

Federal Compliance Audit

**Maine School Administrative District
No. 63**

June 30, 2022



Proven Expertise & Integrity

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

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JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Maine School Administrative District No. 63
Holden, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Maine School Administrative District No. 63, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Maine School Administrative District No. 63's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Maine School Administrative District No. 63 as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Maine School Administrative District No. 63 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Maine School Administrative District No. 63's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Maine School Administrative District No. 63's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about Maine School Administrative District No. 63's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 6 through 13 and 65 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maine School Administrative District No. 63's basic financial statements. The Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and schedules of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information also comprises the reconciliation of audit adjustments to annual financial data submitted to the Maine Education Financial System. This additional information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an unrecorded material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of Maine School Administrative District No. 63's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Maine School Administrative District No. 63'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 Maine School Administrative District No. 63's internal control over financial reporting and compliance.

Other Reporting Required by Maine Revised Statutes

In accordance with Maine Revised Statutes, we have also issued our report dated March 31, 2023, on our consideration of Maine School Administrative District No. 63's budgetary controls that are in place, the accuracy of the annual financial report that was submitted to the Maine Department of Education and Maine School Administrative District No. 63's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, § 6051. The purpose of that report is to describe the scope of our testing over Maine School Administrative District No. 63's other information, as described above, and provide an opinion on Maine School Administrative District No. 63's internal control and compliance with the provisions of the Maine Finance Act as noted under MRSA Title 20A, § 6051 and not to provide an opinion on the effectiveness of Kittery School Department's internal control over financial reporting. That report is an integral part of an audit performed in accordance with Maine Revised Statutes in considering Maine School Administrative District No. 63's internal control and compliance over the applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, § 6051.

RHR Smith & Company

Buxton, Maine
March 31, 2023

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

(UNAUDITED)

The following management's discussion and analysis of Maine School Administrative District No. 63's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the above-mentioned financial statements have one column for the School District's activity. The type of activity presented for the School District is:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the District's basic services are reported in governmental activities, which include regular instruction, special education, instructional support, facilities maintenance, transportation, system administration, school administration, other instruction, other expenditures, food service and grant programs.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental activities. The School District's total net position increased by \$1,998,335 from \$5,252,089 to \$7,250,424.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased to a balance of \$1,367,309 at the end of this year.

Table 1
Maine School Administrative District No. 63
Net Position
June 30,

	2022	2021 (Restated)
Assets:		
Current Assets	\$ 5,228,019	\$ 5,017,660
Noncurrent Assets - Capital Assets	5,819,415	4,530,075
Total Assets	11,047,434	9,547,735
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	276,713	198,402
Deferred Outflows Related to OPEB	86,734	98,381
Total Deferred Outflows of Resources	363,447	296,783
Liabilities:		
Current Liabilities	763,497	1,096,020
Noncurrent Liabilities	2,944,196	3,189,824
Total Liabilities	3,707,693	4,285,844
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	206,109	6,323
Deferred Inflows Related to OPEB	246,655	300,262
Total Deferred Inflows of Resources	452,764	306,585
Net Position:		
Net Investment in Capital Assets	5,666,053	4,315,938
Restricted	217,062	216,379
Unrestricted	1,367,309	719,772
Total Net Position	\$ 7,250,424	\$ 5,252,089

Table 2
Maine School Administrative District No. 63
Change in Net Position
For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Revenues		
<i>Program revenues:</i>		
Operating grants and contributions	\$ 975,974	\$ 1,273,365
<i>General revenues:</i>		
Local support from towns	5,648,408	5,878,066
Grants and contributions not restricted to specific programs	5,573,084	5,575,563
Charges for services	3,687	57,515
Interest income	2,460	1,092
Other revenue	154,912	217,546
Total Revenues	<u>12,358,525</u>	<u>13,003,147</u>
Expenses		
Regular instruction	5,392,312	5,429,576
Special education	1,475,265	1,630,836
Instructional support	493,943	436,932
Facilities maintenance	971,104	695,307
Transportation	806,548	716,378
System administration	352,464	317,027
School administration	435,111	403,274
Other instruction	48,260	20,946
Other expenditures	16,681	23
State of Maine on-behalf payments	713,183	988,523
Food service	285,010	234,010
Grant programs	672,307	1,272,512
Interest expense	2,280	-
Total Expenses	<u>11,664,468</u>	<u>12,145,344</u>
Special and extraordinary items	<u>1,304,278</u>	<u>-</u>
Change in Net Position	1,998,335	857,803
Net Position - July 1, Restated	<u>5,252,089</u>	<u>4,394,286</u>
Net Position - June 30	<u>\$ 7,250,424</u>	<u>\$ 5,252,089</u>

Revenues and Expenses

Revenues for governmental activities decreased by 4.96%, while expenses decreased by 3.96%. Revenues decreased in all categories with the exception of interest income. The largest decrease in expenses was in grant programs.

Financial Analysis of the District's Fund Statements

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

Table 3
Maine School Administrative District No. 63
Fund Balances - Governmental Funds
June 30,

	2022	2021	Increase/ (Decrease)
Major Funds:			
General fund:			
Committed	\$ 649,067	\$ 764,000	\$ (114,933)
Unassigned	1,782,361	1,616,783	165,578
Capital projects fund:			
Restricted	1,768,745	1,586,034	182,711
Total Major Funds	\$ 4,552,132	\$ 3,966,817	\$ 585,315
Nonmajor Funds:			
Special revenue funds:			
Nonspendable	\$ 12,074	\$ 8,054	\$ 4,020
Restricted	217,062	216,379	683
Unassigned	(88,938)	(63,167)	(25,771)
Total Nonmajor Funds	\$ 140,198	\$ 161,266	\$ (21,068)

The changes to total fund balances for the general fund, capital projects fund and all aggregate remaining fund information occurred due to the regular activity of operations.

Budgetary Highlights

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

The general fund actual revenues exceeded budgeted amounts by \$422,048. All revenue categories were within or in excess of budgeted amounts with the exception of intergovernmental - other revenues and other revenues.

The general fund actual expenditures were under budgeted amounts by \$622,556. All expenditure categories were under budgeted amounts with the exception of facilities maintenance.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the net book value of capital assets recorded by the School District increased by \$1,289,340 from the prior year. The increase was a result of capital additions of \$1,670,212 less depreciation expense of \$380,872.

Table 4
Maine School Administrative District No. 63
Capital Assets (Net of Depreciation)
June 30,

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>
Land	\$ 53,627	\$ 53,627
Construction in progress	1,260,199	51,478
Buildings and improvements	3,533,258	3,520,862
Land improvements	143,552	139,102
Equipment	217,242	174,941
Vehicles	611,537	590,065
Total	<u>\$ 5,819,415</u>	<u>\$ 4,530,075</u>

Debt

At June 30, 2022, the School District had \$1,470,758 in bonds payable and notes from direct borrowings payable outstanding versus \$1,558,518 last year. For more detailed information refer to Note 6 of Notes to Financial Statements.

Currently Known Facts, Decisions or Conditions

The School District has also noted a subsequent event as a currently known fact. Refer to Note 20 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The 2021 - 2022 budget saw an increase in EPS funding from the State of \$506,705. \$351,959 of this came through after budget approval and was therefore set aside to allocate in the FY23 budget. Another \$122,000 was transferred to the School District's facility reserve account.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District Business Manager at 202 Kidder Hill Road, Holden, Maine 04429.

