

Regional School Unit No. 26

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2020

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Independent Auditor's Report

Board of Directors
Regional School Unit No. 26

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 26, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 26 as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 6 through 13 and 48 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Regional School Unit No. 26's basic financial statements. The other supplementary information on Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the State of Maine and is also not a required part of the basic financial statements. The reconciliation of audit adjustments to annual financial data submitted to the Maine Education Financial System is presented as required by the laws of the State of Maine and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, on our consideration of the Regional School Unit No. 26's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Regional School Unit No. 26's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School Unit No. 26's internal control over financial reporting and compliance.

Barthru Ishodan & Associates

January 8, 2021

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

As management of the Regional School Unit No. 26, we offer readers of the Unit's financial statements this narrative overview and analysis of the financial activities of the Unit for the fiscal year ended June 30, 2020. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. The data is reported in a manner designed to fairly present the Unit's financial position, and the results of operations of the various funds of the Unit. All disclosures necessary to enable the reader to gain an accurate understanding of the Unit's financial activities have been included.

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

FINANCIAL INFORMATION

The Regional School Unit No. 26 was formed on July 1, 2009 under new state of Maine legislation.

The Unit's administration is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual and human resource assets of the Unit are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Additionally, management strives to ensure that these assets are put to good and effective use.

FINANCIAL HIGHLIGHTS

- The total balance of the Unit's governmental activities cash and cash equivalents at June 30, 2020 was \$9,900,885.
- Under the government-wide basis of reporting, the Unit's total net position was \$4,294,352 at June 30, 2020 an increase of \$2,017,266.

OVERVIEW OF FINANCIAL STATEMENTS

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

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

Government-wide financial statements

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

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

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

The government-wide financial statements outline functions of the Unit that are principally supported by assessments and intergovernmental revenues (governmental activities). The governmental activities of the Unit include instruction, support services, operation and maintenance of plant, transportation, administration, and adult education. Fixed assets and related debt are also supported by assessments and intergovernmental revenues. The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund financial statements

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

Governmental Funds

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

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

The Unit adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement is included in the required supplementary information portion of the financial statements. The basic governmental fund financial statements can be found on pages 16-19 of this report.

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the Unit cannot use these funds to finance its operations. The Unit uses agency funds to account for resources held for student groups and private purpose trust funds to account for resources of scholarship accounts. The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22-47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with budget to GAAP differences and budget and actual with variances). Required supplementary information can be found on pages 48-58 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 59-61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Unit, assets exceeded liabilities by \$4,294,352 as of June 30, 2020.

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

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

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position for the Period Ending June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Current and other assets	\$17,351,304	\$ 4,060,565
Capital assets (net of accumulated depreciation)	<u>4,305,215</u>	<u>3,612,081</u>
Total Assets	21,656,519	7,673,646
Deferred outflows of resources	<u>546,537</u>	<u>413,334</u>
Current liabilities	1,140,889	936,440
Non-current liabilities	<u>16,613,688</u>	<u>4,681,144</u>
Total Liabilities	17,754,577	5,617,585
Deferred inflows of resources	<u>154,127</u>	<u>192,309</u>
Net Position		
Investment in capital assets (net of debt)	2,191,805	1,535,510
Restricted	1,555,686	216,503
Unrestricted	<u>546,861</u>	<u>525,073</u>
Total Net Position	<u>\$ 4,294,352</u>	<u>\$ 2,277,086</u>

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

- The Unit recorded depreciation expense of \$286,490 for the year ended June 30, 2020. The Unit also recorded interest expense of \$405,267 the year ended June 30, 2020.

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of the Unit's operations for the fiscal year ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
REVENUES		
Charges for services and other	\$ 2,153,634	\$ 2,096,777
Operating grants and contributions	2,927,552	1,800,918
Capital grants and contributions	2,236,220	129,360
General revenues		
Local assessments	6,787,436	6,787,436
State subsidy	4,718,718	4,103,593
Interest income	19,601	27,407
Miscellaneous	<u>1,516</u>	<u>31,280</u>
Total Revenues	<u>18,844,677</u>	<u>14,976,771</u>
EXPENSES		
Regular instruction	\$ 6,192,574	\$ 5,787,627
Special education	3,426,372	2,976,618
Other instruction	688,479	644,297
Student and staff support	1,242,504	1,005,642
System administration	547,480	449,041
School administration	791,172	646,224
Student transportation	312,717	328,232
Facilities and operations	1,420,371	1,359,904
Federal, state and local grant expense	310,523	365,364
Adult education	81,646	99,374
On-behalf payments – State of Maine	1,025,856	765,251
Food service	310,986	257,379
Interest and other charges	405,267	141,408
Capital outlay	<u>71,464</u>	<u>103,751</u>
Total Expenses	<u>16,827,411</u>	<u>14,930,112</u>
Change in net position	<u>2,017,266</u>	<u>46,659</u>
Net position, beginning of year	2,277,086	3,777,018
Restatement of net position	<u>-</u>	<u>(1,546,591)</u>
Net position, beginning of year, restated	<u>2,277,086</u>	<u>2,230,427</u>
Net position, end of year	<u>\$ 4,294,352</u>	<u>\$ 2,277,086</u>

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

FINANCIAL ANALYSIS OF THE UNIT'S BUDGET

The Unit recognized revenues and expenditures on a budget basis that differs from how revenues and expenditures should be recognized under generally accepted accounting principles (GAAP). The principle differences between the two methods are as follows:

- GAAP basis revenues and expenditures include teachers' retirement plan payments made by the state on behalf of the Unit. The Unit's budget basis revenues and expenditures do not include these revenues and expenditures.
- The budget basis revenues and expenditures do not include capital lease debt revenue and offsetting outlay activity. GAAP basis revenues and expenditures include the activity for proper reporting.

During the year, actual revenues exceeded budgeted revenues by \$413,623. Most of this variance resulted from underestimated tuition revenues.

Budgeted expenditures exceeded actual expenditures by \$661,704.

Excess revenues over expenditures and other uses was \$32,242. Accordingly, the budget basis fund balance increased from \$2,236,572 to \$2,268,814.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following summarizes capital assets at year end:

	Balance June 30, 2019	Additions	Retire- ments	Balance June 30, 2020
Land and CIP	\$ 130,386	\$ 889,803	\$ -	\$ 1,020,189
Buildings and improvements	4,914,272	89,821	-	5,004,093
Equipment	745,658	-	-	745,658
Land improvements	<u>431,104</u>	<u>-</u>	<u>-</u>	<u>431,104</u>
Total capital assets	6,221,420	979,624	-	7,201,044
Accumulated depreciation	<u>(2,609,339)</u>	<u>(286,490)</u>	<u>-</u>	<u>(2,895,829)</u>
Capital assets, net	<u>\$ 3,612,081</u>	<u>\$ 693,134</u>	<u>\$ -</u>	<u>\$ 4,305,215</u>

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Analysis of the Unit's Operations

Overall the Unit had a total increase in net position of \$2,017,266 from current year operations.

Total revenue include general revenues such as local assessments, state aid to education, and other revenue that is not program specific or charges for services, such as federal grants for special education and fees for food service and adult education.

General revenues for the year ended June 30, 2020 totaled \$11,527,271. Of this amount, \$6,787,436 was from local assessments paid by the Town of Orono, Maine and \$4,718,718 was from the State of Maine. In addition, \$21,117 came from interest and other miscellaneous sources.

