

Regional School Unit No. 22

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2017

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Independent Auditor's Report

Board of Directors
Regional School Unit No. 22

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 22 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 22's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Schedules of Pension Amounts by Employer reported by the State of Maine Public Employees Retirement System, which provides information used to calculate the amounts recognized in the financial statements of Regional School Unit No. 22 as deferred outflows and deferred inflows related to pensions, net pension liability, pension expense, and pension revenue of governmental activities. Those schedules were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Regional School Unit No. 22, is based solely on the report of the other auditors and certain other procedures related to the allocation percentage and the amounts allocated to Regional School Unit No. 22 based on the allocation percentage. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 22 as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 6 through 14 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Regional School Unit No. 22's basic financial statements. The other supplementary information on Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System is presented as required by the laws of the State of Maine and is also not a required part of the basic financial statements.

The other supplementary information on Schedules 1 through 3, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 through 3, the schedule of expenditures of federal awards, and the reconciliation of audit adjustments to annual financial data submitted to Maine Education Financial System are fairly stated in all material respects in relation to the basic financial statements as a whole.

Brantner Shiodian & Associates

December 19, 2017

Regional School Unit No. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2017

As management of the Regional School Unit No. 22, we offer readers of the Unit's financial statements this narrative overview and analysis of the financial activities of the Unit for the fiscal year ended June 30, 2017. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. The data is reported in a manner designed to fairly present the Unit's financial position, and the results of operations of the various funds of the Unit. All disclosures necessary to enable the reader to gain accurate understanding of the Unit's financial activities have been included.

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

FINANCIAL INFORMATION

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

FINANCIAL HIGHLIGHTS

- The total balance of the Unit's cash and cash equivalents at June 30, 2017 was \$5,107,383.
- The Units total debt decreased by \$1,050,877 for the year to \$39,769,878.
- Under the government-wide basis of reporting, the Unit's total net position increased by \$473,478, after a restatement of (\$120,345).
- The fund balance as reported on the Unit's fund financial statements increased by \$1,099,249 to \$3,449,156, after a restatement of (\$13,620).
- On a budget basis, the Unit's revenues exceeded its expenditures and transfers out by \$217,007. The Unit originally planned for a budget deficiency of \$541,038. The Unit experienced a positive budget variance of \$758,045 and an increase in the budget-basis fund balance of \$211,840 after a restatement of (\$5,167).

OVERVIEW OF FINANCIAL STATEMENTS

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements

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

The statement of net position presents information on all of the Unit's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Unit is improving or deteriorating.

The statement of activities presents information showing how the Unit's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as earned but unused compensated absences.

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Unit, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Unit can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Unit's near-term financing requirements.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements (continued)

Governmental Funds (Continued)

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

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

Fiduciary Funds

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

Notes to the basic financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23-39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 40-43 of this report.

Other supplementary information is presented following the required supplementary information. The Budget and Assessment – General Fund and other combining schedules can be found on pages 44-46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Unit, assets exceeded liabilities by \$15,509,265 as of June 30, 2017.

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

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

Net position for the Period Ending June 30, 2017 and 2016

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

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 5,762,158	\$ 5,012,298
Capital assets	<u>51,153,348</u>	<u>52,863,692</u>
Total Assets	<u>56,915,506</u>	<u>57,875,990</u>
Deferred outflows of resources	<u>778,213</u>	<u>756,684</u>
Current liabilities	2,551,645	2,662,391
Non-current liabilities	<u>39,531,235</u>	<u>40,820,755</u>
Total Liabilities	<u>42,082,880</u>	<u>43,483,146</u>
Deferred inflows of resources	<u>101,574</u>	<u>113,741</u>
Net position		
Net investment in capital assets	\$ 14,292,277	\$13,139,405
Restricted	1,715,903	745,887
Unrestricted	<u>(498,915)</u>	<u>1,150,495</u>
Total Net position	<u>\$ 15,509,265</u>	<u>\$15,035,787</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position for the Period Ending June 30, 2017 and 2016 (Continued)

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

- Much of the Unit's bonded debt is paid by the State of Maine. The principal portion of these debt payments made on behalf of the Unit is recorded as general revenue from state sources and totaled \$3,526,851 and \$3,569,549 for the years ended June 30, 2017 and 2016, respectively.
- The Unit recorded depreciation expense of \$1,756,735 for the year ended June 30, 2017 and \$1,756,457 for the year ended June 30, 2016. The Unit also recorded interest expense of \$1,547,047 for the year ended June 30, 2017 and \$1,615,372 for the year ended June 30, 2016.

The following table presents a summary of the Unit's operations for the fiscal year ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
REVENUES		
Charges for services and other	\$ 1,106,720	\$ 1,023,106
Operating grants and contributions	2,899,230	2,855,511
Capital grants and contributions	19,574	533
General revenues		
Local assessments	10,768,137	10,466,947
Grants and contributions not restricted to specific programs	18,454,283	18,600,158
State pension contribution	1,871,427	671,238
Other revenues	<u>166,758</u>	<u>185,670</u>
Total Revenues	<u>35,286,129</u>	<u>33,803,163</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position for the Period Ending June 30, 2017 and 2016 (Continued)

	<u>2017</u>	<u>2016</u>
EXPENSES		
Regular instruction	\$11,438,217	\$10,850,236
Special education instruction	5,457,238	4,785,992
Career and technical education	385,311	315,466
Other instruction	806,664	722,271
Student and staff support	2,297,728	2,107,657
System administration	974,463	936,917
School administration	1,390,219	1,318,816
Transportation and buses	1,155,028	1,152,147
Facilities maintenance	4,587,923	4,544,184
Adult education	60,945	60,279
On-behalf payments – State of Maine	1,329,050	1,263,779
Restricted grants	1,253,399	1,225,179
Food service	1,059,424	1,053,746
Interest and other charges	1,547,047	1,615,372
Capital outlay	<u>895,254</u>	<u>437,450</u>
Total Expenses	<u>34,637,910</u>	<u>32,389,491</u>
Excess (deficiency) of revenues over expenses before special items	<u>648,219</u>	<u>1,413,672</u>
Special items (net)	<u>(54,396)</u>	<u>(2,644)</u>
Change in net position	<u>593,823</u>	<u>1,411,028</u>
Net position, beginning of year	<u>15,035,787</u>	<u>13,624,759</u>
Restatement for accrued payroll for hourly employees	<u>(120,345)</u>	<u>-</u>
Net position, beginning of year – restated	<u>14,915,442</u>	<u>13,624,759</u>
Net position, end of year	<u>\$15,509,265</u>	<u>\$15,035,787</u>

Analysis of the Unit's Operations

Overall the Unit had a total increase in net position of \$593,823 from current year operations.