STATEMENT A

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

STATEMENT OF NET POSITION
 JUNE 30, 2022
 (With Comparative Totals for June 30, 2021)

	Governmental Activities	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,395,306	\$ 3,234,494
Accounts receivable (net of allowance for uncollectibles)	1,681,849	1,344,381
Due from other governments	138,790	430,731
Inventory	12,074	8,054
Total current assets	5,228,019	5,017,660
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	1,313,826	53,627
Infrastructure, buildings and equipment, net of accumulated depreciation	4,505,589	4,476,448
Total noncurrent assets	5,819,415	4,530,075
TOTAL ASSETS	11,047,434	9,547,735
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	276,713	198,402
Deferred outflows related to OPEB	86,734	98,381
TOTAL DEFERRED OUTFLOWS OF RESOURCES	363,447	296,783
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,410,881	\$ 9,844,518

STATEMENT A (CONTINUED)
 MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

STATEMENT OF NET POSITION
 JUNE 30, 2022
 (With Comparative Totals for June 30, 2021)

	Governmental Activities	
	2022	2021
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 95,102	\$ 425,974
Accrued expenses	1,285	4,535
Accrued payroll	439,302	459,068
Current portion of long-term obligations	227,808	206,443
Total current liabilities	763,497	1,096,020
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Bond payable	1,175,178	1,352,075
Notes from direct borrowings payable	67,772	-
Net pension liability	107,208	298,425
Net OPEB liability	1,594,038	1,539,324
Total noncurrent liabilities	2,944,196	3,189,824
TOTAL LIABILITIES	3,707,693	4,285,844
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	206,109	6,323
Deferred inflows related to OPEB	246,655	300,262
TOTAL DEFERRED INFLOWS OF RESOURCES	452,764	306,585
NET POSITION		
Net investment in capital assets	5,666,053	4,315,938
Restricted	217,062	216,379
Unrestricted	1,367,309	719,772
TOTAL NET POSITION	7,250,424	5,252,089
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 11,410,881	\$ 9,844,518

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022
 (With Comparative Totals for the Year Ended June 30, 2021)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
					2022	2021
Governmental activities:						
Regular instruction	\$ 5,392,312	\$ -	\$ -	\$ -	\$ (5,392,312)	\$ (5,429,576)
Special education	1,475,265	-	-	-	(1,475,265)	(1,630,836)
Instructional support	493,943	-	-	-	(493,943)	(436,932)
Facilities maintenance	971,104	-	-	-	(971,104)	(695,307)
Transportation	806,548	-	-	-	(806,548)	(716,378)
System administration	352,464	-	-	-	(352,464)	(317,027)
School administration	435,111	-	-	-	(435,111)	(403,274)
Other instruction	48,260	-	-	-	(48,260)	(20,946)
Other expenditures	16,681	-	-	-	(16,681)	(23)
State of Maine on-behalf payments	713,183	-	713,183	-	-	-
Food service	285,010	3,687	262,791	-	(18,532)	108,347
Grant programs	672,307	-	-	-	(672,307)	(1,272,512)
Interest on long-term debt	2,280	-	-	-	(2,280)	-
Total governmental activities	<u>\$11,664,468</u>	<u>\$ 3,687</u>	<u>\$ 975,974</u>	<u>\$ -</u>	<u>(10,684,807)</u>	<u>(10,814,464)</u>

STATEMENT B (CONTINUED)
 MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022
 (With Comparative Totals for the Year Ended June 30, 2021)

	Governmental Activities	
	2022	2021
Changes in net position:		
Net (expense) revenue	(10,684,807)	(10,814,464)
General revenues:		
Local support from towns	5,648,408	5,878,066
Grants and contributions not restricted to specific programs	5,573,084	5,575,563
Interest income	2,460	1,092
Miscellaneous	154,912	217,546
Total general revenues	11,378,864	11,672,267
Special and extraordinary items:		
Debt forgiveness	1,304,278	-
Total special and extraordinary items:	1,304,278	-
Change in net position	1,998,335	857,803
NET POSITION - JULY 1, RESTATED	5,252,089	4,394,286
NET POSITION - JUNE 30	\$ 7,250,424	\$ 5,252,089

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
				2022	2021
ASSETS					
Cash and cash equivalents	\$ 3,101,569	\$ 14,235	\$ 279,502	\$ 3,395,306	\$ 3,234,494
Accounts receivable (net of allowance for uncollectibles)	-	1,681,849	-	1,681,849	1,344,381
Due from other governments	48,048	-	90,742	138,790	430,731
Inventory	-	-	12,074	12,074	8,054
Due from other funds	255,413	72,661	13,293	341,367	512,515
TOTAL ASSETS	\$ 3,405,030	\$ 1,768,745	\$ 395,611	\$ 5,569,386	\$ 5,530,175
LIABILITIES					
Accounts payable	\$ 95,102	\$ -	\$ -	\$ 95,102	425,974
Accrued payroll	439,302	-	-	439,302	459,068
Accrued expenses	1,285	-	-	1,285	4,535
Due to other funds	85,954	-	255,413	341,367	512,515
TOTAL LIABILITIES	621,643	-	255,413	877,056	1,402,092
FUND BALANCES					
Nonspendable	-	-	12,074	12,074	8,054
Restricted	-	1,768,745	217,062	1,985,807	1,802,413
Committed	649,067	-	-	649,067	764,000
Assigned	351,959	-	-	351,959	-
Unassigned	1,782,361	-	(88,938)	1,693,423	1,553,616
TOTAL FUND BALANCES	2,783,387	1,768,745	140,198	4,692,330	4,128,083
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,405,030	\$ 1,768,745	\$ 395,611	\$ 5,569,386	\$ 5,530,175

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

JUNE 30, 2022

(With Comparative Totals for June 30, 2021)

	Total	
	Governmental Funds	
	2022	2021
Total Fund Balances	\$ 4,692,330	\$ 4,128,083
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	5,819,415	4,513,623
Deferred outflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the funds	363,447	296,783
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:		
Bond payable	(1,352,075)	(1,528,972)
Notes from direct borrowing payable	(118,683)	(29,546)
Net pension liability	(107,208)	(298,425)
Net OPEB liability	(1,594,038)	(1,539,324)
Deferred inflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the funds	<u>(452,764)</u>	<u>(306,585)</u>
Net position of governmental activities	<u>\$ 7,250,424</u>	<u>\$ 5,235,637</u>

See accompanying independent auditor's report and notes to financial statements.

STATEMENT E

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for June 30, 2021)

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
				2022	2021
REVENUES					
Local support from Towns	\$ 5,648,408	\$ -	\$ -	\$ 5,648,408	\$ 5,878,066
Intergovernmental revenues	4,919,903	-	915,972	5,835,875	5,860,405
Charges for services	-	-	3,687	3,687	57,515
State of Maine on-behalf payments	559,716	-	-	559,716	495,298
Interest income	2,460	-	-	2,460	1,092
Other revenues	143,020	-	11,892	154,912	217,546
TOTAL REVENUES	11,273,507	-	931,551	12,205,058	12,509,922
EXPENDITURES					
Current:					
Regular instruction	5,449,990	-	-	5,449,990	5,488,135
Special education	1,475,265	-	-	1,475,265	1,630,836
Instructional support	493,943	-	-	493,943	436,932
Facilities maintenance	964,889	-	-	964,889	828,964
Transportation	773,407	-	-	773,407	745,384
System administration	352,464	-	-	352,464	317,027
School administration	435,111	-	-	435,111	403,274
Other instruction	48,260	-	-	48,260	20,946
Other expenditures	16,681	-	-	16,681	23
State of Maine on-behalf payments	559,716	-	-	559,716	495,298
Food service	-	-	280,312	280,312	249,339
Grant programs	-	-	672,307	672,307	1,272,512
Debt service:					
Principal	176,897	-	-	176,897	-
Interest	2,280	-	-	2,280	-
Capital outlay	-	1,243,567	-	1,243,567	112,287
TOTAL EXPENDITURES	10,748,903	1,243,567	952,619	12,945,089	12,000,957
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	524,604	(1,243,567)	(21,068)	(740,031)	508,965
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	1,304,278	-	1,304,278	1,368,972
Transfers in	-	122,000	-	122,000	-
Transfers (out)	(122,000)	-	-	(122,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(122,000)	1,426,278	-	1,304,278	1,368,972
NET CHANGE IN FUND BALANCES	402,604	182,711	(21,068)	564,247	1,877,937
FUND BALANCES - JULY 1	2,380,783	1,586,034	161,266	4,128,083	2,250,146
FUND BALANCES - JUNE 30	\$ 2,783,387	\$ 1,768,745	\$ 140,198	\$ 4,692,330	\$ 4,128,083

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 564,247</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	1,670,212
Depreciation expense	<u>(380,872)</u>
	<u>1,289,340</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	78,311
OPEB	<u>(11,647)</u>
	<u>66,664</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position	
	<u>(1,473,088)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>1,560,848</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	(199,786)
OPEB	<u>53,607</u>
	<u>(146,179)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	191,217
Net OPEB liability	<u>(54,714)</u>
	<u>136,503</u>
Change in net position of governmental activities (Statement B)	<u>\$ 1,998,335</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022

