

Federal Compliance Audit

Regional School Unit No. 38

June 30, 2020



Proven Expertise & Integrity

REGIONAL SCHOOL UNIT NO. 38

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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional School Unit No. 38
Readfield, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Regional School Unit No. 38, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Regional School Unit No. 38'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 principle 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Regional School Unit No. 38 as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 12 and 67 through 74 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. 38's basic financial statements. The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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, the Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, on our consideration of Regional School Unit No. 38's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School Unit No. 38's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 25, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

(UNAUDITED)

The following management's discussion and analysis of the Regional School Unit No. 38's financial performance provides an overview of the Unit's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Unit's financial statements.

Financial Statement Overview

The Unit's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension and OPEB information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Unit's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Unit's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of Unit activities. The types of activities presented for the Unit are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Unit's basic services are reported in governmental activities, which include regular instruction, special education, other instruction, student and staff support, system administration, school administration, transportation, operations and maintenance, other community service and program expenditures.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The Unit's daycare/after school program, food service, adult education and health center are reported here.

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 local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Unit can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds: Most of the basic services provided by the Unit are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Unit's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Unit.

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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These

reconciliations are presented on the page immediately following each governmental funds financial statement.

The Unit presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Unit's major governmental funds are the general fund and the minor projects fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Unit legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Unit maintains four proprietary funds; food service, the daycare/after school program-Readfield, adult education and the health center. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Unit. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Unit's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Net Position - Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pension, a Schedule of Proportionate Share of the Net OPEB Liability - SET Plan, Schedule of Changes in Net OPEB Liability - MEABT Plan, a Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT Plan, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position of the Unit's governmental activities. The Unit's total net position for governmental activities increased by \$971,433 from \$6,513,318 to a balance of \$7,484,751 at the year end. For business-type activities, the Unit's total net position increased by \$32,136 from \$71,301 to a balance of \$103,437.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for the governmental activities to a deficit balance of \$2,747,680 at the end of the fiscal year. For business-type activities, the balance increased to a balance of \$72,151.

Table 1
Regional School Unit No. 38
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Assets:				
Current Assets	\$ 5,290,996	\$ 2,988,546	\$ 72,151	\$ 50,462
Noncurrent Assets - Capital Assets	14,776,998	11,812,416	31,286	20,839
Total Assets	<u>20,067,994</u>	<u>14,800,962</u>	<u>103,437</u>	<u>71,301</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	498,893	395,252	-	-
Deferred Outflows Related to OPEB	374,227	158,090	-	-
Total Deferred Outflows of Resources	<u>873,120</u>	<u>553,342</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	2,658,352	2,830,359	-	-
Noncurrent Liabilities	10,564,772	5,769,743	-	-
Total Liabilities	<u>13,223,124</u>	<u>8,600,102</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	109,600	86,335	-	-
Deferred Inflows Related to OPEB	123,639	154,549	-	-
Total Deferred Inflows of Resources	<u>233,239</u>	<u>240,884</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	10,023,707	9,908,972	31,286	20,839
Restricted: Special Revenue Funds	44,313	45,066	-	-
Permanent Funds	164,411	171,685	-	-
Unrestricted (Deficit)	(2,747,680)	(3,612,405)	72,151	50,462
Total Net Position	<u>\$ 7,484,751</u>	<u>\$ 6,513,318</u>	<u>\$ 103,437</u>	<u>\$ 71,301</u>

Revenues and Expenses

Revenues for the Unit's governmental activities increased by 4.82%, while total expenses increased by 3.30%. Increases in support from towns contributed to most of the Unit's overall change in revenues while increases in special education, student and staff support, system and school administration, transportation, state on-behalf payments and program expenditures contributed to the change in expenses from the previous year.

Revenues for the Unit's business-type activities decreased by 53.16%, while total expenses decreased by 41.35%. The decrease in revenues was primarily due to decreases in charges for services and operating grants and contributions while the decrease in expenses was mainly the result of decreases in salaries, contractual services and supplies.

Table 2
Regional School Unit No. 38
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Revenues:				
<i>Program Revenues:</i>				
Charges for services	\$ 725,347	\$ 749,221	\$ 257,357	\$ 346,916
Operating grants and contributions	2,656,981	2,405,524	207,583	692,702
<i>General Revenue:</i>				
Support from towns	13,544,804	13,019,458	-	-
Grants and contributions not restricted to specific programs	3,910,495	3,666,384	-	-
Miscellaneous	110,502	144,601	41,307	41,297
Total revenues	<u>20,948,129</u>	<u>19,985,188</u>	<u>506,247</u>	<u>1,080,915</u>
Expenses				
Regular instruction	7,559,058	7,578,956	-	-
Special education	2,342,882	2,104,333	-	-
Other instruction	413,211	486,296	-	-
Student and staff support	1,953,145	1,728,071	-	-
System administration	621,549	601,792	-	-
School administration	1,131,131	1,057,705	-	-
Transportation	842,717	752,949	-	-
Operations and maintenance	1,896,448	2,122,772	-	-
Other community service	6,761	7,314	-	-
State of Maine on-behalf payments	1,784,260	1,660,427	-	-
Program expenditures	993,903	878,022	739,277	1,260,401
Unallocated depreciation (Note 4)	95,065	86,687	-	-
Interest on long-term debt	71,400	17,344	-	-
Total expenses	<u>19,711,530</u>	<u>19,082,668</u>	<u>739,277</u>	<u>1,260,401</u>
Equity transfer from members	-	-	-	14,239
Transfers	<u>(265,166)</u>	<u>(199,529)</u>	<u>265,166</u>	<u>199,529</u>
Change in Net Position	971,433	702,991	32,136	34,282
Net Position - July 1	<u>6,513,318</u>	<u>5,810,327</u>	<u>71,301</u>	<u>37,019</u>
Net Position - June 30	<u>\$ 7,484,751</u>	<u>\$ 6,513,318</u>	<u>\$ 103,437</u>	<u>\$ 71,301</u>

Financial Analysis of the Unit's Fund Statements

Governmental funds: The financial reporting focus of the Unit's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the Unit's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending.

Table 3
Regional School Unit No. 38
Fund Balances - Governmental Funds
June 30,

	2020	2019	Increase/ (Decrease)
Major Funds:			
General Fund:			
Nonspendable	\$ 7,300	\$ 7,400	\$ (100)
Assigned	892,283	600,000	292,283
Unassigned	438,726	458,327	(19,601)
Total General Fund	<u>\$ 1,338,309</u>	<u>\$ 1,065,727</u>	<u>\$ 272,582</u>
Minor Projects Fund:			
Restricted	\$ 2,135,434	\$ -	\$ 2,135,434
Unassigned	-	(318,465)	318,465
Total Minor Projects Fund	<u>\$ 2,135,434</u>	<u>\$ (318,465)</u>	<u>\$ 2,453,899</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 44,313	\$ 45,066	\$ (753)
Committed	3,975	2,690	1,285
Assigned	68,104	63,034	5,070
Unassigned	-	(2,309)	2,309
Permanent Funds:			
Restricted	164,411	171,685	(7,274)
Total Nonmajor Funds	<u>\$ 280,803</u>	<u>\$ 280,166</u>	<u>\$ 637</u>

The changes to total fund balances for the general fund and nonmajor funds occurred due to the regular activity of operations. The large increase in the minor projects fund was due to the issuance of a new bond less capital outlay expenses.

Proprietary funds: The Unit's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted amounts by \$133,932. This was the result of nearly all revenue categories being receipted in excess of budgeted amounts.

The general fund actual expenditures were under budgeted amounts by \$738,650. All expenditure articles were under or within budget with the exception of student and staff support and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the Unit increased by \$2,975,029. This increase was a result of capital additions of \$3,707,931 less net disposals of \$24,421 and current year depreciation expense of \$708,481.

**Table 4
Regional School Unit No. 38
Capital Assets (Net of Depreciation)
June 30,**

	2020	2019
Land	\$ 565,793	\$ 565,793
Buildings, building improvements and land improvements	13,169,448	10,223,159
Furniture and fixtures	2,084	3,126
Machinery and equipment	269,304	324,464
Vehicles	801,655	716,713
Total	<u>\$ 14,808,284</u>	<u>\$ 11,833,255</u>

Debt

At June 30, 2020, the Unit had \$6.89 million in bonds and notes from direct borrowing payable outstanding versus \$1.90 million last year. A new bond was issued during the year in the amount of \$5.84 million for capital improvements. Refer to Note 7 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The FY 2021 budget could be impacted by reductions in state subsidy as a result of reduced state revenue projections. Curtailments in the state's biennial budget may serve to increase required local contributions and/or reductions in Unit spending.

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Unit. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Unit.

Contacting the Unit's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Unit's finances and to show the Unit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Unit's Finance Department at 45 Millard Harrison Drive, Readfield, Maine 04355.

STATEMENT A

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,862,401	\$ 113,115	\$ 3,975,516
Investments	1,097,867	-	1,097,867
Accounts receivable (net of allowance for uncollectibles)	27,419	-	27,419
Due from other governments	206,317	24,401	230,718
Prepaid items	7,300	-	7,300
Inventory	-	24,327	24,327
Internal balances	89,692	(89,692)	-
Total current assets	<u>5,290,996</u>	<u>72,151</u>	<u>5,363,147</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	671,599	-	671,599
Buildings and equipment, net of accumulated depreciation	14,105,399	31,286	14,136,685
Total noncurrent assets	<u>14,776,998</u>	<u>31,286</u>	<u>14,808,284</u>
TOTAL ASSETS	<u>20,067,994</u>	<u>103,437</u>	<u>20,171,431</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	498,893	-	498,893
Deferred outflows related to OPEB	374,227	-	374,227
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>873,120</u>	<u>-</u>	<u>873,120</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,941,114</u>	<u>\$ 103,437</u>	<u>\$ 21,044,551</u>

