

Regional School Unit No. 3

Single Audit Report

Year Ended June 30, 2023



RSU 3
Regional School Unit #3

WIPFLI

CONTENTS

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 <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Financial Report	

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

Board of Directors
Regional School Unit No. 3
Unity, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Regional School Unit No. 3, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Regional School Unit No. 3's basic financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional School Unit No. 3's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional School Unit No. 3's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional School Unit No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Regional School Unit No. 3

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.

Wipfli LLP

Wipfli LLP

December 20, 2023
Madison, Wisconsin

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Regional School Unit No. 3
Unity, Maine

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Regional School Unit No. 3’s the (School Unit) compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Regional School Unit No. 3’s major federal programs for the year ended June 30, 2023. Regional School Unit No. 3’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School Unit 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Regional School Unit No. 3 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide legal determination of the School Unit’s compliance with requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreement applicable to the School Unit’s major federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Unit's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Unit's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, the business-type activity, the major fund, and the aggregate remaining fund information of Regional School Unit No. 3 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Unit's basic financial statements. We issued our report thereon, dated December 20, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Wipfli LLP

December 20, 2023
Madison, Wisconsin

Regional School Unit No. 3

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Education				
<u>Pass-Through State of Maine Department of Education</u>				
Title I Grants to Local Educational Agencies				
Title I Grants to Local Educational Agencies	84.010	013-3107	\$ 613,215	
Title I Grants to Local Educational Agencies	84.010	013-3106	<u>22,301</u>	
Total Title I Grants to Local Educational Agencies			<u>635,516</u>	
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	013-3046	192,777	
Special Education - Preschool Grants	84.173	013-6247	<u>12,982</u>	
Total Special Education Cluster (IDEA)			<u>205,759</u>	
Supporting Effective Instruction State Grants	84.367	013-3042	96,209	
Rural Education	84.358	013-3305	7,952	
Education Stabilization Fund				
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	013-7006	44,492	
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	013-7041	496,990	
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	025-7071	593,587	
COVID-19 – American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425D	013-7042	280	
COVID-19 - EANS	84.425	013-7051	<u>52,586</u>	
Total Education Stabilization Fund			<u>1,187,935</u>	
Total U.S. Department of Education			<u>2,133,371</u>	
U.S. Department of Agriculture				
<u>Pass-Through State of Maine Department of Agriculture</u>				
Child Nutrition Cluster				
School Breakfast Program	10.553	013-3014	173,868	
National School Lunch Program	10.555	013-3125	395,693	
National School Lunch Program	10.555	013-6670	35,818	
Summer Food Service Program for Children	10.559	013-3016	12,017	
Summer Food Service Program for Children	10.559	013-3018	1,238	
Fresh Fruit and Vegetable Program	10.582	013-3028	<u>45,146</u>	
Total Child Nutrition Cluster			<u>663,780</u>	
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565	013-6134	<u>43,794</u>	
Total Food Distribution Cluster			<u>43,794</u>	
Child and Adult Care Food Program	10.558	013-6658	<u>34,805</u>	
Pandemic EBT Administrative Costs	10.649	013-6184	<u>5,024</u>	
Total U.S. Department of Agriculture			<u>747,403</u>	
Total Expenditures of Federal Awards			<u>\$ 2,880,774</u>	<u>\$ 0</u>

See Independent Auditor's Report on Schedule of Expenditures of Federal Awards. The accompanying notes are an integral part of this schedule.

Regional School Unit No. 3

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Regional School Unit No. 3 under programs of the federal government for the year ended June 30, 2023. 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 Regional School Unit No. 3, it is not intended to and does not present the financial position of the School Unit, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. Pass-through entity identifying numbers are presented where available.
- C. Regional School Unit No. 3 has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities consumed. At June 30, 2023, the School Unit had food commodities totaling \$11,508 in inventory.

Regional School Unit No. 3

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

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	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards

Internal control over major programs:		Unmodified	
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Type of auditor's report issued on compliance for major programs:			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Elementary and Secondary School Emergency Relief Fund

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

Auditee qualified as low-risk auditee? _____ Yes _____ No

Section II Financial Statement Findings

None noted.

Section III Federal Award Findings and Questioned Costs

None noted.

Section IV Prior Audit Findings

None reported.

Regional School Unit No. 3

Financial Statements

Year Ended June 30, 2023



RSU 3
Regional School Unit #3

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Regional School Unit No. 3

Year Ended June 30, 2023

Table of Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to the Net Position of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Fund Net Position - Enterprise Fund.....	17
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund.....	18
Statement of Cash Flows - Enterprise Fund.....	19
Notes to Financial Statements.....	20
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund.....	45
Schedule of Changes in Total OPEB Liability and Related Ratios - MEABT.....	47
Schedule of Proportionate Share of the Net Pension Liability.....	48
Schedule of Contributions.....	49
Additional Information	
Independent Auditor's Report on Additional Information.....	51
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Funds.....	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds - Budget Basis	54
Mount View High School Student Activities Fund Schedule of Cash Receipts and Cash Disbursements.....	57
Mount View Middle School Student Activities Fund Schedule of Cash Receipts and Cash Disbursements.....	58
Mount View High School Scholarship and Loan Funds Schedule of Cash Receipts and Cash Disbursements.....	59

Independent Auditor's Report

Board of Directors
Regional School Unit No. 3
Unity, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Regional School Unit No. 3 (the "School Unit"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Unit'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, the business-type activity, each major fund and the aggregate remaining fund information of Regional School Unit No. 3 as of June 30, 2023, and 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 of America. 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 Regional School Unit No. 3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), 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 Regional School Unit No. 3'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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Regional School Unit No. 3's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Regional School Unit No. 3'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 a management's discussion and analysis and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of the School Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regional School Unit No. 3's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Unit's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Madison, Wisconsin
December 20, 2023

Regional School Unit No. 3

Management’s Discussion and Analysis

This section of Regional School Unit No. 3’s annual Financial Report presents its discussion and analysis of the School Unit’s financial performance during the fiscal year ended June 30, 2023. This analysis focuses on the School Unit’s financial performance as a whole. Efforts have been made to provide comparisons to prior year data when such data is available. Please read this section in conjunction with the financial statements following this section.

Financial Highlights

- This audit produced no significant findings which provides evidence of sound financial management.
- The School Unit is in full compliance with Governmental Accounting Standards Board Statement 34 (GASB 34). GASB 34 requires a report on the overall state of the School Unit’s financial health, not just its individual funds. This format provides a complete picture of the cost to deliver education to our citizens.
- The 2022-23 Budget was developed anticipating \$9,564,607 in State funds in General Purpose Aid for Schools.
- The history of budget increases and decreases over the past years has been:

Fiscal Year	Increase/ (Decrease)	Fiscal Year	Increase/ (Decrease)
2005-06	4.43%	2015-16	2.87%
2006-07	6.53%	2016-17	1.43%
2007-08	3.83%	2017-18	1.95%
2008-09	1.90%	2018-19	1.49%
2009-10	(0.05%)	2019-20	(0.04%)
2010-11	(2.16%)	2020-21	1.32%
2011-12	(0.82%)	2021-22	(1.07%)
2012-13	0.11%	2022-23	1.18%
2013-14	(0.11%)	2023-24	6.46%
2014-15	1.03%		

Fiscal years 2007-08 excluded new bond interest payments and 2008-09 excluded new bond principal payments.

