



**REGIONAL SCHOOL UNIT NO. 22
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2023**

Regional School Unit No. 22

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Regional School Unit No. 22

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 22, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 22's basic financial statements, and have issued our report thereon dated December 29, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, finding 2023-001.

Report on Compliance and Other Matters

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

Regional School Unit No. 22's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Regional School Unit No. 22's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs, Regional School Unit No. 22's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Hibbard & Associates

Bangor, Maine
December 29, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Regional School Unit No. 22

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Regional School Unit No. 22's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 22's major federal programs for the year ended June 30, 2023. Regional School Unit No. 22's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Regional School Unit No. 22 complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Regional School Unit No. 22's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Regional School Unit No. 22's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 22's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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 a 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 in internal control over compliance. 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 over compliance may exist that were not 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.

Board of Directors
Regional School Unit No. 22

Report on Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 22, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 22's basic financial statements. We issued our report thereon, dated December 29, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brentner Whibodan & Associates

Bangor, Maine
December 29, 2023

Regional School Unit No. 22

Schedule of expenditures of federal awards
For the year ended June 30, 2023

Federal agency/ listing number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor number	Program expenditures	Listing/ cluster total
Department of education						
84.002	Adult education - basic grants to states		ME Dept of Education	6296	\$ 1,747	
84.010	Title I grants to local educational agencies		ME Dept of Education	3107	293,691	
84.027	Special education grants to states	Special education	ME Dept of Education	3046	653,619	
84.027	Dyslexia grant	Special education	ME Dept of Education	unavailable	4,280	657,899
84.358	Rural education		ME Dept of Education	3305	10,423	
84.367	Supporting effective instruction state grants		ME Dept of Education	3042	134,212	
84.424	Student support and academic enrichment		ME Dept of Education	3345	7,892	
84.425D	Elementary and secondary school emergency relief 1		ME Dept of Education	7006	84,118	
84.425D	Elementary and secondary school emergency relief 2		ME Dept of Education	7041	554,952	
84.425U	Elementary and secondary school emergency relief 3		ME Dept of Education	7071	2,099,124	
84.425B	Rethinking Remote Education Ventures		ME Dept of Education	7030	63,169	
84.425U	Elementary and secondary school relief MLEH		ME Dept of Education	7042	9,192	
84.425U	American rescue plan homeless children and youth		ME Dept of Education	7042	60,630	2,871,185
	Total department of education				3,977,049	
Department of agriculture						
10.553	School breakfast program	Child nutrition	ME Dept of Education	3014	112,210	
10.555	National school lunch program	Child nutrition	ME Dept of Education	3022/3024	409,445	
10.555	Food service equipment	Child nutrition	ME Dept of Education	3019	8,899	
10.555	Supply chain assistance	Child nutrition	ME Dept of Education	6662	64,910	
10.555	National school lunch program - donated commodities	Child nutrition	ME Dept of Education	n/a	114,698	
10.559	Summer food service program for children	Child nutrition	ME Dept of Education	3016/3018	3,061	
10.582	Fresh fruit and vegetable program	Child nutrition	ME Dept of Education	3019	24,514	737,737
10.558	Supplemental nutrition assistance program	Child nutrition	ME Dept of Education	6184	4,396	
	Total department of agriculture				742,133	
Department of treasury						
21.027	Pre-school expansion - ARP		ME Dept of Education	unavailable	249,313	
Federal communications commission						
32.004	Universal service fund - schools and libraries	Direct		n/a	154,330	
	Total expenditures of federal awards				\$ 5,122,825	

See accompanying independent auditors' report on schedule of expenditures of federal awards
The accompanying notes are an integral part of this schedule.

Regional School Unit No. 22

Notes to the schedule of expenditures of federal awards

June 30, 2023

I. Purpose of the schedule

Office of Management and Budget (OMB)'s Uniform Guidance requires a schedule of expenditures of federal awards showing total expenditures for each federal award program as identified in the Assistance Listings in the System for Award Management.

II. Summary of significant accounting policies

A. Reporting entity

The accompanying schedule includes all federal award programs of Regional School Unit No. 22 for the fiscal year ended June 30, 2023. The reporting entity is defined in the notes to the financial statements of Regional School Unit No. 22.

B. Basis of presentation

The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the Uniform Guidance. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.

Major programs

The Uniform Guidance establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for Regional School Unit No. 22 are identified in the summary of auditor's results section in the schedule of findings and questioned costs.

C. Basis of accounting

The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the Unit's fund financial statements.

D. Indirect cost rate

Regional School Unit No. 22 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

E. Food distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities consumed. At June 30, 2023, the Unit had food commodities consumed totaling \$114,698.

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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 none reported

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) of the Uniform Guidance? - yes no

Identification of major programs

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

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

Auditee qualified as low-risk auditee? - yes no

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Section II — Financial Statement Findings

Significant Deficiency

#2023-001 Accounting and Billing for Grants

<i>Condition</i>	Grant revenue was not being billed on a timely basis. Also, there was a lack of formal oversight for grant revenue results.
<i>Criteria</i>	Internal controls should be in place that provides reasonable assurance that billing and reconciliation of billing is being performed on a more timely basis.
<i>Cause</i>	The accounting department was behind on its work and timely procedures not performed.
<i>Effect</i>	As a result of the lack of timely billing and reconciliation, errors occur in recording and potential for corrections to billings that may result in grant expenditures not being approved.
<i>Recommendation</i>	We recommended procedures should be implemented to ensure grant revenue is billed on a monthly basis, the accounting for the grant revenue should take place when the grant has been billed and there should be additional oversight procedures to include monthly reporting of budget to actual revenue results and fund balance amounts to oversee financial results.
<i>Management's response</i>	<i>The Unit will improve its procedures for billing and perform more timely in future periods.</i>

Section III — Federal Award Findings and Questioned Costs

<i>Information on federal programs</i>	#2023-002 Reporting of year ended June 30, 2022 audit reporting package to Federal Audit Clearinghouse
<i>Pass-through entity</i>	84.425 Economic Stabilization Funds
<i>Finding type</i>	State of Maine Department of Education Compliance
<i>Criteria or specific requirement (including statutory, regulatory or other citation)</i>	Uniform Guidance 2 CFR 200.512(a): The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months plus 6 months extension after the end of the fiscal year —whichever comes first.
<i>Condition</i>	The school Unitt did not complete audit in time to timely submit the reporting package to the federal audit clearinghouse.
<i>Cause and effect</i>	This specific timing requirement was not fully understood at time of audit report release for fiscal year ended June 30, 2022.
<i>Management's response</i>	<i>Procedures in place for audit reporting package to be timely filed in future periods.</i>

**Regional School Unit No. 22
Schedule of Prior Audit Findings
For the Year Ended June 30, 2023**

#2022-001

Condition

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

Recommendation

Recommend that the established controls in place be applied consistently and timely throughout year and recommend client stay caught up with activity of all.

Status

The recommendation to this finding was implemented.



**REGIONAL SCHOOL UNIT NO. 22
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2023**

Regional School Unit No. 22

Annual financial report

For the fiscal year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Regional School Unit No. 22

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 22, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Regional School Unit No. 22's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Regional School Unit No. 22, as of June 30, 2023, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Regional School Unit No. 22 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Regional School Unit No. 22's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the 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 and *Government 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.

Board of Directors

In performing an audit in accordance with generally accepted auditing standards and *Government 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 the Regional School Unit No. 22's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Regional School Unit No. 22's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to net pension and other post-employment benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School Unit No. 22's basic financial statements. The accompanying combining and individual fund financial statements and the reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, on our consideration of the Regional School Unit No. 22's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Regional School Unit No. 22's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional School Unit No. 22's internal control over financial reporting and compliance.

Shantree Whibodean & Associates

Bangor, Maine
December 29, 2023

Regional School Unit No. 22

Management's Discussion and Analysis

As management of the Regional School Unit No. 22, we offer readers of the School Unit's financial statements this narrative overview and analysis of the financial activities of the School Unit for the fiscal year ended June 30, 2023.

Financial highlights

- The assets and deferred outflows of resources of the School Unit exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$32,663,009 (net position). The unrestricted net position, which represents the amounts available to meet the School Unit's ongoing obligations to citizens and creditors, was \$7,999,852.
- The School Unit's total net position increased \$5,324,686 primarily because expenditures came in under budget in general fund during the fiscal year, the School Unit received relief funding to purchase items that were capitalized, and the School Unit made over \$2.6 million in principal payments on notes payable, which are considered expenditures in the governmental funds, but are a reduction of long-term liabilities in the entity-wide financial statements.
- At the close of the current fiscal year, the School Unit's governmental funds reported combined fund balances of \$13,924,420, an increase of \$2,461,677 in comparison with the prior year. Of this amount, \$10,051,570, or 72%, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$10,784,311, or approximately 30% of total general fund expenditures and transfers to other funds.

Overview of the financial statements

The discussion and analysis provided here are intended to serve as an introduction to the School Unit's basic financial statements. The School Unit's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the School Unit's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 School Unit is improving or deteriorating.