	<u>Private Purpose Trust Fund</u>
ASSETS	
Investments	\$ 7,076
TOTAL ASSETS	<u>\$ 7,076</u>
LIABILITIES	
Due to other governments	\$ 1,559
TOTAL LIABILITIES	<u>1,559</u>
NET POSITION	
Restricted	<u>5,517</u>
TOTAL NET POSITION	<u>5,517</u>
TOTAL LIABILITES AND NET POSITION	<u>\$ 7,076</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Interest	\$ 9
TOTAL ADDITIONS	<u>9</u>
DEDUCTIONS	
Other	<u>-</u>
TOTAL DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	9
NET POSITION - JULY 1	<u>5,508</u>
NET POSITION - JUNE 30	<u><u>\$ 5,517</u></u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Maine School Administrative District No. 63 was incorporated under the laws of the State of Maine. The School District operates under a board of directors-superintendent form of government and provides the following services: regular instruction, special education, instructional support, facilities maintenance, transportation, system administration, school administration, other instruction, other expenditures, food service and grant programs.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

Implementation of New Accounting Standards

During the year ended June 30, 2022, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 87 "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 91 “Conduit Debt Obligations”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 92 “Omnibus 2020”. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 “Replacement of Interbank Offered Rates (paragraphs 13-14)”. The primary objectives of paragraphs 13-14 concern provisions of lease contracts that are amended while the contract is in effect. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 97 “Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize all primary activities as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the School District's functions (regular and secondary instruction, transportation, operations and maintenance, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (support from towns, certain intergovernmental revenues and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment. The primary revenue sources are bond proceeds and transfers from other funds.

Nonmajor Fund

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fiduciary Funds:

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

The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose trust). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

Revenues per budgetary basis	\$10,713,791
Add: On-behalf payments	559,716
Total GAAP basis	<u>\$11,273,507</u>
Expenditures per budgetary basis	\$10,311,187
Add: On-behalf basis	559,716
Total GAAP basis	<u>\$10,870,903</u>

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

It is the School District's policy to value investments at fair value. None of the School District's investments are reported at amortized cost. The School District Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2022. Accounts receivable netted with allowances for uncollectible accounts were \$1,820,639 for the year ended June 30, 2022.

Inventories

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

Interfund Receivables and Payables

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

Estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

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

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

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

OPEB

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

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

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

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

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

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Outflows and Inflows of Resources

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

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

Program Revenues

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits. The School District does not have a policy covering custodial credit risk for deposits. However, the School District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2022, the School District's cash and cash equivalents balance amounting to \$3,395,306 was comprised of bank deposits of \$3,891,777. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the School District's cash and cash equivalents balance. Of these deposits, \$307,989 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk. Deposits of \$3,583,788 were collateralized with securities held by a financial institution in the School District's name.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 731,244
Repurchase agreements	3,160,518
	<u>\$ 3,891,777</u>

Investments:

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

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. The certificates of deposit held with local financial institutions for \$7,076 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2022, the School District's investments consisted of a certificate of deposit of \$7,076, which was fully insured by the federal depository insurance and consequently not exposed to custodial credit risk.

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2022 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due From)</u>	<u>Payables (Due To)</u>
General Fund	\$ 255,413	\$ 85,954
Capital Projects Funds	72,661	-
Nonmajor Special Revenue Funds	13,293	255,413
	<u>\$ 341,367</u>	<u>\$ 341,367</u>

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

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2022 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 122,000
Capital Projects Fund	122,000	-
	<u>\$ 122,000</u>	<u>\$ 122,000</u>

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance, 7/1/21 (Restated)	Additions	Disposals/ Transfers	Balance, 6/30/22
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 53,627	\$ -	\$ -	\$ 53,627
Construction in progress	51,478	1,208,721	-	1,260,199
	<u>105,105</u>	<u>1,208,721</u>	<u>-</u>	<u>1,313,826</u>
Depreciated assets:				
Buildings and improvements	6,923,276	140,786	-	7,064,062
Land improvements	400,270	25,493	-	425,763
Equipment	632,493	82,177	-	714,670
Vehicles	1,197,505	213,035	(70,009)	1,340,531
	<u>9,153,544</u>	<u>461,491</u>	<u>(70,009)</u>	<u>9,545,026</u>
Less: accumulated depreciation				
Buildings and improvements	(3,402,414)	(128,390)	-	(3,530,804)
Land improvements	(261,168)	(21,043)	-	(282,211)
Equipment	(457,552)	(39,876)	-	(497,428)
Vehicles	(607,440)	(191,563)	70,009	(728,994)
	<u>(4,728,574)</u>	<u>(380,872)</u>	<u>70,009</u>	<u>(5,039,437)</u>
Net capital assets	<u>\$ 4,530,075</u>	<u>\$ 1,289,340</u>	<u>\$ -</u>	<u>\$ 5,819,415</u>
<u>Current year depreciation</u>				
Transportation				\$ 112,814
Maintenance				6,215
Instruction				257,145
Food Service				4,698
Total depreciation expense				<u>\$ 380,872</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2022:

	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
Bonds payable	\$ 1,528,972	\$ 1,304,278	\$(1,481,175)	\$ 1,352,075	\$ 176,897
Notes from direct borrowings payable	29,546	168,810	(79,673)	118,683	50,911
	<u>\$ 1,558,518</u>	<u>\$ 1,473,088</u>	<u>\$(1,560,848)</u>	<u>\$ 1,470,758</u>	<u>\$ 227,808</u>

A summary of the outstanding bonds payable is as follows:

\$200,000, 2019 General Obligation bond due in annual principal installments of \$40,000 through 2024. The fixed interest rates vary from 1.61% to 1.64% per annum.	\$ 120,000
\$2,673,250, 2020 School Revolving Renovation Fund Bond due in annual principal installments of \$136,897 through November 2030. Interest is stated at 0.00% per annum with principal forgiveness of \$1,304,278.	<u>1,232,075</u>
Total Bonds Payable	<u>\$ 1,352,075</u>

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

The District Leases copiers under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in July 2024 with a fixed interest rate of 4.559% per annum. Annual principal and interest payments are \$15,025.	\$ 41,182
The District Leases a bus under a non-cancelable lease agreement. The term of the lease is for a three year period expiring in August 2023 with a fixed interest rate of 1.949% per annum. Annual principal and interest payments are \$31,114.	60,454
The District Leases Chromebooks under a non-cancelable lease agreement. The term of the lease is for a three year period expiring in July 2024 with a fixed interest rate of 0.000% per annum. Annual principal payments are \$1,311.	3,934

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The District Leases Chromebooks under a non-cancelable lease agreement. The term of the lease is for a three year period expiring in August 2023 with a fixed interest rate of 0.000% per annum. Annual principal payments are \$6,557.

13,113

Total Notes from Direct Borrowings Payable

\$ 118,683

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

	Bonds Payable		Notes from Direct Borrowings Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2023	\$ 176,897	\$ 1,632	\$ 50,911	\$ 1,179	\$ 230,619
2024	176,897	982	52,105	595	230,579
2025	176,897	328	15,667	-	192,892
2026	136,897	-	-	-	136,897
2027	136,897	-	-	-	136,897
2028-2032	547,590	-	-	-	547,590
	<u>\$ 1,352,075</u>	<u>\$ 2,942</u>	<u>\$ 118,683</u>	<u>\$ 1,774</u>	<u>\$ 1,475,474</u>

All bonds payable and notes from direct borrowings payable are direct obligations of the School District, for which its full faith and credit are pledged. The School District is not obligated for any special assessment debt.