- The School Nutrition Program is a proprietary endeavor meaning that it operates like a business. There was an increase of \$112,123 in operating costs. The operating revenue from sale of meals increased by \$19,556 from \$66,829 in FY 2022 to \$86,384 in FY 2023 and donated commodities increased by \$7,231. Federal and State funding increased by \$50,128 from \$891,244 in FY 2022 to \$941,372 in FY 2023. Local funds raised for 2022-2023 were \$70,000, 2021-22 were \$60,000, 2020-21 were \$60,000, 2019-20 were \$60,000, 2018-19 were \$55,000, 2017-18 were \$55,000, 2016-17 were \$50,000, 2015-16 were \$50,000, 2014-15 were \$85,000, 2013-14 were \$50,000, and 2012-2013 were \$20,000. There were no local funds raised for the year 2011-12. The resulting net position as of June 30, 2023, is \$573,804, which includes food inventory valued at \$48,410.
- Long-term debt liabilities consist of the Mount View construction bond which was reduced by \$1,983,716 during FY 2023 to \$9,880,285, and a revolving renovation bond for improvements to the elementary schools with an outstanding balance of \$38,293 at the end of FY 2023. A finance purchase lease obligation for an energy conservation project at Troy, Unity and Mount View Schools was reduced by \$86,410 during FY 2023 to \$904,244.
- The School Unit’s net position as of June 30, 2023, was \$25,933,091, an increase of \$1,730,149 over the previous fiscal year due to revenues exceeding expenses.

Regional School Unit No. 3

Management's Discussion and Analysis

Basic Financial Statements

Statement of Net Position

The first financial statement contained in this report is the *Statement of Net Position* found on page 11. Similar to statements used by private companies, the *Statement of Net Position* includes all of the School Unit's assets and liabilities, as well as the School Unit's deferred outflows and inflows of resources at the end of the year. Net position is the difference between the School Unit's assets and deferred outflows of resources and liabilities and deferred inflows of resources. It is one way to measure the School Unit's overall financial position. Over time, increases or decreases in the School Unit's net position are indicators of whether the financial picture is getting stronger or weakening. This year RSU #3's total net position exceeded \$24 million dollars. This is an indicator of excellent financial health.

Statement of Activities

The next financial statement contained in this report is the *Statement of Activities* found on page 12. This statement contains information about all the costs of providing public education (expenses) and the various resources which fund public education (revenues). One can use this information to learn, for example, where RSU #3 gets its revenues and what it uses them for.

Fund Financial Statements

While the *Statement of Net Position* and the *Statement of Activities* provide an all-encompassing view of the School Unit's finances, fund financial statements, collectively called *Fund Financial Statements*, found on pages 13 through 19, provide a more detailed look at major funds.

Analysis of Government Wide Statements

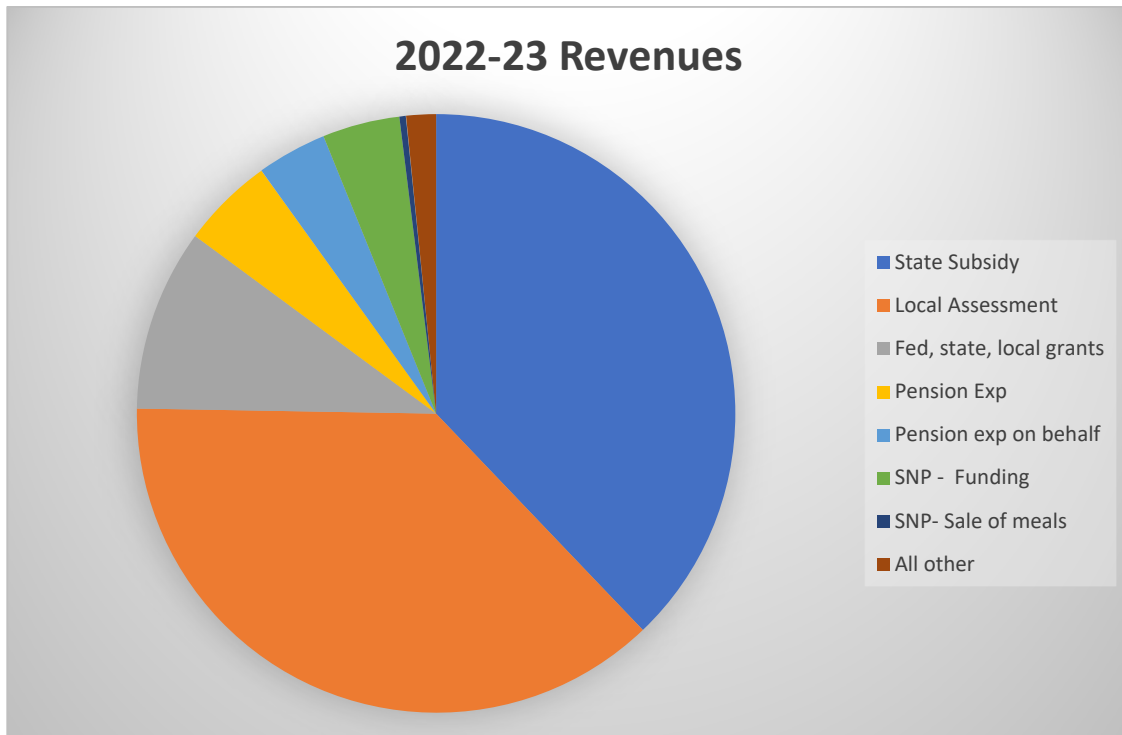
- Total assets as of June 30, 2023, were \$43,223,389 of which \$32,627,693 consisted of capital assets net of accumulated depreciation. Total assets increased by \$54,829 from June 30, 2022, and capital assets net of accumulated depreciation decreased by \$1,077,010 from the prior year. The decrease in capital assets is due to annual depreciation expense.
- Total deferred outflows of resources relating to pension and other post-retirement health benefits as of June 30, 2023 and 2022, were \$1,910,025 and \$1,991,453, respectively.
- As of June 30, 2023, total liabilities were \$18,336,088. Of this amount, \$3,913,899 consisted of current liabilities and \$14,422,189 consisted of long-term liabilities which includes the debt recognized for the Mount View construction and improvements to the elementary schools in the amount of \$9,918,578 and a finance purchase lease obligation for an energy conservation project at Troy, Unity and Mount View Schools of \$904,244. The total liabilities over the prior fiscal year decreased by \$1,655,470. The net decrease was primarily related to the decrease in long-term debt from principal repayments on bonds and finance purchase lease obligation of approximately \$2M.
- Total deferred inflows of resources relating to pension and other post-retirement health benefits as of June 30, 2023 and 2022, were \$864,235 and \$965,513, respectively.
- The School Unit's net position as of June 30, 2023, was \$25,933,091 an increase of \$1,730,149 over the previous fiscal year's net position of \$24,202,942. The portion of the School Unit's net position that is invested in capital assets, net of related debt, was \$21,804,871 and \$20,809,363 at June 30, 2023 and 2022, respectively.

Regional School Unit No. 3

Management's Discussion and Analysis

Revenue Breakdown

- The School Unit had total revenues of \$24,395,035, which is an increase of \$467,878 from the prior year.
 - State subsidy for the General Fund Education and Adult Education budgets accounted for \$9,599,695 or 39.4% of total revenue, a decrease of \$522,163 from the prior year.
 - Local assessments accounted for \$9,475,295, which is an increase of \$734,122 from the prior year, and 38.8% of total revenue.
 - Federal, State, and Local grants and programs totaled \$2,495,520, which is a decrease of \$892,533 over the prior year, and 10.2% of total revenue.
 - The allocation of pension expense from the Maine Public Employees Retirement System was \$1,266,000. Approximately \$954,400 was contributed on our behalf by the State as pension contribution. This is \$275,800 less than the prior year.
 - The School Nutrition Program received \$1,060,746 from Federal, State and Local funding and \$86,384 from the sale of meals. In the prior year, the Program received \$997,521 from Federal, State and Local funding and \$66,829 from the sale of meals.
 - All other revenues such as general interest, dividends, tuition, interest credit subsidy, state agency reimbursement and athletic event receipts accounted for \$411,396, which is an increase of \$124,672 from the prior year.