The *statement of activities* presents information showing how the School 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School Unit that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the School Unit include instruction, administration, transportation, maintenance, and food service. The School Unit does not have any business-type activities.

The government-wide financial statements can be found on pages 12-13 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 School 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 School Unit can be divided into two categories: governmental and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows 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 assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 government'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*.

The School Unit maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and grants and other funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The School 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.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the School Unit's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The School Unit maintains three fiduciary funds. The *private-purpose trust fund* is used to report resources held for scholarships and other programs that benefit students. The *custodial funds* report resources, not in a trust, that are held by the School Unit for other parties outside of the School Unit's reporting entity, for the Penobscot River Educational Partnership and the Maine Cohort for Customized Learning.

The fiduciary fund financial statements can be found on pages 18-19 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the School Unit's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 41-44.

The combining statements referred to earlier in connection with nonmajor governmental funds and private-purpose trust funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 45-53 of this report.

Government-wide overall financial analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the School Unit, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,663,009, at the close of the most recent fiscal year.

	2023	2022	Change
Assets			
Current assets	\$ 17,223,527	14,338,321	2,885,206
Capital assets, net	46,475,083	45,609,872	865,211
Total assets	63,698,610	59,948,193	3,750,417
Total deferred outflows of resources	1,561,990	1,922,924	(360,934)
Liabilities			
Long-term liabilities	28,985,959	31,040,167	(2,054,208)
Other liabilities	3,347,960	2,655,752	692,208
Total liabilities	32,333,919	33,695,919	(1,362,000)
Total deferred inflows of resources	263,672	611,548	(347,876)
Net position			
Net investment in capital assets	23,395,925	21,262,899	2,133,026
Restricted	1,267,232	2,793,762	(1,526,530)
Unrestricted	7,999,852	3,506,989	4,492,863
Total net position	\$ 32,663,009	27,563,650	5,099,359

Current and other assets increased in governmental activities by \$2,885,206 from the prior year. Receivables from ESSER and ARP relief funding increased nearly \$2 million from the prior year. The School Unit utilized a portion of these funds for the Hampden Academy expansion.

Capital assets increased \$865,211 due to new capital purchases exceeding depreciation expense of \$2,031,680 during the year.

Long-term liabilities, which consist of notes, compensated absences and postemployment benefit obligations, decreased over \$2 million from the previous year. The School Unit's notes decreased \$2.6 million due to making scheduled principal payments. This decrease was partially offset by increases in the net pension, OPEB and compensated absences liabilities.

Other liabilities increased nearly \$700 thousand due to the School Unit including benefits in its calculation of the teacher summer salary accrual. These benefits, which include health and dental insurance and retirement contributions, are earned during the school year, and run through the end of August.

By far, the largest portion of the School Unit's net position, \$23.4 million, reflects its investment in capital assets (e.g., land, buildings, equipment, and vehicles), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The School Unit uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the School Unit's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the School Unit's net position, \$1,267,232 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the School Unit's unrestricted net position was a balance of \$7,999,852.

The School Unit's overall net position increased \$5.3 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections.

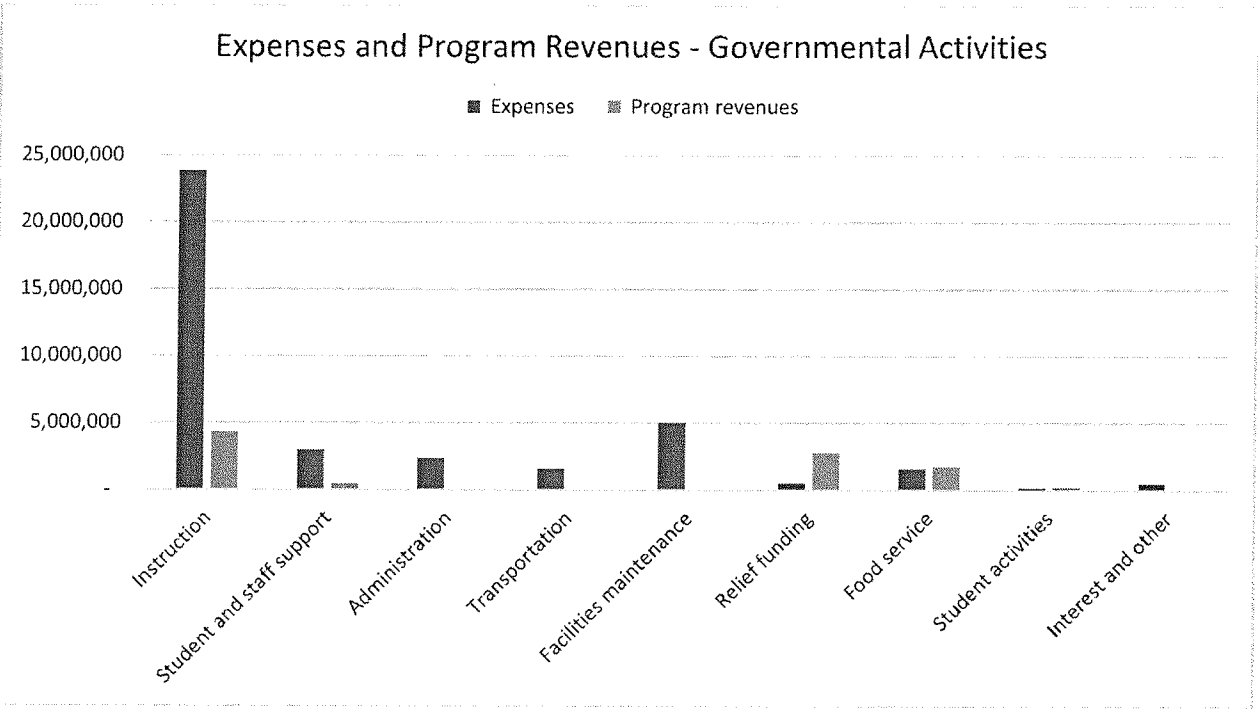
	2023	2022	Change
Revenues			
Program revenues	\$		
Charges for services	872,814	876,155	(3,341)
Operating grants and cont.	6,412,559	5,828,602	583,957
Capital grants and cont.	2,290,291	223,303	2,066,988
General revenues			
Local assessments	13,156,808	13,158,608	(1,800)
Unrestricted grants and cont.	20,914,373	20,969,401	(55,028)
Other	219,814	156,874	62,940
Total revenues	43,866,659	41,212,943	2,653,716
Expenses			
Instruction	23,849,793	21,238,789	2,611,004
Student and staff support	2,963,465	3,159,466	(196,001)
Administration	2,355,330	2,372,959	(17,629)
Transportation	1,578,828	1,477,412	101,416
Facilities maintenance	5,027,203	5,152,510	(125,307)
Relief funding	520,264	1,566,321	(1,046,057)
Food service	1,580,830	1,271,654	309,176
Student activities	188,911	183,979	4,932
Interest on debt	477,349	353,320	124,029
Total expenses	38,541,973	36,776,410	1,765,563
Increase (decrease) in net position	5,324,686	4,436,533	
Net position - beginning, reclassified	27,338,323	23,127,117	
Net position - ending	\$ 32,663,009	27,563,650	

Governmental activities. During the current fiscal year, net position for governmental activities increased \$5,324,686 from the prior fiscal year for an ending balance of \$32,663,009. The increase in the overall net position of governmental activities is primarily due to revenues exceeding expenditures in the general fund of \$2,809,463, combined with the capitalization of assets purchased with relief funding, which will be expensed over the life of those assets, and the repayment of debt principal which is considered an expenditure in the governmental funds.

Revenues increased \$2,653,716 from the prior year due to increases in capital grant funding. The School Unit utilized over \$2 million in ESSER funding for the expansion of Hampden Academy.

Expenses increased from \$36.8 million in the prior year to \$38.5 million in the current year. A portion of the increase in instruction expenses is due to changes in estimates regarding the teacher summer salary accrual and accrued compensated absences. The School Unit now includes health insurance, retirement contributions, and payroll taxes in its calculation of the summer salary accrual. The School Unit also includes all employees who reached years of service requirements in its calculation of accrued compensated absences. Increases in the net pension and OPEB liabilities also increased expenses in instruction. This increase was partially offset by a \$1 million decrease in relief funding related expenses. Although the School Unit received more relief funding in the current fiscal year, over \$2 million of those funds were capitalized (Hampden Academy expansion) and will be expensed over the life of the capital asset.

As shown in the chart below, revenues generated by the School Unit’s programs are not sufficient to cover the costs. The School Unit relies on local assessments, state funding, and other general revenues to cover the costs associated with the various programs.



Financial analysis of governmental funds

As noted earlier, the School Unit uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the School 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 School Unit’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party,

the School Unit itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the School Unit's Board.

At June 30, 2023, the School Unit's governmental funds reported combined fund balances of \$13,924,420, an increase of \$2,461,677 in comparison with the prior year. Of this amount, 10,051,570, or 72%, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is (1) not in spendable form, \$32,473; (2) not spendable because it is legally required to be maintained intact, \$342,500; (3) restricted for particular purposes, \$892,259; (4) committed for particular purposes, \$1,955,618; or (5) assigned for the subsequent budget, \$650,000.