During the year, the Unit received program specific operating grants and contributions totaling \$2,927,552 and capital grants and contributions of \$2,236,220. These grants and contributions represent resources that are restricted for use in particular programs and are meant to directly offset the Unit's costs for these various programs. Most of these grants and contributions come from state and federal sources.

Expenses of governmental activities include depreciation expense of \$286,490. Depreciation expense has been allocated and is included in the various function/program expenses of the Unit.

Charges for services and other represent revenues earned by the Unit in return for services provided by the Unit or the use of the Unit's property. These revenues predominately consist of tuition, adult education fees and school lunch revenues. Charges for services totaled \$2,153,634 for the year ended June 30, 2020.

FINANCIAL ANALYSIS OF THE UNIT'S FUNDS

The focus of the Unit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Unit's financing requirements. As the Unit completed the year, its governmental funds reported a combined fund balance of \$15,863,767, \$13,293,555 higher than the beginning balances.

Revenues include intergovernmental revenue of \$5,309,388 and local assessments totaling \$6,827,436. On-behalf payments amounted to \$1,005,816. Additional information on these "on-behalf" payments can be found in notes to the basic financial statements.

Charges for services contributed \$2,148,632 in total revenue during the year. Of this amount, \$74,094 represents revenues generated from the food service program.

Total governmental fund expenditures before other financing for the year were \$16,384,945. The Unit's debt service totaled \$598,727 for the year.

Total Unit's fiduciary funds consisted of scholarship funds of \$2,204 and student activity funds of \$198,217 at June 30, 2020.

Regional School Unit No. 26
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)
June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

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

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Bonds payable	\$ 344,000	\$13,076,551	\$ (983,377)	\$12,437,174
Capital lease obligations	2,395,996	-	(294,941)	2,101,055
Net pension liability	275,353	377,105	(325,711)	326,747
Net OPEB liability	1,557,560	166,796	(36,769)	1,687,587
Compensated absences	<u>108,235</u>	<u>4,791</u>	<u>(51,901)</u>	<u>61,125</u>
Total	<u>\$ 4,681,144</u>	<u>\$13,625,243</u>	<u>\$(1,692,699)</u>	<u>\$16,613,688</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUEST FOR INFORMATION

The financial report is designed to provide information to the readers of the report with a general overview of the Unit's finances. If you have questions about this report or need any additional information, contact the Superintendent's Office at 10 Goodridge Dr, Orono, Maine, 04473 or call (207) 866-7110.

Regional School Unit No. 26
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,451,123
Cash - restricted	6,449,762
Investments	5,000,000
Other receivable	51,867
Due from other governments	106,499
Due from IRS - bond interest refund receivable	112,608
Due from lenders - bonds receivable	1,676,551
Inventories	4,511
Prepaid expenses	6,359
Due from Town of Glenburn for future debt service	492,024
Capital assets not being depreciated	1,020,189
Capital assets being depreciated, net of accumulated depreciation	3,285,026
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Total assets	21,656,519
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	420,473
Deferred outflows related to OPEB	126,064
	<hr/>
Total deferred outflows of resources	546,537
LIABILITIES	
Accounts payable and accrued expenses	110,803
Accrued wages	772,103
Accrued interest payable	257,983
Long-term liabilities	
Due within one year	
Bonds payable	116,617
Capital leases payable	298,537
Due in more than one year	
Bonds payable	12,320,557
Capital leases payable	1,802,518
Net pension liability	326,747
Net OPEB liability	1,687,587
Compensated absences	61,125
	<hr/>
Total liabilities	17,754,577
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	102,280
Deferred inflows related to OPEB	51,847
	<hr/>
Total deferred inflows of resources	154,127
NET POSITION	
Net investment in capital assets	2,191,805
Restricted for grants and contributions	148,432
Restricted for food service fund	100,263
Restricted for capital projects	1,306,991
Unrestricted	546,861
	<hr/>
Total net position	\$ 4,294,352

See accompanying notes to basic financial statements.

Regional School Unit No. 26
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Regular instruction	\$ 6,192,574	\$ 1,781,001	\$ 597,545	\$ -	\$ (3,814,028)
Special education	3,426,372	282,908	416,419	-	(2,727,045)
Other instruction	688,479	-	78,115	-	(610,364)
Student and staff support	1,242,504	-	163,019	-	(1,079,485)
System administration	547,480	-	17,691	-	(529,789)
School administration	791,172	-	82,125	-	(709,047)
Student transportation	312,717	-	-	-	(312,717)
Facilities maintenance	1,420,371	4,933	-	-	(1,415,438)
Federal, state and local grant expense	310,523	-	313,680	-	3,157
Adult education	81,646	10,698	72,144	-	1,196
On-behalf payments - State of Maine	1,025,856	-	1,025,856	-	-
Food service	310,986	74,094	159,128	-	(77,764)
Interest and other charges	405,267	-	-	114,050	(291,217)
Capital outlay	71,464	-	1,830	2,122,170	2,052,536
Total governmental activities	<u>\$ 16,827,411</u>	<u>\$ 2,153,634</u>	<u>\$ 2,927,552</u>	<u>\$ 2,236,220</u>	<u>(9,510,005)</u>
General revenues					
Assessments					
Assessments, levied for general purposes					
					6,787,436
State subsidy					4,718,718
Unrestricted interest earnings					19,601
Miscellaneous					<u>1,516</u>
Total general revenues					<u>11,527,271</u>
Change in net position					2,017,266
NET POSITION - BEGINNING					<u>2,277,086</u>
NET POSITION - ENDING					<u>\$ 4,294,352</u>

Regional School Unit No. 26
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Funds	Other Govern- mental Funds- School Food Service	Total Govern- mental Funds
ASSETS					
Cash and cash equivalents	\$ 3,260,283	\$ -	\$ 190,840	\$ -	\$ 3,451,123
Investments	-	-	5,000,000	-	5,000,000
Cash - restricted	-	-	6,449,762	-	6,449,762
Interest receivable	-	-	47,483	-	47,483
Due from other funds	-	96,623	-	76,553	173,176
Due from other governments	38,215	51,634	-	16,650	106,499
Accounts receivable	923	314	-	3,148	4,385
Due from lenders - bonds receivable	-	-	1,676,551	-	1,676,551
Inventories	-	-	-	4,511	4,511
Prepaid expenses	6,359	-	-	-	6,359
Total assets	<u>\$ 3,305,780</u>	<u>\$ 148,571</u>	<u>\$ 13,364,636</u>	<u>\$ 100,862</u>	<u>\$ 16,919,849</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 110,065	\$ 139	\$ -	\$ 599	\$ 110,803
Accrued summer teacher pay	772,103	-	-	-	772,103
Due to other funds	154,698	-	18,478	-	173,176
Total liabilities	<u>1,036,866</u>	<u>139</u>	<u>18,478</u>	<u>599</u>	<u>1,056,082</u>
Fund balances					
Nonspendable for inventory	-	-	-	4,511	4,511
Nonspendable for prepaid expenses	6,359	-	-	-	6,359
Restricted for food service funds	-	-	-	95,752	95,752
Restricted for grants and contributions	-	148,432	-	-	148,432
Restricted for capital projects	-	-	13,155,318	-	13,155,318
Committed for capital projects	-	-	190,840	-	190,840
Committed for future debt service	35,691	-	-	-	35,691
Committed for fuel stabilization	78,282	-	-	-	78,282
Unassigned	2,148,582	-	-	-	2,148,582
Total fund balances	<u>2,268,914</u>	<u>148,432</u>	<u>13,346,158</u>	<u>100,263</u>	<u>15,863,767</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,305,780</u>	<u>\$ 148,571</u>	<u>\$ 13,364,636</u>	<u>\$ 100,862</u>	<u>\$ 16,919,849</u>

Regional School Unit No. 26
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balance, governmental funds	\$	15,863,767
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets, net of accumulated depreciation		4,305,215
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Bond interest refund receivable	\$ 112,608	
Due from other governments - Town of Glenburn	492,024	604,632

Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund statement, but are reported in the governmental activities of the Statement of Net Position.