Regional School Unit No. 3

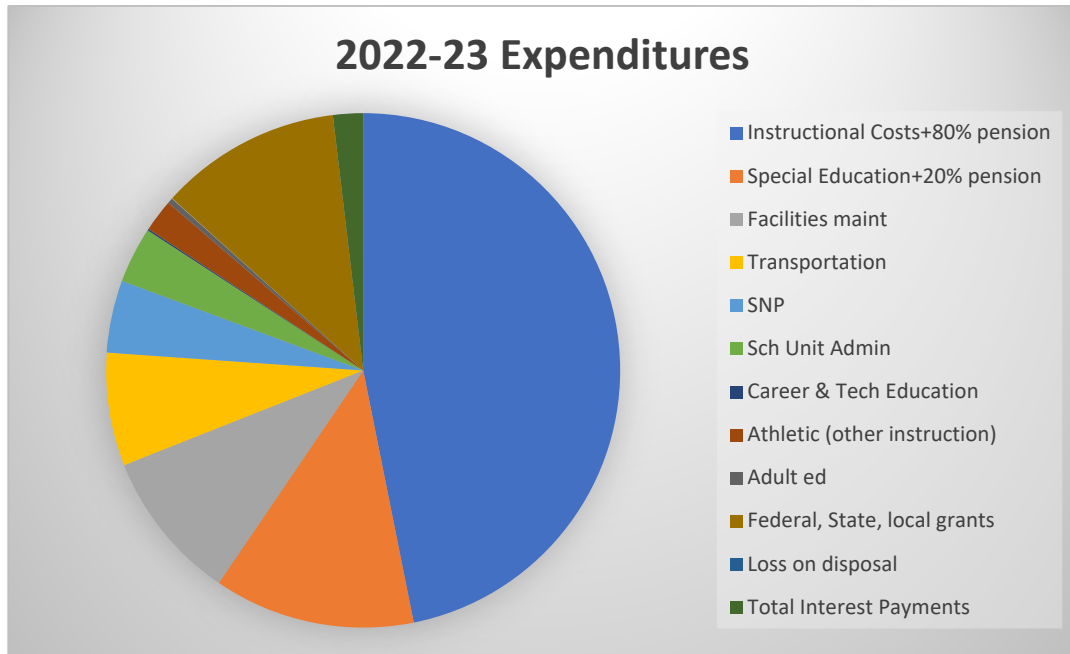
Management's Discussion and Analysis

Expenses Breakdown

- The School Unit's main expense is related to instruction as can be seen in the following chart. The expenses for all programs totaled \$22,664,886.
 - Instructional costs and instructional support services costs, school administration, including teacher salaries and benefits, and an 80% allocation of the on-behalf pension expense, accounted for \$10,617,558 or 46.8% of the total expenditures. This was an increase of \$786,568 from the prior year, in which we spent \$9,830,990.
 - Special Education expenses and a 20% allocation of the on-behalf pension expense accounted for \$2,865,126 which is 12.6% of the total expenditures. This was an increase of \$80,287 from the prior year, in which we spent \$2,757,507.
 - Facilities maintenance expenses, which include repairs, salaries and benefits for custodians and maintenance personnel, accounted for \$2,149,128 which is 9.5% of the total expenditures. This was an increase of \$143,570 from the prior year, in which we spent \$2,005,558.
 - Transportation expenses, which include repairs and salaries and benefits for all bus drivers and mechanics, accounted for \$1,616,409 or 7.1% of the total expenditures. This was an increase of \$144,997 from the prior year, in which we spent \$1,471,412.
 - The School Nutrition Program accounted for \$1,033,305 or 4.6% of the total expenditures, which was an increase of \$112,123 from the prior year's expenses of \$921,182.
 - Costs for School Unit administration, school board and central service's needs, including salaries and benefits for superintendent and business office staff, accounted for \$793,987 or 3.5% of the total expenditures. This was a decrease of \$61,014 from the prior year, in which we spent \$855,001.
 - Vocational Educational costs accounted for \$21,996 or 0.1% of the total expenditures. This was an increase of \$21,996 from the prior year, in which we spent \$0.
 - Athletic and co-curricular student activities and summer school accounted for \$461,648 or 2% of the total expenditures. This was an increase of \$3,633 from the prior year in which we spent \$458,015.
 - Adult Education costs accounted for \$83,479 or 0.4% of the total expenditures. This was a decrease of \$24,577 from the prior year, in which we spent \$108,056.
 - Federal, State, and Local grants and programs accounted for \$2,594,285 or 11.4% of the total expenditures, which is a decrease of \$806,666 over the prior year, in which we spent \$3,400,951.
 - Total interest was \$427,965. Debt service interest was related to the Mount View High School and elementary school improvements and for the energy conservation finance purchase lease. Principal payments of \$1,983,715 were for the Mount View School and revolving renovation bonds, and principal payments of \$88,802 were for the energy conservation finance purchase lease.

Regional School Unit No. 3

Management's Discussion and Analysis



- For the year ended June 30, 2023, the \$1,266,000 of the on-behalf amount in the Statement of Activities represents the allocation of pension expense in accordance with GASB 68.
- Results of operations for the year ended June 30, 2023, resulted in an increase in governmental activities net position of \$1,616,324. Total net position at the end of the year was \$25,369,287, compared to \$23,752,963 at the end of 2021-22.
- Results of operations for the year ended June 30, 2023, resulted in an increase in business-type activities net position of \$113,825. Total net position at the end of 2022-23 was \$563,804, compared to \$449,979 at the end of 2021-22.

General Fund Budgeting Highlights

The School Unit's budget is prepared according to Maine law and is based on accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

The School Unit uses a cost center approach to budgeting. Cost centers, for example, include the following areas: Regular Instruction, Special Education, Career and Technical Education, Other Instruction, Student and Staff Support, System Administration, School Administration, Transportation and Buses, Facilities Maintenance, and Debt Service.

The budgeted revenue, not including carryover, for the year ended June 30, 2023, was \$19,051,900. The actual revenue received totaled \$19,331,422.

The total budgeted expenses for the year ended June 30, 2023, was \$20,516,900. The actual expenses were \$18,374,811.

Regional School Unit No. 3

Management's Discussion and Analysis

Long-Term Debt

As of June 30, 2023, the School Unit owed \$9,918,578 in school construction obligations for the Mount View School and elementary school improvements. The bonds are due to be retired by 2028. Also, the School Unit has a finance purchase lease obligation of \$904,244 for an energy conservation project at Troy, Unity and Mount View Schools. The finance purchase lease is due to mature in 2032.

Essential Programs and Services (EPS) subsidizes a School Unit's debt service, by establishing the limit that can be raised by applying the mill expectation; this applies to all subsidized education costs including approved new school construction. In other words, the state supported school construction costs are fully financed providing the School Unit raises, what was formally called, its "Foundation Allocation," now referred to as the School Unit's "Local Cost Share Expectation."

Factors Bearing on the District's Future

- During the pandemic, the school district was awarded funds to address impacts on student learning, facility safety concerns, student nutrition needs, transportation, staffing, and medical care & safety. As those funds are sunset the services have become part of the community expectations of meeting the needs of students. Therefore, many of the positions or support services that have become part of daily operations will need to be added into the budget for the 2024-2025 school year and beyond.
- With many Maine communities, student enrollments are dropping slightly from year to year. However, the loss of students is spread out throughout all grade levels and doesn't necessarily equate to reductions of staff. Based on the EPS funding formula that reduction equates to a reduction of state subsidy, requiring the local community to raise additional dollars in order to receive the state allocation.
- The EPS formula is also based on property values. This aspect of the funding formula, or the mill rate expectations of communities, corresponds that when those increase there is also a reduction in state subsidy. The notion that property values are consistent with ability to require towns to raise additional funds to cover state reductions is flawed and negatively impacts the districts ability to meet the changing needs of students.
- The district is considering closing one or several of the elementary schools located in some of the communities of RSU 3. Because staffing levels are at a minimum in the school where students will be sent, teaching staff will need to follow students. This consolidation, although good for consolidated services of the itinerant staff, will do little to offset budget increases caused by the increases in salaries and benefits and operations cost associated with day to day operations. A significant percentage of the RSU 3 budget is personnel and without a significant reduction in that already reduced staff levels will cause an increase in the budget to maintain current services.