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2022 is as follows:

	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
Net pension liability	\$ 298,425	\$ 149,705	\$ (340,922)	\$ 107,208	\$ -
Net OPEB liability	1,539,324	85,249	(30,535)	1,594,038	-
	<u>\$ 1,837,749</u>	<u>\$ 234,954</u>	<u>\$ (371,457)</u>	<u>\$ 1,701,246</u>	<u>\$ -</u>

Please see Notes 14 and 18 for detailed information on each of the other long-term obligations.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the School District at June 30, 2022:

Invested in capital assets	\$ 10,858,852
Accumulated depreciation	(5,039,437)
Outstanding capital related debt	(1,470,758)
Significant unspent bond proceeds	1,317,396
	<u>\$ 5,666,053</u>

NOTE 8 - RESTRICTED NET POSITION

The School District has the following restricted net position at June 30, 2022:

Nonmajor Special Revenue Funds:	
Waves outdoor ed	\$ 869
CRF I	43
ESSERF/CARES Act III	2,319
MLTI state reimbursement	4,459
King library grant	5,603
Food service	128,592
Student activities	75,177
	<u>\$ 217,062</u>

NOTE 9 - NONSPENDABLE FUND BALANCE

The School District has the following nonspendable fund balance at June 30, 2022:

Food Service Fund:	
Inventory	<u>\$ 12,074</u>

NOTE 10 - RESTRICTED FUND BALANCES

The School District has the following restricted fund balances at June 30, 2022:

LRVHS Renovation Project	\$ 1,768,745
Nonmajor Special Revenue Funds (Schedule D)	217,062
	<u>\$ 1,985,807</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 - COMMITTED FUND BALANCE

The School District has the following committed fund balance at June 30, 2022:

General Fund:	
FY 2023 Budget	<u>\$ 649,067</u>

NOTE 12 - ASSIGNED FUND BALANCE

The School District has the following assigned fund balance at June 30, 2022:

General Fund:	
Reserved for FY 2023 Budget	<u>\$ 351,959</u>

NOTE 13 - DEFICIT FUND BALANCES

The School District has the following deficit fund balances at June 30, 2022:

Nonmajor Special Revenue Funds (Schedule D):	
Local entitlement	\$ 50,207
Title IA	5,451
ESSERF CARES Act	1,050
Title IIA	2
ESSERF CARES Act II	5,051
Adult Ed	20
ARP Local Entitlement	13,576
ESSERF/CARES	1,743
Civil Education Grant	43
REAP	3,461
IMLS Library Grant	383
Title IV Student Support and Enrichment	7,213
Local Entitlement Preschool	738
	<u>\$ 88,938</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

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

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions. As of June 30, 2021, there were 238 employers, including the State of Maine, participating in the plan.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The School District's teachers are required to contribute 7.65% of their compensation to the retirement system. The School District's payroll for teachers covered by this program was approximately \$3,846,740 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.29% of the School District's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$549,699 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated also requires the School District to contribute at an actuarially determined normal cost rate of 3.84%, which totaled \$147,715 for 2022. In addition, the School District is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.89% of compensation and totaled \$37,601 the year ended June 30, 2022.

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

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

School District's proportionate share of the net pension liability	\$	107,208
State's proportionate share of the net pension liability associated with the School District		<u>2,011,283</u>
Total	\$	<u><u>2,118,491</u></u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2021, the School District's proportion was 0.012675%, which was a decrease of 0.005608% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized total pension expense of \$152,930 and revenue of \$152,930 for support provided by the State of Maine. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SET Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,589	\$ 2,192
Changes of assumptions	73,093	-
Net difference between projected and actual earnings on pension plan investments	-	146,081
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,715	57,836
Contributions subsequent to the measurement date	<u>185,316</u>	<u>-</u>
Total	<u>\$ 276,713</u>	<u>\$ 206,109</u>

\$185,316 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	SET Plan
	<hr/>
Plan year ended June 30:	
2022	\$ (16,130)
2023	(24,680)
2024	(33,183)
2025	(40,718)
2026	-
Thereafter	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2021 using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

Asset Valuation Method

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 are as follows:

Investment Rate of Return - 6.50% per annum for the year ended June 30, 2021, compounded annually.

Salary Increases, Merit and Inflation - state employees, 2.80% - 13.03%

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

Cost of Living Benefit Increases - 2.20% per annum for the year ended June 30, 2021.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2021 are summarized in the following table.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.00%	6.00%
US Government	7.50%	2.30%
Private equity	15.00%	7.60%
Real assets:		
Real estate	10.00%	5.20%
Infrastructure	10.00%	5.30%
Natural resources	5.00%	5.00%
Traditional credit	7.50%	3.00%
Alternative credit	5.00%	7.20%
Diversifiers	10.00%	5.90%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2021 for each of the Plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.50% for each of the Plans.

	1% Decrease	Discount Rate	1% Increase
SET Plan: Discount rate	5.50%	6.50%	7.50%
Employer's proportionate share of the net pension liability	\$ (37,942)	\$ 107,208	\$ 281,542

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2021 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2021 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2021 through 2017, this was three years for the SET Plan.

Differences between Expected and Actual Investment Earnings

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

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2021 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Please refer to the Actuarial Methods and Assumptions section for information relating to the use of assumptions.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2021 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 15 - DEFERRED COMPENSATION PLAN

Plan Description

The School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all Maine PERS members, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - DEFERRED COMPENSATION PLAN (CONTINUED)

Funding Policy

Under the deferred compensation plan, the School District contributes 3.84% of the total payroll for covered employees. The annual contributions are tax deferred for federal and state taxes until the withdrawal date. The School District's contribution vests 100% with the employee when contributed. The School District's contributions to the plan for the year ended June 30, 2022 were \$114,740.

NOTE 16 - RISK MANAGEMENT

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

Based on the coverage provided by the insurance purchased, the School District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2022. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. As of June 30, 2021, there were 228 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

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

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2022 was approximately \$10,017.

OPEB Liabilities and OPEB Expense

At June 30, 2022, the School District reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School District. The total portion of the net OPEB liability that was associated with the School District were as follows:

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

School District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>42,762</u>
Total	<u>\$ 42,762</u>

For the year ended June 30, 2022, the School District recognized net OPEB expense of \$537 and revenue of \$537 for support provided by the State of Maine.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

The State of Maine and School retirees contribute to the School District's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the School District and/or the School District retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the School District concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criterion of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
 (CONTINUED)

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active members	81
Retirees and spouses	<u>30</u>
Total	<u><u>111</u></u>

Cost Sharing Provisions/Contributions

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Employee/Retiree Premium Amounts

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

<u>Pre-Medicare</u>	<u>Employee</u>	<u>Employee/ Spouse</u>	<u>Employee/ Child(ren)</u>	<u>Family</u>
Choice Plus	\$788	\$1,776	\$1,395	\$2,162
Standard \$200 Ded	\$851	\$1,918	\$1,506	\$2,335
Standard \$500 Ded	\$749	\$1,687	\$1,325	\$2,054
<u>Medicare</u>				
Medicare-Eligible Retirees	\$393	\$787	N/A	N/A

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

At June 30, 2022, the School District reported a liability of \$1,594,038 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. The School District's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$12,754. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>MEABT</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 144,866
Changes of assumptions	64,449	101,789
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	<u>22,285</u>	<u>-</u>
Total	<u>\$ 86,734</u>	<u>\$ 246,655</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

\$22,285 were reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>MEABT</u>
Plan year ended June 30:	
2022	\$ (38,343)
2023	(38,343)
2024	(38,345)
2025	(27,649)
2026	(41,223)
Thereafter	1,697

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2021. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 2.16% per annum for June 30, 2021 was based upon a measurement date of June 24, 2021. The sensitivity of total OPEB liability to changes in discount rate are as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.16%	2.16%	3.16%
Total OPEB liability	\$ 1,858,513	\$ 1,594,038	\$ 1,377,792
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,858,513</u>	<u>\$ 1,594,038</u>	<u>\$ 1,377,792</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 1,346,425	\$ 1,594,038	\$ 1,903,967
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,346,425</u>	<u>\$ 1,594,038</u>	<u>\$ 1,903,967</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

Assumptions

The demographic actuarial assumptions are the Teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

The economic assumptions are based on GASB 75 paragraph 36. Since the Plan is not funded via a qualified trust, the discount rates are selected based on the 20-year tax-exempt bond buyer rates as of the measurement dates. The other economic assumptions, i.e., trend rates, were developed based on historical and future projections of long term health care rates:

Discount Rate - 2.16% per annum for year-end 2021 reporting, 2.21% per annum for year-end 2020 reporting.