STATEMENT A (CONTINUED)
REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 57,221	\$ -	\$ 57,221
Accrued expenses	374,969	-	374,969
Accrued payroll	1,104,260	-	1,104,260
Current portion of long-term obligations	1,121,902	-	1,121,902
Total current liabilities	<u>2,658,352</u>	<u>-</u>	<u>2,658,352</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	5,656,745	-	5,656,745
Notes from direct borrowings payable	121,882	-	121,882
Accrued compensated absences	224,281	-	224,281
Net pension liability	229,202	-	229,202
Net OPEB liability	4,332,662	-	4,332,662
Total noncurrent liabilities	<u>10,564,772</u>	<u>-</u>	<u>10,564,772</u>
TOTAL LIABILITIES	<u>13,223,124</u>	<u>-</u>	<u>13,223,124</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	109,600	-	109,600
Deferred inflows related to OPEB	123,639	-	123,639
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>233,239</u>	<u>-</u>	<u>233,239</u>
NET POSITION			
Net investment in capital assets	10,023,707	31,286	10,054,993
Restricted: Special revenue funds	44,313	-	44,313
Permanent funds	164,411	-	164,411
Unrestricted (deficit)	(2,747,680)	72,151	(2,675,529)
TOTAL NET POSITION	<u>7,484,751</u>	<u>103,437</u>	<u>7,588,188</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 20,941,114</u>	<u>\$ 103,437</u>	<u>\$ 21,044,551</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental activities:							
Regular instruction	\$ 7,559,058	\$ 609,124	\$ -	\$ -	\$ (6,949,934)	\$ -	\$ (6,949,934)
Special education	2,342,882	-	-	-	(2,342,882)	-	(2,342,882)
Other instruction	413,211	-	-	-	(413,211)	-	(413,211)
Student and staff support	1,953,145	-	-	-	(1,953,145)	-	(1,953,145)
System administration	621,549	-	-	-	(621,549)	-	(621,549)
School administration	1,131,131	-	-	-	(1,131,131)	-	(1,131,131)
Transportation	842,717	49,752	-	-	(792,965)	-	(792,965)
Operations and maintenance	1,896,448	-	-	-	(1,896,448)	-	(1,896,448)
Other community service	6,761	-	-	-	(6,761)	-	(6,761)
Program expenditures	993,903	66,471	872,721	-	(54,711)	-	(54,711)
State of Maine on-behalf payments	1,784,260	-	1,784,260	-	-	-	-
Unallocated depreciation (Note 4)*	95,065	-	-	-	(95,065)	-	(95,065)
Interest on long-term debt	71,400	-	-	-	(71,400)	-	(71,400)
Total governmental activities	19,711,530	725,347	2,656,981	-	(16,329,202)	-	(16,329,202)
Business-type activities:							
Daycare/afterschool program - Readfield	26,121	24,113	-	-	-	(2,008)	(2,008)
Food service	620,745	199,309	207,583	-	-	(213,853)	(213,853)
Adult education	23,608	33,935	-	-	-	10,327	10,327
Health center	68,803	-	-	-	-	(68,803)	(68,803)
Total business-type activities	739,277	257,357	207,583	-	-	(274,337)	(274,337)
Total government	\$ 20,450,807	\$ 982,704	\$ 2,864,564	\$ -	\$ (16,329,202)	\$ (274,337)	\$ (16,603,539)

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>(16,329,202)</u>	<u>(274,337)</u>	<u>(16,603,539)</u>
General revenues:			
Support from towns	13,544,804	-	13,544,804
Grants and contributions not restricted to specific programs	3,910,495	-	3,910,495
Miscellaneous	110,502	41,307	151,809
Transfers	<u>(265,166)</u>	<u>265,166</u>	-
Total general revenues and transfers	<u>17,300,635</u>	<u>306,473</u>	<u>17,607,108</u>
Change in net position	971,433	32,136	1,003,569
NET POSITION - JULY 1	<u>6,513,318</u>	<u>71,301</u>	<u>6,584,619</u>
NET POSITION - JUNE 30	<u>\$ 7,484,751</u>	<u>\$ 103,437</u>	<u>\$ 7,588,188</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

REGIONAL SCHOOL UNIT NO. 38

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Minor Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,665,275	\$ 2,115,546	\$ 81,580	\$ 3,862,401
Investments	1,015,036	-	82,831	1,097,867
Accounts receivable (net of allowance for uncollectibles)	10,787	-	16,632	27,419
Due from other governments	125	-	206,192	206,317
Prepaid items	7,300	-	-	7,300
Due from other funds	173,736	19,888	105,620	299,244
TOTAL ASSETS	\$ 2,872,259	\$ 2,135,434	\$ 492,855	\$ 5,500,548
LIABILITIES				
Accounts payable	\$ 54,721	\$ -	\$ 2,500	\$ 57,221
Accrued expenses	374,969	-	-	374,969
Accrued payroll	1,104,260	-	-	1,104,260
Due to other funds	-	-	209,552	209,552
TOTAL LIABILITIES	1,533,950	-	212,052	1,746,002
FUND BALANCES				
Nonspendable	7,300	-	-	7,300
Restricted	-	2,135,434	208,724	2,344,158
Committed	-	-	3,975	3,975
Assigned	892,283	-	68,104	960,387
Unassigned	438,726	-	-	438,726
TOTAL FUND BALANCES	1,338,309	2,135,434	280,803	3,754,546
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,872,259	\$ 2,135,434	\$ 492,855	\$ 5,500,548

See accompanying independent auditors' report and notes to financial statements.

STATEMENT D

REGIONAL SCHOOL UNIT NO. 38

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balances - governmental funds	\$ 3,754,546
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	14,776,998
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	498,893
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	374,227
Long-term obligations shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(6,581,384)
Notes from direct borrowings payable	(307,341)
Accrued compensated absences	(236,085)
Net pension liability	(229,202)
Net OPEB liability	(4,332,662)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(109,600)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	<u>(123,639)</u>
 Net position of governmental activities	<u>\$ 7,484,751</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT E

REGIONAL SCHOOL UNIT NO. 38

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Minor Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Support from towns	\$ 13,467,804	\$ -	\$ 77,000	\$ 13,544,804
Intergovernmental revenues	5,259,334	-	872,721	6,132,055
Charges for services	658,876	-	66,471	725,347
Miscellaneous	88,231	12,877	9,394	110,502
TOTAL REVENUES	19,474,245	12,877	1,025,586	20,512,708
EXPENDITURES				
Current:				
Regular instruction	7,520,725	-	-	7,520,725
Special education	2,284,459	-	-	2,284,459
Other instruction	367,785	-	-	367,785
Student and staff support	1,953,145	-	-	1,953,145
System administration	616,155	-	-	616,155
School administration	1,095,728	-	-	1,095,728
Transportation	1,053,978	-	-	1,053,978
Operations and maintenance	2,113,510	-	-	2,113,510
State of Maine on-behalf payments	1,348,839	-	-	1,348,839
Other community service	6,761	-	-	6,761
Capital outlay	-	3,402,688	-	3,402,688
Program expenditures	-	-	993,903	993,903
Debt service:				
Principal	535,058	-	-	535,058
Interest	71,400	-	-	71,400
TOTAL EXPENDITURES	18,967,543	3,402,688	993,903	23,364,134
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	506,702	(3,389,811)	31,683	(2,851,426)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	5,843,710	-	5,843,710
Transfers in	-	-	14,120	14,120
Transfers (out)	(234,120)	-	(45,166)	(279,286)
TOTAL OTHER FINANCING SOURCES (USES)	(234,120)	5,843,710	(31,046)	5,578,544
NET CHANGE IN FUND BALANCES	272,582	2,453,899	637	2,727,118
FUND BALANCES - JULY 1	1,065,727	(318,465)	280,166	1,027,428
FUND BALANCES - JUNE 30	\$ 1,338,309	\$ 2,135,434	\$ 280,803	\$ 3,754,546

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds (Statement E)	\$ 2,727,118
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Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:

Capital asset acquisitions	3,692,036
Capital asset disposals	(24,421)
Depreciation expense	<u>(703,033)</u>
	<u>2,964,582</u>

Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.

319,778

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position

858,429

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position

(5,843,710)

Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.

7,645

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	(19,840)
Net pension liability	217,477
Net OPEB liability	<u>(260,046)</u>
	<u>(62,409)</u>

Change in net position of governmental activities (Statement B)	\$ 971,433
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See accompanying independent auditors' report and notes to financial statements.

STATEMENT G

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Food Service	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 113,115	\$ -	\$ 113,115
Due from other governments	24,401	-	24,401
Due from other funds	-	53,688	53,688
Inventory	24,327	-	24,327
Total current assets	<u>161,843</u>	<u>53,688</u>	<u>161,843</u>
Noncurrent assets:			
Machinery and equipment	58,164	-	58,164
Less: accumulated depreciation	(26,878)	-	(26,878)
Total noncurrent assets	<u>31,286</u>	<u>-</u>	<u>31,286</u>
TOTAL ASSETS	<u>\$ 193,129</u>	<u>\$ 53,688</u>	<u>\$ 246,817</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ 143,380	\$ -	\$ 143,380
TOTAL LIABILITIES	<u>\$ 143,380</u>	<u>\$ -</u>	<u>\$ 143,380</u>
NET POSITION			
Net investment in capital assets	31,286	-	31,286
Unrestricted	18,463	53,688	72,151
TOTAL NET POSITION	<u>49,749</u>	<u>53,688</u>	<u>103,437</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 193,129</u>	<u>\$ 53,688</u>	<u>\$ 246,817</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT H
REGIONAL SCHOOL UNIT NO. 38

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service	Other Enterprise Funds	Total
OPERATING REVENUES			
Intergovernmental	\$ 207,583	\$ -	\$ 207,583
Charges for services	199,309	58,048	257,357
Miscellaneous	40,507	-	40,507
TOTAL OPERATING REVENUES	447,399	58,048	505,447
OPERATING EXPENSES			
Salaries	297,507	71,912	369,419
Benefits	87,191	5,876	93,067
Contractual services	-	29,386	29,386
Supplies	208,662	8,320	216,982
Repair and maintenance	16,935	-	16,935
Travel expenses	883	-	883
Depreciation	5,448	-	5,448
Other	4,119	3,038	7,157
TOTAL OPERATING EXPENSES	620,745	118,532	739,277
OPERATING INCOME (LOSS)	(173,346)	(60,484)	(233,830)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	800	-	800
Transfers in	190,000	75,166	265,166
Transfers (out)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	190,800	75,166	265,966
CHANGES IN NET POSITION	17,454	14,682	32,136
NET POSITION - JULY 1	32,295	39,006	71,301
NET POSITION - JUNE 30	\$ 49,749	\$ 53,688	\$ 103,437

See accompanying independent auditors' report and notes to financial statements.