Regional School Unit No. 3

Management's Discussion and Analysis

- The changing needs of students coming into RSU 3 schools and throughout the State of Maine, require increased services. It is important to students and their families that we provide an educational program that equally prepares them for the next step in their life. Without additional funding sources, RSU 3 doesn't have the ability to create a specialized program needed by many of those students and therefore must rely on the expensive special purpose schools for programs that put additional strains on the system by allocating resources that could otherwise be more used for systemic programs in a more efficient manner.
- The RSU 3 English Language Learner student/family population has varied over the years. However, being a geographic area where farming and building construction are primary means of employment, the student population fluctuates with work opportunities and the influx of immigration into the state and country. This is rather an unpredictable number, however RSU 3 has an obligation to provide equal access to public education as provided for English speaking students and their families. Programs are being developed for the current population, however, with any fluctuation of enrollment, RSU 3 funds3 funds will be inadequate to provide equal services without moving funds within the approved budget articles within the guidelines, leading to reducing the funds for other areas of need.
- During 2023-2024 RSU 3 did not qualify for Title V funds, professional development, causing the district to allocate local funds for staff professional development.

Respectfully Submitted,
Paul Penna, Interim Superintendent
Lisa Roux, Assistant Superintendent

Regional School Unit No. 3

Statement of Net Position

June 30, 2023	Governmental Activities	Business-Type Activity	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 9,274,042		\$ 9,274,042
Internal balances	(478,150)	\$ 478,150	
Intergovernmental receivables			
State of Maine	897,477	46,773	944,250
Town assessments	326,172	2,557	328,729
Inventories		48,410	48,410
Other receivables	265		265
Total Current Assets	10,019,806	575,890	10,595,696
Noncurrent Assets			
Land	274,914		274,914
Amortizable lease assets, net of accumulated amortization	940,460		940,460
Depreciable capital assets, net of accumulated depreciation	31,412,319		31,412,319
Total Noncurrent Assets	32,627,693		32,627,693
Total Assets	42,647,499	575,890	43,223,389
Deferred Outflows of Resources	1,910,025		1,910,025
Liabilities			
Current Liabilities			
Accounts payable	373,484		373,484
Accrued summer salaries	1,358,418	838	1,359,256
Accrued interest	73,727		73,727
Current portion of compensated absences	32,455		32,455
Current portion of lease obligation	91,261		91,261
Current portion of bonds payable	1,983,716		1,983,716
Total Current Liabilities	3,913,061	838	3,913,899
Long-Term Liabilities			
Compensated absences, net of current portion	491,990	11,248	503,238
Lease obligation, net of current portion	812,983		812,983
Bonds payable, net of current portion	7,934,862		7,934,862
Total OPEB liability	3,719,753		3,719,753
Net pension liability	1,451,353		1,451,353
Total Long-Term Liabilities	14,410,941	11,248	14,422,189
Total Liabilities	18,324,002	12,086	18,336,088
Deferred Inflows of Resources	864,235		864,235
Net Position			
Net investment in capital assets	21,804,871		21,804,871
Restricted			
Special revenue funds	1,267,746		1,267,746
Unrestricted	2,296,670	563,804	2,860,474
Total Net Position	\$ 25,369,287	\$ 563,804	\$ 25,933,091

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Balance Sheet - Governmental Funds

<i>June 30, 2023</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 9,070,549	\$ 203,493	\$ 9,274,042
Due from other funds		464,239	464,239
Intergovernmental receivables			
State of Maine	112,455	785,022	897,477
Town assessments	326,172		326,172
Other receivable		265	265
Total Assets	\$ 9,509,176	\$ 1,453,019	\$ 10,962,195
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 373,484		\$ 373,484
Accrued summer salaries	1,173,145	\$ 185,273	1,358,418
Accrued compensated absences	32,455		32,455
Due to other funds	942,389		942,389
Total Liabilities	2,521,473	185,273	2,706,746
Fund Balances			
Restricted			
Restricted special revenue		1,267,746	1,267,746
Committed			
Capital reserve	1,206,651		1,206,651
Fuel stabilization reserve	20,000		20,000
Assigned			
Carryover	1,216,400		1,216,400
Unassigned	4,404,248		4,404,248
Unassigned General Adult Ed Fund	140,404		140,404
Total Fund Balances	6,987,703	1,267,746	8,255,449
Total Liabilities and Fund Balances	\$ 9,509,176	\$ 1,453,019	\$ 10,962,195

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Reconciliation of Total Governmental Fund Balances to the Net Position of Governmental Activities

June 30, 2022

Total Governmental Fund Balances \$ 8,255,449

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

Capital assets and related other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 32,627,693

Deferred outflows of resources represent a consumption of net position that applies to a future period, therefore, will not be recognized as an expenditure until then. 1,910,025

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest	\$ (73,727)	
Accrued compensated absences	(491,990)	
Finance purchase lease obligation	(904,244)	
Long-term debt	(9,918,578)	
Total OPEB liability	(3,719,753)	
Net pension liability	<u>(1,451,353)</u>	(16,559,645)

Deferred inflows of resources represent an acquisition of net position that applies to a future period, therefore, will not be recognized as revenue until then. (864,235)

Net Position of Governmental Activities \$ 25,369,287

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2023	General Fund	Other Governmental Funds	Total
Revenues			
Local allocation	\$ 6,282,198		\$ 6,282,198
Local additional allocation	3,120,095		3,120,095
Local adult education allocation	73,001		73,001
State allocation	9,564,607		9,564,607
State allocation, adult education	35,088		35,088
State agency revenue	93,773		93,773
On-behalf payments - pension contribution	954,400		954,400
On-behalf payments - OPEB contribution	218,000		218,000
Tuition	103,132		103,132
Interest	89,455	\$ 27	89,482
Interest credit subsidy	43,239		43,239
Miscellaneous	81,770		81,770
Federal, state, and local grants and programs		2,495,520	2,495,520
Total Revenues	20,658,758	2,495,547	23,154,305
Expenditures			
Regular instruction	5,971,125		5,971,125
Special education	2,611,926		2,611,926
Career and technical education	21,996		21,996
Other instruction	468,097		468,097
Student and staff support	1,191,646		1,191,646
System administration	738,541		738,541
School administration	1,077,468		1,077,468
Transportation and buses	1,673,359		1,673,359
Facilities maintenance	2,142,601		2,142,601
Debt service and other commitments	2,521,363		2,521,363
Adult education	83,479		83,479
Federal, state, and local grants and programs		2,461,280	2,461,280
On-behalf payments - pension contribution	954,400		954,400
On-behalf payments - OPEB contribution	218,000		218,000
Total Expenditures	19,674,001	2,461,280	22,135,281
Excess of Revenues Over Expenditures	984,757	34,267	1,019,024
Fund Balances			
Beginning of Year	6,002,946	1,233,479	7,236,425
End of Year	\$ 6,987,703	\$ 1,267,746	\$ 8,255,449

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 1,019,024

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

Governmental funds report capital outlays as expenditures.

However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Adjustments for these consist of the following:

Capital assets	\$ 252,359	
Depreciation	<u>(1,327,862)</u>	(1,075,503)

Deferred outflows/inflows of resource represent a consumption/acquisition net position that applies to a future period, therefore, will not be recognized as an expenditure/revenue until then.

19,850

In the statement of activities, some expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(47,550)	
Interest expense	20,880	
OPEB expense	479,253	
Pension expense	<u>(872,148)</u>	(419,565)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.

