967 | \$ 21,371 | \$ 29,021 | |
| Contributions in relation to the contractually required contribution ** | <u>(49,323)</u> | <u>(47,686)</u> | <u>(47,980)</u> | <u>(39,577)</u> | <u>(46,500)</u> | <u>(43,516)</u> | <u>(32,967)</u> | <u>(21,371)</u> | <u>(29,021)</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 *** | \$ 488,344 | \$ 476,858 | \$ 479,798 | \$ 412,259 | \$ 489,483 | \$ 488,948 | \$ 422,655 | \$ 328,787 | \$ 547,560 | |
| Contributions as a percentage of covered-employee payroll | 10.10% | 10.00% | 10.00% | 9.60% | 9.50% | 8.90% | 7.80% | 6.50% | 5.30% | |

* 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. 26
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>114,745</u> | <u>234,993</u> | <u>217,716</u> | <u>211,930</u> | <u>190,725</u> | | | | | |
| Total | <u>\$ 114,745</u> | <u>\$ 234,993</u> | <u>\$ 217,716</u> | <u>\$ 211,930</u> | <u>\$ 190,725</u> | | | | | |
| Unit's covered-employee payroll | \$ 5,219,286 | \$ 4,374,937 | \$ 4,548,000 | \$ 4,018,481 | \$ 4,042,000 | | | | | |
| 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. 26
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 | \$ 5,219,286 | \$ 4,374,937 | \$ 4,548,000 | \$ 4,018,481 | \$ 4,042,000 | | | | | |
| 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 No. 26
Schedule of the Unit's Proportionate Share of the Net OPEB Liability
Participating Local Districts 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 | 0.034415% | 0.035241% | 0.036453% | 0.036453% | 0.036073% | | | | | |
| Unit's proportionate share of the net OPEB liability | \$ 3,553 | \$ 4,649 | \$ 7,517 | \$ 7,364 | \$ 6,032 | | | | | |
| Unit's covered-employee payroll | \$ 127,113 | \$ 137,800 | \$ 119,000 | \$ 118,378 | \$ 132,800 | | | | | |
| Unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 2.80% | 3.37% | 6.32% | 6.22% | 4.54% | | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 67.26% | 55.40% | 43.18% | 43.92% | 47.42% | | | | | |

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

**Regional School Unit No. 26
 Schedule of Unit OPEB Contributions
 Participating Local Districts 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 | \$ 127,113 | \$ 137,800 | \$ 119,000 | \$ 118,378 | \$ 132,800 | | | | | |
| 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 No. 26
Schedule of Changes in Net OPEB Liability and Related Ratios -
Postretirement State Employees and Teachers Healthcare Plan
For the Year Ended June 30

| | Year Ended June 30, 2022 | Year Ended June 30, 2021 | Year Ended June 30, 2020 |
|----------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| | Actuarial Valuation Date June 30, 2021 | Actuarial Valuation Date June 30, 2020 | Actuarial Valuation Date June 30, 2019 |
| <u>Total OPEB Liability</u> | | | |
| Service cost (BOY) | \$ 37,686 | \$ 19,270 | \$ 16,201 |
| Interest (includes interest on service cost) | 35,808 | 58,657 | 59,915 |
| Changes of benefit terms | - | (205,207) | - |
| Differences between expected and actual experience | - | 179,107 | - |
| Changes in assumptions | 13,792 | (88,140) | 90,527 |
| Benefit payments, including refunds of member contributions | (27,993) | (47,251) | (36,769) |
| Net change in total OPEB liability | \$ 59,293 | \$ (83,564) | \$ 129,874 |
| Total OPEB liability - beginning | \$ 1,596,506 | \$ 1,680,070 | \$ 1,550,196 |
| Total OPEB liability - ending | \$ 1,655,799 | \$ 1,596,506 | \$ 1,680,070 |
| <u>Plan fiduciary net position</u> | | | |
| Contributions - employer | 27,993 | 47,251 | 36,769 |
| Contributions - member | - | - | - |
| Net investment income | - | - | - |
| Benefit payments, including refunds of member contributions | (27,993) | (47,251) | (36,769) |
| Administrative expense | - | - | - |
| Net change in plan fiduciary net position | - | - | - |
| Plan fiduciary net position - beginning | - | - | - |
| Plan fiduciary net position - ending | - | - | - |
| Net OPEB liability - ending | \$ 1,655,799 | \$ 1,596,506 | \$ 1,680,070 |
| Covered employee payroll | \$ 5,187,227 | \$ 5,060,709 | \$ 5,594,696 |
| Net OPEB liability as a percentage of covered employee payroll | 31.9% | 31.5% | 30.0% |

Notes to schedule:

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

| Fiscal Year | Impact on Obligation |
|-------------|----------------------|
| 2022 | \$0 |
| 2021 | (\$205,207) |