Deferred outflows related to pensions	\$ 420,473	
Deferred inflows related to pensions	(102,280)	
Deferred outflows related to OPEB	126,064	
Deferred inflows related to OPEB	(51,847)	392,410

Certain other liabilities that will not be paid by current assets and are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Accrued interest payable	\$ (257,983)	
Compensated absences liability	(61,125)	(319,108)

Some liabilities, (such as Capital Lease Payable, Bonds Payable and Net Pension Liability), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds, capital leases and net pension and OPEB liability		(16,552,564)
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Net Position of Governmental Activities in the Statement of Net Position	\$	4,294,352
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Regional School Unit No. 26
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Funds	Other Govern- mental Funds- School Food Service	Total Govern- mental Funds
REVENUES					
Local assessments	\$ 6,787,436	\$ 40,000	\$ -	\$ -	\$ 6,827,436
Intergovernmental revenue	4,815,535	334,725	-	159,128	5,309,388
On-behalf payments - State of Maine	1,005,816	-	-	-	1,005,816
Charges for services	2,063,880	10,658	-	74,094	2,148,632
Interest	19,630	-	96,157	-	115,787
Other	6,450	675	-	-	7,125
Total revenues	14,698,747	386,058	96,157	233,222	15,414,184
EXPENDITURES					
Current					
Regular instruction	5,621,009	-	-	-	5,621,009
Special education	3,023,890	-	-	-	3,023,890
Other instruction	604,439	-	-	-	604,439
Student and staff support	1,081,208	-	-	-	1,081,208
System administration	538,037	-	-	-	538,037
School administration	724,816	-	-	-	724,816
Transportation	312,717	-	-	-	312,717
Facilities maintenance	1,172,736	-	-	-	1,172,736
Federal, state and local grant expense	-	310,028	-	-	310,028
Adult education	-	71,300	-	-	71,300
On-behalf payments - State of Maine	1,005,816	-	-	-	1,005,816
Food service	-	-	-	305,760	305,760
Debt service					
Principal - other	318,659	-	-	-	318,659
Interest and other charges	137,378	-	142,690	-	280,068
Capital outlay	-	-	1,014,462	-	1,014,462
Total expenditures	14,540,705	381,328	1,157,152	305,760	16,384,945
Excess (deficiency) of revenues over expenditures	158,042	4,730	(1,060,995)	(72,538)	(970,761)
OTHER FINANCING SOURCES (USES)					
General obligation bond proceeds	-	-	13,076,551	-	13,076,551
General obligation bond premium	-	-	1,087,465	-	1,087,465
Bond interest refund	100,300	-	-	-	100,300
Transfers in	-	-	126,000	100,000	226,000
Transfers out	(226,000)	-	-	-	(226,000)
Total other financing sources (uses)	(125,700)	-	14,290,016	100,000	14,264,316
Net change in fund balances	32,342	4,730	13,229,021	27,462	13,293,555
FUND BALANCES - BEGINNING	2,236,572	143,702	117,137	72,801	2,570,212
FUND BALANCES - ENDING	\$ 2,268,914	\$ 148,432	\$ 13,346,158	\$ 100,263	\$ 15,863,767

Regional School Unit No. 26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds: \$ 13,293,555

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

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

Capital outlays	\$ 979,624	
Depreciation expense	<u>(286,490)</u>	693,134

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

Debt payment receivable adjustment from other Town	\$ (67,651)	
Bond interest refund revenue	<u>(15,415)</u>	(83,066)

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

Deferred outflows related to pensions	\$ 45,147	
Deferred inflows related to pensions	27,940	
Deferred outflows related to OPEB	88,056	
Deferred inflows related to OPEB	<u>10,242</u>	171,385

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

Debt issued	\$ (12,136,174)	
Principal repaid	<u>337,942</u>	(11,798,232)

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

Net pension expense	\$ (51,394)	
Net OPEB expense	(130,027)	
Accrued interest not reflected on Governmental funds	(125,199)	
Compensated absences not reflected on Governmental funds	<u>47,110</u>	(259,510)

Change in net position of governmental activities	<u><u>\$ 2,017,266</u></u>
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Regional School Unit No. 26
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 2,304	\$ 198,217
Total assets	<u>2,304</u>	<u>198,217</u>
LIABILITIES		
Due to school groups	<u>-</u>	<u>198,217</u>
Total liabilities	<u>-</u>	<u>198,217</u>
NET POSITION		
Held in trust for scholarships	<u><u>\$ 2,304</u></u>	<u><u>\$ -</u></u>

Regional School Unit No. 26
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Investment earnings	
Interest	\$ 2
Contributions	<u>100</u>
Total additions	102
NET POSITION - BEGINNING	<u>2,202</u>
NET POSITION - ENDING	<u><u>\$ 2,304</u></u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FINANCIAL REPORTING ENTITY

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

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

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

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Governmental Funds

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

The Unit has presented the following major governmental funds:

General Fund

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

Special Revenue Fund

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

Capital Projects Fund

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

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

The Unit has presented the following fiduciary funds:

Private Purpose Trust Funds

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

Agency Funds

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

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

The revenues susceptible to accrual are assessments, intergovernmental revenues and charges for services. All other governmental fund revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents

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

Investments are carried at fair value. Additional information, including the composition of investments, is presented in Note 2.

2. Inventories

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

3. Interfund Receivables and Payables

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

4. Interfund Transfers

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

5. Capital Assets

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

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

Buildings	20-50 years
Improvements	25-100 years
Machinery and Equipment	3-30 years

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

5. Capital Assets (Continued)

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

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

6. Long-term Debt

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

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

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

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

Sick time:

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

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

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

6. Long-term Debt (Continued)

Vacation:

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

7. Pensions and Other Post-Employment Benefits (OPEB)

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

8. Use of Estimates

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

9. Government-wide Net Position

Net position represents the difference between asset and deferred outflows and liabilities and deferred inflows in the government-wide financial statements.

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

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Unit or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

10. Governmental Fund Balances

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

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

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

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

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Directors is authorized to assign amounts under authority granted by the Unit's budget policies.

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

The Unit has not formally adopted a fund balance policy, but has implemented GASB 54 based on the definitions above. For expenditures that qualify for multiple categories, amounts will be considered first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance.

11. Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This statement improves financial reporting by increasing the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The statement was originally issued to be effective for periods beginning after December 15, 2019 but in May of 2020, the Governmental Accounting Standards Board postponed the effective date of this Statement to periods beginning after June 15, 2021. The effect of this Statement on the Unit's financial statements is not known at this time.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

11. Recent Accounting Pronouncements (Continued)

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The statement was originally issued to be effective for periods beginning after December 15, 2018 but in May of 2020, the Governmental Accounting Standards Board postponed the effective date of this Statement to periods beginning after December 15, 2019. The effect of this Statement on the Unit's financial statements is not known at this time.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Unit's deposits may not be returned to it. The Unit does not have a deposit policy for custodial credit risk. As of June 30, 2020, the Unit reported deposits of \$10,101,406 with bank balances of \$10,538,786. Of the Unit's total bank balance of \$10,538,786, \$297,547 was exposed to custodial credit risk.