Total operating revenues for governmental activities increased from the prior year by \$1,482,966. Total revenues include general revenues such as local assessments, State aid to education, and other revenue that is not program specific or charges for services, such as federal grants for special education and fees for hot lunch and adult education.

General revenues for the year ended June 30, 2017 totaled \$31,260,605. Of this amount, \$10,768,137 was from local and \$18,454,283 was from the State of Maine and federal grants. In addition, \$1,871,427 came from the State of Maine for pension contributions, and \$166,758 came from interest and other miscellaneous sources. Also, the Unit incurred a \$2,518 on loss on a disposal of a capital asset, and returned funds to the State related to construction interest in the amount of \$51,878.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Analysis of the Unit's Operations (Continued)

During the year, the Unit received program specific operating grants and contributions totaling \$2,899,230. These grants and contributions represent resources that are restricted for use in particular programs and are meant to directly offset the Unit's costs for these various programs. Most of these grants and contributions come from state and federal sources.

Expenses of governmental activities include depreciation expense of \$1,756,735. Depreciation expense has been allocated and is included in the various function/program expenses of the Unit.

Charges for services and other represent revenues earned by the Unit in return for services provided by the Unit or the use of the Unit's property and insurance settlement proceeds. These revenues predominately consist of adult education fees, school lunch revenues and rental income for the use of Unit facilities and buses. Charges for services totaled \$1,106,720 for the year ended June 30, 2017.

FINANCIAL ANALYSIS OF THE UNIT'S FUNDS

The focus of the Unit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Unit's financing requirements. As the Unit completed the year, its governmental funds reported a combined fund balance of \$3,449,156, \$1,099,249 higher than the previous year due to savings achieved in the instruction areas, transportation, and facilities maintenance, and due to lease proceeds received but not yet spent.

In the general fund, the Unit budgeted to use \$541,038 of unassigned and assigned fund balance. Due to actual revenue on the budget basis being more than actual expenses on the budget basis, the fund balance increased \$217,007 on a budgetary basis.

Revenues include intergovernmental revenue of \$18,541,065 and local assessments totaling \$10,768,136. On-behalf payments amounted to \$1,329,050 and \$1,263,779 during the years ended June 30, 2017 and 2016, respectively. Additional information on these "on-behalf" payments can be found in notes to the basic financial statements.

Charges for services contributed \$1,106,721 in total revenue during the year. Of this amount, \$642,440 represents revenues generated from the food service program.

Total governmental fund expenditures for the year were \$33,955,815, representing an increase of \$919,345 or 2.78% more than the previous year. The Unit's debt service totaled \$4,621,665 for the year, which represents a decrease of \$44,170 from the previous year. The Unit paid \$895,254 in capital outlays during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following summarizes capital assets at year-end:

	<u>2017</u>	<u>2016</u>
Land	\$ 669,844	\$ 669,844
Buildings	54,428,515	54,403,330
Equipment	906,243	906,664
Vehicles	34,908	34,908
Land Improvements	<u>11,774,011</u>	<u>11,774,011</u>
Total capital assets	67,813,521	67,788,757
Accumulated depreciation	<u>(16,660,173)</u>	<u>(14,925,065)</u>
Capital assets, net	<u>\$ 51,153,348</u>	<u>\$ 52,863,692</u>

Additional information on the Unit's capital assets can be found in Note 3 on pages 30-31 of this report.

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

Debt Administration

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

	<u>2017</u>	<u>2016</u>
Bonds payable	\$35,562,756	\$38,168,505
Capital lease obligations	<u>3,224,067</u>	<u>1,976,918</u>
Total	<u>\$38,786,823</u>	<u>\$40,145,423</u>

Additional information on the Unit's long term debt can be found in Note 4 on pages 31-33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

During the year, actual revenues – budget basis was greater than budgeted revenues by a net variance of \$198,509. The causes include additional tuition revenues in excess of budgeted amounts, the re-introduction of the practice of billing MaineCare for applicable special education services, as well as revenue brought into the District as a result of services provided to the Veazie School Department.

Actual expenditures – budget basis was less than budgeted expenditures by \$550,450. Program expenditures in which variances exceed 5% of the final budgeted amounts are considered to be material budget variances. Transportation and Buses ended the year with a 6.34% positive variance; the direct result of the gasoline line containing a contingency fund that was not required elsewhere in the budget. Adult Education ended up with a 13.64% positive variance due to the ongoing, positive collaboration with RSU26 and now, RSU34.

The FY18 approved budget is \$30,972,942, which is an increase of 2.96% from the previous year. With state and national educational priorities uncertain, the District needs to be continuously innovative in developing potential revenue streams to lessen taxpayer costs while balancing the ever-changing needs of the student population.

Positive developments thus far in FY18 include the fact that incoming tuition student numbers are growing, health insurance premiums were flat this year and the District maintained a favorable fund balance. Looking to the near future and beyond, the District will be dealing with changes in administrative leadership, potential Building Committee projects on the horizon and the implementation of the Proficiency Based Diploma Project.

REQUEST FOR INFORMATION

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

Regional School Unit No. 22
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,117,863
Restricted cash	795,512
Beneficial interests in assets held by others	390,788
Accounts receivable	8,700
Due from other governments	337,794
Inventories	44,533
Prepaid expenses	66,968
Capital assets not being depreciated	669,844
Capital assets being depreciated, net of accumulated depreciation	50,483,504
	56,915,506
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	778,213
	778,213
 LIABILITIES	
Accounts payable and accrued expenses	278,231
Accrued wages	1,512,397
Due to fiduciary funds	457,956
Unearned revenues	64,418
Accrued interest payable	238,643
Long-term liabilities	
Due within one year	
Bonds payable	2,506,849
Capital leases payable	427,786
Due in more than one year	
Bonds payable	33,055,907
Capital leases payable	2,796,281
Compensated absences	107,124
Net pension liability	637,288
	42,082,880
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	101,574
	101,574
 NET POSITION	
Net investment in capital assets	14,292,277
Restricted for	
Capital projects	1,218,794
School lunch	64,823
State, local grants and donations	432,286
Unrestricted (deficit)	(498,915)
	(498,915)
	14,292,277
Total net position	\$ 15,509,265

See accompanying notes to basic financial statements.