STATEMENT I

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Food Service	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 236,964	\$ 58,048	\$ 295,012
Intergovernmental receipts	275,401	-	275,401
Internal activity - receipts (payments) from/to other funds	19,490	(14,682)	4,808
Payments to employees	(297,507)	(71,912)	(369,419)
Payments to suppliers	(317,790)	(46,620)	(364,410)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(83,442)	(75,166)	(158,608)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	800	-	800
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	800	-	800
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	190,000	75,166	265,166
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	190,000	75,166	265,166
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets	(15,895)	-	(15,895)
Net cash provided (used) by capital and related financing activities	(15,895)	-	(15,895)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,463	-	91,463
CASH AND CASH EQUIVALENTS - JULY 1	21,652	-	21,652
CASH AND CASH EQUIVALENTS - JUNE 30	\$ 113,115	\$ -	\$ 113,115
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (173,346)	\$ (60,484)	\$ (233,830)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	5,448	-	5,448
Changes in operating assets and liabilities:			
(Increase) decrease in due from other governments	67,818	-	67,818
(Increase) decrease in inventory	(2,852)	-	(2,852)
(Increase) decrease in due from other funds	-	(14,682)	(14,682)
(Decrease) increase in due to other funds	19,490	-	19,490
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (83,442)	\$ (75,166)	\$ (158,608)

See accompanying independent auditors' report and notes to financial statements.

STATEMENT J

REGIONAL SCHOOL UNIT NO. 38

STATEMENT OF CASH FLOWS - FIDUCIARY FUNDS
JUNE 30, 2020

	Agency Funds
	Student
	Activities
ASSETS	
Cash and cash equivalents	\$ 246,703
Investments	27,990
TOTAL ASSETS	\$ 274,693
 LIABILITIES	
Due to other governments	\$ 125
Deposits held for others	274,568
TOTAL LIABILITIES	\$ 274,693

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Regional School Unit No. 38 was incorporated under the laws of the State of Maine. The Unit operates under the Board of Directors-superintendent form of government and provides the following services: regular instruction, special education, other instruction, student and staff support, system administration, school administration, transportation, operations and maintenance, other community service and program expenditures.

The Unit's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Unit has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Unit has chosen not to do so.

The Unit's combined financial statements include all accounts and all operations of the Unit. We have determined that the Unit has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Maine, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provide essential services or activities. As of the date of this report, the state of emergency was extended to April 15, 2021 and may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

Impact on and Results of Operations

On March 17, 2020 Maine LD 2167 was issued and executed by the Governor of Maine. Among other measures, this LD gave guidance ceasing in-house operations and moving to nontraditional learning systems while continuing to provide meals to students during the state of emergency. The District chose to use remote learning. The District also continued to provide meals to students by having two schools open for food pickup three days per week for all students who requested them. This application of this LD in coordination with other Executive Orders necessitated that these methods remained in force for the remainder of the scheduled school year.

In accordance with Executive Order 15, issued by the Governor of Maine on March 19, 2020, the District was required to pay their hourly school employees for the duration of this school year.

Extended deadlines

The District's deadline for submitting audited financial statements to the State of Maine was extended from December 31, 2020 to March 31, 2021 due to COVID-related delays.

Impact on Finances

The District does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act funding and applicable State programs.

Expected Federal/State Support

The District may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the District expects that if those actions are necessary, that the District would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conclusion

The ongoing effects of COVID-19, including the financial impact to the District, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

Implementation of New Accounting Standards

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Unit's basic financial statements include both government-wide (reporting the Unit as a whole) and fund financial statements (reporting the Unit's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Unit's food service funds, daycare/afterschool programs, adult education and the health center are categorized as business-type activities. All other activities of the Unit are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Unit's net position is reported in three parts - net investment in capital assets; restricted net position and unrestricted net position. The Unit first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Unit's functions and business-type activities (instruction, operations and maintenance, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (support from Towns, certain intergovernmental revenues and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Unit does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Unit as an entity and the change in the Unit's net position resulting from the current year's activities.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the Unit are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Unit:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Unit:

Major Funds

- a. The General Fund is the general operating fund of the Unit. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Minor Project Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities or equipment.

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Permanent Funds are used to account for assets held by the Unit that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Unit or its citizenry. The Unit's policy for authorizing and spending investment income follows State statutes.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Unit:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Unit programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The Unit's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Unit has no component units that are fiduciary in nature.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Unit's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 18,125,406
Add: On-behalf payments	1,348,839
Total GAAP basis	<u>\$ 19,474,245</u>
Expenditures per budgetary basis	\$ 17,852,824
Add: On-behalf basis	1,348,839
Total GAAP basis	<u>\$ 19,201,663</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Unit prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Unit was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Unit.

Deposits and Investments

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

It is the Unit's policy to value investments at fair value. None of the Unit's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Unit Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

The Regional School Unit No. 38 has no formal investment policy but instead follows the State of Maine Statutes.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory of the Unit consists of school nutrition supplies and food on hand at the end of the year.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2020. Accounts receivable netted allowances for uncollectible accounts were \$258,137 for the year ended June 30, 2020.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more for land, \$20,000 or more for buildings and improvements, \$2,500 for furniture and equipment and \$5,000 for vehicles are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated capital assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Buildings	25 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist of bonds and notes from direct borrowings payable, accrued compensated absences, net pension liability and net OPEB liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Employee and Teacher (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.

OPEB

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Education Association Benefits Trust (MEABT), which determined the School's fiduciary net position as a single employer defined benefit plan based on information provided solely by MEABT to complete the actuarial report. Additions to/deductions from the MEABT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MEABT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Unit is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Unit. The inhabitants of the Unit through Unit meetings are the highest level of decision-making authority of the Unit. Commitments may be established, modified or rescinded only through a District meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given annually by vote of the taxpayer and is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Unit considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Unit considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Unit meeting vote has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between all other elements in a statement of financial position. 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 enabling adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Unit has deferred outflows related to pensions and deferred outflows related to OPEB. These items are reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions and deferred inflows related to OPEB qualify for reporting in this category. These items are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Unit does not utilize encumbrance accounting for its general fund.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the Unit's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the Unit consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Unit funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Unit will not be able to recover its deposits. The Unit does not have a policy covering custodial credit risk for deposits. However, the Unit maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2020, the Unit's deposits amounting to \$4,222,219 were comprised of bank deposits of \$5,198,497. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash balance. All of these amounts were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk or were collateralized by an irrevocable stand-by letter of credit held by the financial institution in the Unit's name.

Account Type	Bank Balance
Checking accounts	\$ 544,921
Savings accounts	81,579
Sweep accounts	4,571,997
	<u>\$ 5,198,497</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

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

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Unit does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$1,125,857 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

Currently, the District does not have a policy for custodial credit risk for investments. However, the District seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the District's investments in certificates of deposit of \$1,125,857 are fully insured by federal depository insurance and consequently not exposed to custodial credit risk.

Credit risk - Statutes for the State of Maine authorize the Unit to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Unit does not have an investment policy on credit risk. Generally, the Unit invests excess funds in cash management accounts and various insured certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 173,736	\$ -
Minor projects fund	19,888	-
Nonmajor special revenue funds	105,620	209,552
Enterprise funds	53,688	143,380
	<u>\$ 352,932</u>	<u>\$ 352,932</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The result of amounts owed between funds is considered to be in the course of normal operations by the District. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

	Transfers From	Transfers To
General fund	\$ -	\$ 234,120
Nonmajor special revenue funds	14,120	45,166
Enterprise funds	265,166	-
	<u>\$ 279,286</u>	<u>\$ 279,286</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Disposals	Balance, 6/30/20
Governmental Activities:				
Non-depreciated assets:				
Land	\$ 234,912	\$ -	\$ -	\$ 234,912
Construction in progress	330,881	105,806	-	436,687
	<u>565,793</u>	<u>105,806</u>	<u>-</u>	<u>671,599</u>
Depreciated assets:				
Land improvements	370,815	-	-	370,815
Buildings and improvements	19,273,515	3,345,053	-	22,618,568
Vehicles	1,671,780	197,919	(108,200)	1,761,499
Equipment	970,508	43,258	(79,510)	934,256
	<u>22,286,618</u>	<u>3,586,230</u>	<u>(187,710)</u>	<u>25,685,138</u>
Less: accumulated depreciation	<u>(11,039,995)</u>	<u>(703,033)</u>	<u>163,289</u>	<u>(11,579,739)</u>
	<u>11,246,623</u>	<u>2,883,197</u>	<u>(24,421)</u>	<u>14,105,399</u>
Net capital assets	<u>\$ 11,812,416</u>	<u>\$ 2,989,003</u>	<u>\$ (24,421)</u>	<u>\$ 14,776,998</u>
Business-type Activities:				
Depreciated assets:				
Equipment	\$ 42,269	\$ 15,895	\$ -	\$ 58,164
	<u>42,269</u>	<u>15,895</u>	<u>-</u>	<u>58,164</u>
Less: accumulated depreciation	<u>(21,430)</u>	<u>(5,448)</u>	<u>-</u>	<u>(26,878)</u>
Net capital assets	<u>\$ 20,839</u>	<u>\$ 10,447</u>	<u>\$ -</u>	<u>\$ 31,286</u>
Current Year Depreciation:				
Regular instruction				\$ 303,347
Special education				58,423
Other instruction				45,426
Administration				5,394
School administration				35,403
Operations and maintenance				47,865
Transportation				112,110
District-wide				<u>95,065</u>
Total governmental activities depreciation				<u>703,033</u>
School lunch				5,448
Total depreciation expense				<u>\$ 708,481</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - SHORT-TERM DEBT

On March 12, 2019, the School District issued a bond anticipation note through Community National Bank in anticipation of revenues to meet its operating obligations during the fiscal year. The note allowed principal draws up to \$5,800,000 at 3.09% interest with a maturity date of November 7, 2019. The note was paid in full on November 1, 2019. Interest of \$15,986 was paid on the note.