Trend Assumptions:

Health care trend assumptions used were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model version 2021_b. The following assumptions were applied in this model as below:

Trend Assumption Inputs

<u>Variable</u>	<u>Rate</u>
Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capita 2030+	1.23%
Extra Trend due to Taste/Technology 2030+	1.10%
Expected Health Share of GDP 2030	20.0%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2040

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group. Sample medical trends are listed in the table below.

Pre-Medicare - Initial trend of 6.21% applied in FYE 2020 and 6.83% applied in FYE 2022 grading over 18 years to 3.25% per annum.

Medicare - Initial trend of 0.0% applied in FYE 2021 and 6.30% applied in FYE 2022 grading over 18 years to 3.25% per annum.

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2021 and based on the experience study covering the period from June 30, 2015 through June 30, 2020. The proposed assumptions were adopted by the Board of Trustees at their March 11, 2021 meeting. As of June 30, 2021, they are as follows:

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

Rates of Turnover - Rates vary for plans based on service

Disability Incidence - Rates vary for plans based on age

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

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

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

Administrative expenses - Included in the per capita claims cost

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

Salaries - Salaries were not provided by the client. Assumed salaries are inferred using the Teachers Age/Service Salary scatter from the Maine State Teachers Retirement System's salary age/service scatter from the June 30, 2020 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter, unless otherwise supplied by the district group during its review of the active data.

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were inferred using the Maine State Retirement System's Age/Service scatter from the June 30, 2020 Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation. Those under 1 year of service, the date was assumed to be

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

January 1, 2020 and all other groups were assumed to be hired on July 1 of each service midpoint.

Rate of Mortality:

Healthy Annuitants: Based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table adjusted as follows:

- 98.1% and 87.5% respectively of the rates for males before age 85 and females before age 80
- 106.4% and 122.3% respectively of the rates for males on and after age 85 and females on and after age 80

Rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale.

Healthy Employees: Based on 93.1% and 91.9% of the 2010 Public Plan Teacher Benefits Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality.

Disabled Annuitants: Based on 94.2% and 123.8% of the 2010 Public Plan Non-Safety Benefits-Weighted Disabled Retiree Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model described in the healthy annuitant mortality.

Retiree Continuation Percentage:

Retirees who are currently in the Medicare Advantage Plan (Medicare participants) are assumed to remain in the Medicare Advantage Plan.

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

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

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

Significant actuarial assumptions employed by the actuary for claims and expense purposes are based on the actual community rated premiums of the entire group. As of June 30, 2021, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through June 30, 2020 and projects through 2021 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

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

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Medicare Advantage Plan are assumed to never be eligible for Medicare, all current actives with a hire date before March 31, 1986 are assumed to never be eligible for Medicare.

Changes in Total OPEB Liability

Changes in total OPEB liability are recognized in OPEB expense for the year ended June 30, 2021 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. As of July 1, 2021, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2021, the differences between expected and actual experience was (\$144,866).

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2021, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2019. For the fiscal year ended June 30, 2021, there were no changes in assumptions.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found by contacting the School District's Business Manager at 202 Kidder Hill Road, Holden, Maine 04429.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

The School District and other various entities have jointly agreed to operate a vocational education school. The United Technologies Center (UTC) was established by State law and is governed by a nine-member board of which one member represents the School District. Complete financial statements for the UTC can be obtained from the United Technologies Center, 200 Hogan Road, Bangor, Maine 04401. The School District is assessed a fee for vocational education services provided to students in the School District. For the year ending June 30, 2022 the School District was assessed and paid \$3,047.

NOTE 20 - RELATED PARTY TRANSACTION

During the fiscal year ended June 30, 2022, the School District made payments for a plowing contract to Whitmore Contracting which is owned by a Board member. This plowing bid was awarded to Whitmore Contracting by the School District in May 2019 and the Board member was not elected until June 2019. During fiscal year 2022, payments to this vendor under this contract totaled \$31,690.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 21 - 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 School District's financial position.

The School District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2022 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The School District receives subsidy funding payments through the State of Maine. The State subsidy payment amount is adjusted quarterly for the School District's share of MaineCare Seed, which is the required local share of MaineCare revenue that the State pays on behalf of the School and then recovers through the ED 279. Adjustments made by the State in the fiscal year of 2023 could include expenditures from the fiscal year of 2022 that would normally be accrued. The actual amount cannot be determined at this time however, it is the position of the Maine School Administrative District No. 63 that this practice is consistent with the formal recommendation of the Maine Department of Education to all Maine school units concerning this matter.

Required Supplementary Information

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

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,380,783	\$ 2,380,783	\$ 2,380,783	\$ -
Resources (Inflows):				
Local assessments:				
Holden	3,046,484	3,046,484	3,046,484	-
Eddington	1,805,302	1,805,302	1,805,302	-
Clifton	796,622	796,622	796,622	-
Intergovernmental revenues:				
State subsidy	4,479,350	4,479,350	4,831,309	351,959
State agency	15,000	15,000	81,779	66,779
Other revenues	9,085	9,085	6,815	(2,270)
Interest income	5,000	5,000	2,460	(2,540)
Transportation	102,400	102,400	122,550	20,150
Other revenues	32,500	32,500	20,470	(12,030)
Amounts Available for Appropriation	<u>12,672,526</u>	<u>12,672,526</u>	<u>13,094,574</u>	<u>422,048</u>
Charges to Appropriations (Outflows):				
Regular instruction (Article 2)	5,842,760	5,842,760	5,449,990	392,770
Special education (Article 3)	1,604,845	1,604,845	1,475,265	129,580
Instructional support (Article 4)	549,706	549,706	493,943	55,763
Facilities maintenance (Article 5)	1,065,669	943,669	964,889	(21,220)
Transportation (Article 6)	783,042	783,042	773,407	9,635
System administration (Article 7)	356,653	356,653	352,464	4,189
School administration (Article 8)	454,093	454,093	435,111	18,982
Other instruction (Article 9)	66,497	66,497	48,260	18,237
Other expenditures (Article 11)	30,000	30,000	16,681	13,319
Debt service	180,479	180,479	179,177	1,302
Transfer to other funds (Article 19)	-	122,000	122,000	-
Total Charges to Appropriations	<u>10,933,743</u>	<u>10,933,743</u>	<u>10,311,187</u>	<u>622,556</u>
Budgetary Fund Balance, June 30	<u>\$ 1,738,783</u>	<u>\$ 1,738,783</u>	<u>\$ 2,783,387</u>	<u>\$ 1,044,604</u>
Utilization of committed fund balance	<u>\$ 642,000</u>	<u>\$ 642,000</u>	<u>\$ -</u>	<u>\$ (642,000)</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>SET Plan:</u>								
District's proportion of the net pension liability	0.01%	0.02%	0.01%	0.01%	0.01%	0.02%	0.02%	0.02%
District's proportionate share of the net pension liability	\$ 107,208	\$ 298,425	\$ 219,530	\$ 196,533	\$ 206,827	\$ 300,915	\$ 237,459	\$ 202,583
State's proportionate share of the net pension liability associated with the District	<u>\$ 2,011,283</u>	<u>\$ 3,651,558</u>	<u>\$ 3,281,393</u>	<u>\$ 3,090,891</u>	<u>\$ 3,324,930</u>	<u>\$ 3,980,034</u>	<u>\$ 3,426,715</u>	<u>\$ 2,828,174</u>
Total	<u>\$ 2,118,491</u>	<u>\$ 3,949,983</u>	<u>\$ 3,500,923</u>	<u>\$ 3,287,424</u>	<u>\$ 3,531,757</u>	<u>\$ 4,280,949</u>	<u>\$ 3,664,174</u>	<u>\$ 3,030,757</u>
District's covered payroll	\$ 3,392,701	\$ 3,133,850	\$ 3,048,609	\$ 2,815,204	\$ 2,940,693	\$ 2,847,433	\$ 3,087,169	\$ 3,199,876
District's proportionate share of the net pension liability as a percentage of its covered payroll	3.16%	9.52%	7.20%	6.98%	7.03%	10.57%	7.69%	6.33%
Plan fiduciary net position as a percentage of the total pension liability	90.90%	81.03%	84.52%	85.17%	80.78%	80.80%	81.20%	83.91%