Analysis of Individual Funds

The general fund is the chief operating fund of the School Unit. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,134,311, while total fund balance increased to \$10,784,311. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers to other funds. Unassigned fund balance represents 28.5% of total general fund expenditures and transfers to other funds, while total fund balance represents 30% of that same amount.

The fund balance of the School Unit's general fund increased by \$1,918,639 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was due to expenditures coming in under budget and revenues coming in over budget during the fiscal year offset by the use of fund balance.

Grant and other funds, a major fund, had a \$7,644 increase in fund balance during the current fiscal year which put the overall fund balance at \$66,588. This fund recognized \$4,361,228 in revenues and \$4,353,584 in expenditures.

General fund budgetary highlights

Original budget compared to final budget. During the year, the School Board approved a one-time transfer of general fund unassigned fund balance of \$890,824 to the technology reserve (\$50,000), fuel stabilization reserve (\$50,000), field maintenance reserve (\$150,000), and the capital maintenance reserve (\$640,824).

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
E-rate	\$ 111,513	154,330	42,817
Tuition	399,662	637,138	237,476
Shared position	46,426	-	(46,426)
Refunds and reimbursements	16,878	91,514	74,636

More equipment was eligible for the e-rate reimbursement than was originally anticipated. Tuition revenues exceeded budgeted amounts as the number of tuition students exceeded initial projections. The budgeted shared position never occurred during the year. Refunds and reimbursements consist of MSMA reimbursements for workers compensation and unemployment insurance, gas tax refunds, energy efficiency rebates, and a sponsorship from Coca-Cola.

Expenditures		Estimated expenditures	Actual expenditures	Difference
Regular instruction	\$	13,147,061	11,796,448	1,350,613
Special education		7,423,298	6,190,782	1,232,516
Student and staff support		3,221,712	2,895,036	326,676
System administration		1,071,119	832,209	238,910
Facilities maintenance		4,199,513	3,169,691	1,029,822

Actual expenditures, including transfers to other funds, came in over \$4.4 million under budgeted amounts. There were multiple factors causing the variance between budgeted and actual amounts. Most savings in regular instruction, special education, student and staff support, and system administration were related to salaries and benefits. The School Unit had a multitude of unfilled positions and had experienced positions resigning and being replaced by lesser experienced individuals. Benefit savings occurred when employees budgeted to have a family health insurance plan took the single health insurance plan. Special education also had savings for public day treatment tuition due to less children needing those services. System administration had less need for legal services during the year. Facilities maintenance saw savings in electricity due to solar credits, savings in debt service due to the payoff of a note in the prior year, and less repair and maintenance projects undertaken during the year (some projects were funded with ESSER and ARP relief funding).

Capital asset and debt administration

Capital assets. The School Unit's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$46,475,083 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and vehicles. The total increase in capital assets for the current fiscal year was 2%.

	Capital assets, net	
	2023	2022
Land	\$ 669,844	669,844
Construction in progress	109,200	-
Buildings and improvements	36,096,155	35,346,888
Land improvements	7,565,759	7,993,166
Equipment and furniture	1,958,893	1,486,128
Vehicles	75,232	113,846
	<u>\$ 46,475,083</u>	<u>45,609,872</u>

Major capital assets events during the current fiscal year included the following:

- An expansion was added to Hampden Academy at a total cost of \$2,003,243.

- Indoor and outdoor cameras were installed at all schools at a cost of \$176,078.
- Generators were purchased for Wagner, Weatherbee, McGraw, Reeds Brook, and Smith Schools for a total cost of \$287,048.
- Network upgrades were made at McGraw, Weatherbee, and Smith Schools for a cost of \$156,425.
- The construction of a façade at Reeds Brook School was started during the year, incurring costs of \$79,200 through year-end.

Additional information on the School Unit’s capital assets can be found in Note III.D of this report.

Long-term Debt. At the end of the current fiscal year, the School Unit had total notes outstanding of \$23,079,158.

	Outstanding debt	
	2023	2022
Notes payable	\$ 23,079,158	25,690,838

The School Unit’s total debt decreased by \$2,611,680 (10%) during the current fiscal year. The decrease is due to the School Unit making scheduled principal payments during the fiscal year. The School Unit did not issue any new notes payable agreements during the fiscal year.

Additional information on the School Unit’s long-term debt can be found in Note III.E and III.F of this report.

Economic factors and next year’s budget

With the current fluid economy, the ability to recruit and retain employees has been a struggle across the nation and RSU 22 is not immune to this struggle. The School Unit continues its efforts to recruit for positions that we have been unable to fill for the past few budget cycles. The School Unit is currently advertising to fill six open positions – mostly in the special education department. The influx of CDS (Child Development Services) clients (students between the ages of 3-5) that need more services will put a further strain on the current ability to hire the staff to meet the needs of the students.

The local assessment increased by an average of 7.44% in FY24, however, the FY23 assessments were offset by \$650,000 use of fund balance and a return of \$736,459 from FY22. The RSU 22 budget was already in place when the legislature reduced the mil rate for FY23. The Towns agreed to continue with the assessment already issued and receive a refund in FY23 which accounts for the higher than usual increase in FY24 over FY23.

The School Unit is mindful of potential challenges coming in the next few years. In addition to the continued hiring crisis, a financial cliff is coming. In September 2024 the last of federal crisis funding will cease causing school districts to either absorb the programs that were built using federal dollars or to cut the programs and staffing. The possibility that the Maine Legislature will increase the minimum teacher’s salary to \$50,000 and increase wages for support staff (proposals range from 125%-200% of minimum wage for Ed Techs) are all considerations for the coming year(s).

In addition, the legislature is looking at revamping how the current calculations for subsidy allocations (ED-279) are done and what the impact of that may be. They have been holding hearings with representatives of the Department of Education and MEPRI (Maine Education Policy Research Institute) over three sessions covering reviews of Special Education, Career and Technical Education, and Transportation.

Positive changes in the School Unit include a surge in tuition students at Hampden Academy. The expansion of the Hampden Academy's third floor, done at no cost to the School Unit using federal relief funds, has allowed for eight additional classrooms, and the Pre-K program has increased to a full day program.

The Superintendent and Finance Committee are working on a plan to reduce the burden on the taxpayers over the next three years and have been compiling a list of needs. The School Unit is in a fortunate situation where it can afford to do some much-needed maintenance without creating a long-term burden to the taxpayers.

At the end of the current fiscal year, the fund balance in the general fund was \$10,784,311. The School Unit has appropriated \$650,000 of this amount for spending in the 2023-2024 fiscal year budget. This action was taken to reduce the overall fund balance figure to reduce the local burden on taxpayers and to attempt to be in compliance with the provisions of Title 20-A that refer to the amount of unallocated balances allowable.

Requests for information

This financial report is designed to provide a general overview of the School Unit's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent's Office, 24 Main Road North, Hampden, Maine, 04444.

BASIC FINANCIAL STATEMENTS



Regional School Unit No. 22

Statement of net position

June 30, 2023

	Governmental activities
Assets	
Cash and cash equivalents	\$ 13,075,095
Investments	517,487
Accounts receivable	15,153
Intergovernmental receivables	3,501,622
Inventory and prepaids	114,170
Capital assets, not being depreciated	779,044
Capital assets, net of accumulated depreciation	45,696,039
Total assets	<u>63,698,610</u>
Deferred outflows of resources	
Pension related	799,461
OPEB related	762,529
Total deferred outflows of resources	<u>1,561,990</u>
Liabilities	
Accounts payable	374,816
Accrued wages and benefits	2,650,306
Due to fiduciary funds	273,985
Accrued interest	48,853
Noncurrent liabilities:	
Due within one year	2,658,920
Due in more than one year	26,327,039
Total liabilities	<u>32,333,919</u>
Deferred inflows of resources	
Pension related	206,990
OPEB related	56,682
Total deferred inflows of resources	<u>263,672</u>
Net position	
Net investment in capital assets	23,395,925
Restricted	1,267,232
Unrestricted	7,999,852
Total net position	<u>\$ 32,663,009</u>

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

Statement of activities

For the year ended June 30, 2023

Functions/programs	Program revenues			Net (expense) revenue and changes in net position
	Expenses	Charges for services	Operating grants and contributions	
Governmental activities:				
Regular instruction	\$ 13,634,503	637,138	615,557	(12,381,808)
Special education	6,920,950	-	748,092	(6,172,858)
Other instruction	976,398	56,858	6,491	(913,049)
Student and staff support	2,963,465	-	429,848	(2,533,617)
System administration	830,968	-	-	(830,968)
School administration	1,524,362	-	-	(1,524,362)
Transportation	1,578,828	-	-	(1,578,828)
Facilities maintenance	5,027,203	30,038	1,006	(4,996,159)
Adult education	79,536	10,059	20,802	(48,675)
Relief funding	520,264	-	520,264	2,290,291
Food service	1,580,830	138,721	1,613,620	171,511
Student activities	188,911	-	218,473	29,562
MainePERS on-behalf payments	2,238,406	-	2,238,406	-
Interest on debt	477,349	-	-	(477,349)
Total governmental activities	\$ 38,541,973	872,814	6,412,559	(28,966,309)
General revenues:				
Local assessments				13,156,808
Grants and contributions not restricted to specific programs				20,914,373
Unrestricted investment earnings				108,200
Miscellaneous				111,614
Total general revenues				34,290,995
Change in net position				5,324,686
Net position - beginning				27,338,323
Net position - ending				\$ 32,663,009