Short-term debt activity for the year ended June 30, 2020, was as follows:

	Balance, 7/1/19	Additions	Reductions	Balance, 6/30/20
Bond anticipation note	<u>\$ 500,001</u>	<u>\$ -</u>	<u>\$ (500,001)</u>	<u>\$ -</u>

NOTE 7 - LONG-TERM DEBT

The general fund of the Unit is used to pay for all long-term debt. The following is a summary of changes in the long-term debt for the year ended June 30, 2020:

	Balance 7/1/19	Additions	Reductions	Balance, 6/30/20	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 1,272,732	\$ 5,843,710	\$ (535,058)	\$ 6,581,384	\$ 924,639
Notes from direct borrowings payable	630,712	-	(323,371)	307,341	185,459
Totals	<u>\$ 1,903,444</u>	<u>\$ 5,843,710</u>	<u>\$ (858,429)</u>	<u>\$ 6,888,725</u>	<u>\$ 1,110,098</u>

The following is a summary of the bonds outstanding as of June 30, 2020:

Bonds payable:

\$8,500,000, Bond payable to Maine Municipal Bond Bank. Interest is charged at a fixed rate varying from 4.676% to 5.751% but in November 2016 the bond was refinanced and interest credits were scheduled over the remainder of the bond payments to fully credit the interest being charged annually. Annual principal payments of \$425,000. Maturity in November of 2020.

\$ 425,000

\$2,026,154, Bond payable to Maine Municipal Bond Bank. Interest is charged at a fixed rate varying from 3.050% to 5.250%. Annual principal payments of \$101,308. Maturity in November of 2022.

303,924

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM DEBT (CONTINUED)

\$175,000, Bond payable to Maine Municipal Bond Bank. Interest is charged at a fixed rate varying from 4.676% to 5.751% but in November 2016 when the bond was refinanced and interest credits were scheduled over the remainder of the bond payments to fully credit the interest being charged annually. Annual principal payments of \$8,750. Maturity in November of 2020.	8,750
\$5,843,710, Bond payable to Maine Municipal Bond Bank. Interest is charged at a fixed rate varying from 1.610% to 3.005%. Annual principal payments of \$389,581. Maturity in November of 2034.	<u>5,843,710</u>
Total bonds payable	<u>\$ 6,581,384</u>

A summary of the outstanding notes from direct borrowings payable is as follows:

Notes from direct borrowings payable:

The district leases a Region wide energy conservation equipment under a non-cancelable lease agreement dated July of 2010. The term of the lease is for a ten year period expiring July of 2022, with a 4.800% fixed interest rate. Annual principal and interest payments are \$49,524.	\$ 92,339
The district leases Apple computers under a cancelable lease agreement dated September 20, 2017. The term of the lease is for a Three year period expiring September of 2020, with a 2.910% fixed interest rate. Annual principal and interest payments are \$23,785.	23,113
The district leases a Bus under a cancelable lease agreement dated September 22, 2017. The term of the lease is for a three year period expiring October of 2020, with a 2.850% fixed interest rate. Annual principal and interest payments are \$23,028.	22,390
The district leases a Bus under a cancelable lease agreement dated March 20, 2018. The term of the lease is for a three year period expiring March of 2020, with a 3.550% fixed interest rate. Annual principal and interest payments are \$23,835.	23,018
The district leases Chevy Truck and Kubota Tractor under a lease agreement dated September 6, 2018. The term of the lease is for a four year period expiring September 6, 2021, with a 3.930% fixed interest rate. Annual principal payments and interest payments are \$13,004.	24,552

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The district leases a Bus under a cancelable lease agreement dated February 11, 2019. The term of the lease is for a four year period expiring February of 2022, with a 3.700% fixed interest rate. Annual principal and interest payments are \$16,568.

31,384

The district leases a Bus under a cancelable lease agreement dated August 24, 2018. The term of the lease is for a four year period expiring March of 2021, with a 3.930% fixed interest rate. Annual principal and interest payments are \$23,963.

45,241

The district lease photocopiers under a lease agreement dated August 23, 2018. The term of the lease is a four year period expiring in August 2021, with a 3.930% fixed interest rate. Annual principal and interest payments are \$23,996.

45,304

Total notes from direct borrowings payable

\$ 307,341

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

Bonds Payable			
	Principal	Interest	Total
2021	\$ 924,639	\$ 121,603	\$ 1,046,242
2022	490,889	111,286	602,175
2023	490,889	102,316	593,205
2024	389,581	95,985	485,566
2025	389,581	89,615	479,196
2026-2030	1,947,905	343,426	2,291,331
2031-2035	<u>1,947,900</u>	<u>136,514</u>	<u>2,084,414</u>
	<u>\$ 6,581,384</u>	<u>\$ 1,000,745</u>	<u>\$ 7,582,129</u>

The following is a summary of outstanding notes from direct borrowings principal and interest requirements for the following fiscal years ending June 30:

Notes from Direct Borrowings Payable			
	Principal	Interest	Total
2021	\$ 185,459	\$ 12,245	\$ 197,704
2022	121,882	5,174	127,056
	<u>\$ 307,341</u>	<u>\$ 17,419</u>	<u>\$ 324,760</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM DEBT (CONTINUED)

All bonds and capital leases payable are direct obligations of the Unit, for which its full faith and credit are pledged. The Unit is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Unit.

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Reductions	Balance, 6/30/20	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 216,245	\$ 19,840	\$ -	\$ 236,085	\$ 11,804
Net pension liability	446,679	555,946	(802,993)	199,632	-
Net OPEB liability	4,072,616	418,136	(158,090)	4,332,662	-
Totals	<u>\$ 4,735,540</u>	<u>\$ 993,922</u>	<u>\$ (961,083)</u>	<u>\$ 4,768,379</u>	<u>\$ 11,804</u>

Please see Notes 14, 15 and 17 for detailed information on each of the other long-term obligations.

NOTE 9 - NONSPENDABLE FUND BALANCE

At June 30, 2020, the Unit has the following nonspendable fund balance:

General Fund:	
Prepaid Items	<u>\$ 7,300</u>

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2020, the Unit has the following restricted fund balances:

Minor Projects Fund	\$ 2,135,434
Nonmajor Special Revenue Funds (Schedule D)	44,313
Nonmajor Permanent Funds (Schedule F)	164,411
	<u>\$ 2,344,158</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - COMMITTED FUND BALANCES

At June 30, 2020, the Unit had the following committed fund balances:

Nonmajor Special Revenue Funds (Schedule D)	\$ <u>3,975</u>
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NOTE 12 - ASSIGNED FUND BALANCES

At June 30, 2020, the Unit has the following assigned fund balances:

General Fund:

Reserved for FY 2021 Budget	\$ 892,283
Nonmajor Special Revenue Funds (Schedule D)	<u>68,104</u>
	<u>\$ 960,387</u>

NOTE 13 - EXPENDITURES OVER APPROPRIATIONS

The Unit had the following expenditures over appropriations for the year ended June 30, 2020:

Student and Staff Support (Article 6)	\$ 8,367
Transfers to Other Funds	<u>99,120</u>
	<u>\$ 107,487</u>

On July 22, 2020, the School Board approved a budget transfer of \$85,000 to cover the over expenditure in the transfer to food service fund line. The remaining two overages did not have transfers made to cover them.

NOTE 14 - ACCRUED COMPENSATED ABSENCES

The Unit's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2020, the Unit's liability for compensated absences is \$236,085.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also 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. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.mainepers.org or by contacting the System at (207) 512-3100.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. 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). 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. As of June 30, 2019, there were 239 employers, including the State of Maine, participating in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.69%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Unit's teachers are required to contribute 7.65% of their compensation to the retirement system. The Unit's payroll for teachers covered by this program was approximately \$9,412,696 for the year ended June 30, 2020. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.33% of the Unit's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$1,348,839 for the year ended June 30, 2020. Title 5 of the Maine Revised Statutes Annotated also requires the Unit to contribute at an actuarially determined normal cost rate of 4.16%, which totaled \$391,568 for 2020. In addition, the Unit is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.95% of compensation and totaled \$62,077 the year ended June 30, 2020.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Unit reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Unit. The amount recognized by the Unit as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Unit were as follows:

Unit's proportionate share of the net pension liability	\$ 423,902
State's proportionate share of the net pension liability associated with the Unit	<u>9,795,962</u>
Total	<u>\$ 10,219,864</u>

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Unit's proportion of the net pension liability was based on a projection of the Unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Units and the State, actuarially determined. At June 30, 2019, the Unit's proportion was 0.02892%, which was a decrease of 0.00418% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Unit recognized total pension expense of \$1,348,839 and revenue of \$1,357,824 for support provided by the State of Maine. At June 30, 2020, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,973	\$ -
Changes of assumptions	12,274	-
Net difference between projected and actual earnings on pension plan investments	-	59,836
Changes in proportion and differences between contributions and proportionate share of contributions	1	49,764
Contributions subsequent to the measurement date	<u>453,645</u>	-
Total	\$ 498,893	\$ 109,600

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$453,645 reported as deferred outflows of resources related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SET Plan
Plan year ended June 30:	
2020	\$ (10,750)
2021	(40,338)
2022	(13,447)
2023	182
2024	-
Thereafter	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2019, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Valuation Method

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

Amortization

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 are as follows:

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2019, compounded annually.

Salary Increases, Merit and Inflation - state employees, 2.75% to 8.75% per year; teachers, 2.75% to 14.50% per year.

Mortality Rates - For active members and non-disabled retirees the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 2.20% per annum for the year ended June 30, 2019.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2019 are summarized in the following table.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2019 for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2019 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the Plan.

	1% Decrease	Discount Rate	1% Increase
SET Plan:			
Discount rate	5.75%	6.75%	7.75%
Unit's proportionate share of the net pension liability	\$ 766,404	\$ 423,902	\$ 138,489

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2019 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2019 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2019 and 2018, this was three years for the SET Plan.

Differences between Expected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2019 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2019 Comprehensive Annual Financial Report available online at www.mainepers.org or by contacting the System at (207) 512-3100.

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also 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. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2019, there were 239 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.mainepers.org or by contacting the System at (800) 451-9800.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2020 was approximately \$21,071.