Deposits have been reported as follows:

Reported in governmental funds	\$ 9,900,885
Reported in fiduciary funds	<u>200,521</u>
Total deposits	<u>\$10,101,406</u>

The Unit has \$6,449,762 in restricted cash for capital projects as of June 30, 2020.

Investments

Statutes authorize the Unit to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the Unit can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The trust and agency fund is also authorized to invest in various instruments in accordance with laws of the State of Maine.

The Unit categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Unit's investments at June 30, 2020 are as follows:

Certificates of deposit	<u>\$ 5,000,000</u>
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All of the Unit's investments at June 30, 2020 are valued using quoted market prices (Level 1 inputs).

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the Unit will not be able to recover the value of its investments. The Unit does not have an investment policy for custodial credit risk. The Unit's investment of \$5,000,000 in certificates of deposit are fully insured by the FDIC.

Concentration of Credit Risk: The Unit does not have any investments that meet the criteria to be classified as a concentration of credit risk investment.

Interest Rate Risk: The Unit does not have a policy related to investment rate risk. The Unit is required to disclose the interest rate risk of its debt investments as follows:

NOTE 3. CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Disposals/ Retire- ments	Balance June 30, 2020
<i>Capital assets not being depreciated</i>				
Construction in process	\$ 130,386	\$ 889,803	\$ -	\$ 1,020,189
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,914,272	89,821	-	5,004,093
Equipment	745,658	-	-	745,658
Land improvements	431,104	-	-	431,104
Total capital assets being depreciated	<u>6,091,034</u>	<u>89,821</u>	<u>-</u>	<u>6,180,855</u>
<i>Less accumulated depreciation for</i>				
Buildings and improvements	(1,845,541)	(247,909)	-	(2,093,450)
Equipment	(563,810)	(17,849)	-	(581,659)
Land improvements	(199,988)	(20,732)	-	(220,720)
Total accumulated depreciation	<u>(2,609,339)</u>	<u>(286,490)</u>	<u>-</u>	<u>(2,895,829)</u>
Total capital assets being depreciated, net	<u>3,481,695</u>	<u>(196,669)</u>	<u>-</u>	<u>3,285,026</u>
Capital assets, net	<u>\$ 3,612,081</u>	<u>\$ 693,134</u>	<u>\$ -</u>	<u>\$ 4,305,215</u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 3. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Special education	\$ 2,848
Other instruction	7,608
Facilities maintenance	273,104
Food service	<u>2,930</u>
Total depreciation expense	<u>\$ 286,490</u>

The Unit reported \$267,889 in uncapitalized interest related to a construction project at year end.

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities of the Unit for the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases/ Forgiven	Balance June 30, 2020	Portion due within one year
General Obligation Bonds					
<i>Bangor Savings Bank</i>					
2011 qualified school construction bond due in annual principal installments of \$43,000 through July 2026; interest due semi-annually at 5.04%.	\$ 344,000	\$ -	\$ (43,000)	\$ 301,000	\$ 43,000
<i>US Bank</i>					
2019 general obligation bonds due in annual principal installments of \$475,000 through September 2044; interest due semi-annually at rates from 2.0% to 5.0%	-	11,400,000	-	11,400,000	-
<i>Maine Municipal Bond Bank</i>					
2020 revolving renovation bond due in annual principal installments through 2031, Interest is 0%	-		(940,377)	736,174	-
Total general obligation bonds	344,000	1,676,551 13,076,551	(983,377)	12,437,174	43,000
Capital Leases	2,395,996	-	(294,941)	2,101,055	298,537
Net pension liability	275,353	377,105	(325,711)	326,747	N/A
Net OPEB liability	1,557,560	166,796	(36,769)	1,687,587	N/A
Compensated Absences	108,235	4,791	(51,901)	61,125	N/A
Total long-term liabilities	<u>\$ 4,681,144</u>	<u>\$13,625,243</u>	<u>\$(1,692,699)</u>	<u>\$16,613,688</u>	<u>\$ 341,537</u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds Payable

Future maturities of general obligation bonds are as follows:

Year ended June 30	Principal	Interest	Total
2021	\$ 116,617	\$ 440,009	\$ 556,626
2022	591,618	425,749	1,017,367
2023	591,617	399,616	991,233
2024	591,618	373,484	965,102
2025	591,617	347,355	938,972
2026-2030	2,829,087	1,355,526	4,184,613
2031-2035	2,375,000	819,672	3,194,672
2036-2040	2,375,000	513,000	2,888,000
2041-2045	<u>2,375,000</u>	<u>178,125</u>	<u>2,553,125</u>
	<u>\$ 12,437,174</u>	<u>\$ 4,852,536</u>	<u>\$ 17,289,710</u>

Obligations under capital leases

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

As of June 30, 2020, the Unit had recorded \$4,189,798 in equipment and buildings related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2020 is \$1,756,644.

Minimum future lease payments under capital leases as of June 30, 2020 are:

2021	\$ 406,718
2022	395,201
2023	383,633
2024	372,013
2025	337,236
2026-2027	<u>639,213</u>
	2,534,014
Less amount representing interest	<u>(432,959)</u>
Present value of minimum lease payments	<u>\$ 2,101,055</u>

The amount of principal due within one year for the above capital leases is \$298,537

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. LONG-TERM LIABILITIES (Continued)

Obligations under operating leases

The Unit is currently committed to operating lease payments of \$75,328 over the next two years for a portable classroom. Future lease payment requirements are as follows:

2021	\$ 41,088
2022	<u>34,240</u>
Total	<u>\$ 75,328</u>

Operating lease payments were \$6,848 for fiscal year 2020.

In accordance with Maine law, no school unit shall incur debt for specific purposes in excess of certain percentages of State valuation of member municipalities. At June 30, 2020, the Unit was in compliance with these limitations.

NOTE 5. INTERFUND TRANSACTIONS

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

Individual fund interfund receivable and payable balances at June 30, 2020 arising from these transactions, and interfund transfers were as follows:

	Receivables	Payables	Transfers In	Transfers Out
General fund	\$ -	\$ 154,698	\$ -	\$ 226,000
Special revenue fund	96,623	-	-	-
Capital projects fund	-	18,478	126,000	-
Nonmajor fund-School lunch fund	<u>76,553</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
	<u>\$ 173,176</u>	<u>\$ 173,176</u>	<u>\$ 226,000</u>	<u>\$ 226,000</u>

The outstanding balances between funds result mainly from short-term cash flow needs that are funded by the general fund, as it holds the Unit's checking account. The transfer of \$100,000 was transferred to the school lunch fund, in accordance with budgetary authorizations. The transfer of \$126,000 was transferred to the capital reserve fund, in accordance with budgetary authorization.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable adding back any unspent proceeds. The Unit's net position invested in capital assets, net of related debt was calculated as follows at June 30, 2020:

Capital assets	\$ 7,201,044
Accumulated depreciation	(2,895,829)
Receivable offset to debt service	492,024
Related bonds payable	(588,847)
Related capital leases payable	<u>(2,016,587)</u>
Total balance	<u>\$ 2,191,805</u>

NOTE 7. RESTRICTED FUND BALANCES – SPECIAL REVENUE FUND

At June 30, 2020, the Unit maintained restricted fund balances in its special revenue fund for the following programs:

Adult education – Orono	\$ 96,525
Adult education – Hampden	16,054
Transition	7,940
Improvement of instruction training	2,367
Stephen & Tabitha King	200
NSF – Johnson	2,557
OEA – Orono	13,260
Maine math and science	638
Region IV	1,162
Art (PAL)	124
Board Scholarship	5,850
Miscellaneous local grants and donations	<u>1,755</u>
	<u>\$ 148,432</u>

NOTE 8. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System

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

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.4%.