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% |
| 2021 | 2.12% |
| 2020 | 3.50% |

**Regional School Unit No. 26
Budget and Assessment - General Fund
For the Year Ended June 30, 2022**

BUDGET REQUIREMENTS

Operations and indebtedness \$ 15,601,583

Total budget requirements 15,601,583

REDUCTIONS OF REQUIREMENTS

Estimated revenues 7,732,429

Bond interest refund 75,752

Utilization of fund balance - budget 951,000

Total reductions of requirements 8,759,181

Net budget requirements \$ 6,842,402

ASSESSMENTS

Town of Orono \$ 6,842,402

Regional School Unit No. 26
Combining Schedule of Special Revenue Fund Activity
For the Year Ended June 30, 2022

| | June 30, 2021 Balance | Revenues | Expenditures | June 30, 2022 Balance |
|---------------------------------------------------------|-----------------------------|---------------------|---------------------|-----------------------------|
| Title IA disadvantaged | \$ - | \$ 120,350 | \$ 120,350 | \$ - |
| Local entitlement | - | 196,439 | 196,439 | - |
| Preschool handicapped | - | 1,560 | 1,560 | - |
| Title IIA | - | 48,141 | 48,141 | - |
| ESSER I | - | 29,724 | 29,724 | - |
| ESSER III | - | 150,664 | 150,664 | - |
| ESSER III | - | 287,789 | 287,789 | - |
| ESSER PPE | - | 2,280 | 2,280 | - |
| ARP Local Entitlement | - | 38,585 | 38,585 | - |
| ARP Preschool Handicapped | - | 585 | 585 | - |
| Adult Ed local grant courage consortium | 4,555 | - | 2,659 | 1,896 |
| Adult education - Orono | 108,839 | 62,575 | 74,838 | 96,576 |
| Adult education - Hampden | 16,054 | - | - | 16,054 |
| Adult education - Transitions | 7,940 | - | - | 7,940 |
| Adult Education - Enrichment | - | 4,220 | 3,074 | 1,146 |
| Improvement of instruction training | 2,367 | - | - | 2,367 |
| Service learn youth advisory group | 98 | - | - | 98 |
| Stephen & Tabitha King donation | 200 | - | - | 200 |
| Wellness grant | 5 | - | - | 5 |
| NSF - Johnson | 2,557 | - | - | 2,557 |
| Glueck funds Orono | 20 | - | - | 20 |
| Timber sale | 81 | - | - | 81 |
| Mountcastle MS River - Orono | 319 | - | - | 319 |
| OEA Orono | 13,232 | 9,970 | 8,696 | 14,506 |
| ME Math and Science | 638 | - | - | 638 |
| Region IV | 1,162 | - | - | 1,162 |
| Rutherford | 6 | - | - | 6 |
| Art (PAL) | 124 | - | - | 124 |
| PEPG | 1,107 | - | - | 1,107 |
| Courageous steps | 129 | 479 | 490 | 118 |
| HiSET Completion Campaign | - | 1,000 | - | 1,000 |
| MLTI | - | 73,440 | 73,440 | - |
| Board scholarship | 5,850 | - | - | 5,850 |
| Subtotal federal, state, local grants and contributions | <u>165,283</u> | <u>1,027,801</u> | <u>1,039,314</u> | <u>153,770</u> |
| 1965 Scholarship | 2,106 | 101 | 900 | 1,307 |
| Asa Adams student activity | 14,236 | 10,637 | 9,053 | 15,820 |
| Orono High School student activity | 161,535 | 128,589 | 103,046 | 187,078 |
| Orono High School athletics | 17,721 | 13,255 | 2,782 | 28,194 |
| Orono Adult Ed | 51 | - | 51 | - |
| Subtotal student activity and scholarship funds | <u>195,649</u> | <u>152,582</u> | <u>115,832</u> | <u>232,399</u> |
| Totals | <u>\$ 360,932</u> | <u>\$ 1,180,383</u> | <u>\$ 1,155,146</u> | <u>\$ 386,169</u> |



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

Board of Directors
Regional School Unit No. 26

We audited the financial statements of Regional School Unit No. 26 as of and for the year ended June 30, 2022, and have issued our report thereon dated December 12, 2022.

The management of Regional School Unit No. 26 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 Regional School Unit No. 26.

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, Regional School Unit No. 26 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, Regional School Unit No. 26 was not in compliance with Maine laws and regulations.