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

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>SET Plan:</u>									
Contractually required contribution	\$ 185,316	\$ 141,136	\$ 130,368	\$ 121,030	\$ 137,649	\$ 117,157	\$ 116,390	\$ 110,193	\$ 112,429
Contributions in relation to the contractually required contribution	<u>(185,316)</u>	<u>(141,136)</u>	<u>(130,368)</u>	<u>(121,030)</u>	<u>(137,649)</u>	<u>(117,157)</u>	<u>(116,390)</u>	<u>(110,193)</u>	<u>(112,429)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,846,740	\$ 3,392,701	\$ 3,133,850	\$ 3,048,609	\$ 2,815,204	\$ 2,940,693	\$ 2,847,433	\$ 3,087,169	\$ 3,199,876
Contributions as a percentage of covered payroll	4.82%	4.16%	4.16%	3.97%	4.89%	3.98%	4.09%	3.57%	3.51%

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

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT PLAN
FOR THE YEAR ENDED JUNE 30, 2022

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/20 (Reporting June 30, 2021)	\$ 1,539,324	\$ -	\$ 1,539,324
Changes for the year:			
Service cost	38,840	-	38,840
Interest	34,542	-	34,542
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	11,867	-	11,867
Contributions - employer	-	30,535	(30,535)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(30,535)	(30,535)	-
Administrative expense	-	-	-
Net changes	<u>54,714</u>	<u>-</u>	<u>54,714</u>
Balances at 6/30/21 (Reporting June 30, 2022)	<u>\$ 1,594,038</u>	<u>\$ -</u>	<u>\$ 1,594,038</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

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

	2022	2021	2020	2019
<u>Total OPEB liability</u>				
Service cost (BOY)	\$ 38,840	\$ 15,156	\$ 12,752	\$ 13,668
Interest (includes interest on service cost)	34,542	66,822	68,774	64,853
Changes of benefit terms	-	(108,099)	-	-
Differences between expected and actual experience	-	(202,812)	-	-
Changes of assumptions	11,867	(97,590)	94,984	(74,853)
Benefit payments, including refunds of member contributions	(30,535)	(55,919)	(37,843)	(36,535)
Net change in total OPEB liability	<u>\$ 54,714</u>	<u>\$ (382,442)</u>	<u>\$ 138,667</u>	<u>\$ (32,867)</u>
Total OPEB liability - beginning	\$ 1,539,324	\$ 1,921,766	\$ 1,783,099	\$ 1,815,966
Total OPEB liability - ending	<u>\$ 1,594,038</u>	<u>\$ 1,539,324</u>	<u>\$ 1,921,766</u>	<u>\$ 1,783,099</u>
<u>Plan fiduciary net position</u>				
Contributions - employer	30,535	55,919	37,843	36,535
Contributions - member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(30,535)	(55,919)	(37,843)	(36,535)
Administrative expense	-	-	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 1,594,038</u>	<u>\$ 1,539,324</u>	<u>\$ 1,921,766</u>	<u>1,783,099</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered payroll	\$ 3,558,619	\$ 3,471,824	\$ 3,690,349	\$ 3,591,581
Net OPEB liability as a percentage of covered payroll	44.8%	44.3%	52.1%	49.6%

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

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>					
Proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>42,762</u>	<u>81,259</u>	<u>80,389</u>	<u>80,440</u>	<u>60,257</u>
Total	<u>\$ 42,762</u>	<u>\$ 81,259</u>	<u>\$ 80,389</u>	<u>\$ 80,440</u>	<u>\$ 60,257</u>
Covered payroll	\$ 3,392,701	\$ 3,133,850	\$ 3,048,609	\$ 2,815,204	\$ 2,940,693
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	62.90%	55.40%	49.51%	49.22%	48.04%

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

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,846,740	\$ 3,392,701	\$ 3,133,850	\$ 3,048,609	\$ 2,815,204
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	
<u>MEABT:</u>					
Employer contributions	\$ 30,535	\$ 55,919	\$ 37,843	\$ 36,535	
Benefit payments	(30,535)	(55,919)	(37,843)	(36,535)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 3,558,619	\$ 3,471,824	\$ 3,690,349	\$ 3,591,581	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

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

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

Changes of Assumptions

MEPERS SET Pension Plan:

The discount rate was reduced from 6.75% to 6.50%. In addition, the salary increases for the plan, increased from 2.75% to 2.80% - 13.03% per year.

MEPERS SET OPEB Plan:

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

MEABT Plan:

There was a change in the discount rate from 2.21% to 2.16% per GASB 75 discount rate selection.

See accompanying independent auditor's report and notes to financial statements.

Other Supplementary Information

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

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular Instruction (Article 2) -				
Holbrook Regular Instruction	\$ 1,270,114	\$ 1,270,113	\$ 1,126,284	\$ 143,829
Eddington Regular Instruction	1,600	1,600	4,532	(2,932)
Holden Regular Instruction	596,950	596,950	512,493	84,457
District Wide Regular Instruction	6,227	6,227	270	5,957
Eddington K-2 Instruction	669,418	669,418	653,743	15,675
Holden K-2 Instruction	184,931	184,931	179,501	5,430
9-12 Tuition Other RSU's	1,764,476	1,764,476	1,623,819	140,657
9-12 Tuition Private Schools	1,207,562	1,207,562	1,222,696	(15,134)
Insured Value Factor	72,454	72,454	78,044	(5,590)
ELL	5,705	5,705	6,121	(416)
Gifted and Talented	63,325	63,325	42,487	20,838
	<u>5,842,760</u>	<u>5,842,759</u>	<u>5,449,990</u>	<u>392,769</u>
Special Education (Article 3) -				
Resource Room	809,372	809,372	830,595	(21,223)
Self Contained	391,780	391,780	327,553	64,227
Home Instruction	7,205	7,205	483	6,722
Administration	285,057	285,057	175,723	109,334
Speech	107,270	107,270	136,999	(29,729)
Summer Programming	4,160	4,160	3,912	248
	<u>1,604,845</u>	<u>1,604,845</u>	<u>1,475,265</u>	<u>129,580</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Instructional Support (Article 4) -				
Guidance	110,234	110,234	97,959	12,275
Nursing	79,943	79,943	76,371	3,572
Curriculum	79,540	79,540	74,593	4,947
Library	74,338	74,338	67,832	6,506
Technology	202,218	202,218	175,549	26,669
Academic Assessment	3,433	3,433	1,639	1,794
	<u>549,706</u>	<u>549,706</u>	<u>493,943</u>	<u>55,763</u>
Facilities Maintenance (Article 5) -				
Facilities	160,830	160,830	123,966	36,864
Manager	43,240	43,240	45,558	(2,318)
Custodial	575,849	575,849	609,821	(33,972)
Maintenance	285,750	163,750	185,544	(21,794)
	<u>1,065,669</u>	<u>943,669</u>	<u>964,889</u>	<u>(21,220)</u>
Transportation and Buses (Article 6) -				
Transportation	648,228	648,228	648,901	(673)
Transportation Manager	43,347	43,347	45,358	(2,011)
Special Education Transportation	91,467	91,467	79,148	12,319
	<u>783,042</u>	<u>783,042</u>	<u>773,407</u>	<u>9,635</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
System Administration (Article 7) -				
Board of Directors	41,048	41,048	43,565	(2,517)
Superintendent's Office	160,777	160,777	162,781	(2,004)
Business Administration	154,828	154,828	146,118	8,710
	<u>356,653</u>	<u>356,653</u>	<u>352,464</u>	<u>4,189</u>
School Administration (Article 8) -				
Holbrook Administration	194,608	194,608	189,287	5,321
Eddington Administration	128,589	128,589	123,209	5,380
Holden Administration	130,897	130,897	122,615	8,282
	<u>454,093</u>	<u>454,093</u>	<u>435,111</u>	<u>18,982</u>
Other Instruction (Article 9) -				
Co-Curricular	17,352	17,352	15,455	1,897
Extra-Curricular	49,144	49,144	32,805	16,339
	<u>66,497</u>	<u>66,497</u>	<u>48,260</u>	<u>18,237</u>
Other Expenditures (Article 11) -				
Contingency Fund	30,000	30,000	16,681	13,319
	<u>30,000</u>	<u>30,000</u>	<u>16,681</u>	<u>13,319</u>
Debt Service -				
Principal	176,897	176,897	176,897	-
Interest	3,582	3,582	2,280	1,302
	<u>180,479</u>	<u>180,479</u>	<u>179,177</u>	<u>1,302</u>
Transfers to other funds -				
Capital Reserve Fund	-	122,000	122,000	-
	<u>-</u>	<u>122,000</u>	<u>122,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 10,933,743</u>	<u>\$ 10,933,742</u>	<u>\$ 10,311,187</u>	<u>\$ 621,253</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 279,502	\$ 279,502
Due from other governments	90,742	90,742
Inventory	12,074	12,074
Due from other funds	13,293	13,293
TOTAL ASSETS	<u>\$ 395,611</u>	<u>\$ 395,611</u>
LIABILITIES		
Due to other funds	\$ 255,413	\$ 255,413
TOTAL LIABILITIES	<u>255,413</u>	<u>255,413</u>
FUND BALANCES		
Nonspendable	12,074	12,074
Restricted	217,062	217,062
Committed	-	-
Assigned	-	-
Unassigned	(88,938)	(88,938)
TOTAL FUND BALANCES	<u>140,198</u>	<u>140,198</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 395,611</u>	<u>\$ 395,611</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Intergovernmental revenue	\$ 915,972	\$ 915,972
Charges for services	3,687	3,687
Other revenue	11,892	11,892
TOTAL REVENUES	<u>931,551</u>	<u>931,551</u>
EXPENDITURES		
Instruction	334,893	334,893
Special education	245,660	245,660
Other	372,066	372,066
TOTAL EXPENDITURES	<u>952,619</u>	<u>952,619</u>
NET CHANGE IN FUND BALANCES	(21,068)	(21,068)
FUND BALANCES - JULY 1	<u>161,266</u>	<u>161,266</u>
FUND BALANCES - JUNE 30	<u>\$ 140,198</u>	<u>\$ 140,198</u>