OPEB Liabilities and OPEB Expense

For the year ended June 30, 2020, the Unit recognized net OPEB expense of \$21,612 and revenue of \$21,612 for support provided by the State of Maine.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the Unit's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the Unit and/or the Unit retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the Unit concerning administration of this Plan. Title 24-A Chapter 81 of the

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criterial of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Active members	179
Retirees and spouses	93
Total	<u>272</u>

Cost Sharing Provisions/Contributions

Retirees are eligible for a State subsidy of 45% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 55% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)**

Employee/Retiree Premium Amounts:

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

<u>Pre-Medicare</u>	<u>Employee</u>	<u>Employee/ Spouse</u>	<u>Employee/ Child(ren)</u>	<u>Family</u>
Choice Plus	\$710	\$1,601	\$1,257	\$1,949
Standard \$200 Ded	\$767	\$1,729	\$1,358	\$2,105
Standard \$1,000 Ded	\$644	\$1,451	\$1,139	\$1,766
<u>Medicare</u>				
Medicare-Eligible Retirees	\$450	\$944	N/A	N/A

Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the Unit reported a liability of \$4,332,662 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. The Unit's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2020, the Unit recognized OPEB revenue of \$10,885. At June 30, 2020, the Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MEABT	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	196,738	123,639
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	<u>177,489</u>	<u>-</u>
Total	\$ 374,227	\$ 123,639

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)**

\$177,489 were reported as deferred outflows of resources related to OPEB resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MEABT
Plan year ended June 30:	
2020	\$ 8,438
2021	8,438
2022	8,438
2023	8,439
2024	39,346
Thereafter	-

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2019. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.50% per annum for June 30, 2019 was based upon a measurement date of June 27, 2019. The sensitivity of total OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB liability	\$ 5,078,668	\$ 4,332,662	\$ 3,735,936
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,078,668</u>	<u>\$ 4,332,662</u>	<u>\$ 3,735,936</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of total OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 3,671,126	\$ 4,332,662	\$ 5,161,673
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 3,671,126</u>	<u>\$ 4,332,662</u>	<u>\$ 5,161,673</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2019, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Assumptions

Significant actuarial assumptions employed by the actuary for economic purposes are based on GASB 75 paragraph 36. Assumptions other than the discount rate are based on historical and future projections of long-term health care rates:

Discount Rate - 3.50% per annum.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Trend Assumptions:

Pre-Medicare - Initial trend of 5.55% applied in FYE 2019 grading over 15 years to 3.73% per annum.

Medicare - Initial trend of 3.72% applied in FYE 2019 grading over 15 years to 2.81% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2018 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of June 30, 2018, they are as follows:

Retirement Rates - Rates vary for plans based on age and service

Rates of Turnover - Rates vary for plans based on service

Disability Incidence - Rates vary for plans based on age

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims

Family Enrollment Composition - It is assumed that 80% is married with an eligible spouse.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method

Salaries - Were not available from the client and were assumed using the Teachers/Age Service Salary scatter from the State Retirement Agency. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were assumed to be the midpoint of each service group. Those under 1 year of service, the date was assumed to be January 1, 2019 and all other groups were assumed to be hired on July 1 of each service midpoint.

Rate of Mortality:

Healthy Annuitants - Based on 99% of the RP_2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP_2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120 and convergence to the ultimate rate in the year 2020.

Healthy Employees - Based on 99% of the RP_2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP_2014 Total Dataset Healthy Annuitant Mortality Tables after the end of the Total Employee Mortality Table, both projected using the RPEC _2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120 and convergence to the ultimate rate in the year 2020.

Disabled Annuitants - Based on 108% and 105% of the RP_2014 Total Dataset Disabled Annuitant Mortality Table, respectively for males and females, projected from the 2006 base rates using the RPEC_2015 model with an ultimate rate of 0.00% for ages 111-120 and convergence to the ultimate rate in the year 2020.

Retiree Continuation Percentage:

Retirees currently in the Group Companion Plan (Medicare participants) are assumed to remain in the Group Companion Plan.

Retirees who are currently age 64 or over age 65 and enrolled in a Pre-Medicare plan are assumed to never be eligible for Medicare and are assumed to remain enrolled in the Pre-Medicare plan.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Retirees who are currently under age 64 and enrolled in a Pre-Medicare plan are assumed to be eligible for Medicare and are assumed to remain in the Pre-Medicare plan until age 64 and enroll in the Group Companion plan at age 65.

Spouses who are currently in the Pre-Medicare plan will follow the same assumptions as the retired member; if the member is never eligible for Medicare the spouse is not either.

Significant actuarial assumptions employed by the actuary for claims and expense purposes are based on the actual community rated premiums of the entire group. As of June 30, 2019, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through June 30, 2019 and projects through 2020 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

Medical Plan Election - Employees are assumed to continue in their current medical plan for their entire career. 50% of retirees are assumed to switch from the Choice Plan to the Standard Plan.

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Group Companion Plan, all retirees under age 64 and current actives with a date of hire before 3/31/1986.

Changes in Total OPEB Liability

Changes in total OPEB liability are recognized in OPEB expense for the year ended June 30, 2020 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2020, there were no differences between expected and actual experience.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2019. For the fiscal year ended June 30, 2020, there were no changes in assumptions.

Differences between Projected and Actual Earnings on OPEB Plan Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Unit's Finance Department at 45 Millard Harrison Drive, Readfield, Maine 04355

NOTE 18 - DEFERRED COMPENSATION PLAN

The Unit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all Unit employees as part of a collective bargaining agreement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Unit's management that the Unit has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 19 - RISK MANAGEMENT

The Unit is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Unit carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine School Management Association.

Based on the coverage provided by the insurance purchased, the Unit is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2020. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 20 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, if 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 numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Unit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the Unit, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Regional School Unit No. 38 receives subsidy funding payments through the State of Maine. The State subsidy payment amount is adjusted quarterly for the Unit's share of MaineCare Seed, which is the required local share of MaineCare revenue that the State pays on behalf of the Unit and then recovers through the ED 279. Adjustments made by the State in the fiscal year of 2020 could include expenditures from the fiscal year of 2020 that would normally be accrued. The actual amount cannot be determined at this time. However, it is the position of the Regional School Unit No. 38 that this practice is consistent with the formal recommendation of the Maine Department of Education to all Maine units concerning this matter.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 21 - LETTER OF CREDIT

At June 30, 2020, the Unit has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at Camden National Bank. This letter of credit, which expires at the close of business on January 16, 2020, authorizes draws only up to the amount of \$300,000. There were no draws for the year ended June 30, 2020.

NOTE 22 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Unit's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability - SET Plan
- Schedule of Changes in Net OPEB Liability - MEABT Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT Plan
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

SCHEDULE 1

REGIONAL SCHOOL UNIT NO. 38

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,065,727	\$ 1,065,727	\$ 1,065,727	\$ -
Resources (Inflows):				
Support from towns	13,467,813	13,467,813	13,467,804	(9)
Intergovernmental revenues:				
State subsidy	3,774,661	3,774,661	3,874,018	99,357
Other	49,000	49,000	36,477	(12,523)
Charges for services:				
Tuition	550,000	550,000	609,124	59,124
Transportation	40,000	40,000	49,752	9,752
Proceeds from sale of assets	-	-	790	790
Insurance proceeds	-	-	3,827	3,827
Miscellaneous revenues	110,000	110,000	83,614	(26,386)
Amounts Available for Appropriation	19,057,201	19,057,201	19,191,133	133,932
Charges to Appropriations (Outflows):				
Regular instruction	7,793,410	7,793,410	7,520,725	272,685
Special education	2,565,308	2,565,308	2,284,459	280,849
Other instruction	459,909	459,909	367,785	92,124
Student and staff support	1,944,778	1,944,778	1,953,145	(8,367)
System administration	631,287	631,287	616,155	15,132
School administration	1,131,911	1,131,911	1,095,728	36,183
Transportation	1,074,969	1,074,969	1,053,978	20,991
Operations and maintenance	2,208,639	2,208,639	2,113,510	95,129
Debt service:				
Principal	535,058	535,058	535,058	-
Interest	102,045	102,045	71,400	30,645
Other community service	9,159	9,159	6,761	2,398
Transfers to other funds	135,000	135,000	234,120	(99,120)
Total Charges to Appropriations	18,591,474	18,591,474	17,852,824	738,650
Budgetary Fund Balance, June 30	\$ 465,727	\$ 465,727	\$ 1,338,309	\$ 872,582
Utilization of assigned fund balance	\$ 600,000	\$ 600,000	\$ -	\$ (600,000)

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 2

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015
<u>SET Plan:</u>						
Unit's proportion of the net pension liability	0.03%	0.03%	0.04%	0.04%	0.03%	0.03%
Unit's proportionate share of the net pension liability	\$ 423,902	\$ 446,679	\$ 513,457	\$ 649,213	\$ 455,935	\$ 375,026
State's proportionate share of the net pension liability associated with the Unit	<u>9,795,962</u>	<u>9,001,581</u>	<u>9,348,838</u>	<u>\$ 11,296,578</u>	<u>\$ 8,979,229</u>	<u>\$ 7,448,248</u>
Total	<u>\$ 10,219,864</u>	<u>\$ 9,448,260</u>	<u>\$ 9,862,295</u>	<u>\$ 11,945,791</u>	<u>\$ 9,435,164</u>	<u>\$ 7,823,274</u>
Unit's covered payroll	\$ 8,542,512	\$ 8,604,078	\$ 7,847,279	\$ 8,278,271	\$ 7,945,154	\$ 7,977,611
Unit's proportionate share of the net pension liability as a percentage of its covered payroll	4.96%	5.19%	6.54%	7.84%	5.74%	4.70%
Plan fiduciary net position as a percentage of the total pension liability	84.52%	85.17%	80.78%	76.21%	81.18%	83.91%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 3

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015
<u>SET Plan:</u>						
Contractually required contribution	\$ 453,645	\$ 353,514	\$ 341,581	\$ 321,507	\$ 312,722	\$ 265,543
Contributions in relation to the contractually required contribution	(453,645)	(353,514)	(341,581)	(321,507)	(312,722)	(265,543)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unit's covered payroll	\$ 9,412,696	\$ 8,542,512	\$ 8,604,078	\$ 7,847,279	\$ 8,278,271	\$ 7,945,154
Contributions as a percentage of covered payroll	4.82%	4.14%	3.97%	4.10%	3.78%	3.34%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 4

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	2020	2019	2018
<u>SET Life Insurance:</u>			
Proportion of the net OPEB liability	0.00%	0.00%	0.00%
Unit's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Unit	<u>228,919</u>	<u>235,061</u>	<u>226,875</u>
Total	<u><u>\$ 228,919</u></u>	<u><u>\$ 235,061</u></u>	<u><u>\$ 226,875</u></u>
Covered payroll	\$ 8,542,512	\$ 8,604,078	\$ 7,847,279
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	49.51%	49.22%	48.04%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which available.