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

Balance sheet
Governmental funds
June 30, 2023

	General	Grant and other funds	Total nonmajor funds	Total governmental funds
Assets				
Cash and cash equivalents	\$ 12,635,061	-	440,034	13,075,095
Investments	-	-	517,487	517,487
Accounts receivable	15,153	-	-	15,153
Intergovernmental receivables	102,524	3,337,697	61,401	3,501,622
Due from other funds	3,271,643	-	2,093,453	5,365,096
Inventory and prepaids	-	81,697	32,473	114,170
Total assets	\$ 16,024,381	3,419,394	3,144,848	22,588,623
Liabilities				
Accounts payable	224,641	87,565	62,610	374,816
Accrued wages and benefits	2,647,991	980	1,335	2,650,306
Due to other funds	2,367,438	3,264,261	7,382	5,639,081
Total liabilities	5,240,070	3,352,806	71,327	8,664,203
Fund balances				
Nonspendable	-	-	374,973	374,973
Restricted	-	68,533	823,726	892,259
Committed	-	-	1,955,618	1,955,618
Assigned	650,000	-	-	650,000
Unassigned	10,134,311	(1,945)	(80,796)	10,051,570
Total fund balances	10,784,311	66,588	3,073,521	13,924,420
Total liabilities and fund balances	\$ 16,024,381	3,419,394	3,144,848	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	46,475,083
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Notes payable	(23,079,158)
Accrued interest on long-term debt	(48,853)
Compensated absences	(331,242)
Net pension liability with related deferred inflows and outflows	(13,165)
Total OPEB liability with related deferred inflows and outflows	(4,264,076)
Net position of governmental funds	<u>32,663,009</u>

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

Statement of revenues, expenditures, and changes in fund balances

Governmental funds

For the year ended June 30, 2023

	General	Grant and other funds	Total nonmajor funds	Total governmental funds
Revenues				
Local assessments	\$ 13,120,398	-	36,410	13,156,808
Intergovernmental	23,397,302	4,334,160	1,598,254	29,329,716
Charges for services	719,693	14,400	138,721	872,814
Fees and fundraisers	-	-	218,473	218,473
Interest and investment income	108,200	-	27,210	135,410
Miscellaneous	111,614	12,668	29,156	153,438
Total revenues	37,457,207	4,361,228	2,048,224	43,866,659
Expenditures				
Current:				
Regular instruction	12,518,402	617,932	-	13,136,334
Special education	6,190,782	657,899	-	6,848,681
Other instruction	969,354	5,811	-	975,165
Student and staff support	2,895,036	249,390	7,477	3,151,903
System administration	832,209	-	-	832,209
School administration	1,554,995	-	-	1,554,995
Transportation	1,552,007	-	-	1,552,007
Facilities maintenance	3,169,691	-	-	3,169,691
Adult education	-	11,997	67,539	79,536
Relief funding	-	2,810,555	-	2,810,555
Food service	-	-	1,568,790	1,568,790
Student activities	-	-	188,911	188,911
MainePERS on-behalf payments	2,238,406	-	-	2,238,406
Debt service	2,726,862	-	-	2,726,862
Capital outlay	-	-	570,937	570,937
Total expenditures	34,647,744	4,353,584	2,403,654	41,404,982
Excess (deficiency) of revenues over (under) expenditures	2,809,463	7,644	(355,430)	2,461,677
Other financing sources (uses)				
Transfers in	-	-	890,824	890,824
Transfers out	(890,824)	-	-	(890,824)
Total other financing sources (uses)	(890,824)	-	890,824	-
Net change in fund balances	1,918,639	7,644	535,394	2,461,677
Fund balances - beginning, reclassified	8,865,672	58,944	2,538,127	11,462,743
Fund balances - ending	\$ 10,784,311	66,588	3,073,521	13,924,420

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

Reconciliation of the statement of revenues, expenditures, and changes in fund balances - governmental funds to the government-wide statement of activities For the year ended June 30, 2023

Net change in fund balances - total governmental funds \$ 2,461,677

Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of these assets is allocated over their useful lives and reported as depreciation expense.

Capital outlays	2,922,724
Depreciation expense	(2,031,680)
Book value of disposed capital assets	(25,833)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on notes	2,611,680
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest on long-term debt	(43,352)
Compensated absences	(257,829)
Changes in pension liabilities and related deferred outflows and inflows of resources	(161,253)
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(151,448)

Change in net position of governmental activities \$ 5,324,686

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2023

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Local assessments	\$ 13,856,857	13,120,398	13,120,398	-
Intergovernmental	21,110,886	21,110,886	21,158,896	48,010
Charges for services	435,662	435,662	719,693	284,031
Interest	-	-	108,200	108,200
Miscellaneous	78,304	78,304	111,614	33,310
Total revenues	<u>35,481,709</u>	<u>34,745,250</u>	<u>35,218,801</u>	<u>473,551</u>
Expenditures				
Current:				
Regular instruction	13,147,061	13,147,061	11,796,448	1,350,613
Special education	7,423,298	7,423,298	6,190,782	1,232,516
Other instruction	1,044,688	1,044,688	969,354	75,334
Student and staff support	3,221,712	3,221,712	2,895,036	326,676
System administration	1,071,119	1,071,119	832,209	238,910
School administration	1,657,072	1,657,072	1,554,995	102,077
Transportation	1,564,813	1,564,813	1,552,007	12,806
Facilities maintenance	4,199,513	4,199,513	3,169,691	1,029,822
Debt service	2,802,433	2,802,433	2,726,862	75,571
Total expenditures	<u>36,131,709</u>	<u>36,131,709</u>	<u>31,687,384</u>	<u>4,444,325</u>
Excess (deficiency) of revenues over (under) expenditures	(650,000)	(1,386,459)	3,531,417	4,917,876
Other financing sources (uses)				
Transfers out	-	(890,824)	(890,824)	-
Use of fund balance	650,000	2,277,283	-	(2,277,283)
Total other financing sources (uses)	<u>650,000</u>	<u>1,386,459</u>	<u>(890,824)</u>	<u>(2,277,283)</u>
Net change in fund balance - budgetary basis	-	-	2,640,593	2,640,593
Reconciliation to GAAP				
Addition of benefits to accrued teacher summer salaries			<u>(721,954)</u>	
Net change in fund balance - GAAP basis			1,918,639	
Fund balance - beginning			<u>8,865,672</u>	
Fund balance - ending		\$	<u><u>10,784,311</u></u>	

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

Statement of fiduciary net position

Fiduciary funds

June 30, 2023

	Custodial funds		
	Private-purpose trust funds	Penobscot River Educational Partnership	Maine Cohort for Customized Learning
Assets			
Cash and cash equivalents	\$ 203,192	-	-
Accounts receivable	-	19,204	-
Due from other funds	26,137	247,779	69
Total assets	229,329	266,983	69
Liabilities			
Accounts payable	-	45	-
Total liabilities	-	45	-
Net position			
Restricted	229,329	266,938	69
Total net position	\$ 229,329	266,938	69

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

Statement of changes in fiduciary net position
Fiduciary funds

For the year ended June 30, 2023

	Custodial funds		
	Private-purpose trust funds	Penobscot River Educational Partnership	Maine Cohort for Customized Learning
Additions			
Fees and contracted services	\$ -	250,954	-
Contributions	47,846	-	-
Interest	406	-	-
Total additions	48,252	250,954	-
Deductions			
Scholarships	44,250	-	-
Special education	-	132,377	-
Student and staff support	-	13,615	-
Administration	-	67,137	-
Total deductions	44,250	213,129	-
Net increase (decrease) in fiduciary net position	4,002	37,825	-
Net position - beginning	225,327	229,113	69
Net position - ending	\$ 229,329	266,938	69

The notes to financial statements are an integral part of this statement.

Regional School Unit No. 22

Notes to the financial statements

June 30, 2023

I. Summary of significant accounting policies

The financial statements of Regional School Unit No. 22 (RSU 22 or School Unit) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School Unit's significant accounting policies are described below.

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

RSU 22 was organized in 1970 under the laws of the State of Maine and is governed by a fourteen-member School Board elected from the communities within the School Unit. The four communities comprising RSU 22 are the Towns of Hampden, Winterport, Newburgh, and Frankfort. The accompanying financial statements present information for the primary government. RSU 22 is not financially accountable for any other organizations and therefore does not report any component units.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The School Unit does not report any business-type activities or proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the School Unit's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The School Unit does not report any enterprise funds.