Contributions

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

Contributions - SET Plan

SET plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education (DOE) is required to contribute 14.33% of compensation for non-federally funded employees. The Unit is required to contribute 4.16% of compensation to cover the normal costs for non-federally funded employees. The Unit is also required to contribute 19.11% of compensation for federally funded employees.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions - SET Plan (Continued)

The contributions for the year ended June 30, 2020 were as follows:

	Covered Payroll	Contribution Percentage	Contribution Amount
Employee contribution	\$ 7,100,141	7.65%	\$ 543,161
State DOE contribution for non-federally funded employees	7,018,952	14.33%	1,005,816
Employer contribution for normal costs of non-federally funded employees	7,018,952	4.16%	291,988
Employer contribution for federally funded employees	81,190	19.11%	15,515

Contributions - PLD Plan

PLD plan members are required to contribute 7.83% of their annual salary to the plan. The Unit is required to pay 10.0% of members' compensation. The Unit had covered payroll of \$476,858 for the year ended June 30, 2020. Unit contributions were as follows:

	Year ended 6/30/20		Year ended 6/30/19		Year ended 6/30/18	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$ 46,686	10.00%	\$ 47,980	10.00%	\$ 39,577	9.50%
Employee	37,332	7.83%	38,384	8.00%	32,981	8.00%

Net Pension Liability

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

The collective net pension liability measured as of June 30, 2019 was as follows:

	SET Plan	PLD Plan
Plan collective total pension liability	\$ 9,469,173,597	\$ 3,258,819,605
Less plan net position	<u>(8,003,297,686)</u>	<u>(2,953,156,096)</u>
Plan collective net pension liability	<u>\$ 1,465,875,911</u>	<u>\$ 305,663,509</u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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 for contributions to the SET Plan. The amount recognized by the Unit as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the Unit were as follows:

	SET Plan	PLD Plan
Unit's proportionate share of the net pension liability	\$ 87,000	\$ 239,747
State's proportionate share of the net pension liability associated with the Unit	<u>7,715,636</u>	<u>-</u>
Total	<u>\$ 7,802,636</u>	<u>\$ 239,747</u>

The net pension liability for the Unit was measured as of June 30, 2019, and the total collective pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Unit's proportionate share percentage of the collective net pension liability for the SET Plan was 0.005935%, allocated based on Unfunded Actuarial Liability (UAL) contributions to the plan. This percentage was 0.005946% at the prior measurement date of June 30, 2018. The Unit's proportionate share percentage of the collective net pension liability for the PLD Plan was 0.078435%, allocated based on adjusted contributions to the plan for the year ended June 30, 2019. This percentage was 0.071294% at the prior measurement date of June 30, 2018.

Pension Expense and Revenue

For the year ended June 30, 2020, the Unit recognized pension expense of \$273,961 related to the SET Plan, made up of the Unit's proportionate share of plan pension expense \$18,247, pension expense related to specific liabilities of individual employers \$267,436, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$11,722), and recognized revenue of \$1,365,378 for support provided by the State.

For the year ended June 30, 2020, the Unit recognized pension expense of \$60,008 related to the PLD Plan, made up of the Unit's proportionate share of plan pension expense \$73,582, pension expense related to specific liabilities of individual employers (\$247), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$13,327).

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, the Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan		PLD Plan	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 6,767	\$ -	\$ 28,387	\$ -
Changes of assumptions	2,519	-	12,142	-
Net difference between projected and actual investment earnings on pension plan investments	-	12,281	-	60,050
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,682	15,972	26,267
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>307,000</u>	<u>-</u>	<u>47,686</u>	<u>-</u>
Total	<u>\$ 316,286</u>	<u>\$ 15,963</u>	<u>\$ 104,187</u>	<u>\$ 86,317</u>

\$354,686 reported as deferred outflows related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	SET Plan Amount	PLD Plan Amount
2021	\$ 373	\$ (10,396)
2022	(4,328)	(20,625)
2025	(2,760)	1,240
2024	<u>38</u>	<u>(35)</u>
	<u>\$ (6,677)</u>	<u>\$ (29,816)</u>

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

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

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

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

A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE

The Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. The Group Life Insurance Plan for Retired State Employees and Teachers (the SET Plan) is a multiple-employer cost sharing plan with a special funding situation. The State is also a non-employer contributing entity in that the State pays contributions for retired public-school teachers in the plan.

Other Post-Employment Benefits (OPEB)

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

Contributions

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

Net OPEB Liability

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

The collective net OPEB liability measured as of June 30, 2019 was as follows:

	SET Plan	PLD Plan
Plan collective total OPEB liability	\$ 102,191,125	\$ 37,656,642
Less plan net fiduciary position	<u>(63,655,685)</u>	<u>(16,259,162)</u>
Plan collective net OPEB liability	<u>\$ 38,535,440</u>	<u>\$ 21,397,480</u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

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

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

Net OPEB Liability (Continued)

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

	SET Plan	PLD Plan
Unit's proportionate share of the net OPEB liability	\$ -	\$ 7,517
State's proportionate share of the net OPEB liability associated with the Unit	<u>217,716</u>	<u>-</u>
Total	<u>\$ 217,716</u>	<u>\$ 7,517</u>

The net OPEB liability for the Unit was measured as of June 30, 2019, and the total collective OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The Unit's proportionate share percentage of the collective net OPEB liability for the PLD Plan was 0.035130%, allocated based on adjusted contributions to the plan for the year ended June 30, 2019. This percentage was 0.036453% at the prior measurement date of June 30, 2018. Because of the special funding situation in which the State pays the total dollar amount of each year's annual required contribution, the Unit's proportionate share percentage of the collective net OPEB liability for the SET Plan was 0.0%, and the entire net OPEB liability is reported by the State of Maine.

OPEB Expense and Revenue

For the year ended June 30, 2020, the Unit recognized OPEB expense of \$378 related to the PLD Plan, made up of the Unit's proportionate share of plan OPEB expense \$393, OPEB expense related to specific liabilities of individual employers \$0, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$15). For the year ended June 30, 2020, the Unit recognized OPEB expense of \$20,554 related to the SET Plan and recognized revenue of \$20,554 for support provided by the State, and recognized offsetting revenue and expense of \$20,040 for payments made by the State on-behalf of the Unit pursuant to the special funding situation of the SET Plan.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

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

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

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, the Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PLD Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 479	\$ -
Changes of assumptions	626	983
Net difference between projected and actual investment earnings on OPEB plan investments	-	335
Changes in proportion and differences between employer contributions and proportionate share of contributions	113	242
Employer's contributions to plan subsequent to measurement date of collective net OPEB liability	-	-
Total	<u>\$ 1,218</u>	<u>\$ 1,560</u>

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

Year ended June 30	PLD Plan Amount
2021	\$ (209)
2022	(209)
2023	(138)
2024	210
2025	<u>4</u>
	<u>\$ (342)</u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

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

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

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

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

B. MAINE EDUCATION ASSOCIATION BENEFITS TRUST – EMPLOYEE HEALTH PLAN

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

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

Benefits Provided

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

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the Plan benefit terms:

Inactive retirees or beneficiaries	44
Active employees	<u>121</u>
Total	<u>165</u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

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

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

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

The Unit's total Plan OPEB liability of \$1,680,070 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Changes in the Total Plan OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 1,550,196
Changes for the year:	
Service Cost	16,201
Interest	59,915
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	90,527
Benefit payments	<u>(36,769)</u>
Net changes	<u>129,874</u>
Balance at June 30, 2020	<u>\$ 1,680,070</u>

This is the first valuation performed. The changes that are provided in the deferred inflows and outflows are related to the change in the discount rate between the beginning of the measurement date (3.87%) and the end of the measurement date (3.50%). No other changes in assumptions were made.