Brantner Thibodeau & Associates

December 12, 2022

Regional School Unit No. 26
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 | School Lunch Program | Capital Projects | Totals |
|---------------------------------------------------------|----------------------------|--------------------------------------|-------------------------------------|-----------------------------|----------------------------|
| <i>June 30 balance as per MEFS Financial System</i> | \$ 3,314,241 | \$ 116,976 | \$ 232,549 | \$ 765,816 | \$ 4,429,582 |
| Beginning Fund Balance Adjustments | (1) | 225,027 | 5,100 | 415,732 | 645,858 |
| Revenue adjustments | 487,429 | 193,526 | 3,521 | 350,000 | 1,034,476 |
| Expenditure adjustments | <u>(899,336)</u> | <u>(149,360)</u> | <u>(12,178)</u> | <u>1,379</u> | <u>(1,059,495)</u> |
| <i>Audited GAAP Basis Fund Balance</i> | <u>\$ 2,902,333</u> | <u>\$ 386,169</u> | <u>\$ 228,992</u> | <u>\$ 1,532,927</u> | <u>\$ 5,050,421</u> |



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

Board of Directors
Regional School Unit No. 26

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. 26, 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. 26's basic financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 26's internal control over financial reporting (internal control) as a basis for designing 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. 26's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 26'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 a 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 the 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, or material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional School Unit No. 26'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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain other matter that we reported to management of the Regional School Unit No. 26, in a separate letter to management dated December 12, 2022.

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 Whibodan & Associates

Bangor, Maine
December 12, 2022



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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. 26

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. 26's major federal programs for the year ended June 30, 2022. Regional School Unit No. 26'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. 26 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. 26 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. 26'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. 26.

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. 26'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. 26'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. 26'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. 26'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. 26'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.

Branthur Shibodan & Associates

Bangor, Maine
December 12, 2022

Regional School Unit No. 26
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 |
|----------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------|---------------------|
| U.S. Department of Education | | | |
| <i>Passed through State of Maine Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 013-05A-3107-13 | \$ 120,350 |
| Title IIA - Improving teacher quality | 84.367 | 013-05A-3042-11 | 48,141 |
| Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act - ESSER I | 84.425D | 13-05A-7006-90 | 29,724 |
| Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act - ESSER II | 84.425D | 13-05A-7041-90 | 287,789 |
| Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act - ARP ESSER | 84.425D | 025-05A-7071-90 | 150,664 |
| Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act - PPE Masks | 84.425U | 025-05A-7072 | 2,280 |
| <i>Total Education Stabilization Fund</i> | | | <u>470,457</u> |
| <i>Special Education Cluster</i> | | | |
| Special Education - Grants to State - Local Entitlement | 84.027 | 13-05A-3046-12 | 196,439 |
| Special Education - Grants to State - American Rescue Plan | 84.027 | 025-05A-7170 | 38,585 |
| Special Education - Grants to State Preschool | 84.173 | 13-05A-6241-23 | 1,560 |
| Special Education - Grants to State LE Preschool - American Rescue Plan | 84.173 | 025-05A-7171 | 585 |
| <i>Total Special Education Cluster</i> | | | <u>237,169</u> |
| Total U.S. Department of Education | | | <u>876,117</u> |
| U.S. Department of Agriculture | | | |
| <i>Passed through State of Maine Department of Education</i> | | | |
| State Pandemic Electronic Benefit Transfer Administrative Costs Grant | 10.649 | 13-05A-6184-05 | 1,842 |
| <i>Child Nutrition Cluster</i> | | | |
| National school lunch program | 10.555 | 013-05A-3024-05 | 369,944 |
| National school lunch program - Supply Chain Assistance | 10.555 | 013-05A-6670-05 | 18,995 |
| School breakfast program | 10.553 | 013-05A-3014-05 | 100,772 |
| Summer food service program | 10.559 | 013-05A-7130-05 | 14,124 |
| <i>Total Child Nutrition Cluster</i> | | | <u>503,835</u> |
| Total U.S. Department of Agriculture | | | <u>505,677</u> |
| Total expenditure of federal awards | | | <u>\$ 1,381,794</u> |

Regional School Unit No. 26
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 the Unit 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. 26.

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

The amount of \$18,138, reported on the schedule is the value of commodities received by the Unit during the current year and priced as prescribed by USDA and is included in the National School Lunch Program total.

6. CHILD NUTRITION CLUSTER

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

Regional School Unit No. 26
Notes to the Schedule of Expenditures of Federal Awards
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? - yes no
- Significant deficiencies identified that are not considered to be material weaknesses? - yes no

Noncompliance material to financial statements noted? - yes no

Federal Awards

Internal control over major programs

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

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

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

Identification of major programs

| CFDA Number(s) | Name of Federal Program or Cluster |
|-----------------------|---------------------------------------------|
| 84.425 | Economic Stabilization Fund |
| 84.010 | Title IA Grants to Local Education Agencies |

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

Auditee qualified as low-risk auditee? - yes no

Regional School Unit No. 26
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Section II — Financial Statement Findings

None

Criteria or specific

requirement

Condition

Context

Recommendation

Management's response

Section III — Federal Award Findings and Questioned Costs

None

Criteria or specific

requirement

Condition

Context

Recommendation

Management's response