2,072,518

Change in Net Position - Governmental Activities \$ 1,616,324

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Statement of Fund Net Position - Enterprise Fund

June 30, 2023

Assets

Current Assets

Intergovernmental receivables	
State of Maine	\$ 46,773
Town assessments	2,557
Due from other funds	478,150
Inventories	48,410
Total Current Assets	575,890

Noncurrent Assets

Depreciable capital assets, net of accumulated depreciation	-
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Total Assets	575,890
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Liabilities

Compensated absences	11,248
Accrued summer salaries	838

Total Liabilities	12,086
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Net Position

Net investment in capital assets	-
Unassigned	563,804

Total Net Position	\$ 563,804
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School Lunch Program Liquidity:

MEFS reconciled fund balance, end of year	\$ 575,052
Less non-cash inventory	48,410
Assets available to meet future program expenses	\$ 526,642

Breakdown of Net Position by Source of Funds:

School Nutrition Program	\$ 522,780
Food Pantry grant	3,717
Good Shepard Food Bank grant	145
Assets available to meet future program expenses	\$ 526,642

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund

Year Ended June 30, 2023

Operating Revenues	
Sale of meals	\$ 86,384
Operating Expenditures	
Cost of food sold and supplies	461,704
Depreciation	1,507
Labor and related benefits	435,956
Donated commodities used	43,794
Other	90,344
Total Operating Expenditures	<u>1,033,305</u>
Operating Loss	<u>(946,921)</u>
Nonoperating Revenues	
Federal subsidy	587,840
State subsidy	237,764
Local additional allocation	70,000
Other federal revenue	115,768
Miscellaneous donations	10,376
Donated commodities	38,998
Total Nonoperating Revenues	<u>1,060,746</u>
Change in Net Position	113,825
Net Position, Beginning of Year	<u>449,979</u>
Net Position, End of Year	<u><u>\$ 563,804</u></u>
Reconciliation of Maine Education Financial Systems (MEFS) Fund Balance to the Fund Financial Statements:	
MEFS fund balance, end of year	\$ 571,190
Food pantry grant	3,717
Good Shepard Food Bank grant	145
MEFS reconciled fund balance, end of year	<u>575,052</u>
Compensated absences	<u>(11,248)</u>
Fund Balance per the Fund Financial Statements	<u><u>\$ 563,804</u></u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Statement of Cash Flows - Enterprise Fund

Year Ended June 30, 2023

Cash flows from operating activities

Receipts from meals	\$ 86,384
Payments to suppliers	(555,101)
Payments to employees	(430,985)
Net cash flows from operating activities	(899,702)

Cash flows from non-capital financing activities

Federal subsidy	587,491
State subsidy	237,764
Local additional allocation	70,000
Other federal revenue	115,768
Miscellaneous donations	10,376
Decrease in due to other funds	(121,697)
Net cash flows from non-capital financing activities	899,702

Net change in cash and cash equivalents

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

\$ _____

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (946,921)
Adjustments not affecting cash:	
U.S.D.A. commodities used	43,794
Depreciation	1,507
Change in assets and liabilities:	
Increase in inventory	(3,053)
Increase in accrued summer salaries	838
Increase in compensated absences	4,133
Net cash flows from operating activities	\$ (899,702)

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The financial statements of Regional School Unit No. 3 (the School Unit) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in the publication entitled State and Local Governments. The significant accounting principles and policies utilized by the School Unit are described below.

Reporting Entity

The School Unit is a quasi-municipality which has governance responsibilities over all activities related to public elementary and secondary education within the Towns of Brooks, Freedom, Jackson, Knox, Liberty, Monroe, Montville, Thorndike, Troy, Unity and Waldo. The School Unit receives funding from local, state and federal government sources and must comply with the requirements of these funding entities.

In evaluating the School Unit as a reporting entity, management has addressed all potential component units for which the School Unit may be financially accountable and, as such, should be included within the School Unit's financial statements. In accordance with GASB Statement No. 14 as amended by GASB Statement No. 61, the School Unit is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School Unit. Additionally, the School Unit is required to consider other organizations for which the nature and significance of their relationship with the School Unit are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no other entities that should be included as part of these financial statements.

Basis of Presentation

The School Unit's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School Unit as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School Unit that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School Unit at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School Unit's governmental activities and business-type activity.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School Unit, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School Unit.

Fund Accounting

The School Unit uses fund accounting to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School Unit are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the School Unit's major governmental fund.

General Fund

The general fund is used to account for all financial resources, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. The State of Maine Department of Education requires that adult education be considered a special revenue project in the general fund, separately controlled and accounted for.

The other governmental funds of the School Unit account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The enterprise fund is the School Unit's only proprietary fund.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Enterprise Fund

The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the School Unit's major enterprise fund:

School Lunch

School lunch fund, an unbudgeted fund, accounts for the operations of the school lunch program. The school lunch program revenues include federal and state funds restricted for use in the school lunch program.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School Unit are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the School Unit finances and meets the cash flow needs of its enterprise fund.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund uses the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School Unit, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the School Unit receives value without directly giving equal value in return, include local assessments, state allocations, on-behalf payments, grants and donations. On the accrual basis, revenue from these sources is recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School Unit must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School Unit on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: local assessments, state allocations, on-behalf payments, grants, interest and tuition.

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Grants received before the eligibility requirements are met are recorded as unearned revenue.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise fund considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Receivables

Receivables include federal grants, state subsidies, town assessments and reimbursements. No allowance for bad debts is considered necessary at June 30, 2023.

Inventories

School lunch inventories in the enterprise fund consist of food, supplies and donated commodities. Food and supplies are valued at the lower of cost (on a first-in, first-out basis) or market. The cost of inventories is recorded as an expense when consumed rather than when purchased.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The School Unit maintains a capitalization threshold of \$5,000. The School Unit does not have any infrastructure. Improvements are capitalized; however, costs of normal maintenance and repairs that do not add to the value of the asset are accounted for as expenditures.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 60 years
Furniture, fixtures and equipment	5 - 10 years
Vehicles	5 - 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes 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 and will not be recognized as an expense or expenditure until then. The School Unit's deferred outflows relate to its pension and OPEB liabilities and are disclosed in Notes 5 and 6.

In addition to liabilities, the statement of financial position will sometimes 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 and will not be recognized as revenue until then. The School Unit's deferred inflows relate to its pension and OPEB liabilities and are disclosed in Notes 5 and 6.

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School Unit will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School Unit has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School Unit's policies.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School Unit or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School Unit's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted component of net position is available.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balances

In the governmental fund financial statements fund balance is reported in five classifications as follows:

Nonspendable	Amounts that are not in spendable form, such as inventories and prepaid items or are legally or contractually required to be maintained intact.
Restricted	Resources with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
Committed	Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.
Assigned	Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Directors or a body or official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.
Unassigned	Resources which cannot be properly classified in one of the other four categories. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the Board of Directors through adoption of the budget as intended for a specific purpose. A fund balance assignment is further indicated in the budget document as an assignment of the fund (such as for fund balance carryover).

The School Unit's spending policy for programs with multiple revenue sources is to consider restricted funds to be spent first, then spent out of committed funds, assigned funds, and unassigned funds.

Operating and Non-Operating Revenues and Operating Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the enterprise funds. For the School Unit, these revenues are sales of food. Non-operating revenues are those revenues that are not generated directly from the primary activities of the enterprise fund, such as federal and state grants and donated commodities.

Operating expenses are necessary costs incurred to provide the services that are the primary activities of the enterprise funds such as food, supplies and labor.

Regional School Unit No. 3

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Accounting

Budgets are formally adopted for the general fund each year through the passage of a School Unit warrant and are prepared on a basis consistent with accounting principles generally accepted in the United States, except for teachers' salaries and compensated absences which are budgeted on a cash basis, and that on-behalf payments, interest credit subsidy and interest expense, and proceeds and expenditures related to finance purchase leases obtained during the year are excluded from both revenue and expenditures on the budgetary basis of accounting.

In the general fund, the level of control (level at which expenditures may not exceed budget) is the total budget passed by referendum. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. The School Unit's Board of Directors can overspend specific line categories without violating the budget as long as the total budget is not exceeded.

Encumbrances are recorded when purchase orders are issued but are not considered expenditures for GAAP purposes until liabilities for payments are incurred. The School Unit may issue purchase orders before June 30 each year to encumber expenditures in the current year budget. The School Unit did not have any outstanding purchase orders for the fiscal year ended June 30, 2023.

Note 2: Cash and Cash Equivalents

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School Unit's deposits may not be returned to them. The School unit does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the School Unit's bank balance of \$9,824,438 was exposed to custodial credit risk due to the bank balance being covered by FDIC insurance and a collateral agreement with the bank.

Regional School Unit No. 3

Notes to Financial Statements

Note 3: Capital Assets

This group of accounts records the cost of all capital assets acquired through the governmental fund type and enterprise funds. Original cost has been used where possible and estimates of the original cost have been used where original purchase documents are not available.