The School Unit reports the following major governmental funds:

The *general fund* is the School Unit's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Grant and other funds account for federal, state, and local grants received by the School Unit.

Additionally, the School Unit reports the following fund types:

The *private-purpose trust fund* accounts for scholarships and other programs that benefit students.

The *custodial funds* account for assets held for the Penobscot River Educational Partnership and the Maine Cohort for Customized Learning, to which the School Unit provides accounting services.

During the course of operations, the School Unit has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Local assessments are recognized as revenues in the year for which they are levied. Grants

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Unit considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the School Unit the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Local assessments, charges for service, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the School Unit.

F. Budgetary information

Budgetary basis of accounting

A budget is formally adopted for the general fund each year through the passage of articles through a referendum vote and is prepared on a basis consistent with accounting principles generally accepted in the United States of America except for Maine Public Employees Retirement System on-behalf payments and the recoding of benefits for the teacher summer salary accrual. See note III.P. changes in estimates for more information on the benefit accrual. The level of control (level at which expenditures may not exceed budget) is the article level. Generally, all unexpended budgetary accounts lapse to fund balance at the close of the fiscal year.

Excess of expenditures over appropriations

No articles were overspent as of June 30, 2023.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The School Unit's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end. State statutes authorize the School Unit to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of food supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School Unit as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the School Unit constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and right to use leased equipment of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and improvements	7-50
Land improvements	5-45
Furniture, equipment, and vehicles	5-50

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School Unit has two items that qualify for reporting in this category, deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School Unit has two items that qualify for reporting in this category. In the government-wide financial statements the School Unit reports deferred amounts related to pension and OPEB.

Net position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of notes, leases, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the School Unit will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow

assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the School Unit considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The School Unit's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a policy committing fund balance for a specified purpose by the School Unit's Board prior to the end of the fiscal year. Once adopted, the limitation imposed by the policy remains in place until the resources have been spent for the specified purpose or the School Board adopts another policy to remove or revise the limitation.

Assigned fund balance represents amounts that are intended to be used by the School Unit for specific purposes but do not meet the criteria to be classified as committed. The School Board may assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the School Unit will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the School Unit considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

H. Revenues and expenditures/expenses

Program revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All local assessments, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Compensated absences

The School Unit's policy permits employees to accumulate earned but unused vacation and sick leave, which are eligible for payment upon separation from government service. Sick leave is valued based on the vesting method that calculates the amount of sick leave that is expected to become eligible for payout at termination. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

II. Stewardship, compliance, and accountability

A. Violations of legal or contractual provisions

Note I.F. Excess of expenditures over appropriations describes any budgetary violations that occurred for the year ended June 30, 2023.

B. Deficit fund equity

At June 30, 2023, the following funds had deficit balances:

National board certification	\$475	Performing arts center	1,470
SRRF – Reeds Brook	80,796		

These deficits will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in).

III. Detailed notes on activities and funds

A. Cash and investments

It is the intent of the School Unit to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the School Unit, and confirming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety

(preservation of capital), liquidity, and yield. The School Unit is not invested in any obligations typically known as derivatives.

B. Cash deposits with financial institutions

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank's failure, the School Unit's deposits may not be returned to it. The School Unit does not have a deposit policy for custodial credit risk. As of June 30, 2023, the School Unit's bank balance was \$13,878,001, all of which was covered by F.D.I.C. or collateral held by the financial institution.

C. Investments

State statutes authorize the School Unit to invest in obligations of the U.S. Treasury and U.S. Agencies, mutual funds with portfolios of securities issued or guaranteed by the United States Government, or agreements to repurchase these same obligations, negotiable and non-negotiable certificates of deposit, municipal bonds, commercial paper, and corporate bonds. As of June 30, 2023, the School Unit had investments valued at \$517,487 with Maine Community Foundation (MCF).

Interest rate risk. Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The School Unit does not have an investment policy for interest rate risk.

Credit risk. Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. The School Unit does not have an investment policy for credit risk. The MCF funds are not rated.

Custodial credit risk - investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School Unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School Unit does not have an investment policy for custodial credit risk.

Concentration of credit risk. The concentration of credit risk is the risk of loss that may be caused by the School Unit's investment in a single issuer. The School Unit does not have an investment policy for concentration of credit risk.

Fair value of investments. The School Unit measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows: *Level 1* - quoted prices for identical investments in active markets; *Level 2* - observable inputs other than those in Level 1; and *Level 3* - unobservable inputs. The MCF funds are classified as level 3 due to unobservable inputs.

D. Capital assets

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year
Capital assets, not being depreciated				
Land	\$669,844	-	-	669,844
Construction in progress	-	109,200	-	109,200
Total capital assets, not being depreciated	669,844	109,200	-	779,044
Capital assets, being depreciated				
Buildings and improvements	55,146,297	2,109,484	19,656	57,236,125
Land improvements	13,065,147	37,438	91,541	13,011,044
Furniture and equipment	2,345,867	666,602	305,560	2,706,909
Vehicles	198,566	-	-	198,566
Total capital assets, being depreciated	70,755,877	2,813,524	416,757	73,152,644
Less accumulated depreciation for				
Buildings and improvements	19,799,409	1,349,077	8,516	21,139,970
Land improvements	5,071,981	458,290	84,986	5,445,285
Furniture and equipment	859,739	185,699	297,422	748,016
Vehicles	84,720	38,614	-	123,334
Total accumulated depreciation	25,815,849	2,031,680	390,924	27,456,605
Total capital assets, being depreciated, net	44,940,028	781,844	25,833	45,696,039
Total capital assets	\$45,609,872	891,044	25,833	46,475,083

Depreciation/amortization expense was charged to the functions/programs of the governmental activities as follows:

Regular instruction	\$21,158
Other instruction	1,233
Student and staff support	2,438
Transportation	26,821
Facilities maintenance	1,971,979
Food service	8,051
Total depreciation expense	\$2,031,680

E. Changes in long-term liabilities

Changes in the School Unit's long-term liabilities for the year ended June 30, 2023, are as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year	Amount due within one year
Governmental activities					
Notes payable	\$25,690,838	-	2,611,680	23,079,158	2,616,140
Compensated absences	73,413	257,829	-	331,242	42,780
Net pension liability	398,105	207,531	-	605,636	-
Total OPEB liability	4,877,811	92,112	-	4,969,923	-
Total governmental activities	\$31,040,167	557,472	2,611,680	28,985,959	2,658,920

F. Notes payable

The School Unit issues notes payable to provide funds for the acquisition and construction of major capital facilities and equipment. Notes payable at June 30, 2023, are as follows:

	Original borrowing	Interest rates	Final maturity	Outstanding year end
Notes payable				
Hampden Academy construction	\$46,912,642	2.13-5.63%	2032	21,110,690
Turf replacement and lighting upgrades	850,000	2.2-2.99%	2029	510,000
School construction	282,963	4.80%	2029	125,376
Printers and copiers	196,358	3.34%	2026	121,500
Energy conservation	1,591,023	4.14%	2033	1,085,710
Doors and windows	428,000	1.00%	2028	125,882
Total notes payable				\$23,079,158

The debt service requirements for the School Unit's notes are as follows:

Year ending	Principal	Interest	Total
<u>June 30</u>			
2024	\$2,616,140	554,208	3,170,348
2025	2,620,731	688,902	3,309,633
2026	2,625,455	574,738	3,200,193
2027	2,587,081	317,894	2,904,975
2028	2,590,636	23,067	2,613,703
<u>2029-2033</u>	<u>10,039,115</u>	<u>40,267</u>	<u>10,079,382</u>
Totals	\$23,079,158	2,199,076	25,278,234

On June 24, 2022, the School Unit was approved for a \$886,080 School Revolving Renovation Fund (SRRF) funded through the Maine Municipal Bond Bank. The School Unit did not draw down or expend any of the loan during the year ended June 30, 2023.

G. Pension plans

Plan description

The School Unit participates in the State Employee and Teacher (SET) Plan, which is a cost-sharing, multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

Benefit terms are established in Maine statute. MPERS 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 SET members). 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 is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits which are established by statute 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 MPERS Board of Trustees and is currently 1.52%.

Contributions

Retirement benefits are funded by contributions from employee and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Employee and employer contribution rates are each a percentage of applicable employee compensation. Employee contribution rates are defined by law, or by the MPERS 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.

Maine statute requires the State to contribute a portion of the School Unit's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The School Unit's contractually required contribution rate for the year ended June 30, 2023, was 18.13% of annual payroll of which 3.84% of payroll was required from the School Unit and 14.29% was required from the State. The School Unit made contributions to the pension plan of \$582,577 for the year ended June 30, 2023.

Proportionate share of the net pension liability

At June 30, 2023, the School Unit reported a liability of \$605,636 for its proportionate share of the net pension liability. The State's proportionate share of the net pension liability associated with the School Unit was \$15,693,401, for a total of \$16,299,037. The pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Unit's proportion of the pension liability was based on unfunded actuarial liability contributions to the plan. The School Unit's proportionate share was 0.0408% at the end of the measurement period and 0.0471% for the beginning of the period, which represents a decrease of 0.0063%.