Regional School Unit No. 22
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Regular instruction	\$ 11,438,217	\$ 347,177	\$ -	\$ -	\$ (11,091,040)
Special education instruction	5,457,238	-	-	-	(5,457,238)
Career and technical education	385,311	-	-	-	(385,311)
Other instruction	806,664	-	-	-	(806,664)
Student and staff support	2,297,728	-	-	-	(2,297,728)
System administration	974,463	102,793	-	-	(871,670)
School administration	1,390,219	-	12,000	-	(1,378,219)
Transportation and buses	1,155,028	-	2,810	-	(1,152,218)
Facilities maintenance	4,587,923	-	-	-	(4,587,923)
Adult education	60,945	14,312	15,123	-	(31,510)
On-behalf payments - State of Maine	1,329,050	-	1,329,050	-	-
Restricted grants	1,253,399	-	1,043,583	-	(209,816)
Food service	1,059,424	642,438	427,509	-	10,523
Interest and other charges	1,547,047	-	69,155	-	(1,477,892)
Capital outlay	895,254	-	-	19,574	(875,680)
Total governmental activities	\$ 34,637,910	\$ 1,106,720	\$ 2,899,230	\$ 19,574	(30,612,386)
General revenues					
Assessments					
Assessments, levied for general purposes					10,267,775
Assessments, levied for debt service					500,362
Grants and contributions not restricted to specific programs					18,454,283
Unrestricted investment earnings					18,547
State contribution to pension					1,871,427
Miscellaneous					148,211
Special item - construction interest returned to State					(51,878)
Special item - gain(loss) on disposal of capital assets					(2,518)
Total general revenues and special items					31,206,209
Change in net position					593,823
NET POSITION - BEGINNING					15,035,787
Restatement of beginning net position					(120,345)
NET POSITION - BEGINNING, RESTATED					14,915,442
NET POSITION - ENDING					\$ 15,509,265

Regional School Unit No. 22
Balance Sheet - Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Fund - School Lunch Fund</u>	<u>Total Govern- mental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,778,858	\$ 7,223	\$ 331,782	\$ -	\$ 4,117,863
Restricted cash	-	-	795,512	-	795,512
Beneficial interests in assets held by others	-	390,788	-	-	390,788
Accounts receivable	8,700	-	-	-	8,700
Due from other funds	-	-	91,500	-	91,500
Due from other governments	68,001	190,584	-	79,209	337,794
Inventories	-	-	-	44,533	44,533
Prepaid expenses	66,968	-	-	-	66,968
Total assets	<u>\$ 3,922,527</u>	<u>\$ 588,595</u>	<u>\$ 1,218,794</u>	<u>\$ 123,742</u>	<u>\$ 5,853,658</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 278,231	\$ -	\$ -	\$ -	\$ 278,231
Accrued wages	1,504,234	-	-	8,163	1,512,397
Due to other funds	364,469	156,309	-	28,678	549,456
Unearned revenues	42,340	-	-	22,078	64,418
Total liabilities	<u>2,189,274</u>	<u>156,309</u>	<u>-</u>	<u>58,919</u>	<u>2,404,502</u>
Fund balances					
Nonspendable for					
Inventories	-	-	-	44,533	44,533
Prepays	66,968	-	-	-	66,968
Restricted for					
Capital projects	-	-	1,218,794	-	1,218,794
School lunch	-	-	-	20,290	20,290
State and local grants and donations	-	432,286	-	-	432,286
Assigned for subsequent year's budget	452,000	-	-	-	452,000
Assigned for compensated absences	107,124	-	-	-	107,124
Unassigned	1,107,161	-	-	-	1,107,161
Total fund balances	<u>1,733,253</u>	<u>432,286</u>	<u>1,218,794</u>	<u>64,823</u>	<u>3,449,156</u>
Total liabilities and fund balances	<u>\$ 3,922,527</u>	<u>\$ 588,595</u>	<u>\$ 1,218,794</u>	<u>\$ 123,742</u>	<u>\$ 5,853,658</u>

Regional School Unit No. 22
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balance, governmental funds	\$	3,449,156
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		
Capital assets, net of accumulated depreciation		51,153,348
<p>Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		
Deferred outflows related to pensions		778,213
Deferred inflows related to pensions		(101,574)
<p>Some liabilities, (such as Capital Leases Payable, Bonds Payable, Accrued Interest, and Net Pension Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		
Bonds and capital leases		(38,786,823)
Accrued interest		(238,643)
Net pension liability		(637,288)
Compensated absences liability		(107,124)
Net Position of Governmental Activities in the Statement of Net Position	\$	15,509,265