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

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 274,914			\$ 274,914
Depreciable Capital Assets				
Buildings and improvements	46,993,414			46,993,414
Furniture, fixtures and equipment	3,653,791	\$ 6,449	\$	3,660,240
Vehicles	3,219,313	245,910		3,465,223
	<u>53,866,518</u>	<u>252,359</u>		<u>54,118,877</u>
Accumulated Depreciation				
Buildings and improvements	(15,831,961)	(900,255)		(16,732,216)
Furniture, fixtures and equipment	(2,829,676)	(193,643)		(3,023,319)
Vehicles	(2,769,307)	(181,716)		(2,951,023)
	<u>(21,430,944)</u>	<u>(1,275,614)</u>		<u>(22,706,558)</u>
Depreciable Capital Assets, Net	<u>32,435,574</u>	<u>(1,023,255)</u>		<u>31,412,319</u>
Lease Assets				
Building and improvements	1,306,195			1,306,195
Accumulated amortization	(313,487)	(52,248)		(365,735)
Amortizable lease assets, net	<u>992,708</u>	<u>(52,248)</u>		<u>940,460</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,703,196</u>	<u>\$ (1,075,503)</u>		<u>\$ 32,627,693</u>

Regional School Unit No. 3

Notes to Financial Statements

Note 3: Capital Assets (Continued)

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Business-Type Activities				
Depreciable Capital Assets				
Furniture, fixtures and equipment	\$ 97,015			\$ 97,015
Accumulated Depreciation				
Furniture, fixtures and equipment	(95,508)	\$ (1,507)		(97,015)
Business-Type Activities Capital Assets, Net	\$ 1,507	\$ (1,507)	\$	\$

Depreciation expense was charged to the governmental functions as follows:

Governmental Activities:	
Regular instruction	\$ 1,135,970
Facilities maintenance	10,176
Transportation	181,716
Total Governmental Activities Amortization and Depreciation Expense	\$ 1,327,862
 Business Type-Activities	
School lunch	\$ 1,507

Note 4: Long-Term Liabilities

Long-Term Debt

Bonds payable as of June 30, 2023:

Maine Municipal Bond Bank	
Interest rate varies from 2.0% to 6.0% and is due in November and May of each year; principal of \$1,976,057 is due yearly through November 1, 2027.	\$ 9,880,285
Maine Municipal Bond Bank	
Interest free and is due in July of each year; principal of \$7,659 and matures July 15, 2027.	38,293
Total	\$ 9,918,578

Regional School Unit No. 3

Notes to Financial Statements

Note 4: Long-Term Liabilities (Continued)

Long-Term Debt - Continued

Lease obligation as of June 30, 2023:

Building improvements, 2.75%, due July 2032	\$ 1,043,992
Less amount representing interest	<u>139,748</u>
Present value of net minimum lease payments	<u><u>\$ 904,244</u></u>

Summary of capital assets held under the lease at June 30, 2023, are as follows:

Capital asset cost	\$ 1,306,195
Accumulated depreciation	<u>365,735</u>
Net book value	<u><u>\$ 940,460</u></u>

Amortization expense of capital assets held under the lease is included in the total amortization and depreciation as disclosed in Note 3.

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Governmental Activities					
Maine Municipal Bond Bank	\$ 11,902,294		\$ 1,983,716	\$ 9,918,578	\$ 1,983,716
Lease obligation	993,046		88,802	904,244	91,261
Compensated absences	476,823	\$ 47,625		524,447	32,455
Total OPEB liability	4,199,006		479,253	3,719,753	
Net pension liability	579,205	872,148		1,451,353	
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 18,150,374</u>	<u>\$ 919,773</u>	<u>\$ 2,551,771</u>	<u>\$ 16,518,375</u>	<u>\$ 2,107,432</u>
Business-Type Activity					
Compensated absences	<u>\$ 7,115</u>	<u>\$ 4,133</u>	<u>\$</u>	<u>\$ 11,248</u>	<u>\$</u>

Regional School Unit No. 3

Notes to Financial Statements

Note 4: Long-Term Liabilities (Continued)

Debt Maturity

The expected maturities of the School Unit's obligations for the years ending June 30 are as follows:

	Bonds Payable			
	Principal	Interest	Future Projected Credits*	Total
2024	\$ 1,983,716	\$ 346,304	\$ (102,801)	\$ 2,227,219
2025	1,983,716	264,792	(165,144)	2,083,364
2026	1,983,716	158,579	(158,580)	1,983,715
2027	1,983,716	75,584	(75,584)	1,983,716
2028	1,983,714	19,761	(19,761)	1,983,714
	\$ 9,918,578	\$ 865,020	\$ (521,870)	\$ 10,261,728

*Interest credits allocated to the School Unit due to advanced bond refinancing done by Maine Municipal Bond Bank.

	Lease Obligations		
	Principal	Interest	Total
2024	\$ 91,261	\$ 26,228	\$ 117,489
2025	93,788	23,701	117,489
2026	96,385	21,104	117,489
2027	99,054	18,435	117,489
2028	101,796	15,692	117,488
2029-2032	421,960	34,588	456,548
	\$ 904,244	\$ 139,748	\$ 1,043,992

Note 5: Pension Plan

Plan Description

The School Unit contributes to the Maine Public Employees Retirement System, as part of the State Employee and Teacher Plan (the Plan) which is a cost sharing multiple employer defined benefit pension plan. The Plan was established as the administrator of a public employee retirement system under the Laws of the State of Maine. The School Unit's teaching certified employees are eligible to participate in the Plan. The Plan covers 239 participating employers.

Regional School Unit No. 3

Notes to Financial Statements

Note 5: Pension Plan (Continued)

Employee membership data related to the Plan as of June 30, 2022, was as follows:

Current participants: Vested and non-vested	40,121
Terminated participants: Vested	8,843
Terminated participants: Inactive due refunds	38,807
Retirees and beneficiaries receiving benefits	<u>38,408</u>
Total	<u><u>126,179</u></u>

Benefit terms are established by Maine statute. The Plan'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). 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 Plan members is age 60, 62 or 65. The normal retirement age is determined 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 Plan also provides disability and death benefits which are established by statute for State employee members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the Plan's Board of Trustees and is currently 1.52%

For the year ended June 30, 2023, the School Unit's total payroll for all employees was \$11,148,156. Total covered payroll was \$7,754,856 for the Plan. Covered payroll refers to all compensation paid by the School Unit to active employees covered by the Plan.

Contributions

The contribution requirements of Plan members are defined by law or the Plan's Board. Plan members of the School Unit are required to contribute 7.65% of covered compensation to the Plan. The employee's contributions are deducted from the employee's wages or salary and remitted by the School Unit to the Plan on a monthly basis. The State is statutorily required to contribute 14.29% of annual teacher wages, excluding wages covered by grants, which pays for the unfunded liability for the teachers. Employer contribution rates are determined through actuarial valuations. The School Unit's required contribution rate for the year ended June 30, 2023, was 3.84% of annual teacher payroll, plus 14.29% for grant fund wages, actuarially determined as an amount that, when combined with employee and state contributions, is expected to finance the costs of benefits earned by employees during the year (normal cost contributions). The School Unit's contributions to the Plan for the year ended June 30, 2023, were \$442,559.

Regional School Unit No. 3

Notes to Financial Statements

Note 5: Pension Plan (Continued)

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

At June 30, 2023, the School Unit reported a liability for its proportionate share of the net pension liability that reflected a reduction of State pension support provided to the School Unit. The amount recognized by the School Unit as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School Unit is as follows:

School Unit's proportionate share of the net pension liability	\$ 1,451,353
State's proportionate share of the net pension liability associated with the School Unit	<u>7,361,780</u>
Total	<u><u>\$ 8,813,133</u></u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Unit's proportion of the net pension liability was based on a projection of the School Unit's long-term share of contributions relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2022 and 2021, the School Unit's proportion was 0.09 and 0.07 percent, respectively.