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 5

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	Net OPEB Liability (a)	Fiduciary Net Position (b)	Plan Net OPEB Liability (a) - (b)
Balances at 7/1/18 (Reporting July 1, 2019)	\$ 4,072,616	\$ -	\$ 4,072,616
Changes for the year:			
Service cost	26,446	-	26,446
Interest	155,604	-	155,604
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	236,086	-	236,086
Contributions - employer	-	158,090	(158,090)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(158,090)	(158,090)	-
Administrative expense	-	-	-
Net changes	<u>260,046</u>	<u>-</u>	<u>260,046</u>
Balances at 6/30/19 (Reporting June 30, 2020)	<u><u>\$ 4,332,662</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,332,662</u></u>

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE 6

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	2020	2019
Total OPEB liability		
Service cost (BOY)	\$ 26,446	\$ 28,284
Interest (includes interest on service cost)	155,604	149,831
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	236,086	(185,459)
Benefit payments, including refunds of member contributions	(158,090)	(152,626)
Net change in total OPEB liability	<u>\$ 260,046</u>	<u>\$ (159,970)</u>
 Total OPEB liability - beginning	 <u>\$ 4,072,616</u>	 <u>\$ 4,232,586</u>
Total OPEB liability - ending	<u>\$ 4,332,662</u>	<u>\$ 4,072,616</u>
 Plan fiduciary net position		
Contributions - employer	158,090	152,626
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(158,090)	(152,626)
Administrative expense	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>
 Plan fiduciary net position - beginning	 <u>\$ -</u>	 <u>\$ -</u>
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
 Net OPEB liability - ending	 <u>\$ 4,332,662</u>	 <u>\$ 4,072,616</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 -	 -
Covered payroll	\$ 8,756,174	\$ 8,521,824
Net OPEB liability as a percentage of covered payroll	49.5%	47.8%

* The amounts presented for each fiscal year are for those years for which information is available.

SCHEDULE 7

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2020	2019	2018
<u>SET Life Insurance:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,412,696	\$ 8,542,512	\$ 8,604,078
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

MEABT:

	2020	2019
Employer contributions	\$ 158,090	\$ 152,626
Benefit payments	(158,090)	(152,626)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,756,174	\$ 8,521,824
Contributions as a percentage of covered payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

Changes of Assumptions

MEPERS SET Pension Plan:

There have been no changes in actuarial assumptions since the last measurement date.

MEPERS SET OPEB Plan:

There have been no changes in actuarial assumptions since the last measurement date.

MEABT OPEB Plan:

There was a change in the discount rate from 3.87% to 3.50% per GASB 75 discount rate selection.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Schedule of Net Position - Nonmajor Enterprise Funds
- Combining Schedule of Revenues, Expenditures and Changes in Net Position - Nonmajor Enterprise Funds
- Combining Schedule of Cash Flows - Nonmajor Enterprise Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Regular Instruction (Article 2)				
Elementary (Primary) Instruction	\$ 5,180,411	\$ 5,180,411	\$ 4,983,163	\$ 197,248
Secondary Instruction	2,417,115	2,417,115	2,411,088	6,027
Student Transportation - Field Trips	21,158	21,158	3,993	17,165
ESL	36,813	36,813	17,860	18,953
Gifted and Talented	137,913	137,913	104,621	33,292
Total	7,793,410	7,793,410	7,520,725	272,685
Special Education (Article 3)				
Administration	190,154	190,154	170,376	19,778
Resource Room	761,628	761,628	723,464	38,164
Self Contained	1,130,410	1,130,410	1,027,058	103,352
Tutor	4,794	4,794	706	4,088
Social Worker	55,603	55,603	8,424	47,179
Health	62,244	62,244	-	62,244
Psychological	133,904	133,904	135,623	(1,719)
Speech	226,571	226,571	218,753	7,818
Occupational Therapy	-	-	55	(55)
Total	2,565,308	2,565,308	2,284,459	280,849
Other Instruction (Article 5)				
Co-Curricular	92,794	92,794	68,669	24,125
Summer Program - Elementary	7,328	7,328	2,294	5,034
Athletics	359,788	359,788	296,822	62,966
Total	459,909	459,909	367,785	92,124
Student and Staff Support (Article 6)				
Guidance	334,147	334,147	326,602	7,545
Library	281,701	281,701	261,651	20,050
Technology	674,896	674,896	669,017	5,879
Assessment	78,051	78,051	61,760	16,291
Other Support Services	19,487	19,487	19,327	160
Health	325,992	325,992	387,881	(61,889)
Curriculum and Imp of Instruction	193,501	193,501	193,846	(345)
Staff Training	37,003	37,003	33,061	3,942
Total	1,944,778	1,944,778	1,953,145	(8,367)

SCHEDULE A (CONTINUED)
REGIONAL SCHOOL UNIT NO. 38

**SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
System Administration (Article 7)				
School Board	99,310	99,310	98,112	1,198
Superintendent	236,559	236,559	225,793	10,766
Business Office	293,218	293,218	292,145	1,073
Fiscal Services	2,200	2,200	105	2,095
Total	631,287	631,287	616,155	15,132
School Administration (Article 8)				
Principal's Office	1,131,911	1,131,911	1,095,728	36,183
Total	1,131,911	1,131,911	1,095,728	36,183
Transportation (Article 9)				
	1,074,969	1,074,969	1,053,978	20,991
Operations and Maintenance (Article 10)				
Maintenance of Plant	559,668	559,668	537,507	22,161
Care of Buildings	934,440	934,440	903,147	31,293
Maintenance of Buildings	473,031	473,031	485,931	(12,900)
Capital Improvement	241,500	241,500	186,925	54,575
Total	2,208,639	2,208,639	2,113,510	95,129
Debt Service (Article 11)				
Principal	535,058	535,058	535,058	-
Interest	102,045	102,045	71,400	30,645
Total	637,103	637,103	606,458	30,645
Other Expenditures (Article 12)				
	9,159	9,159	6,761	2,398
Transfers to Other Funds				
Transfer to Health Program	30,000	30,000	30,000	-
Transfer to Food Service	105,000	105,000	190,000	(85,000)
Transfer to Insurance Settlement Fund	-	-	14,120	(14,120)
Total	135,000	135,000	234,120	(99,120)
Total Departmental Operations	\$ 18,591,474	\$ 18,591,474	\$ 17,852,824	\$ 738,650

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE B

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 81,580	\$ 81,580
Investments	-	82,831	82,831
Accounts receivable (net of allowance for uncollectibles)	16,632	-	16,632
Due from other governments	206,192	-	206,192
Due from other funds	105,620	-	105,620
TOTAL ASSETS	\$ 328,444	\$ 164,411	\$ 492,855
LIABILITIES			
Accounts payable	\$ 2,500	\$ -	\$ 2,500
Due to other funds	209,552	-	209,552
TOTAL LIABILITIES	212,052	-	212,052
FUND BALANCES			
Nonspendable	-	-	-
Restricted	44,313	164,411	208,724
Committed	3,975	-	3,975
Assigned	68,104	-	68,104
Unassigned	-	-	-
TOTAL FUND BALANCES	116,392	164,411	280,803
TOTAL LIABILITIES AND FUND BALANCES	\$ 328,444	\$ 164,411	\$ 492,855

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE C

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Support from towns	\$ 77,000	\$ -	\$ 77,000
Intergovernmental revenue	872,721	-	872,721
Charges for services	66,471	-	66,471
Interest income	-	1,051	1,051
Other	7,818	525	8,343
TOTAL REVENUES	1,024,010	1,576	1,025,586
EXPENDITURES			
Program expenses	985,053	8,850	993,903
TOTAL EXPENDITURES	985,053	8,850	993,903
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	38,957	(7,274)	31,683
OTHER FINANCING SOURCES (USES)			
Transfers in	14,120	-	14,120
Transfers (out)	(45,166)	-	(45,166)
TOTAL OTHER FINANCING SOURCES (USES)	(31,046)	-	(31,046)
NET CHANGE IN FUND BALANCES	7,911	(7,274)	637
FUND BALANCES - JULY 1	108,481	171,685	280,166
FUND BALANCES - JUNE 30	\$ 116,392	\$ 164,411	\$ 280,803

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE D

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Adult Education	Local Town Meeting	Oak Grove Grant	Adult Ed. College Transition	Wellness Grants
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ 2,500	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	4,869	-
Due from other funds	38,703	1,305	-	-	125
TOTAL ASSETS	\$ 41,203	\$ 1,305	\$ -	\$ 4,869	\$ 125
LIABILITIES					
Accounts payable	\$ 2,500	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	4,869	-
TOTAL LIABILITIES	2,500	-	-	4,869	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	38,703	-	-	-	125
Committed	-	1,305	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	38,703	1,305	-	-	125
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,203	\$ 1,305	\$ -	\$ 4,869	\$ 125

SCHEDULE D (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	MS MEF Grant	A.E. Maine Education Foundation	Health Center State Grant	MELMAC Grant	GEAR UP Grant	CRF Grant
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	17,078	-	1,409	15,602
Due from other funds	2,375	100	-	-	-	-
TOTAL ASSETS	\$ 2,375	\$ 100	\$ 17,078	\$ -	\$ 1,409	\$ 15,602
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	17,078	-	1,409	15,602
TOTAL LIABILITIES	-	-	17,078	-	1,409	15,602
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	100	-	-	-	-
Committed	2,375	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	2,375	100	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,375	\$ 100	\$ 17,078	\$ -	\$ 1,409	\$ 15,602

SCHEDULE D (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Title IA	Local Entitlement	Proficiency Based Education	COPS Grant	AEFLA
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	52,612	76,443	-	19,888	2,376
Due from other funds	-	-	295	-	-
TOTAL ASSETS	\$ 52,612	\$ 76,443	\$ 295	\$ 19,888	\$ 2,376
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	52,612	76,443	-	19,888	2,376
TOTAL LIABILITIES	52,612	76,443	-	19,888	2,376
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	295	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	-	-	295	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 52,612	\$ 76,443	\$ 295	\$ 19,888	\$ 2,376

SCHEDULE D (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Clearing Account	MLTI Student Fee	NEA Foundation Grant	Employee Laptop Fee
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ 12	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-
Due from other funds	247	41,298	-	13,693
TOTAL ASSETS	\$ 259	\$ 41,298	\$ -	\$ 13,693
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	259	41,298	-	13,693
Unassigned	-	-	-	-
TOTAL FUND BALANCES	259	41,298	-	13,693
TOTAL LIABILITIES AND FUND BALANCES	\$ 259	\$ 41,298	\$ -	\$ 13,693