For the year ended June 30, 2020, The Unit recognized OPEB expense of \$78,991 related to the Plan. At June 30, 2020, The Unit reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	77,595	50,287
Employer contributions after measurement date	<u>47,251</u>	<u>-</u>
Total	<u>\$ 124,846</u>	<u>\$ 50,287</u>

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

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

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

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

\$47,251 reported as deferred outflows related to pensions resulting from Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30:	
2020	\$ 2,875
2021	2,875
2022	2,875
2023	2,875
2024	2,873
Thereafter	<u>12,935</u>
Total	<u>\$ 27,308</u>

Actuarial Assumptions - Plan - The total OPEB liability in the June 30, 2019 actuarial valuation for the Plan was determined using assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

Mortality rates for the Plan were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2019 valuation for the Plan were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - Plan - The rate used to measure the total OPEB liability for the Plan was 3.50% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

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

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

Sensitivity of the Total Plan OPEB Liability to Changes in the Discount Rate - Changes in the discount rate affect the measurement of the Total OPEB Liability (TOL). Lower discount rates produce higher TOL and higher discount rates produce a lower TOL. The following table presents the Unit's total OPEB liability related to the Plan calculated using the discount rate of 3.50%, as well as what the Unit's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage-point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 1,968,356	\$ 1,680,070	\$ 1,451,917
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,968,356</u>	<u>\$ 1,680,070</u>	<u>\$ 1,451,917</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 17.2%. A one percent increase in the discount rate decreases the NOL by approximately 13.6%.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates - Changes in the healthcare trend rate affect the measurement of the Total OPEB Liability (TOL). Lower healthcare trend rates produce higher TOL and higher healthcare trend rates produce a lower TOL. The following table presents the Unit's total OPEB liability related to the Plan calculated using the current healthcare cost trend rate, as well as what the Unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 1,426,144	\$ 1,680,070	\$ 2,004,257
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,426,144</u>	<u>\$ 1,680,070</u>	<u>\$ 2,004,257</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 15.1%. A one percent increase in the healthcare trend rate increases the NOL by approximately 19.3%.

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 10. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

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

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

NOTE 11. CONTINGENCIES

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

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

NOTE 12. JOINTLY GOVERNED ORGANIZATION

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

Regional School Unit No. 26
Notes to Basic Financial Statements
June 30, 2020

NOTE 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 8, 2021, the date on which the financial statements were available to be issued.

In early 2020, the Unit was directly impacted by the coronavirus outbreak (COVID-19). On January 31, 2020, the U.S. Health and Human Services Secretary declared a public emergency for the United States. On March 15, 2020, The Governor of the State of Maine issued an Executive Order recommending suspension of K-12 in-person classroom instruction across the State. Under this Order, the Unit opted to suspend in-person classroom instruction and complete the school year using remote instruction models. The Order also required the Unit to keep paying hourly employees for the duration of the school year.

The Government of the United States and the State of Maine have implemented several financial relief packages targeting anticipated increased school preparedness costs for the upcoming academic year. For the new year, the State gave school units options regarding in-person and remote learning. The Unit does not know what the overall impact will be from this significant change in operations.

Regional School Unit No. 26
Budget and Actual (with Budget to GAAP Differences)
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts					
				Actual Amounts - Budgetary Basis	Budget to GAAP Differences**	Actual Amounts - GAAP Basis
	Original	Budget Changes *	Final			
REVENUES						
Local assessments	\$ 6,687,436	\$ -	\$ 6,687,436	\$ 6,787,436	\$ -	\$ 6,787,436
Intergovernmental revenue	4,719,797	-	4,719,797	4,815,535	-	4,815,535
On-behalf payments - State of Maine	-	-	-	-	1,005,816	1,005,816
Charges for services	1,850,325	-	1,850,325	2,063,880	-	2,063,880
Interest	19,250	-	19,250	19,630	-	19,630
Other	2,500	-	2,500	6,450	-	6,450
Total revenues	13,279,308	-	13,279,308	13,692,931	1,005,816	14,698,747
EXPENDITURES						
Current						
Regular instruction	5,968,940	(47,698)	5,921,242	5,621,009	-	5,621,009
Special education	3,141,979	-	3,141,979	3,023,890	-	3,023,890
Other instruction	650,251	-	650,251	604,439	-	604,439
Student and staff support	1,102,235	-	1,102,235	1,081,208	-	1,081,208
System administration	442,831	47,603	490,434	538,037	-	538,037
School administration	742,899	-	742,899	724,816	-	724,816
Transportation	348,182	-	348,182	312,717	-	312,717
Facilities maintenance	1,343,429	-	1,343,429	1,172,736	-	1,172,736
On-behalf payments - State of Maine	-	-	-	-	1,005,816	1,005,816
Debt service						
Principal	318,659	-	318,659	318,659	-	318,659
Interest and other charges	137,188	95	137,283	137,378	-	137,378
Total expenditures	14,196,593	-	14,196,593	13,534,889	1,005,816	14,540,705
Excess (deficiency) of revenues over expenditures	(917,285)	-	(917,285)	158,042	-	158,042
OTHER FINANCING SOURCES (USES)						
Use of carryover fund balance	816,902	-	816,902	-	-	-
Bond interest refund	100,383	-	100,383	100,300	-	100,300
Transfers out	-	-	-	(226,000)	-	(226,000)
Total other financing sources (uses)	917,285	-	917,285	(125,700)	-	(125,700)
Net change in fund balances	\$ -	\$ -	\$ -	32,342	-	32,342
FUND BALANCE - BEGINNING				2,236,572	-	2,236,572
FUND BALANCE - ENDING				\$ 2,268,914	\$ -	\$ 2,268,914

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

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

Net change in fund balances - budget basis	\$ 32,342
On-behalf payments revenue	1,005,816
On-behalf payments expenditures	<u>(1,005,816)</u>
Net change in fund balances - GAAP basis	<u>\$ 32,342</u>