Actuarial assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Assumptions	
Investment rate of return	6.50%
Inflation rate	2.75%
Annual salary increases	2.80%-13.03%
Cost of living adjustments	2.20%

Mortality rates are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major 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, 2022, are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Public equities	6.0%
U.S. government	2.3%
Private equity	7.6%

Real assets:	
Real estate	5.2%
Infrastructure	5.3%
Natural resources	5.0%
Traditional credit	3.2%
Alternative credit	7.4%
Diversifiers	5.9%

Discount rate

The discount rate used to measure the collective total pension liability was 6.5% for 2022. 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.

Discount rate sensitivity analysis

The following presents the School Unit's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Proportionate share net pension (asset) liability	\$1,185,980	605,636	122,440

Pension expense and deferred items summary

For the year ended June 30, 2023, the School Unit recognized pension expense of \$751,976 for its proportionate share of the pension expense. Additionally, the School Unit recognized revenue of \$2,195,326 for support provided by the State. At June 30, 2023, the School Unit reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Differences between expected and actual experience	\$30,171	-
Differences between expected and actual investment earnings	-	119,282
Changes of assumptions	117,600	-
Changes in proportion	69,113	87,708
<u>Contributions paid subsequent to the measurement date</u>	<u>582,577</u>	<u>-</u>
<u>Total deferred outflows and inflows of resources</u>	<u>\$799,461</u>	<u>206,990</u>

Deferred outflows of resources reported \$582,577 related to pensions resulting from the School Unit's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30

2024	\$118,978
2025	(70,548)
2026	(94,795)
2027	56,259

Pension plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.maineopers.org.

H. Other postemployment benefit (OPEB) obligations – life insurance

Plan description

The School Unit participates in the State Employee and Teacher (SET) Group Life Insurance Plan, which is a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

The group life insurance 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 group life insurance is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions and funding policy

Premium rates are those determined by the MPERS 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.

The State of Maine made contributions to the SET plan on-behalf of the School Unit of \$43,080 for the year ended June 30, 2023. The School Unit and employees are not required to contribute to the SET plan.

Proportionate share of the net OPEB liability

At June 30, 2023, the School Unit reported no liability for its proportionate share of the net OPEB liability. The State's proportionate share of the net OPEB liability associated with the School Unit was \$361,440, for a total of \$361,440. The OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School Unit's proportion of the OPEB liability was 0% at the end of the measurement period.

Actuarial assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Assumptions	
Investment rate of return	6.50%
Inflation rate	2.75%
Annual salary increases	2.80%-13.03%

Mortality rates are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Long-term expected rate of return

Assets of the plans are pooled for investment purposes and are allocated to each plan based on each plan's fiduciary net position. The long-term expected rate of return on the plans' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, 2022 are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Public equities	6.0%
Real estate	5.2%
Traditional credit	3.0%
U.S. government securities	2.3%

Discount rate

The discount rate used to measure the collective total OPEB liability was 6.5% for 2022. 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 Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB expense

For the year ended June 30, 2023, the School Unit recognized OPEB expense of \$38,405 for its proportionate share of the OPEB expense. Additionally, the School Unit recognized revenue of \$43,080 for support provided by the State.

OPEB plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.maineopers.org.

I. Other postemployment benefit (OPEB) obligations – health insurance

Plan description

The School Unit offers a post-retirement benefit plan providing health insurance to retiring employees. The State sponsors a single-employer defined benefit OPEB plan administered by the Maine Education Association Benefits Trust (MEABT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. 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*.

Plan membership

At June 30, 2022, membership consisted of:

Inactive members currently receiving benefits	141
Inactive members entitled to but not yet receiving benefits	-
<u>Active members</u>	<u>261</u>
<u>Total</u>	<u>402</u>

Benefits provided

Healthcare insurance benefits are provided for retirees and their dependents. The employee must have participated in the MEABT 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), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 55% of the blended single premium for the retiree only. Under State law, the blended premium is determined by blending rates for active members and retired members. The retiree pays 45% of the blended premium rate for coverage elected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree (and/or spouse).

Net OPEB liability

At June 30, 2023, the School Unit reported a total OPEB liability of \$4,969,923. The OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Assumptions	
Inflation rate	2.70%
Annual salary increases	2.80%-13.03%
Healthcare cost trend rates - non-Medicare	7.96% in 2023
decreasing to	4.00% in 2043
Healthcare cost trend rates - Medicare	0.00% in 2023
increasing to	4.29% in 2043

Rates of mortality are based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table.

Actuarial assumptions used for the June 30, 2022, valuation are the teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021, and are based on the experience study covering the period from June 30, 2015 through June 30, 2020.

Discount rate

Using the Bond Buyer 20-Bond GO Index, the discount rate used to measure the total OPEB liability was 3.54%. This 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.

Changes in total OPEB liability

Balances beginning of year	\$4,877,811
Changes for the period	
Service cost	71,207
Interest	105,472
Changes of benefits	-
Differences between expected and actual experience	(30,570)
Changes of assumptions	78,789
Benefit payments	(132,786)
<u>Net changes</u>	<u>92,112</u>
<u>Balances end of year</u>	<u>\$4,969,923</u>

Discount rate and healthcare rate sensitivity analysis

The following is a sensitive analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability calculated using the discount rate of 3.54% as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$5,716,844	4,969,923	4,361,098

The table below presents the total OPEB liability of the School Unit calculated using the healthcare rates disclosed above as well as what the total OPEB liability would be if it were calculated using a healthcare rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Total OPEB liability	\$4,329,284	4,969,923	5,765,995

OPEB expense and deferred items summary

For the year ended June 30, 2023, the School Unit recognized OPEB expense of \$306,220. At June 30, 2023, the School Unit reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Differences between expected and actual experience	\$224,804	26,203
Changes of assumptions	382,953	30,479
<u>Contributions paid subsequent to the measurement date</u>	<u>154,772</u>	<u>-</u>
<u>Total deferred outflows and inflows of resources</u>	<u>\$762,529</u>	<u>56,682</u>

Deferred outflows of resources reported \$154,772 related to OPEB resulting from the School Unit's contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	
<u>June 30</u>	
2024	\$129,542
2025	160,023
2026	121,211
2027	121,208
2028	12,206
Thereafter	6,885

J. Fund Balance

Components of fund balance

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund - budget appropriation	-	-	-	650,000
Grants and other funds	-	68,533	-	-
Special revenue funds				
Adult education	-	11,297	-	-
School lunch	32,473	637,796	-	-
Student activities	-	-	418,033	-
Capital projects	-	-	1,537,585	-
Hampden Academy donations	342,500	174,633	-	-
<u>Total</u>	<u>\$374,973</u>	<u>892,259</u>	<u>1,955,618</u>	<u>650,000</u>

K. Interfund balances

The outstanding balances between funds result from receipts and disbursements being made through consolidated cash accounts held by the general fund. The composition of interfund balances as of June 30, 2023, is as follows:

<u>Receivable fund (due from)</u>	<u>Payable fund (due to)</u>	<u>Amount</u>
General fund	Grant and other funds	\$3,264,261
General fund	Permanent fund	7,382
Adult education	General fund	11,722
School lunch	General fund	602,175
Student activities	General fund	425,119
Capital project funds	General fund	1,054,437
Fiduciary funds	General fund	273,985
<u>Total</u>		<u>\$5,639,081</u>

L. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

	<u>Transfers in</u>		<u>Total</u>
	<u>Capital maintenance</u>	<u>All other capital funds</u>	
Transfers out			
General fund	\$640,824	250,000	890,824

During the year ended June 30, 2023, the School Unit made the following one-time transfers:

\$640,824 for capital maintenance, \$150,000 for field maintenance, \$50,000 for fuel stabilization, and \$50,000 for technology.

M. Risk management

The School Unit is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School Unit carries commercial insurance and participates in a public entity risk pool sponsored by the Maine School Management Association. Based on the coverages provided, the School Unit is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2023.

N. Contingencies

The School Unit participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the School Unit's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School Unit anticipates such amounts, if any, will be immaterial.

The School Unit is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School Unit's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School Unit.

O. Reclassification of fund balance

During the year the School Unit reclassified certain funds. Adult education is now reported separately from the general fund as a special revenue fund with a beginning fund balance of \$28,636. The New Hampden Academy donations fund is now reported separately from the special revenue fund as a permanent fund with a beginning fund balance of \$498,406. Scholarships are now reported separately from the special revenue fund as a private-purpose trust fund with a beginning net position of \$225,327.

P. Changes in estimates

The School Unit has changed the manner in which it estimates the liability for accrued summer salaries and benefits and accrued compensated absences. The School Unit began including benefits, which include health and dental insurance, retirement, and payroll taxes, in its calculation of the liability for accrued summer salaries and benefits. The School Unit has not included these benefits in the liability in past fiscal years. The School Unit began including all employees who reached the years of service requirement to receive payment of up to 30 days of accrued sick time in its calculation of accrued compensated absences. In the past, the School Unit only included amounts for employees who resigned and were eligible to receive the payment.