For the year ended June 30, 2023, the School Unit recognized pension expense of \$760,000 for their share as well as expense and revenue of \$1,266,000 for on-behalf support provided by the State in the Statement of Activities. In addition, the School Unit reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,301	\$
Changes in assumptions	281,819	
Net difference between projected and actual earnings on Plan investments		285,848
Changes in proportion and differences between contributions and proportionate share of contributions	409,713	49,157
Contributions subsequent to the measurement date	<u>442,559</u>	
Total	<u><u>\$ 1,206,392</u></u>	<u><u>\$ 335,005</u></u>

The \$442,559 of deferred outflows of resources resulting from the School Unit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Regional School Unit No. 3

Notes to Financial Statements

Note 5: Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

Reporting years ending June 30,	
2024	\$ 374,187
2025	(11,037)
2026	(69,143)
2027	134,821
Total	<u>\$ 428,828</u>

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% per annum
Salary increases	2.75% plus merit based on each employee's years of service
Investment rate of return	6.50% per annum, compounded annually

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 to June 30, 2020.

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

Asset Class	Long-Term Expected Real Rate of Return
Public equities	6.0 %
Private equity	7.6 %
Diversifiers	5.9 %
Real estate	5.2 %
Infrastructure	5.3 %
Traditional credit	3.0 %
U.S. government	2.3 %
Natural resources	5.0 %
Alternative credit	7.2 %

Regional School Unit No. 3

Notes to Financial Statements

Note 5: Pension Plan (Continued)

Discount Rate

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

Sensitivity of the School Unit's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Unit's proportionate share of the net pension liability calculated using the discount rate of 6.5%, as well as what the School Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 5.50%, or 1-percentage-point higher, 7.50%, than the current rate:

	Discount Rate	School Unit's Proportionate Share of Net Pension Liability
1% decrease	5.50 %	\$ 2,842,094
Current discount rate	6.50 %	\$ 1,451,353
1% increase	7.50 %	\$ 293,416

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

On-Behalf Payments

The State of Maine makes a contribution to the Maine Public Employees Retirement System Teachers Fund for the teachers of the School Unit. The actual payment, which is made by the State, is determined by an actuary for the entire teachers' fund. The Maine Public Employees Retirement System estimates the payment made on-behalf of the School Unit to approximate 14.29% of the qualified teachers' salaries, plus an additional 3.84% for health insurance. For the year ended June 30, 2023, the total amount of on-behalf payment was approximately \$954,400 and has been recorded as a revenue and expenditure in the general fund in the statement of revenues, expenditures and changes in fund balances - governmental funds.

Regional School Unit No. 3

Notes to Financial Statements

Note 6: Post-Employment Benefits Other Than Pensions (OPEB)

Post-retirement group life insurance benefit

Teaching certified employees of the School Unit are provided with OPEB through the Group Life Insurance Plan for Retired State Employees and Teachers (the SET Plan). The SET Plan is a multiple-employer cost sharing plan with a special funding situation whereby the State of Maine makes all contributions to the plan on behalf of the School Unit and its retired teachers. The SET Plan is administered by the Maine Public Employees Retirement System. The School Unit has no future obligation with respect to the SET Plan and has determined that on-behalf payments by the State are immaterial to the financial statements as a whole.

General information about post-retirement healthcare and benefits plan

Plan description and benefits provided. The School Unit is a participant in the Maine Education Association Benefits Trust (MEABT). MEABT was established by the Maine Education Association on April 10, 1993, as an employee welfare benefit plan. The MEABT is administered by Trustees, in accordance with its terms for the exclusive benefit of Plan participants and beneficiaries. The principal asset of the MEABT is a group insurance contract, currently held with Anthem Blue Cross and Blue Shield of Maine, which provides medical, hospital, surgical, prescription coverage and related health benefits to individuals of the School Unit, including active educators, retired and disabled educators and related personnel and their dependents. The School Unit's participation in the MEABT plan is considered its own post-retirement benefit plan, based on its own census data or participants in the trust. The MEABT does not issue a separate financial report for its OPEB. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employee membership data related to the Plan, as of the June 30, 2022 measurement date, was as follows:

Active Members	177
Retirees under age 65	3
Retirees over age 65	10
Total	<u>190</u>

Eligibility. The employee must have participated in the MEABT health plan for 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits.

A retiree who terminates coverage may elect to re-enroll in coverage at a later date if the participant participated in the health plan for 12 months prior to terminating coverage, if the re-enrollment occurs within 5 years from the date of termination of coverage, and if the retiree does not surpass attaining age 62 at the time of re-enrollment. The participant has to have maintained continuous health insurance coverage during this break in coverage. To be eligible for re-enrollment, a retiree may not take more than one break in coverage.

Regional School Unit No. 3

Notes to Financial Statements

Note 6: Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Contributions. The School Unit's contribution comes in the form of an implied subsidy. The retiree is eligible for a State subsidy of 55% of the blended single premium for the retiree only. Under State law, the blended premium is determined by blending rates for active members and retired members. The retiree pays 45% of the blended premium amounts. The implicit rate subsidy is the value of the cost of care minus the premiums charged. Since the premiums charged are based on the average active and pre-Medicare retirees, the retirees are implicitly paying less than the true cost of coverage resulting in a subsidy through the premiums paid by the School Unit for active members.

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

At June 30, 2023, the School Unit reported a liability of \$3,719,753 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2023, the School Unit recognized OPEB expense of \$202,960. At June 30, 2023, the School Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 418,427
Changes of assumptions	\$ 556,277	110,803
School Unit contributions subsequent to the measurement date	147,356	
Total	\$ 703,633	\$ 529,230

Of the total amount reported as deferred outflows of resources related to OPEB, \$147,356 resulting from School Unit contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability measured as of June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the School Unit OPEB expense, as follows:

Reporting years ending June 30,

2024	\$ 37,862
2025	61,559
2026	31,321
2027	31,325
2028	(65,432)
Thereafter	(69,588)
Total	\$ 27,047

Regional School Unit No. 3

Notes to Financial Statements

Note 6: Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Actuarial assumptions and methods: The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

Measurement date:	June 30, 2022
Discount rate:	3.54% per annum for the year ended June 30, 2022 reporting.
Healthcare cost trend rates:	<p>Pre-Medicare – Initial trend of 7.95%, applied in fiscal year 2023 grading over 19 years to 4.00% per annum.</p> <p>Medicare – Initial trend rate of 0.0%, applied in fiscal year 2023 and 5.62% applied in fiscal year 2024, grading over 18 years to 4.29% per annum.</p>
Rate of mortality:	<p><u>Healthy Annuitants:</u> Based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table adjusted as follows:</p> <ul style="list-style-type: none">• 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 <p>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.</p> <p><u>Healthy Employees:</u> 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 health annuitant mortality.</p>

Regional School Unit No. 3

Notes to Financial Statements

Note 6: Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Rate of mortality - continued: 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 as described in the health annuitant mortality.

Retiree contribution increases: Assumed to increase at the same rate as incurred claims with constant cost sharing in plan design between employer and retirees.

Since the plan is pay as you go and is not funded, the discount rate used to measure the total OPEB liability for the healthcare plan is based on the Bond Buyer 20-year Bond General Obligation Index as of June 30, 2022. The discount rate based on the index was 3.54% per annum as of June 30, 2022.

Changes in the Total OPEB Liability

Changes in the School Unit's total OPEB liability were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a)-(b)
Balances as of June 30, 2021	<u>\$ 4,199,006</u>		<u>\$ 4,199,006</u>
Changes for the year:			
Service cost	74,480		74,480
Interest	90,618		90,618
Changes of assumptions	(101,620)		(101,620)
Difference between expected and actual experience	(385,502)		(385,502)
Contributions - employer		\$ 157,229	(157,229)
Benefit payments	(157,229)	(157,229)	
Net changes	<u>(479,253)</u>		<u>(479,253)</u>
Balances as of June 30, 2022 (measurement date)			
Reporting as of June 30, 2023	<u>\$ 3,719,753</u>	\$	<u>\$ 3,719,753</u>

Regional School Unit No. 3

Notes to Financial Statements

Note 6: Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Sensitivity of the School Unit's Total OPEB Liability to Changes in the Discount Rate

The following presents the School Unit's total OPEB liability, as well as what the School Unit's total OPEB liability would be if it were calculated using a discount rate that is 1% lower, 2.54%, or 1% higher, 4.54%, than the current discount rate:

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
School Unit's total OPEB liability	\$ 4,234,306	\$ 3,719,753	\$ 3,294,480

The initial healthcare cost trend rate assumptions used for the fiscal year ended June 30, 2023, were pre-Medicare of 7.95% and Medicare 0.00% and 5.62% applied in FYE 2024 grading over 18 years to 4.29% per annum.