Regional School Unit No. 22
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Fund - School Lunch Fund</u>	<u>Total Govern- mental Funds</u>
REVENUES					
Local assessments	\$ 10,768,136	\$ -	\$ -	\$ -	\$ 10,768,136
Intergovernmental revenue	18,541,065	1,025,352	-	427,509	19,993,926
On-behalf payments - State of Maine	1,329,050	-	-	-	1,329,050
Charges for services	464,281	-	-	642,440	1,106,721
Interest	18,547	-	2,980	-	21,527
Other	129,438	71,937	16,594	-	217,969
Total revenues	<u>31,250,517</u>	<u>1,097,289</u>	<u>19,574</u>	<u>1,069,949</u>	<u>33,437,329</u>
EXPENDITURES					
Current					
Regular instruction	10,437,060	-	-	-	10,437,060
Special education instruction	4,999,823	-	-	-	4,999,823
Career and technical education	385,311	-	-	-	385,311
Other instruction	758,601	-	-	-	758,601
Student and staff support	2,131,415	-	-	-	2,131,415
System administration	847,432	-	-	-	847,432
School administration	1,307,602	-	-	-	1,307,602
Transportation and buses	1,155,028	-	-	-	1,155,028
Facilities maintenance	2,910,486	-	-	-	2,910,486
Adult education	58,290	-	-	-	58,290
On-behalf payments - State of Maine	1,329,050	-	-	-	1,329,050
Restricted grants	-	1,059,374	-	-	1,059,374
Food service	-	-	-	1,059,424	1,059,424
Debt service					
Principal	3,064,458	-	-	-	3,064,458
Interest and other charges	1,557,207	-	-	-	1,557,207
Capital outlay	-	-	895,254	-	895,254
Total expenditures	<u>30,941,763</u>	<u>1,059,374</u>	<u>895,254</u>	<u>1,059,424</u>	<u>33,955,815</u>
Excess (deficiency) of revenues over expenditures	<u>308,754</u>	<u>37,915</u>	<u>(875,680)</u>	<u>10,525</u>	<u>(518,486)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	-	-	1,683,233	-	1,683,233
Transfers in	9,086	-	100,833	-	109,919
Transfers out	(100,833)	-	(9,086)	-	(109,919)
Total other financing sources (uses)	<u>(91,747)</u>	<u>-</u>	<u>1,774,980</u>	<u>-</u>	<u>1,683,233</u>
SPECIAL ITEM					
Construction interest payment	-	-	(51,878)	-	(51,878)
Net change in fund balances	<u>217,007</u>	<u>37,915</u>	<u>847,422</u>	<u>10,525</u>	<u>1,112,869</u>
FUND BALANCES - BEGINNING	1,521,413	394,371	371,372	62,751	2,349,907
Restatement of beginning fund balance	(5,167)	-	-	(8,453)	(13,620)
FUND BALANCES - BEGINNING, RESTATED	<u>1,516,246</u>	<u>394,371</u>	<u>371,372</u>	<u>54,298</u>	<u>2,336,287</u>
FUND BALANCES - ENDING	<u>\$ 1,733,253</u>	<u>\$ 432,286</u>	<u>\$ 1,218,794</u>	<u>\$ 64,823</u>	<u>\$ 3,449,156</u>

Regional School Unit No. 22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds: \$ 1,112,869

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

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

Capital outlays	\$ 48,910	
Depreciation expense	<u>(1,756,735)</u>	(1,707,825)

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

(2,518)

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

Deferred outflows related to pensions		492,298
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt issued	\$ (1,705,858)	
Principal repaid	<u>3,064,458</u>	1,358,600

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

Change in accrued interest payable	10,160	
Change in compensated absences liability	(398)	
Net pension expense	<u>(669,363)</u>	<u>(659,601)</u>

Change in net position of governmental activities		<u>\$ 593,823</u>
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Regional School Unit No. 22
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 194,008	\$ -
Accounts receivable	-	125
Due from other funds	500	457,456
Due from other governments	-	11,041
Prepaid expenses	-	3,709
	<u>194,508</u>	<u>472,331</u>
LIABILITIES		
Unearned revenue	\$ -	\$ 42,873
Due to school groups	-	291,756
Due to other governments	-	137,702
	<u>-</u>	<u>472,331</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 194,508</u>	<u>\$ -</u>

Regional School Unit No. 22
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2017

	Private Purpose Trust Funds
ADDITIONS	
Interest	\$ 1,962
Contributions	41,909
Total additions	43,871
DEDUCTIONS	
Scholarship awards	51,080
Change in net position	(7,209)
NET POSITION - BEGINNING	201,717
NET POSITION - ENDING	\$ 194,508

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

In evaluating the Unit as a reporting entity, management has addressed all potential component units for which the Unit may be financially accountable and, as such, should be included within the Unit's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Unit is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Unit. Additionally, the Unit is required to consider other organizations for which the nature and significance of their relationship with the Unit are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT WIDE STATEMENTS

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

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

1. Governmental Funds

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

The Unit has presented the following major governmental funds:

General Fund

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

Special Revenue Fund

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

Capital Projects Fund

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

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

The Unit has presented the following fiduciary funds:

Private Purpose Trust Funds

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

Agency Funds

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

E. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS

1. Deposits

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

2. Inventories

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

3. Interfund Receivables and Payables

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

4. Interfund Transfers

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

5. Capital Assets

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

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

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

5. Capital Assets (Continued)

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

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

6. Long-term Debt

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

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

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

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

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees and Teachers (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Use of Estimates

Preparation of the Unit's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

9. Government-wide Net position

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

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

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

10. Governmental Fund Balances

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

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

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

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

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

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

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

11. New Governmental Accounting Standards

During the year ended June 30, 2017, the Unit implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement improves accounting and financial reporting financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. There was no change on the financial statements for the current year.

During the year ended June 30, 2017, the Unit also implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

12. Recent Accounting Pronouncements

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

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 2. DEPOSITS

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Unit's deposits may not be returned to it. The Unit does not have a deposit policy for custodial credit risk. As of June 30, 2017, the Unit reported deposits of \$5,107,383 with bank balances of \$5,565,080. Of the Unit's total bank balance of \$5,565,080, \$3,722,145 was exposed to custodial credit risk. Of the exposed amount, \$3,176,633 was collateralized by underlying securities held by the related bank, which were not in the Unit's name, and \$545,512 was uncollateralized.

Deposits have been reported as follows:

Reported in governmental funds	\$4,913,375
Reported in private purpose trust funds	<u>194,008</u>
Total deposits	<u>\$5,107,383</u>

The Unit reported \$795,512 of restricted cash which is included in the above deposits but is not available for use in current operations. This amount represents unspent lease proceeds restricted for the schools energy efficiency project.

NOTE 3. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Retire- ments	Balance June 30, 2017
<i>Capital assets not being depreciated</i>				
Land	\$ 669,844	\$ -	\$ -	\$ 669,844
<i>Capital assets being depreciated</i>				
Buildings	54,403,330	25,185	-	54,428,515
Equipment	871,801	23,725	(14,030)	881,496
Data processing equipment	34,863	-	(10,116)	24,747
Vehicles	34,908	-	-	34,908
Land improvements	<u>11,774,011</u>	<u>-</u>	<u>-</u>	<u>11,774,011</u>
Total capital assets being depreciated	<u>67,118,913</u>	<u>48,910</u>	<u>(24,146)</u>	<u>67,143,677</u>
<i>Less accumulated depreciation for</i>				
Buildings	(11,835,662)	(1,317,618)	-	(13,153,280)
Equipment	(537,435)	(42,345)	11,512	(568,268)
Data processing equipment	(27,328)	(2,697)	10,116	(19,909)
Vehicles	(27,633)	(3,500)	-	(31,133)
Land improvements	<u>(2,497,007)</u>	<u>(390,575)</u>	<u>-</u>	<u>(2,887,583)</u>
Total accumulated depreciation	<u>(14,925,065)</u>	<u>(1,756,735)</u>	<u>21,628</u>	<u>(16,660,173)</u>
Total capital assets being depreciated, net	<u>52,193,848</u>	<u>(1,707,825)</u>	<u>(2,518)</u>	<u>50,483,504</u>
Capital assets, net	<u>\$52,863,692</u>	<u>\$(1,707,825)</u>	<u>\$ (2,518)</u>	<u>\$ 51,153,348</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 3. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 48,542
Operations	<u>1,708,193</u>
Total depreciation expense	<u>\$1,756,735</u>

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities of the Unit for the year ended June 30, 2017.