Regional School Unit No. 26
Budget and Actual (with Variances)
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Budget Changes *	Final		
REVENUES					
Local assessments	\$ 6,687,436	\$ -	\$ 6,687,436	\$ 6,787,436	\$ 100,000
Intergovernmental revenue	4,719,797	-	4,719,797	4,815,535	95,738
Charges for services	1,850,325	-	1,850,325	2,063,880	213,555
Interest	19,250	-	19,250	19,630	380
Other	2,500	-	2,500	6,450	3,950
Total revenues	13,279,308	-	13,279,308	13,692,931	413,623
EXPENDITURES					
Current					
Regular instruction	5,921,242	(47,698)	5,873,544	5,621,009	252,535
Special education	3,141,979	-	3,141,979	3,023,890	118,089
Other instruction	650,251	-	650,251	604,439	45,812
Student and staff support	1,102,235	-	1,102,235	1,081,208	21,027
System administration	490,434	47,603	538,037	538,037	-
School administration	742,899	-	742,899	724,816	18,083
Transportation	348,182	-	348,182	312,717	35,465
Facilities maintenance	1,343,429	-	1,343,429	1,172,736	170,693
Debt service					
Principal - other	318,659	-	318,659	318,659	-
Interest and other charges	137,283	95	137,378	137,378	-
Total expenditures	14,196,593	-	14,196,593	13,534,889	661,704
Excess (deficiency) of revenues over expenditures	(917,285)	-	(917,285)	158,042	1,075,327
OTHER FINANCING SOURCES (USES)					
Use of carryover fund balances	816,902	-	816,902	-	(816,902)
Bond interest refund	100,383	-	100,383	100,300	(83)
Transfers out	-	-	-	(226,000)	(226,000)
Total other financing sources (uses)	917,285	-	917,285	(125,700)	(1,042,985)
Net change in fund balances	\$ -	\$ -	\$ -	32,342	\$ 32,342
FUND BALANCE - BEGINNING				2,236,572	
FUND BALANCE - ENDING				\$ 2,268,914	

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

Regional School Unit No. 26
Schedule of the Unit's Proportionate Share of the Net Pension Liability
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unit's proportion of the net pension liability	0.005935%	0.005946%	0.006694%	0.011011%	0.007050%	0.600800%	0.011899%			
Unit's proportionate share of the net pension liability	\$ 87,000	\$ 80,239	\$ 97,233	\$ 147,870	\$ 95,183	\$ 64,906	\$ 189,176			
State's proportionate share of the net pension liability associated with the Unit	<u>7,715,636</u>	<u>7,293,016</u>	<u>7,640,487</u>	<u>9,045,557</u>	<u>6,802,550</u>	<u>5,414,625</u>	<u>7,946,464</u>			
Total	<u>\$ 7,802,636</u>	<u>\$ 7,373,255</u>	<u>\$ 7,737,720</u>	<u>\$ 9,193,427</u>	<u>\$ 6,897,733</u>	<u>\$ 5,479,531</u>	<u>\$ 8,135,640</u>			
Unit's covered-employee payroll ***	\$ 6,801,624	\$ 6,710,703	\$ 6,440,230	\$ 6,108,893	\$ 5,859,314	\$ 5,679,613	\$ 10,263,910			
Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.28%	1.20%	1.51%	2.42%	1.56%	1.14%	1.84%			
Plan fiduciary net position as a percentage of the total pension liability **	84.52%	85.17%	83.35%	79.05%	83.55%	86.46%	76.85%			

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

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

***Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

*** The Unit's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Regional School Unit No. 26
Schedule of Unit Pension Contributions
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 277,732	\$ 274,465	\$ 183,846	\$ 175,406	\$ 168,792	\$ 159,812	\$ 293,111			
Contributions in relation to the contractually required contribution **	<u>(277,732)</u>	<u>(274,465)</u>	<u>(183,846)</u>	<u>(175,406)</u>	<u>(168,792)</u>	<u>(159,812)</u>	<u>(293,111)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
Unit's covered-employee payroll ***	\$ 6,801,624	\$ 6,710,703	\$ 6,440,230	\$ 6,108,893	\$ 5,859,314	\$ 5,679,613	\$ 10,263,910			
Contributions as a percentage of covered-employee payroll	4.08%	4.09%	2.85%	2.87%	2.76%	2.84%	2.86%			

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

** Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

*** The Unit's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Notes to Schedule:

Changes of Benefit Terms: There were no changes of benefit terms in FY 2020

Changes in Benefit Assumptions: There were no changes of benefit assumptions in FY2020

Regional School Unit No. 26
Schedule of the Unit's Proportionate Share of the Net Pension Liability
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unit's proportion of the net pension liability	0.078435%	0.071294%	0.090726%	0.092736%	0.080650%	0.094848%	0.061648%			
Unit's proportionate share of the net pension liability	\$ 239,747	\$ 195,116	\$ 371,465	\$ 492,734	\$ 257,311	\$ 94,865	\$ 303,574			
Unit's covered-employee payroll ***	\$ 479,798	\$ 412,259	\$ 489,483	\$ 488,948	\$ 422,655	\$ 328,787	\$ 547,560			
Unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.97%	47.33%	75.89%	100.77%	60.88%	28.85%	55.44%			
Plan fiduciary net position as a percentage of the total pension liability **	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%	87.50%			

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

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

***Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

*** The Unit's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Regional School Unit No. 26
Schedule of Unit Pension Contributions
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 47,980	\$ 39,577	\$ 46,500	\$ 43,516	\$ 32,967	\$ 21,371	\$ 29,021			
Contributions in relation to the contractually required contribution **	<u>(47,980)</u>	<u>(39,577)</u>	<u>(46,500)</u>	<u>(43,516)</u>	<u>(32,967)</u>	<u>(21,371)</u>	<u>(29,021)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
Unit's covered-employee payroll ***	\$ 479,798	\$ 412,259	\$ 489,483	\$ 488,948	\$ 422,655	\$ 328,787	\$ 547,560			
Contributions as a percentage of covered-employee payroll	10.00%	9.60%	9.50%	8.90%	7.80%	6.50%	5.30%			

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

**Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

*** The Unit's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Notes to Schedule:

Changes of Benefit Terms: There were no changes of benefit terms in FY 2020

Changes in Benefit Assumptions: There were no changes of benefit assumptions in FY2020

Regional School Unit No. 26
Schedule of the Unit's Proportionate Share of the Net OPEB Liability
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unit's proportion of the net OPEB liability	0.000000%	0.000000%	0.000000%							
Unit's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -							
State's proportionate share of the net OPEB liability associated with the Unit	<u>217,716</u>	<u>211,930</u>	<u>190,725</u>							
Total	<u>\$ 217,716</u>	<u>\$ 211,930</u>	<u>\$ 190,725</u>							
Unit's covered-employee payroll	\$ 4,548,000	\$ 4,018,481	\$ 4,042,000							
Unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%							
Plan fiduciary net position as a percentage of the total OPEB liability **	62.29%	61.14%	60.11%							

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

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

Regional School Unit No. 26
Schedule of Unit OPEB Contributions
State Employees and Teachers Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ -	\$ -	\$ -							
Contributions in relation to the contractually required contribution	-	-	-							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Unit's covered-employee payroll	\$ 4,548,000	\$ 4,018,481	\$ 4,042,000							
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%							

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

Regional School Unit No. 26
Schedule of the Unit's Proportionate Share of the Net OPEB Liability
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unit's proportion of the net OPEB liability	0.036453%	0.036453%	0.036073%							
Unit's proportionate share of the net OPEB liability	\$ 7,517	\$ 7,364	\$ 6,032							
Unit's covered-employee payroll	\$ 119,000	\$ 118,378	\$ 132,800							
Unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	6.32%	6.22%	4.54%							
Plan fiduciary net position as a percentage of the total OPEB liability	43.18%	43.92%	47.42%							

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

Regional School Unit No. 26
Schedule of Unit OPEB Contributions
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ -	\$ -	\$ -							
Contributions in relation to the contractually required contribution	-	-	-							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Unit's covered-employee payroll	\$ 119,000	\$ 118,378	\$ 132,800							
Contributions as a percentage of covered- employee payroll	0.00%	0.00%	0.00%							