Regional School Unit No. 22

Required supplementary information
 Schedule of RSU's proportionate share of the net pension liability
 Maine Public Employees Retirement System
 Last ten fiscal years (only nine years available)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
School Unit's proportion of the net pension liability	0.0408%	0.0471%	0.0336%	0.0333%	0.0332%	0.0321%	0.0361%	0.0316%	0.0257%
School Unit's proportionate share of the net pension liability \$	605,636	398,105	549,481	487,946	448,622	466,598	637,288	426,529	278,034
State's proportionate share of the net pension liability associated with the School Unit	15,693,401	9,075,882	17,521,514	15,425,515	14,398,045	15,886,028	19,006,901	14,762,480	11,666,980
Total	16,299,037	9,473,987	18,070,995	15,913,461	14,846,667	16,352,626	19,644,189	15,189,009	11,945,014
School Unit's covered payroll	\$ 15,178,339	\$ 14,347,941	\$ 16,866,508	\$ 13,540,956	\$ 13,612,461	\$ 13,037,573	\$ 12,859,165	\$ 12,423,732	\$ 10,736,358
School Unit's proportionate share of the net pension liability as a percentage of its covered payroll	3.99%	2.77%	3.26%	3.60%	3.30%	3.58%	4.96%	3.43%	2.59%
Plan fiduciary net position as a percentage of the total pension liability	85.79%	90.90%	81.03%	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%

Schedule of RSU's pension contributions Maine Public Employees Retirement System Last ten fiscal years (only nine years available)

Contractually determined contribution	\$ 582,577	\$ 692,807	\$ 634,266	\$ 596,687	\$ 582,584	\$ 492,298	\$ 480,648	\$ 389,649	\$ 367,689
Contributions in relation to the contractually required contribution	(582,577)	(692,807)	(634,266)	(596,687)	(582,584)	(492,298)	(480,648)	(389,649)	(367,689)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Unit's covered payroll	\$ 15,171,369	\$ 15,178,339	\$ 14,347,941	\$ 16,866,508	\$ 13,540,956	\$ 13,612,461	\$ 13,037,573	\$ 12,859,165	\$ 12,423,732
Contributions as a percentage of covered payroll	3.84%	4.56%	4.42%	3.54%	4.30%	3.62%	3.69%	3.03%	2.96%

Regional School Unit No. 22

Required supplementary information

Schedule of RSU's proportionate share of the net OPEB liability

Maine Public Employees Retirement System

Last ten fiscal years (only six years available)

	2018	2019	2020	2021	2022	2023
School Unit's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
School Unit's proportionate share of the net OPEB liability \$	-	-	-	-	182,524	361,440
State's proportionate share of the net OPEB liability associated with the School Unit	-	-	313,181	356,329	182,524	361,440
Total	296,533	312,128	313,181	356,329	182,524	361,440

Plan fiduciary net position as a percentage of the total OPEB liability

	2018	2019	2020	2021	2022	2023
	0.0000%	0.0000%	0.0000%	0.0000%	62.90%	52.39%
	47.29%	48.04%	49.22%	49.51%	62.90%	52.39%

Regional School Unit No. 22

Required supplementary information

Schedule of changes in the RSU's total OPEB liability and related ratios Last ten fiscal years (only five years available)

	2023	2022	2021	2020	2019
Total OPEB liability					
Service cost	\$ 71,207	69,291	39,993	33,763	36,091
Interest	105,472	106,199	156,227	164,129	158,717
Changes of benefits	-	-	(464,001)	-	-
Differences between expected and actual experience	(30,570)	-	393,407	-	-
Changes of assumptions	78,789	37,207	369,639	232,862	(182,879)
Benefit payments	(132,786)	(141,207)	(223,214)	(205,631)	(198,524)
Net change in total OPEB liability - MEABT plan	92,112	71,490	272,051	225,123	(186,595)
Total OPEB liability - beginning	4,877,811	4,806,321	4,534,270	4,309,147	4,495,742
Total OPEB liability - ending	\$ 4,969,923	4,877,811	4,806,321	4,534,270	4,309,147
Covered-employee payroll	\$ 11,517,827	11,389,518	11,111,725	11,688,231	11,375,407
Total OPEB liability as a percentage of covered-employee payroll	43.15%	42.83%	43.25%	38.79%	37.88%

Regional School Unit No. 22

Notes to required supplementary information

Pension plans

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Discount rate	6.50%	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.125%	7.25%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases	2.80-13.03%	2.80-13.03%	2.75% + merit	2.75-14.50%	2.75-14.50%	2.75-14.50%	3.50-13.50%	3.50-13.50%	3.50-13.50%
Cost of living increases	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.55%	2.55%	2.55%
Mortality rates - 2015: RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. 2016: RP2014 Total Data Set Healthy Annuitant Mortality Table. 2021: 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table.									

Other postemployment benefit (OPEB) obligations - life insurance

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019	2018	2017
Discount rate	6.50%	6.50%	6.75%	6.75%	6.75%	6.875%

Other postemployment benefit (OPEB) obligations - health insurance

Changes of benefit terms - In 2020, implemented the Medicare Advantage plan.

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2022	2021	2020	2019	2018	2017
Discount rate	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%

Regional School Unit No. 22

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	2023			Variance positive (negative)	2022 actual
	Original budget	Final budget	Actual		
Revenues					
Local assessments					
Local allocation	\$ 8,541,418	8,541,418	8,541,418	-	9,090,662
Non-state funded debt service	493,888	493,888	493,888	-	493,888
Additional local appropriation	4,821,551	4,085,092	4,085,092	-	3,574,058
Total local assessments	13,856,857	13,120,398	13,120,398	-	13,158,608
Intergovernmental					
State subsidy	20,914,373	20,914,373	20,914,373	-	21,019,293
State agency clients	75,000	75,000	90,193	15,193	100,914
MaineCare	10,000	10,000	-	(10,000)	1,665
E-rate	111,513	111,513	154,330	42,817	222,440
Total intergovernmental	21,110,886	21,110,886	21,158,896	48,010	21,344,312
Charges for services					
Tuition	399,662	399,662	637,138	237,476	565,611
Rentals	1,000	1,000	30,038	29,038	22,552
Athletic receipts	35,000	35,000	52,517	17,517	50,899
Total charges for services	435,662	435,662	719,693	284,031	639,062
Interest	-	-	108,200	108,200	10,229
Miscellaneous					
Shared position	46,426	46,426	-	(46,426)	40,062
Refunds and reimbursements	16,878	16,878	91,514	74,636	146,093
Other	15,000	15,000	20,100	5,100	29,071
Total miscellaneous	78,304	78,304	111,614	33,310	215,226
Total revenues	35,481,709	34,745,250	35,218,801	473,551	35,367,437

Regional School Unit No. 22

General fund

Statement of revenues, expenditures, and changes in fund balance
Budget and actual

For the year ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	2023			Variance positive (negative)	2022 actual
	Original budget	Final budget	Actual		
Expenditures					
Current:					
Regular instruction	13,147,061	13,147,061	11,796,448	1,350,613	11,738,697
Special education	7,423,298	7,423,298	6,190,782	1,232,516	6,338,269
Other instruction	1,044,688	1,044,688	969,354	75,334	897,991
Student and staff support	3,221,712	3,221,712	2,895,036	326,676	2,949,724
System administration	1,071,119	1,071,119	832,209	238,910	835,208
School administration	1,657,072	1,657,072	1,554,995	102,077	1,527,929
Transportation	1,564,813	1,564,813	1,552,007	12,806	1,450,591
Facilities maintenance	4,199,513	4,199,513	3,169,691	1,029,822	3,570,221
Adult education	-	-	-	-	58,266
Debt service	2,802,433	2,802,433	2,726,862	75,571	2,855,708
Total expenditures	36,131,709	36,131,709	31,687,384	4,444,325	32,222,604
Excess (deficiency) of revenues over (under) expenditures	(650,000)	(1,386,459)	3,531,417	4,917,876	3,144,833
Other financing sources (uses)					
Transfers out	-	(890,824)	(890,824)	-	(759,543)
Use of fund balance	650,000	2,277,283	-	(2,277,283)	-
Total other financing sources (uses)	650,000	1,386,459	(890,824)	(2,277,283)	(759,543)
Net change in fund balance - budgetary basis	-	-	2,640,593	2,640,593	2,385,290
Reconciliation to GAAP					
Addition of benefits to accrued teacher summer salaries			(721,954)		
Net change in fund balance - GAAP basis			1,918,639		2,385,290
Fund balance - beginning, reclassified			8,865,672		6,509,018
Fund balance - ending			\$ 10,784,311		8,894,308