	Balance June 30, 2016, Restated	Increases	Decreases	Balance June 30, 2017	Portion due within one year
General obligation bonds					
<i>Maine Municipal Bond Bank</i>					
Renovation project bonds due in annual principal installments of \$144,150 through November 2017; interest due semiannually at rates from 5.276% to 5.776%.	\$ 288,300	\$ -	\$ (144,150)	\$ 144,150	\$ 144,150
Renovation project bonds due in annual principal installments of \$99,300 through November 2016; interest due semiannually at rates from 2.150% to 5.000%.	99,300	-	(99,300)	-	-
Hampden Academy construction project bonds due in annual principal installments of \$2,345,632; through November 2031; interest due semiannually at rates from 2.125% to 5.625%.	37,530,114	-	(2,345,632)	35,184,482	2,345,632
<i>Bangor Savings Bank</i>					
Qualified School Construction Bonds due in semiannual principal and interest payments through August 2028; Interest at rate of 4.8%.	<u>250,791</u>	<u>-</u>	<u>(16,667)</u>	<u>234,124</u>	<u>17,067</u>
Total general obligation bonds	38,168,505	22,625	(2,628,374)	35,562,756	2,506,849
Capital leases	1,976,918	1,683,233	(436,084)	3,224,067	427,786
Compensated absences liability	106,725	15,174	(14,775)	107,124	N/A
Net pension liability	<u>426,529</u>	<u>691,407</u>	<u>(480,648)</u>	<u>637,288</u>	N/A
Total long-term liabilities	<u>\$ 40,678,677</u>	<u>\$ 2,412,439</u>	<u>\$(3,559,881)</u>	<u>\$ 39,531,235</u>	<u>\$ 2,934,635</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds payable

Future maturities of general obligation bonds payable are as follows:

Year ended June 30	Principal	Interest	Total
2018	\$ 2,506,849	\$ 1,418,953	\$ 3,925,802
2019	2,363,109	1,366,021	3,729,130
2020	2,363,528	1,305,394	3,668,922
2021	2,363,958	1,203,697	3,567,655
2022	2,364,398	1,070,865	3,435,263
2023-2027	11,828,964	3,749,798	15,578,762
2028-2032	<u>11,771,950</u>	<u>1,210,338</u>	<u>12,982,288</u>
	<u>\$35,562,756</u>	<u>\$11,325,066</u>	<u>\$46,887,822</u>

In accordance with Maine law, no school district shall incur debt for specific purposes in excess of certain percentages of State valuation of member municipalities. At June 30, 2017, the Unit was in compliance with these limitations.

Obligations under capital leases

The Unit is the lessee of various equipment and software under capital leases expiring in 2018, 2019, 2020, and 2021; a portable classroom capital lease that expires in 2018; and has financed various capital improvements with capital leases expiring in 2022, 2028, and 2033. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

As of June 30, 2017, the Unit has recorded \$2,666,620 in buildings and \$63,536 in equipment related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2017 is \$540,269.

Minimum future lease payments under capital leases as of June 30, 2017 are:

2018	\$ 518,368
2019	539,441
2020	432,385
2021	388,875
2022	365,511
2023-2027	784,133
2028-2032	678,641
2033	<u>65,324</u>
	3,772,678
Less amount representing interest	<u>(548,611)</u>
Present value of minimum lease payments	<u>\$ 3,224,067</u>

The amount of principal due within one year for the above capital leases is \$427,786.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

Obligations under operating leases

The Unit is currently committed to operating lease payments of \$98,002 over the next four years for copier leases. Future lease payment requirements are as follows:

2018	\$ 31,784
2019	31,784
2020	31,785
2021	<u>2,649</u>
Total	<u>\$ 98,002</u>

Operating lease payments were \$31,784 for fiscal year 2017.

NOTE 5. INTERFUND TRANSACTIONS

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

Individual fund interfund receivable and payable balances at June 30, 2017, arising from these transactions were as follows:

	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 364,469	\$ 9,086	\$ 100,833
Special revenue fund	-	156,309	-	-
Capital projects fund	91,500	-	100,833	9,086
Nonmajor governmental funds	-	28,678	-	-
Agency funds	<u>457,956</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 549,456</u>	<u>\$ 549,456</u>	<u>\$ 109,919</u>	<u>\$ 109,919</u>

The outstanding balances between funds result mainly from short-term cash flow needs that are funded by the general fund as it hold the Unit's checking account. The transfers of \$100,833 were used to move funds in accordance with budgetary authorizations. The transfer of \$9,086 was used to move construction project interest into the general fund.

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of related bonds and leases payable, adding back any unspent proceeds. The Unit's net investment in capital assets was calculated as follows at June 30, 2017:

Capital assets	\$67,813,521
Accumulated depreciation	(16,660,173)
Related bonds payable	(35,562,756)
Related capital leases payable	<u>(1,298,315)</u>
Total balance	<u>\$ 14,292,277</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 7. RESTRICTED FOR CAPITAL PROJECTS

At June 30, 2017 the Unit had amounts restricted for future capital projects as follows:

Capital maintenance	\$ 321,685
New HA Bronco construction	1,500
Field maintenance	100,097
Schools energy efficiency project	<u>795,512</u>
	<u>\$ 1,218,794</u>

NOTE 8. BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

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

The estimated fair market value of the beneficial interests in the assets, which approximate the present values of expected future cash flows from the assets, are recognized in the statement of financial position as beneficial interests in assets held by others. This amounted to \$390,788 at June 30, 2017. The entire amount is reported in governmental funds.