See accompanying independent auditor's report and notes to financial statements.

Special Revenue Funds

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022

	Local Entitlement	Title IA	ESSERF CARES Act	Waves Outdoor Ed	CRF I	Title IIA	ESSERF/ CARES Act II
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	90,742	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	-	-	-	869	43	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 90,742</u>	<u>\$ -</u>	<u>\$ 869</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES							
Due to other funds	\$ 50,207	\$ 96,193	\$ 1,050	\$ -	\$ -	\$ 2	\$ 5,051
TOTAL LIABILITIES	<u>50,207</u>	<u>96,193</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>5,051</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	869	43	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	(50,207)	(5,451)	(1,050)	-	-	(2)	(5,051)
TOTAL FUND BALANCES (DEFICITS)	<u>(50,207)</u>	<u>(5,451)</u>	<u>(1,050)</u>	<u>869</u>	<u>43</u>	<u>(2)</u>	<u>(5,051)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 90,742</u>	<u>\$ -</u>	<u>\$ 869</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2022

	ESSERF/ CARES Act III	Adult Ed	ARP Local Entitlement	MLTI State Reimbursement	King Library Grant	Food Service	ESSERF/ CARES	Civil Education Grant
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,325	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	12,074	-	-
Due from other funds	2,319	-	-	4,459	5,603	-	-	-
TOTAL ASSETS	\$ 2,319	\$ -	\$ -	\$ 4,459	\$ 5,603	\$ 216,399	\$ -	\$ -
LIABILITIES								
Due to other funds	-	\$ 20	\$ 13,576	\$ -	\$ -	\$ 75,733	\$ 1,743	\$ 43
TOTAL LIABILITIES	-	20	13,576	-	-	75,733	1,743	43
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	12,074	-	-
Restricted	2,319	-	-	4,459	5,603	128,592	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	(20)	(13,576)	-	-	-	(1,743)	(43)
TOTAL FUND BALANCES (DEFICITS)	2,319	(20)	(13,576)	4,459	5,603	140,666	(1,743)	(43)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 2,319	\$ -	\$ -	\$ 4,459	\$ 5,603	\$ 216,399	\$ -	\$ -

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022

	ARP Local Entitlement Pre School	REAP	IMLS Library Grant	Title IV Student Support and Enrichment	Local Entitlement Pre School	Student Activities	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,177	\$ 279,502
Due from other governments	-	-	-	-	-	-	90,742
Inventory	-	-	-	-	-	-	12,074
Due from other funds	-	-	-	-	-	-	13,293
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,177	\$ 395,611
LIABILITIES							
Due to other funds	-	\$ 3,461	383	\$ 7,213	\$ 738	\$ -	\$ 255,413
TOTAL LIABILITIES	-	3,461	383	7,213	738	-	255,413
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	12,074
Restricted	-	-	-	-	-	75,177	217,062
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	(3,461)	(383)	(7,213)	(738)	-	(88,938)
TOTAL FUND BALANCES (DEFICITS)	-	(3,461)	(383)	(7,213)	(738)	75,177	140,198
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,177	\$ 395,611

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Local Entitlement	Title IA	ESSERF CARES Act	Waves Outdoor Ed	CRF I	Title IIA	ESSERF/ CARES Act II
REVENUES							
Intergovernmental revenue	\$ 178,964	\$ 72,532	\$ 55,008	\$ -	\$ -	\$ 31,258	\$ 42,604
Charges for services	-	-	-	-	-	-	-
Other revenue	-	-	-	1,000	-	-	-
TOTAL REVENUES	<u>178,964</u>	<u>72,532</u>	<u>55,008</u>	<u>1,000</u>	<u>-</u>	<u>31,258</u>	<u>42,604</u>
EXPENDITURES							
Instruction	-	77,983	-	-	-	30,880	47,655
Special education	229,171	-	-	-	-	-	-
Other	-	-	7,164	131	-	-	-
TOTAL EXPENDITURES	<u>229,171</u>	<u>77,983</u>	<u>7,164</u>	<u>131</u>	<u>-</u>	<u>30,880</u>	<u>47,655</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(50,207)	(5,451)	47,844	869	-	378	(5,051)
FUND BALANCES (DEFICITS) - JULY 1	-	-	(48,894)	-	43	(380)	-
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (50,207)</u>	<u>\$ (5,451)</u>	<u>\$ (1,050)</u>	<u>\$ 869</u>	<u>\$ 43</u>	<u>\$ (2)</u>	<u>\$ (5,051)</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	ESSERF/ CARES Act III	Adult Ed	ARP Local Entitlement	MLTI State Reimbursement	King Library Grant	Food Service	ESSERF/ CARES	Civil Education Grant
REVENUES								
Intergovernmental revenue	\$ 9,039	\$ 3,655	\$ -	\$ 78,543	\$ -	\$ 262,791	\$ 151,713	\$ -
Charges for services	-	-	-	-	-	3,687	-	-
Other revenue	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>9,039</u>	<u>3,655</u>	<u>-</u>	<u>78,543</u>	<u>-</u>	<u>266,478</u>	<u>151,713</u>	<u>-</u>
EXPENDITURES								
Instruction	-	-	-	-	-	-	153,456	-
Special education	-	-	13,576	-	-	-	-	-
Other	6,720	3,655	-	74,084	-	280,312	-	-
TOTAL EXPENDITURES	<u>6,720</u>	<u>3,655</u>	<u>13,576</u>	<u>74,084</u>	<u>-</u>	<u>280,312</u>	<u>153,456</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	2,319	-	(13,576)	4,459	-	(13,834)	(1,743)	-
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>5,603</u>	<u>154,500</u>	<u>-</u>	<u>(43)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 2,319</u>	<u>\$ (20)</u>	<u>\$ (13,576)</u>	<u>\$ 4,459</u>	<u>\$ 5,603</u>	<u>\$ 140,666</u>	<u>\$ (1,743)</u>	<u>\$ (43)</u>

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	ARP Local Entitlement Pre School	REAP	IMLS Library Grant	Title IV Student Support and Enrichment	Local Entitlement Pre School	Student Activities	Total
REVENUES							
Intergovernmental revenue	\$ 1,278	\$ 13,511	\$ -	\$ 14,181	\$ 895	\$ -	\$ 915,972
Charges for services	-	-	-	-	-	-	3,687
Other revenue	-	-	-	-	-	10,892	11,892
TOTAL REVENUES	<u>1,278</u>	<u>13,511</u>	<u>-</u>	<u>14,181</u>	<u>895</u>	<u>10,892</u>	<u>931,551</u>
EXPENDITURES							
Instruction	-	13,510	-	11,409	-	-	334,893
Special education	1,278	-	-	-	1,635	-	245,660
Other	-	-	-	-	-	-	372,066
TOTAL EXPENDITURES	<u>1,278</u>	<u>13,510</u>	<u>-</u>	<u>11,409</u>	<u>1,635</u>	<u>-</u>	<u>952,619</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	1	-	2,772	(740)	10,892	(21,068)
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>(3,462)</u>	<u>(383)</u>	<u>(9,985)</u>	<u>2</u>	<u>64,285</u>	<u>161,266</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ (3,461)</u>	<u>\$ (383)</u>	<u>\$ (7,213)</u>	<u>\$ (738)</u>	<u>\$ 75,177</u>	<u>\$ 140,198</u>

See accompanying independent auditor's report and notes to financial statements.