Regional School Unit No. 22

Combining statement of revenues, expenditures, and changes in fund balances

Grant and other funds

For the year ended June 30, 2023

	Beginning fund balance	Revenues	Expenditures	Ending fund balance
Adult education enrichment	\$ 7,110	10,059	4,985	12,184
Penobscot job training program	5,509	174	174	5,509
Signage	21,806	-	-	21,806
MEEA grants	1,500	1,500	-	3,000
National board certification	-	11,875	12,350	(475)
Maine arts	7,008	-	-	7,008
Dental	453	-	-	453
Proficiency grant	9,711	-	3,875	5,836
MLTI	-	90,486	90,486	-
Momentum grant	391	-	-	391
Continuity of service	-	5,265	5,265	-
Title IA	-	293,691	293,691	-
Title IV student support	-	7,892	7,892	-
Local entitlement	-	653,619	653,619	-
Dyslexia grant	-	4,280	4,280	-
ESSER I	-	84,118	84,118	-
CRF	-	-	-	-
ESSER II	-	554,952	554,952	-
ESSER III	-	2,099,124	2,099,124	-
Rethinking responsive education ventures	-	63,169	63,169	-
LMS grant	-	9,192	9,192	-
Teens to Trails	1,500	-	-	1,500
Computer science mobile lab	-	60,630	60,630	-
Pre-K expansion	-	249,313	249,313	-
Title V innovative	-	-	-	-
Title V rural low income	-	10,423	10,423	-
Title IIA	-	134,384	134,212	172
Adult basic education	-	1,747	1,747	-
Performing arts center	-	4,341	5,811	(1,470)
Wellness grant	3,956	4,503	4,276	4,183
Laura Wood fund	-	6,491	-	6,491
	\$ 58,944	4,361,228	4,353,584	66,588

Regional School Unit No. 22

Combining balance sheet

Nonmajor governmental funds

June 30, 2023

	Special revenue funds	Capital project funds	Permanent fund	Total nonmajor governmental funds
Assets				
Cash and cash equivalents	\$ -	433,006	7,028	440,034
Investments	-	-	517,487	517,487
Intergovernmental receivables	61,401	-	-	61,401
Due from other funds	1,039,016	1,054,437	-	2,093,453
Inventory and prepaids	32,473	-	-	32,473
Total assets	\$ 1,132,890	1,487,443	524,515	3,144,848
Liabilities				
Accounts payable	31,956	30,654	-	62,610
Accrued wages and benefits	1,335	-	-	1,335
Due to other funds	-	-	7,382	7,382
Total liabilities	33,291	30,654	7,382	71,327
Fund balances				
Nonspendable	32,473	-	342,500	374,973
Restricted	649,093	-	174,633	823,726
Committed	418,033	1,537,585	-	1,955,618
Unassigned	-	(80,796)	-	(80,796)
Total fund balances	1,099,599	1,456,789	517,133	3,073,521
Total liabilities and fund balances	\$ 1,132,890	1,487,443	524,515	3,144,848

Regional School Unit No. 22

Combining statement of revenues, expenditures, and changes in fund balances

Nonmajor governmental funds

For the year ended June 30, 2023

	Special revenue funds	Capital project funds	Permanent fund	Total nonmajor governmental funds
Revenues				
Local assessments	\$ 36,410	-	-	36,410
Intergovernmental	1,598,254	-	-	1,598,254
Charges for services	138,721	-	-	138,721
Fees and fundraisers	218,473	-	-	218,473
Interest and investment income	-	1,006	26,204	27,210
Miscellaneous	29,156	-	-	29,156
Total revenues	2,021,014	1,006	26,204	2,048,224
Expenditures				
Current:				
Student and staff support	-	-	7,477	7,477
Adult education	67,539	-	-	67,539
Food service	1,568,790	-	-	1,568,790
Student activities	188,911	-	-	188,911
Capital outlay	-	570,937	-	570,937
Total expenditures	1,825,240	570,937	7,477	2,403,654
Excess (deficiency) of revenues over (under) expenditures	195,774	(569,931)	18,727	(355,430)
Other financing sources (uses)				
Transfers in	-	890,824	-	890,824
Total other financing sources (uses)	-	890,824	-	890,824
Net change in fund balances	195,774	320,893	18,727	535,394
Fund balances - beginning, reclassified	903,825	1,135,896	498,406	2,538,127
Fund balances - ending	\$ 1,099,599	1,456,789	517,133	3,073,521

Regional School Unit No. 22

Combining balance sheet

Special revenue funds

June 30, 2023

	Adult education	School lunch	Student activities	Total special revenue funds
Assets				
Intergovernmental receivables	\$ -	61,401	-	61,401
Due from other funds	11,722	602,175	425,119	1,039,016
Inventory and prepaids	-	32,473	-	32,473
Total assets	\$ 11,722	696,049	425,119	1,132,890
Liabilities				
Accounts payable	-	24,870	7,086	31,956
Accrued wages and benefits	425	910	-	1,335
Total liabilities	425	25,780	7,086	33,291
Fund balances				
Nonspendable	-	32,473	-	32,473
Restricted	11,297	637,796	-	649,093
Committed	-	-	418,033	418,033
Total fund balances	11,297	670,269	418,033	1,099,599
Total liabilities and fund balances	\$ 11,722	696,049	425,119	1,132,890

Regional School Unit No. 22

Combining statement of revenues, expenditures, and changes in fund balances

Special revenue funds

For the year ended June 30, 2023

	Adult education	School lunch	Student activities	Total special revenue funds
Revenues				
Local assessments	\$ 36,410	-	-	36,410
Intergovernmental	13,790	1,584,464	-	1,598,254
Charges for services	-	138,721	-	138,721
Fees and fundraisers	-	-	218,473	218,473
Miscellaneous	-	29,156	-	29,156
Total revenues	50,200	1,752,341	218,473	2,021,014
Expenditures				
Current:				
Adult education	67,539	-	-	67,539
Food service	-	1,568,790	-	1,568,790
Student activities	-	-	188,911	188,911
Total expenditures	67,539	1,568,790	188,911	1,825,240
Net change in fund balances	(17,339)	183,551	29,562	195,774
Fund balances - beginning, reclassified	28,636	486,718	388,471	903,825
Fund balances - ending	\$ 11,297	670,269	418,033	1,099,599

Regional School Unit No. 22

Combining statement of revenues, expenditures, and changes in fund balances
 Student activity funds

For the year ended June 30, 2023

	Beginning fund balance	Revenues	Expenditures	Ending fund balance
Hampden Academy	\$ 178,763	67,052	50,000	195,815
Alternative education	1,063	-	351	712
Hampden Academy athletics	55,990	67,336	60,945	62,381
Trails project	584	-	-	584
McGraw School	19,691	3,594	1,982	21,303
Special Olympics	75	-	-	75
Leroy Smith School	53,427	12,778	7,223	58,982
Weatherbee School	15,114	3,453	9,335	9,232
Wagner School	20,817	21,147	21,859	20,105
Reeds Brook School	34,348	43,113	37,216	40,245
Fundraising	8,599	-	-	8,599
	\$ 388,471	218,473	188,911	418,033

Regional School Unit No. 22

Combining statement of revenues, expenditures, and changes in fund balances

Capital project funds

For the year ended June 30, 2023

	Beginning fund balance	Revenues	Expenditures	Other financing sources (uses)		Ending fund balance
				Transfers in (out)		
New HA Bronco construction	\$ 1,500	-	-	-	-	1,500
Technology	350,000	-	-	50,000	-	400,000
Fuel stabilization	100,000	-	-	50,000	-	150,000
Field maintenance	351,743	276	-	150,000	-	502,019
Capital maintenance	332,476	730	490,092	640,824	-	483,938
SRRF - Reeds Brook	-	-	80,796	-	-	(80,796)
Lease purchase fund	177	-	49	-	-	128
	\$ 1,135,896	1,006	570,937	890,824	-	1,456,789

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

Board of Directors
Regional School Unit No. 22

We audited the financial statements of the Regional School Unit No. 22 as of and for the year ended June 30, 2023, and have issued our report thereon dated December 29, 2023.

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

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

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

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

Barbara Chibodian & Associates

December 29, 2023

Regional School Unit No. 22
 Reconciliation of Audit Adjustments to the Annual Financial Data
 Submitted to Maine Education Financial System
 For the Year Ended June 30, 2023

	General Fund	Grants and other Funds	Capital Projects Fund	Nonmajor Governmental Fund - School Food Service Program	Nonmajor Governmental Fund - Adult Education	Totals
<i>June 30 balance as per Maine Education Financial System</i>	\$ 11,510,312	\$ 38,981	\$ 1,456,789	\$ 670,270	\$ 9,550	\$ 13,676,352
Fund Balance Adjustments	(2,187)	-	-	-	-	(2,187)
Revenue Adjustments	-	23,519	-	-	-	23,519
Expenditure Adjustments	(723,814)	4,088	-	(1)	1,747	(719,727)
<i>Audited GAAP Basis Fund Balance</i>	<u>\$ 10,784,311</u>	<u>\$ 66,588</u>	<u>\$ 1,456,789</u>	<u>\$ 670,269</u>	<u>\$ 11,297</u>	<u>\$ 12,977,957</u>