NOTE 9. COMMITMENTS

At June 30, 2017, the Unit was committed to \$2,223,962 for transportation until June 2019; \$44,166 for phone services through 2021; and \$795,512 for an ongoing energy efficiency project.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's State Employee and Teacher (SET) Plan. The SET plan is a cost-sharing multiple employer defined benefit plan with a special funding situation, established by the Maine State legislature. The State of Maine is a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits

Benefit terms are established in Maine statute. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

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

Contributions - SET Plan

SET plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required to contribute 10.02% of compensation for non-federally funded employees. The Unit is required to contribute 3.36% of compensation to cover the normal costs for non-federally funded employees. The Unit is also required to contribute 13.93% of compensation for federally funded employees.

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions - SET Plan (Continued)

The contributions for the year ended June 30, 2017 were as follows:

	<u>Covered Payroll</u>	<u>Contribution Percentage</u>	<u>Contribution Amount</u>
Employee contribution	\$ 13,612,461	7.65%	\$ 1,041,353
State DOE contribution for non-federally funded employees	13,263,968	10.02%	1,329,050
Employer contribution for normal costs of non-federally funded employees	13,263,968	3.36%	445,669
Employer contribution for federally funded employees	348,494	13.93%	48,545

Net Pension Liability

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

The collective net pension liability measured as of June 30, 2016 was as follows:

	<u>SET Plan</u>
Plan collective total pension liability	\$ 8,432,364,488
Less plan net position	<u>(6,665,703,555)</u>
Plan collective net pension liability	<u>\$ 1,766,660,933</u>

At June 30, 2017, the Unit reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Unit for contributions to the SET Plan. The amount recognized by the Unit as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Unit were as follows:

	<u>SET Plan</u>
Unit's proportionate share of the net pension liability	\$ 637,288
State's proportionate share of the net pension liability associated with the Unit	<u>19,006,901</u>
Total	<u>\$ 19,644,189</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The net pension liability for the Unit was measured as of June 30, 2016, and the total collective pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Unit's proportionate share percentage of the collective net pension liability for the SET Plan was 0.036073%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.031592% at the prior measurement date of June 30, 2015.

Pension Expense and Revenue

For the year ended June 30, 2017, the Unit recognized pension expense of \$672,253 related to the SET Plan, made up of the Unit's proportionate share of plan pension expense \$80,339, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$591,914, and recognized revenue of \$1,871,427 for support provided by the State.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2017, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 12,325	\$ 1,203
Changes of assumptions	-	16,367
Net difference between projected and actual investment earnings on pension plan investments	203,500	83,385
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,090	619
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>492,298</u>	-
Total	<u>\$ 778,213</u>	<u>\$ 101,574</u>

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

\$492,298 reported as deferred outflows related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	SET Plan Amount
2018	\$ 61,208
2019	34,265
2020	57,316
2021	<u>31,552</u>
	<u>\$ 184,341</u>

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

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

NOTE 11. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

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

Regional School Unit No. 22
Notes to Basic Financial Statements
June 30, 2017

NOTE 11. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL (CONTINUED)

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

NOTE 12. CONTINGENCIES

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

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

NOTE 13. JOINTLY GOVERNED ORGANIZATION

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

The Unit is assessed a fee for vocational education services provided to students in the Unit. For the fiscal year ended June 30, 2017, UTC assessed the Unit \$392,426 for these services.

NOTE 14. RESTATEMENT OF BEGINNING FUND BALANCE AND NET POSITION

The Unit restated its beginning general fund fund balance by (\$111,892) and school lunch fund fund balance by (\$8,453) to record accrued wages for hourly employees, and restated its beginning general fund fund balance by \$106,725 to remove compensated absences liability from the fund financial statements and reflect it only on the government-wide financial statements. The Unit restated its beginning government-wide net position by (\$120,345) to record accrued wages for hourly employees.

Regional School Unit No. 22
Budget and Actual (with Budget to GAAP Differences) - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Budget to GAAP Differ- ences **	Actual Amounts - GAAP Basis
	Original	Changes*	Final			
REVENUES						
Local assessments	\$ 10,768,136	\$ -	\$ 10,768,136	10,768,136	\$ -	10,768,136
Intergovernmental	18,513,837	-	18,513,837	18,589,598	(48,533)	18,541,065
On-behalf payments - State of Maine	-	-	-	-	1,329,050	1,329,050
Tuition and fees	324,000	-	324,000	401,321.00	62,960	464,281
Interest	-	-	-	18,547	-	18,547
Other	102,558	-	102,558	129,438	-	129,438
Total revenues	29,708,531	-	29,708,531	29,907,040	1,343,477	31,250,517
EXPENDITURES						
Current						
Regular instruction	10,543,490	-	10,543,490	10,442,228	(5,168)	10,437,060
Special education instruction	5,192,695	-	5,192,695	4,999,823	-	4,999,823
Career and technical education	385,175	150	385,325	385,311	-	385,311
Other instruction	731,513	28,000	759,513	758,601	-	758,601
Student and staff support	2,362,975	(20,000)	2,342,975	2,313,005	(181,590)	2,131,415
System administration	765,781	30,000	795,781	793,020	54,412	847,432
School administration	1,289,810	19,000	1,308,810	1,307,602	-	1,307,602
Transportation and buses	1,273,213	(40,000)	1,233,213	1,155,028	-	1,155,028
Facilities maintenance	3,509,372	(17,150)	3,492,222	3,358,167	(447,681)	2,910,486
Adult education	67,500	-	67,500	58,290	-	58,290
On-behalf payments - State of Maine	-	-	-	-	1,329,050	1,329,050
Debt service						
Principal	2,541,288	-	2,541,288	2,541,288	523,170	3,064,458
Interest and other charges	1,485,924	-	1,485,924	1,485,923	71,284	1,557,207
Total expenditures	30,148,736	-	30,148,736	29,598,286	1,343,477	30,941,763
Excess (deficiency) of revenues over expenditures	(440,205)	-	(440,205)	308,754	-	308,754
OTHER FINANCING SOURCES (USES)						
Use of assigned fund balances	451,038	-	451,038	-	-	-
Use of unassigned fund balances	90,000	-	90,000	-	-	-
Transfers in	-	-	-	9,086	-	9,086
Transfers out	(100,833)	-	(100,833)	(100,833)	-	(100,833)
Total other financing sources (uses)	440,205	-	440,205	(91,747)	-	(91,747)
Net change in fund balances	\$ -	\$ -	\$ -	217,007	-	217,007
FUND BALANCE - BEGINNING				1,521,413	-	1,521,413
Restatement of beginning fund balance				(5,167)	-	(5,167)
FUND BALANCE - BEGINNING, RESTATED				1,516,246	-	1,516,246
FUND BALANCE - ENDING				\$ 1,733,253	\$ -	\$ 1,733,253