SCHEDULE D (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Tech Fiscal Service	Local Ent. Pre-School	ME Agriculture in the Classroom	Title IA Program Improvement	Title IVA
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	1,392	-	-	-
Due from other funds	2,094	-	444	-	-
TOTAL ASSETS	\$ 2,094	\$ 1,392	\$ 444	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,392	-	-	-
TOTAL LIABILITIES	-	1,392	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	444	-	-
Committed	-	-	-	-	-
Assigned	2,094	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	2,094	-	444	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,094	\$ 1,392	\$ 444	\$ -	\$ -

SCHEDULE D (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Title VI Rural Low Income	Title IIA	Insurance Settlement Fund	Local Grant Extra Curricular	Total
ASSETS					
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ 14,120	\$ -	\$ 16,632
Due from other governments	6,757	7,766	-	-	206,192
Due from other funds	-	-	-	4,941	105,620
TOTAL ASSETS	\$ 6,757	\$ 7,766	\$ 14,120	\$ 4,941	\$ 328,444
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,500
Due to other funds	6,757	7,766	3,360	-	209,552
TOTAL LIABILITIES	6,757	7,766	3,360	-	212,052
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	4,941	44,313
Committed	-	-	-	-	3,975
Assigned	-	-	10,760	-	68,104
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	-	-	10,760	4,941	116,392
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,757	\$ 7,766	\$ 14,120	\$ 4,941	\$ 328,444

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE E

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Adult Education	Local Town Meeting	Oak Grove Grant	Adult Ed. College Transition	Wellness Grants
REVENUES					
Support from towns	\$ 77,000	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	35,707	-	-	7,004	50
Charges for services	35,171	-	-	-	-
Other	25	1,000	2,370	-	-
TOTAL REVENUES	147,903	1,000	2,370	7,004	50
EXPENDITURES					
Program expenses	140,679	-	2,370	7,004	1,601
TOTAL EXPENDITURES	140,679	-	2,370	7,004	1,601
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	7,224	1,000	-	-	(1,551)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	7,224	1,000	-	-	(1,551)
FUND BALANCES (DEFICITS) - JULY 1	31,479	305	-	-	1,676
FUND BALANCES (DEFICITS) - JUNE 30	\$ 38,703	\$ 1,305	\$ -	\$ -	\$ 125

SCHEDULE E (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	MS MEF Grant	A.E. Maine Education Foundation	Health Center State Grant	MELMAC Grant	GEAR UP Grant	CRF Grant
REVENUES						
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	3,416	-	47,350	-	15,941	15,602
Charges for services	-	-	-	-	-	-
Other	-	-	-	1,000	-	-
TOTAL REVENUES	3,416	-	47,350	1,000	15,941	15,602
EXPENDITURES						
Program expenses	3,120	-	2,184	3,900	15,941	15,602
TOTAL EXPENDITURES	3,120	-	2,184	3,900	15,941	15,602
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES						
	296	-	45,166	(2,900)	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	(45,166)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(45,166)	-	-	-
NET CHANGE IN FUND BALANCES	296	-	-	(2,900)	-	-
FUND BALANCES (DEFICITS) - JULY 1	2,079	100	-	2,900	-	-
FUND BALANCES (DEFICITS) - JUNE 30	\$ 2,375	\$ 100	\$ -	\$ -	\$ -	\$ -

SCHEDULE E (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Title IA	Local Entitlement	Proficiency Based Education	COPS Grant	AEFLA
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	245,281	365,252	-	19,888	3,411
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	245,281	365,252	-	19,888	3,411
EXPENDITURES					
Program expenses	245,281	365,252	-	19,888	3,411
TOTAL EXPENDITURES	245,281	365,252	-	19,888	3,411
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES					
	-	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	-	-	295	-	-
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ -	\$ 295	\$ -	\$ -

SCHEDULE E (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Clearing Account	MLTI Student Fee	NEA Foundation Grant	Employee Laptop Fee
REVENUES				
Support from towns	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	18,879	-	-	-
Charges for services	-	22,396	-	4,030
Other	212	-	-	-
TOTAL REVENUES	19,091	22,396	-	4,030
EXPENDITURES				
Program expenses	16,523	27,298	11	733
TOTAL EXPENDITURES	16,523	27,298	11	733
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,568	(4,902)	(11)	3,297
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	2,568	(4,902)	(11)	3,297
FUND BALANCES (DEFICITS) - JULY 1	(2,309)	46,200	11	10,396
FUND BALANCES (DEFICITS) - JUNE 30	\$ 259	\$ 41,298	\$ -	\$ 13,693

SCHEDULE E (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Tech Fiscal Service	Local Ent. Pre-School	ME Agriculture in the Classroom	Title IA Program Improvement	Title IVA
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	6,048	-	638	1,190
Charges for services	4,874	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	4,874	6,048	-	638	1,190
EXPENDITURES					
Program expenses	9,218	6,048	761	638	1,190
TOTAL EXPENDITURES	9,218	6,048	761	638	1,190
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	(4,344)	-	(761)	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(4,344)	-	(761)	-	-
FUND BALANCES (DEFICITS) - JULY 1	6,438	-	1,205	-	-
FUND BALANCES (DEFICITS) - JUNE 30	\$ 2,094	\$ -	\$ 444	\$ -	\$ -

SCHEDULE E (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Title VI Rural Low Income	Title IIA	Insurance Settlement Fund	Local Grant Extra Curricular	Total
REVENUES					
Support from towns	\$ -	\$ -	\$ -	\$ -	\$ 77,000
Intergovernmental revenue	27,945	59,119	-	-	872,721
Charges for services	-	-	-	-	66,471
Other	-	-	-	3,211	7,818
TOTAL REVENUES	27,945	59,119	-	3,211	1,024,010
EXPENDITURES					
Program expenses	27,945	59,119	3,360	5,976	985,053
TOTAL EXPENDITURES	27,945	59,119	3,360	5,976	985,053
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	-	-	(3,360)	(2,765)	38,957
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	14,120	-	14,120
Transfers (out)	-	-	-	-	(45,166)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	14,120	-	(31,046)
NET CHANGE IN FUND BALANCES					
	-	-	10,760	(2,765)	7,911
FUND BALANCES (DEFICITS) - JULY 1	-	-	-	7,706	108,481
FUND BALANCES (DEFICITS) - JUNE 30	\$ -	\$ -	\$ 10,760	\$ 4,941	\$ 116,392

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by Regional School Unit No. 38 that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Unit or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of scholarships.

SCHEDULE H

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2020

	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George and Alice Powers	Kents Hill Lumber
ASSETS					
Cash and cash equivalents	\$ 308	\$ 2,703	\$ 11,463	\$ 3,855	\$ 10,644
Investments	-	-	-	-	-
TOTAL ASSETS	\$ 308	\$ 2,703	\$ 11,463	\$ 3,855	\$ 10,644
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	308	2,703	11,463	3,855	10,644
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	308	2,703	11,463	3,855	10,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 308	\$ 2,703	\$ 11,463	\$ 3,855	\$ 10,644

SCHEDULE H (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2020

	Marion Tucker Memorial	Senior Citizens	John Stone Scholarship	Katie Piper	David McPhedran	Benjamin Barclay
ASSETS						
Cash and cash equivalents	\$ 3,350	\$ -	\$ 3,720	\$ 365	\$ 7,259	\$ 2,301
Investments	-	10,645	-	15,387	23,951	-
TOTAL ASSETS	\$ 3,350	\$ 10,645	\$ 3,720	\$ 15,752	\$ 31,210	\$ 2,301
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	3,350	10,645	3,720	15,752	31,210	2,301
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	3,350	10,645	3,720	15,752	31,210	2,301
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,350	\$ 10,645	\$ 3,720	\$ 15,752	\$ 31,210	\$ 2,301

SCHEDULE H (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2020

	Maranacook Com. Alumni Schol. Fund	Steve DeAngelis Scholarship	Luke Hopkins	Lloyd Jewett	Wendy Williams	Total
ASSETS						
Cash and cash equivalents	\$ 13,450	\$ 3,575	\$ 10,810	\$ 936	\$ 6,841	\$ 81,580
Investments	32,848	-	-	-	-	82,831
TOTAL ASSETS	\$ 46,298	\$ 3,575	\$ 10,810	\$ 936	\$ 6,841	\$ 164,411
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	46,298	3,575	10,810	936	6,841	164,411
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	46,298	3,575	10,810	936	6,841	164,411
TOTAL LIABILITIES AND FUND BALANCES	\$ 46,298	\$ 3,575	\$ 10,810	\$ 936	\$ 6,841	\$ 164,411

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE I

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Col. Thornton McGlamery	Coach Peter Poulin	Ronald Robertson	George and Alice Powers	Kents Hill Lumber
REVENUES					
Interest income	\$ -	\$ 2	\$ 5	\$ 2	\$ 5
Other	-	-	-	-	-
TOTAL REVENUES	-	2	5	2	5
EXPENDITURES					
Other	100	-	100	-	-
TOTAL EXPENDITURES	100	-	100	-	-
NET CHANGE IN FUND BALANCES	(100)	2	(95)	2	5
FUND BALANCES - JULY 1	408	2,701	11,558	3,853	10,639
FUND BALANCES - JUNE 30	\$ 308	\$ 2,703	\$ 11,463	\$ 3,855	\$ 10,644

SCHEDULE I (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Marion Tucker Memorial	Senior Citizens	John Stone Scholarship	Katie Piper	David McPhedran	Benjamin Barclay
REVENUES						
Interest income	\$ 2	\$ 160	\$ 2	\$ 87	\$ 284	\$ 1
Other	-	-	-	-	300	-
TOTAL REVENUES	2	160	2	87	584	1
EXPENDITURES						
Other	500	-	-	1,000	1,000	500
TOTAL EXPENDITURES	500	-	-	1,000	1,000	500
NET CHANGE IN FUND BALANCES	(498)	160	2	(913)	(416)	(499)
FUND BALANCES - JULY 1	3,848	10,485	3,718	16,665	31,626	2,800
FUND BALANCES - JUNE 30	\$ 3,350	\$ 10,645	\$ 3,720	\$ 15,752	\$ 31,210	\$ 2,301

SCHEDULE I (CONTINUED)

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Maranacook Com. Alumni Schol. Fund	Steve DeAngelis Scholarship	Luke Hopkins	Lloyd Jewett	Wendy Williams	Total
REVENUES						
Interest income	\$ 488	\$ 2	\$ 6	\$ 1	\$ 4	\$ 1,051
Other	-	-	-	-	225	525
TOTAL REVENUES	488	2	6	1	229	1,576
EXPENDITURES						
Other	3,200	700	1,000	-	750	8,850
TOTAL EXPENDITURES	3,200	700	1,000	-	750	8,850
NET CHANGE IN FUND BALANCES	(2,712)	(698)	(994)	1	(521)	(7,274)
FUND BALANCES - JULY 1	49,010	4,273	11,804	935	7,362	171,685
FUND BALANCES - JUNE 30	\$ 46,298	\$ 3,575	\$ 10,810	\$ 936	\$ 6,841	\$ 164,411

See accompanying independent auditors' report and notes to financial statements.