General Capital Assets

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

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2022

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Total
Transportation	\$ -	\$ -	\$ 1,340,531	\$ 1,340,531
Maintenance	-	-	102,385	102,385
Instruction	1,313,826	7,489,825	515,587	9,319,238
Food Service	-	-	96,698	96,698
Total General Capital Assets	1,313,826	7,489,825	2,055,201	10,858,852
Less: Accumulated Depreciation	-	(3,813,015)	(1,226,422)	(5,039,437)
Net General Capital Assets	<u>\$ 1,313,826</u>	<u>\$ 3,676,810</u>	<u>\$ 828,779</u>	<u>\$ 5,819,415</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2022

	General Capital Assets 7/1/21 (Restated)	Additions	Deletions	General Capital Assets 6/30/22
Transportation	\$ 1,197,505	\$ 213,035	\$ (70,009)	\$ 1,340,531
Maintenance	102,385	-	-	102,385
Instruction	7,862,677	1,456,561	-	9,319,238
Food Service	96,082	616	-	96,698
	<u>9,258,649</u>	<u>1,670,212</u>	<u>(70,009)</u>	<u>10,858,852</u>
Total General Capital Assets	9,258,649	1,670,212	(70,009)	10,858,852
Less: Accumulated Depreciation	<u>(4,728,574)</u>	<u>(380,872)</u>	<u>70,009</u>	<u>(5,039,437)</u>
Net General Capital Assets	<u>\$ 4,530,075</u>	<u>\$ 1,289,340</u>	<u>\$ -</u>	<u>\$ 5,819,415</u>

See accompanying independent auditor's report and notes to financial statements.

Federal Compliance

Federal compliance includes financial information and reports that are required in accordance with *Government Auditing Standards* and/or the Uniform Guidance in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- 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*
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal AL Number	Pass Through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through State of Maine - Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	013-06A-3014-05	\$ 57,291	\$ -
National School Lunch Program	10.555	013-06A-3024-05	235,576	-
National School Lunch Program	10.555	013-06A-6670-05	12,494	-
Summer Food Service Program for Children	10.559	013-06A-3016-05	13,727	-
Summer Food Service Program for Children	10.559	013-06A-3020-05	1,200	-
Subtotal Child Nutrition Cluster			<u>320,288</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>320,288</u>	<u>-</u>
U.S. Department of Education				
Passed through State of Maine - Department of Education:				
Title I Grants to Local Educational Agencies	84.010	013-06A-3107-12	<u>77,983</u>	<u>-</u>
Special Education Cluster (IDEA)				
Special Education-Grants to States	84.027	013-06A-3046-12	229,172	-
Special Education-Grants to States	84.027	N/A	13,576	-
Special Education-Preschool Grants	84.173	013-06A-6247-12	1,636	-
Special Education-Preschool Grants	84.173X	025-06A-7171-12	1,278	-
Subtotal Special Education Cluster (IDEA)			<u>245,662</u>	<u>-</u>
Rural Education	84.358A	013-06A-3305-12	<u>13,511</u>	<u>-</u>
Supporting Effective Instructions State Grants	84.367	013-06A-3042-12	<u>30,878</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424A	013-06A-3345-12	<u>11,409</u>	<u>-</u>
Education Stabilization Fund	84.425D	025-06A-7072-12	7,164	-
Education Stabilization Fund	84.425D	013-06A-7041-12	153,456	-
Education Stabilization Fund	84.425D	013-06A-7006-12	47,656	-
Education Stabilization Fund	84.425D	013-06A-7042-12	6,720	-
			<u>214,996</u>	<u>-</u>
Total U.S. Department of Education			<u>594,439</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 914,727</u>	<u>\$ -</u>

See accompanying independent auditor's report and notes to financial statements.

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Maine School Administrative District No. 63 under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Maine School Administrative District No. 63, it is not intended to and does not present the financial position, changes in net position or cash flows of the Maine School Administrative District No. 63.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Maine School Administrative District No. 63 has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Food Donation Program

The Maine School Administrative District No. 63 reports commodities consumed on the Schedule at the fair value [or entitlement value]. The Government allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities.



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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
Maine School Administrative District No. 63
Holden, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Maine School Administrative District No. 63 as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Maine School Administrative District No. 63's basic financial statements and have issued our report thereon dated March 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maine School Administrative District No. 63's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maine School Administrative District No. 63's internal control. Accordingly, we do not express an opinion on the effectiveness of Maine School Administrative District No. 63's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maine School Administrative District No. 63's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain other matters that we reported to management of the Maine School Administrative District No. 63 in a separate letter dated March 31, 2023.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
March 31, 2023



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

Board of Directors
Maine School Administrative District No. 63
Holden, Maine

Report on Compliance for Each Major Federal Program

We have audited the Maine School Administrative District No. 63's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Maine School Administrative District No. 63's major federal programs for the year ended June 30, 2022. The Maine School Administrative District No. 63's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Maine School Administrative District No. 63's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Maine School Administrative District No. 63's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Maine School Administrative District No. 63's compliance.

Opinion on Each Major Federal Program

In our opinion, Maine School Administrative District No. 63 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Report on Internal Control Over Compliance

Management of the Maine School Administrative District No. 63 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Maine School Administrative District No. 63's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Maine School Administrative District No. 63's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Maine School Administrative District No. 63's internal control over compliance.

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

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

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

RHR Smith & Company

Buxton, Maine
March 31, 2023

MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X no

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

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

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster (IDEA)
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II - Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None

State Compliance

State compliance includes financial information and reports that are presented for purposes of additional analysis as required by Title 20-A MRSA §6051 of the Maine Revised Statutes as amended. Such financial information and reports include:

- Independent Auditor's Report on State Requirements
- Reconciliation of Audit Adjustments to Annual Financial Data Submitted to the Maine Education Financial System



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INDEPENDENT AUDITOR'S REPORT ON STATE REQUIREMENTS

Board of Directors
Maine School Administrative District No. 63
Holden, Maine

We have audited the financial statements of Maine School Administrative District No. 63 for the year ended June 30, 2022 and have issued our report thereon dated March 1, 2022. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Maine School Administrative District No. 63's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, Maine School Administrative District No. 63 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Maine School Administrative District No. 63 was in noncompliance with or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Maine School Administrative District No. 63 and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the MEFS financial system maintained at the Maine Department of Education.

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

RHR Smith & Company

Buxton, Maine
March 31, 2023

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MAINE SCHOOL ADMINISTRATIVE DISTRICT NO. 63

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL
DATA SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund (1000)	Special Revenue Funds (2000) & (6000)	Capital Projects Funds (4000)	Total
June 30 Balance per MEFS	\$ 3,750,291	\$ 46,176	\$ 303,349	\$ 4,099,816
Fund balance	(966,904)	94,022	1,465,396	592,514
Audited GAAP Basis Fund Balance June 30	<u>\$ 2,783,387</u>	<u>\$ 140,198</u>	<u>\$ 1,768,745</u>	<u>\$ 4,692,330</u>