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

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

Regional School Unit No. 22
Budget and Actual (with Variances) - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Changes*	Final		
REVENUES					
Local assessments	\$ 10,768,136	\$ -	\$ 10,768,136	\$ 10,768,136	\$ -
Intergovernmental revenue	18,513,837	-	18,513,837	18,589,598	75,761
Tuition	324,000	-	324,000	401,321	77,321
Interest	-	-	-	18,547	18,547
Other	102,558	-	102,558	129,438	26,880
	<u>29,708,531</u>	<u>-</u>	<u>29,708,531</u>	<u>29,907,040</u>	<u>198,509</u>
EXPENDITURES					
Current					
Regular instruction	10,543,490	-	10,543,490	10,442,228	101,262
Special education instruction	5,192,695	-	5,192,695	4,999,823	192,872
Career and technical education	385,175	150	385,325	385,311	14
Other instruction	731,513	28,000	759,513	758,601	912
Student and staff support	2,362,975	(20,000)	2,342,975	2,313,005	29,970
System administration	765,781	30,000	795,781	793,020	2,761
School administration	1,289,810	19,000	1,308,810	1,307,602	1,208
Transportation and buses	1,273,213	(40,000)	1,233,213	1,155,028	78,185
Facilities maintenance	3,509,372	(17,150)	3,492,222	3,358,167	134,055
Adult education	67,500	-	67,500	58,290	9,210
Debt service					
Principal	2,541,288	-	2,541,288	2,541,288	-
Interest and other charges	1,485,924	-	1,485,924	1,485,923	1
	<u>30,148,736</u>	<u>-</u>	<u>30,148,736</u>	<u>29,598,286</u>	<u>550,450</u>
Excess (deficiency) of revenues over expenditures	(440,205)	-	(440,205)	308,754	748,959
OTHER FINANCING SOURCES (USES)					
Use of assigned fund balance	451,038	-	451,038	-	(451,038)
Use of unassigned fund balance	90,000	-	90,000	-	(90,000)
Transfers out	(100,833)	-	(100,833)	(100,833)	-
	<u>440,205</u>	<u>-</u>	<u>440,205</u>	<u>(91,747)</u>	<u>(531,952)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>217,007</u>	<u>\$ 217,007</u>
FUND BALANCE - BEGINNING				1,521,413	
Restatement of beginning fund balance				<u>(5,167)</u>	
FUND BALANCE - BEGINNING, RESTATED				<u>1,516,246</u>	
FUND BALANCE - ENDING				<u>\$ 1,733,253</u>	

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unit's proportion of the net pension liability	0.036073%	0.031592%	0.025736%	0.023857%						
Unit's proportionate share of the net pension liability	\$ 637,288	\$ 426,529	\$ 278,034	\$ 379,290						
State's proportionate share of the net pension liability associated with the Unit	<u>19,006,901</u>	<u>14,762,480</u>	<u>11,666,980</u>	<u>17,115,322</u>						
Total	<u>\$ 19,644,189</u>	<u>\$ 15,189,009</u>	<u>\$ 11,945,014</u>	<u>\$ 17,494,612</u>						
Unit's covered-employee payroll	\$ 13,037,573	\$ 12,859,165	\$ 12,423,732	\$ 12,357,812						
Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.89%	3.32%	2.24%	3.07%						
Plan fiduciary net position as a percentage of the total pension liability **	79.05%	83.55%	86.46%	76.85%						

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 480,648	\$ 389,649	\$ 367,689	\$ 37,398						
Contributions in relation to the contractually required contribution	<u>(480,648)</u>	<u>(389,649)</u>	<u>(367,689)</u>	<u>(37,398)</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Unit's covered-employee payroll	\$ 13,037,573	\$ 12,859,165	\$ 12,423,732	\$ 12,357,812						
Contributions as a percentage of covered-employee payroll	3.69%	3.03%	2.96%	0.30%						

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

**Regional School Unit No. 22
Budget and Assessment - General Fund
For the Year Ended June 30, 2017**

BUDGET REQUIREMENTS

Operations and indebtedness	\$ 30,148,736
Transfers out	<u>100,833</u>
Total budget requirements	<u>30,249,569</u>

REDUCTIONS OF REQUIREMENTS

Estimated revenues	18,940,395
Utilization of fund balance - budget	<u>541,038</u>
Total reductions of requirements	<u>19,481,433</u>

Net budget requirements	<u>\$ 10,768,136</u>
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ASSESSMENTS

Hampden	\$ 6,308,862
Newburgh	1,058,303
Winterport	2,585,463
Frankfort	<u>815,508</u>

Total assessments	<u>\$ 10,768,136</u>
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Regional School Unit No. 22
Combining Schedule of Special Revenue Fund Activity
For the Year Ended June 30, 2017

	June 30, 2016			June 30, 2017
	Balance	Revenues	Expenditures	Balance
<i>Federal grants</i>				
Chapter I/Title IA	\$ -	\$ 329,098	\$ 329,098	\$ -
Title IA Focus Schools	-	1,061	1,061	-
Title IA Focus - MMC	-	11,770	11,770	-
Local Entitlement	-	565,451	565,451	-
Title II-A	-	76,896	76,896	-
	<u>-</u>	<u>984,276</u>	<u>984,276</u>	<u>-</u>
<i>State grants and reimbursements</i>				
Dental	-	500	500	-
National Board Certification	-	5,225	5,225	-
College Transitions Grant	-	4,646	4,646	-
Proficiency Grant	9,173	29,207	12,934	25,446
PEPG Grant	4,485	1,500	4,226	1,759
	<u>-</u>	<u>6,441</u>	<u>6,441</u>	<u>-</u>
	<u>13,658</u>	<u>47,519</u>	<u>33,972</u>	<u>27,205</u>
<i>Local grants and insurance proceeds</i>				
Cole foundation	-	4,000	4,000	-
UM science materials	-	2,998	2,998	-
Stern foundation	579	-	579	-
Wellness Grant	6,861	5,470	7,709	4,622
Defunded sports	1,579	6,977	7,137	1,419
New Hampden Academy donations	371,694	46,049	18,703	399,040
	<u>380,713</u>	<u>65,494</u>	<u>41,126</u>	<u>405,081</u>
Totals	<u>\$ 394,371</u>	<u>\$ 1,097,289</u>	<u>\$ 1,059,374</u>	<u>\$ 432,286</u>