Enterprise Funds

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

SCHEDULE H

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF NET POSITION - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2020

	Daycare/ After School Program Readfield	Adult Education	Health Center	Total Other Enterprise Funds
ASSETS				
Current assets:				
Due from other funds	\$ 3,396	\$ 10,327	\$ 39,965	\$ 53,688
TOTAL ASSETS	\$ 3,396	\$ 10,327	\$ 39,965	\$ 53,688
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
NET POSITION				
Unrestricted	3,396	10,327	39,965	53,688
TOTAL NET POSITION	3,396	10,327	39,965	53,688
TOTAL LIABILITIES AND NET POSITION	\$ 3,396	\$ 10,327	\$ 39,965	\$ 53,688

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE I

REGIONAL SCHOOL UNIT NO. 38

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Daycare/ After School Program Readfield	Adult Education	Health Center	Total Other Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 24,113	\$ 33,935	\$ -	\$ 58,048
TOTAL OPERATING REVENUES	24,113	33,935	-	58,048
OPERATING EXPENSES				
Salaries	17,314	4,697	49,901	71,912
Benefits	1,425	161	4,290	5,876
Contractual services	2,161	16,625	10,600	29,386
Supplies	5,221	1,392	1,707	8,320
Other	-	733	2,305	3,038
TOTAL OPERATING EXPENSES	26,121	23,608	68,803	118,532
OPERATING INCOME (LOSS)	(2,008)	10,327	(68,803)	(60,484)
NONOPERATING REVENUES (EXPENSES)				
Transfers in	-	-	75,166	75,166
Transfers (out)	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	-	75,166	75,166
CHANGES IN NET POSITION	(2,008)	10,327	6,363	14,682
NET POSITION - JULY 1	5,404	-	33,602	39,006
NET POSITION - JUNE 30	\$ 3,396	\$ 10,327	\$ 39,965	\$ 53,688

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE J

REGIONAL SCHOOL UNIT NO. 38

COMBINING SCHEDULE OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Daycare/ After School Program Readfield	Adult Education	Health Center	Total Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 24,113	\$ 33,935	\$ -	\$ 58,048
Internal activity - receipts (payments) from/to other funds	2,008	(10,327)	(6,363)	(14,682)
Payments to employees	(17,314)	(4,697)	(49,901)	(71,912)
Payments to suppliers	(8,807)	(18,911)	(18,902)	(46,620)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	(75,166)	(75,166)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers	-	-	75,166	75,166
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	75,166	75,166
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (2,008)	\$ 10,327	\$ (68,803)	\$ (60,484)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Changes in operating assets and liabilities:				
(Increase) decrease in due from other funds	2,008	(10,327)	(6,363)	(14,682)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ -	\$ (75,166)	\$ (75,166)

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2020

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Regular Instruction	\$ 101,228	\$ 8,879,473	\$ 197,888	\$ -	\$ 9,178,589
Special Education	38,400	2,894,701	1,566	-	2,934,667
Other Instruction	19,200	1,983,287	41,851	-	2,044,338
Administration	-	219,878	18,899	-	238,777
School Administration	19,200	1,417,902	91,955	-	1,529,057
Operations and Maintenance	19,200	5,045,491	159,551	-	5,224,242
Transportation	3,114	130,859	1,714,786	-	1,848,759
District Wide	365,451	2,523,598	469,259	-	3,358,308
School Lunch	-	-	58,164	-	58,164
 Total General Capital Assets	 565,793	 23,095,189	 2,753,919	 -	 26,414,901
 Less: Accumulated Depreciation	 -	 (9,925,741)	 (1,680,876)	 -	 (11,606,617)
 Net General Capital Assets	 <u>\$ 565,793</u>	 <u>\$ 13,169,448</u>	 <u>\$ 1,073,043</u>	 <u>\$ -</u>	 <u>\$ 14,808,284</u>

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE L

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

	General Capital Assets 7/1/19	Additions	Deletions	General Capital Assets 6/30/20
Regular Instruction	\$ 9,178,589	\$ -	\$ -	\$ 9,178,589
Special Education	2,934,667	-	-	2,934,667
Other Instruction	2,081,210	-	(36,872)	2,044,338
Administration	238,777	-	-	238,777
School Administration	1,529,057	-	-	1,529,057
Operations and Maintenance	1,784,712	3,482,168	(42,638)	5,224,242
Transportation	1,747,091	209,868	(108,200)	1,848,759
District Wide	3,358,308	-	-	3,358,308
School Lunch	42,269	15,895	-	58,164
Total General Capital Assets	22,894,680	3,707,931	(187,710)	26,414,901
Less: Accumulated Depreciation	(11,061,425)	(708,481)	163,289	(11,606,617)
Net General Capital Assets	<u>\$ 11,833,255</u>	<u>\$ 2,999,450</u>	<u>\$ (24,421)</u>	<u>\$ 14,808,284</u>

See accompanying independent auditors' report and notes to financial statements.

REGIONAL SCHOOL UNIT NO. 38

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through State of Maine - Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	13-3024	\$ -	\$ 113,480
CARES School Nutrition	10.555	13-7008(9)	-	48,251
Special Milk Program for Children	10.556	13-3014	-	33,753
Subtotal Child Nutrition Cluster			-	195,484
Food Distribution Cluster:				
Commodity Supplemental Food Program	10.565	N/A	-	12,811
Subtotal Food Distribution Cluster			-	12,811
Total U.S. Department of Agriculture			-	208,295
U.S. Department of Justice				
Direct Program:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	-	19,888
Total U.S. Department of Justice			-	19,888
U.S. Department of Education				
Passed through State of Maine - Department of Education:				
Adult Education-Basic Education to States	84.002A	13-6296	-	3,411
Title I Grants to Local Educational Agencies	84.010	13-3107	-	244,281
Title I Grants - Program Improvement	84.010	13-3106	-	638
			-	248,330
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	13-3046	-	365,177
Special Education Preschool Grants	84.173	13-6247	-	6,048
Subtotal Special Education Cluster (IDEA)			-	371,225
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	N/A	-	15,942
Rural Education	84.358	13-3305	-	27,945
Supporting Effective Instruction State Grants	84.367	13-3042	-	59,119
Total U.S. Department of Education			-	722,561
U.S. Department of the Treasury				
Passed through State of Maine - Department of Education:				
Coronavirus Relief Fund - CARES Act	21.019	N/A	-	15,602
Total U.S. Department of the Treasury			-	15,602
TOTAL FEDERAL ASSISTANCE			\$ - \$	966,346

REGIONAL SCHOOL UNIT NO. 38

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Regional School Unit No. 38 under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Regional School Unit No. 38, it is not intended to and does not present the financial position, changes in net position or cash flows of the Regional School Unit No. 38.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Regional School Unit No. 38 has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Food Donation Program

The Regional School Unit No. 38 reports commodities consumed on the Schedule at the fair value [or entitlement value]. The Government allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities.



**INDEPENDENT AUDITORS' 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. 38
Readfield, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Regional School Unit No. 38 as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Regional School Unit No. 38's basic financial statements and have issued our report thereon dated March 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 38'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. 38's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 38's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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. 38'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*. We noted certain other matters that we reported to management of Regional School Unit No. 38 in a separate letter dated March 10, 2021.

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.

RHR Smith & Company

Buxton, Maine
March 25, 2021



INDEPENDENT AUDITORS' 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. 38
Readfield, Maine

Report on Compliance for Each Major Federal Program

We have audited Regional School Unit No. 38's compliance with the types of compliance requirements described in the *OMB Circular Supplement* that could have a direct and material effect on each of Regional School Unit No. 38's major federal programs for the year ended June 30, 2020. Regional School Unit No. 38'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Regional School Unit No. 38'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. 38's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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. 38's compliance.

Opinion on Each Major Federal Program

In our opinion, Regional School Unit No. 38 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Regional School Unit No. 38 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. 38'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. 38'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

RHR Smith & Company

Buxton, Maine
March 25, 2021

REGIONAL SCHOOL UNIT NO. 38

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes no
- Significant deficiency(ies) identified? _____yes no
- Noncompliance material to financial statements noted? _____yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes no
- Significant deficiency(ies) identified? _____yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported

In accordance with 2 CFR 200.516(a)? _____yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies/Program Improvement

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None



INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Board of Directors
Regional School Unit No. 38
Readfield, Maine

We have audited the financial statements of Regional School Unit No. 38 for the year ended June 30, 2020 and have issued our report thereon dated March 25, 2021. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Regional School Unit No. 38's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, Regional School Unit No. 38 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Regional School Unit No. 38 was in noncompliance with or in violation of, those provisions.

Management has determined that no adjustments were necessary to the fiscal books of the Unit and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

This report is intended solely for the information of the Board of Directors, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Buxton, Maine
March 25, 2021

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REGIONAL SCHOOL UNIT NO. 38

**RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA
SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue		Capital Projects		Scholarships (8000)	Total
	General Fund (1000)	Funds (2000)	Funds (4000)			
June 30 Balance per Maine Education Financial System	\$ 1,338,310	\$ 48,289	\$ 2,115,546	\$ 164,411	\$ 3,666,556	
Other Adjustments:						
Rounding	(1)	-	-	-	-	(1)
Due from other funds balance	-	-	19,888	-	19,888	
Audited GAAP Basis Fund balance June 30	<u>\$ 1,338,309</u>	<u>\$ 48,289</u>	<u>\$ 2,135,434</u>	<u>\$ 164,411</u>	<u>\$ 3,686,443</u>	