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

Regional School Unit No. 26
Schedule of Changes in Net OPEB Liability and Related Ratios -
Postretirement State Employees and Teachers Healthcare Plan
For the Year Ended June 30

	Year Ended June 30, 2020	Year Ended June 30, 2019
	Actuarial Valuation Date June 30, 2019	Actuarial Valuation Date June 30, 2018
<u>Total OPEB Liability</u>		
Service cost (BOY)	\$ 16,201	\$ 17,375
Interest (includes interest on service cost)	59,915	56,631
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	90,527	(70,401)
Benefit payments, including refunds of member contributions	(36,769)	(35,498)
Net change in total OPEB liability	\$ 129,874	\$ (31,893)
Total OPEB liability - beginning	\$ 1,550,196	\$ 1,582,089
Total OPEB liability - ending	<u>\$ 1,680,070</u>	<u>\$ 1,550,196</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	36,769	35,498
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(36,769)	(35,498)
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>-</u>	<u>-</u>
Net OPEB liability - ending	<u>\$ 1,680,070</u>	<u>\$ 1,550,196</u>
Covered employee payroll	<u>\$ 5,594,696</u>	<u>\$ 5,444,960</u>
Net OPEB liability as a percentage of covered employee payroll	<u>30.0%</u>	<u>28.5%</u>

Regional School Unit No. 26
Budget and Assessment - General Fund
For the Year Ended June 30, 2020

BUDGET REQUIREMENTS

Operations and indebtedness	<u>\$ 14,196,593</u>
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Total budget requirements	<u>14,196,593</u>
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REDUCTIONS OF REQUIREMENTS

Estimated revenues	6,591,872
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Bond interest refund	100,383
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Utilization of fund balance - budget	<u>816,902</u>
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Total reductions of requirements	<u>7,509,157</u>
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Net budget requirements	<u>\$ 6,687,436</u>
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ASSESSMENTS

Orono	<u>\$ 6,687,436</u>
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Regional School Unit No. 26
Combining Schedule of Special Revenue Fund Activity
For the Year Ended June 30, 2020

	June 30, 2019 Balance	Revenues	Expenditures	June 30, 2020 Balance
Title IA disadvantaged	\$ -	\$ 136,124	\$ 136,124	\$ -
Local entitlement	-	135,936	135,936	-
Preschool handicapped	-	5,070	5,070	-
Title IIA	-	17,968	17,968	-
Title IV	-	7,924	7,924	-
Adult education - Orono	95,416	72,378	71,269	96,525
Adult education - Hampden	16,094	-	40	16,054
Adult education - Transitions	7,940	-	-	7,940
Improvement of instruction training	2,367	-	-	2,367
Service learn youth advisory group	98	-	-	98
Stephen & Tabitha King donation	200	-	-	200
Wellness grant	5	-	-	5
NSF - Johnson	2,557	-	-	2,557
Glueck funds Orono	20	-	-	20
Timber sale	81	-	-	81
Mountcastle MS River - Orono	319	-	-	319
OEA Orono	9,721	8,123	4,584	13,260
ME Math and Science	638	-	-	638
Region IV	1,162	-	-	1,162
Rutherford	6	-	-	6
Art (PAL)	124	-	-	124
PEPG	1,107	-	-	1,107
Courageous steps	(3)	635	513	119
Board scholarship	5,850	1,900	1,900	5,850
Totals	<u>\$ 143,702</u>	<u>\$ 386,058</u>	<u>\$ 381,328</u>	<u>\$ 148,432</u>

Regional School Unit No. 26
Combining Schedule of Agency Fund Activity
For the Year Ended June 30, 2020

	June 30, 2019 Balance	Receipts	Disbursements	June 30, 2020 Balance
Asa Adams School	\$ 12,747	\$ 4,418	\$ 1,815	\$ 15,350
Orono High School - General	162,885	97,407	97,233	163,059
Orono High School - Athletics	<u>15,394</u>	<u>8,524</u>	<u>4,110</u>	<u>19,808</u>
Total agency fund activity	<u>\$ 191,026</u>	<u>\$ 110,349</u>	<u>\$ 103,158</u>	<u>\$ 198,217</u>

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

Board of Directors
Regional School Unit No. 26

We audited the financial statements of Regional School Unit No. 26 as of and for the year ended June 30, 2020, and have issued our report thereon dated January 8, 2021.

The management of Regional School Unit No. 26 is responsible for the Unit's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Unit's compliance with laws and regulations, noncompliance with which could have a material effect on the financial statements of Regional School Unit No. 26.

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

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

The results of our tests indicate that, for the items tested, Regional School Unit No. 26 complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, Regional School Unit No. 26 was not in compliance with Maine laws and regulations.

Brantner Thibodeau & Associates

January 8, 2021

Regional School Unit No. 26
Reconciliation of Audit Adjustments to the Annual Financial Data
Submitted to Maine Education Financial System
For the Year Ended June 30, 2020

	General Fund	Special Revenue Funds	School Lunch Program	Capital Projects	Totals
<i>June 30 balance as per MEFS Financial System</i>	\$ 2,348,876	\$ 115,401	\$ 104,199	\$ 190,840	\$ 2,759,316
Beginning Fund Balance Adjustments	126,001	29,382	26	11,287,021	11,442,430
Revenue adjustments	102,322	7,083	(3,383)	1,876,989	1,983,011
Expenditure adjustments	(308,284)	(3,435)	(578)	(8,692)	(320,989)
Rounding adjustments	<u>(1)</u>	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>
<i>Audited GAAP Basis Fund Balance</i>	<u>\$ 2,268,914</u>	<u>\$ 148,432</u>	<u>\$ 100,263</u>	<u>\$ 13,346,158</u>	<u>\$ 15,863,767</u>

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

Board of Directors
Regional School Unit No. 26

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit No. 26, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 26's basic financial statements, and have issued our report thereon dated January 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 26's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 26's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 26's internal control.

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

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

Compliance

As part of obtaining reasonable assurance about whether Regional School Unit No. 26's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain other matters that we reported to management of the Regional School Unit No. 26, in a separate letter to management dated January 8, 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.

Brantner Whibodan & Associates

January 8, 2021

Regional School Unit No. 26
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures
U.S. Department of Education			
<i>Passed through State Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	013-05A-3107-13	\$ 136,124
Title IIA - Improving teacher quality	84.367	013-05A-3042-11	17,968
Student support and academic enrichment	84.424	013-05A-3345-00	7,924
<i>Special Education Cluster</i>			
Special Education - Grants to States	84.027	013-05A-3046-12	135,936
Special Education - Preschool Grant	84.173	013-05A-6241-23	5,070
<i>Total Special Education Cluster</i>			<u>141,006</u>
Total U.S. Department of Education			<u>303,022</u>
U.S. Department of Agriculture			
<i>Passed through State Department of Education</i>			
<i>Child Nutrition Cluster</i>			
National school lunch program	10.555	013-05A-3024-05	75,076
School breakfast program	10.553	013-05A-3014-05	20,958
Summer food service program for children	10.559	013-05A-7130-05	72,086
<i>Total Child Nutrition Cluster</i>			<u>168,120</u>
Total U.S. Department of Agriculture			<u>168,120</u>
Total expenditure of federal awards			<u>\$ 471,142</u>