Regional School Unit No. 22
Combining Schedule of Agency Fund Activity
For the Year Ended June 30, 2017

	June 30, 2016 Balance	Receipts	Disbursements	June 30, 2017 Balance
Hampden Academy life skills	\$ 53	\$ -	\$ 53	\$ -
Hampden Academy	97,843	108,295	102,257	103,881
Alternative Education	62	-	-	62
Hampden Academy athletics	39,626	77,656	68,249	49,033
Trails Project	86	2,000	1,488	598
McGraw School	15,586	8,170	11,103	12,653
Special Olympics	2,063	2,010	669	3,404
Leroy Smith School	33,169	19,671	14,951	37,889
Weatherbee School	28,158	24,245	26,580	25,823
Wagner School	24,411	27,351	31,461	20,301
Reeds Brook School	31,834	51,344	48,529	34,649
Fundraising	119	30,547	27,203	3,463
	<hr/>	<hr/>	<hr/>	<hr/>
Total school agency accounts	273,010	351,289	332,543	291,756
Penobscot River Educational Partnership	22,122	217,643	204,859	34,906
Maine Cohort for Customized Learning	151,442	100,824	149,470	102,796
	<hr/>	<hr/>	<hr/>	<hr/>
Total agency fund activity	<u>\$ 446,574</u>	<u>\$ 669,757</u>	<u>\$ 686,873</u>	<u>\$ 429,458</u>

**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, 2017, and have issued our report thereon dated December 19, 2017.

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

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

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

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

Brantner Thibodeau & Associates

December 19, 2017

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, 2017

	General Fund	Special Revenue Funds	Nonmajor Governmental Fund - Capital Projects Fund	Nonmajor Governmental Fund - School Lunch Program	Totals
<i>June 30 balance as per Maine Education Financial System</i>	\$ 14,560,812	\$ 427,665	\$ 1,218,794	\$ 64,822	\$ 16,272,093
Fund Balance Adjustments					
Remove investment in capital assets	(13,139,405)	-	-	-	(13,139,405)
Remove GASB 34 fund balance	204,722	-	-	-	204,722
Reclass wellness grant fund balance	-	6,861	-	-	6,861
Closed client activity - pre-adjusted	<u>1,626,129</u>	<u>434,526</u>	<u>1,218,794</u>	<u>64,822</u>	<u>3,344,271</u>
Reclass compensated absences	<u>107,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,124</u>
Revenue Adjustments					
Record wellness grant revenue	<u>-</u>	<u>5,470</u>	<u>-</u>	<u>-</u>	<u>5,470</u>
Expenditure Adjustments					
Record wellness grant expenditures	<u>-</u>	<u>(7,709)</u>	<u>-</u>	<u>-</u>	<u>(7,709)</u>
Rounding Adjustment	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>1</u>	<u>-</u>
<i>Audited GAAP Basis Fund Balance</i>	<u>\$ 1,733,253</u>	<u>\$ 432,286</u>	<u>\$ 1,218,794</u>	<u>\$ 64,823</u>	<u>\$ 3,449,156</u>

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

Board of Directors
Regional School Unit No. 22

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 22, as of and for the year ended June 30, 2017, 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 19, 2017. Our report includes a reference to other auditors who audited the Schedules of Pension Amounts by Employer reported by the State of Maine Public Employees Retirement System, as described in our report on the Regional School Unit No. 22's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Brantner Whibodian & Associates

December 19, 2017

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

Board of Directors
Regional School Unit No. 22

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 22's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 22's major federal programs for the year ended June 30, 2017. Regional School Unit No. 22's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 22, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Brantner Whibodan & Associates

December 19, 2017

Regional School Unit No. 22
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures
<i>U.S. Department of Education</i>			
Passed through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	013-05A-3057-13	\$ 329,098
Title 1A Focus School	84.010	013-05A-3106-13	12,831
Improving Teacher Quality Grant	84.367	013-05A-3042-11	76,896
<i>Special Education Cluster</i>			
Special Education - Grants to States	84.027	013-05A-3046-12	<u>565,451</u>
Total U.S. Department of Education			<u>984,276</u>
<i>U.S. Department of Agriculture</i>			
Passed through State Department of Education			
Fresh Fruit & Vegetable Program	10.582	013-05A-3028-05	14,340
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	013-05A-3024-05	291,152
National School Lunch Program - donated commodities	10.555	013-05A-3024-05	55,571
National School Lunch- Performance Based Reimbursement	10.555	013-05A-3125-05	12,863
Summer Food Service Program for Children	10.559	013-05A-7130-05	6,149
School Breakfast Program	10.553	013-05A-3014-05	<u>86,211</u>
<i>Total Child Nutrition Cluster</i>			<u>451,946</u>
Total U.S. Department of Agriculture			<u>466,286</u>
Total expenditures of federal awards			<u>\$ 1,450,562</u>

Regional School Unit No. 22
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

PURPOSE OF THE SCHEDULE

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

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of Regional School Unit No. 22 for the fiscal year ended June 30, 2017. The reporting entity is defined in the Notes to the Financial Statements of Regional School Unit No. 22.

2. BASIS OF PRESENTATION

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

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

3. BASIS OF ACCOUNTING

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

4. NONCASH AWARDS

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

5. CHILD NUTRITION CLUSTER

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

**Regional School Unit No. 22
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Section I — Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting

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

Noncompliance material to financial statements noted? - yes no

Federal Awards

Internal control over major programs

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

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

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

Identification of major programs

CFDA Number(s)

84.027

Name of Federal Program or Cluster

Special Education Grants to States

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, 2017**

Section II — Financial Statement Findings

None

Criteria or specific requirement

Condition

Questioned costs

Context

Effect

Cause

Recommendation

Management's response

Section III — Federal Award Findings and Questioned Costs

None

Information on the federal program

Pass-through entity

Finding type

*Criteria or specific requirement
(including statutory, regulatory,
or other citation)*

Condition

Context

Cause and effect

Recommendation

Management's response