Sensitivity of the School Unit's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the School Unit's total OPEB liability, as well as what the School Unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
School Unit's total OPEB liability	\$ 3,268,297	\$ 3,719,753	\$ 4,272,857

OPEB plan fiduciary net position was zero as of the measurement date; consequently, there is no impact on the percentage of plan fiduciary position as a percentage of total OPEB liability for the above sensitivity analysis for the discount rate and healthcare cost trend rate.

On-Behalf OPEB Payments

The State of Maine contributes on behalf of the School Unit's retired teachers participating in the plan an amount equal to 55% of the blended single premium for the retiree's healthcare coverage. Using the census data for the measurement period ended June 30, 2022, the estimated on-behalf OPEB subsidy for year ended June 30, 2023, was approximately \$218,000. The amount has been recorded as a revenue and expenditure in the general fund in the statement of revenues, expenditures and changes in fund balances - governmental funds.

Regional School Unit No. 3

Notes to Financial Statements

Note 7: Commitments and Contingencies

State and Federal Grants

The School Unit participates in numerous State and federal grant programs, and MaineCare reimbursement program, 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 Unit has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the School Unit, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Insurance

The School Unit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Unit contracts with an insurance company for coverage of the above mentioned exposures. Settled claims have not exceeded commercial coverage in any of the past four years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School Unit participates in a public entity risk pool (the Fund) sponsored by the Maine School Management Association (MSMA) for unemployment compensation. The Fund does not share in the risk of loss. The School Unit is responsible for its own claims and for the adequacy of its own reserves as determined by the Fund's actuary. The School Unit is not aware of any additional assessments that should be recorded at June 30, 2023.

The School Unit also participates in a self-insured workers' compensation program sponsored by MSMA. The Fund operates on an actuarial basis with contribution rates for each participating member being established by the recommendation of the Fund actuary, vote of the Board of Trustees, and approval of the Bureau of Insurance. The Fund does not share in the risk of loss. The School Unit is not aware of any additional assessments that should be recorded at June 30, 2023.

Legal Contingencies

The School Unit is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the School Unit has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the School Unit.

Note 8: Joint Venture

As defined by GAAP, a joint venture is a legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility.

Regional School Unit No. 3

Notes to Financial Statements

Note 8: Joint Venture (Continued)

The School Unit participates in the following joint venture:

Waldo County Technical Center

The School Unit shares the financial and governing responsibility of Waldo County Technical Center with Regional School Unit No. 20 (RSU). The School Unit and RSU fund the operations of the vocational program through yearly assessment.

During the year ended June 30, 2023, the State paid the annual assessment directly to Waldo County Technical Center. Waldo County Technical Center's audited fund balance was approximately \$344,000 as of June 30, 2023. The audit report and financial statements of Waldo County Technical Center are available at the School Unit's central office.

Note 9: Due To/From Other Funds and Transfers

Amounts due to/from other funds are a result of the timing of receipt of money and expenditure of money between the various funds. The balances at June 30, 2023, are as follows:

	Due From Other Funds	Due To Other Funds
Major Funds		
General Fund		\$ 942,389
Enterprise Fund	\$ 478,150	
Nonmajor Governmental Funds	464,239	
Total	\$ 942,389	\$ 942,389

There were no operating transfers in/out to other funds during the year ended June 30, 2023.

Note 10: Construction Project

The school unit is currently under contract for the construction of a new operations center. The total project cost is estimated to be approximately \$1,995,000, which is under signed contracts. The cost of the project is expected to be substantially covered by capital reserve funds and Elementary and Secondary School Emergency Relief Funds grant.

Required Supplementary Information

Regional School Unit No. 3
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual - General Fund

<i>Year Ended June 30, 2023</i>	Original and Final Budget	Actual	Variance Positive (Negative)
Unexpended Fund Balance - July 1, 2022	\$ 1,165,000	\$ 5,871,743	\$ 4,706,743
Revenues			
Local allocation	6,282,198	6,282,198	
Local additional allocation	3,120,095	3,120,095	
State allocation	9,564,607	9,564,607	
State agency revenue	10,000	93,773	83,773
Tuition	19,000	101,382	82,382
Interest	6,000	89,455	83,455
Miscellaneous	50,000	79,912	29,912
Total Revenues	<u>19,051,900</u>	<u>19,331,422</u>	<u>279,522</u>
Total Funds Available	<u>20,216,900</u>	<u>25,203,165</u>	<u>4,986,265</u>
Expenditures			
Regular instruction	6,577,975	5,971,125	606,850
Special education	3,281,700	2,611,926	669,774
Career and technical education	21,996	21,996	
Other instruction	569,700	468,097	101,603
Student and staff support	1,606,875	1,191,647	415,228
System administration	782,700	737,845	44,855
School administration	1,139,500	1,075,065	64,435
Transportation and buses	1,784,700	1,676,053	108,647
Facilities maintenance	2,391,119	2,260,422	130,697
Debt service and other commitments	2,360,635	2,360,635	
Total Expenditures	<u>20,516,900</u>	<u>18,374,811</u>	<u>2,142,089</u>
Excess (Deficiency) of Funds Available Over Expenditures Before Transfer	(300,000)	6,828,354	7,128,354
Net Transfer In	<u>300,000</u>		<u>(300,000)</u>
Excess of Funds Available Over Expenditures and Transfer	<u>\$</u>	<u>\$ 6,828,354</u>	<u>\$ 6,828,354</u>

Unaudited.
See Independent Auditor's Report.

Regional School Unit No. 3

Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund (Continued)

Unexpended Budgetary Fund Balance - June 30, 2022

Committed	
Capital reserve	\$ 1,206,651
Fuel stabilization reserve	20,000
Assigned	
Carryover	1,165,000
Unassigned	<u>4,436,703</u>
	<u>6,828,354</u>

**Reconciliation per the Fund Balance as Reported on the
Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds**

Adult Education	
Assigned	51,400
Unassigned	140,404
Current portion of compensated absences	<u>(32,455)</u>
	<u>159,349</u>

**Fund Balance per the Fund Financial Statement -
General Fund (page 13)**

\$ 6,987,703

Unaudited.
See Independent Auditor's Report.

Regional School Unit No. 3

Schedule of Changes in Total OPEB Liability and Related Ratios - MEABT

<i>June 30,</i>	2023	2022	2021	2020	2019
Total OPEB Liability					
Service cost	\$ 74,480	\$ 80,972	\$ 42,333	\$ 35,882	\$ 38,237
Interest	90,618	91,716	129,852	135,640	129,725
Changes in benefit terms			(294,336)		
Differences between expected and actual experience	(385,502)		(153,997)		
Changes of assumptions	(101,620)	29,111	831,258	181,443	(142,200)
Benefit payments	(157,229)	(142,975)	(163,882)	(144,693)	(139,692)
Net change in total OPEB liability	(479,253)	58,824	391,228	208,272	(113,930)
Total OPEB liability - beginning	4,199,006	4,140,182	3,748,954	3,540,682	3,654,612
Total OPEB liability - ending	\$ 3,719,753	\$ 4,199,006	\$ 4,140,182	\$ 3,748,954	\$ 3,540,682
Covered employee payroll	\$ 7,508,866	\$ 8,410,666	\$ 8,205,528	\$ 9,551,736	\$ 9,296,093
Total OPEB liability as a percentage of covered employee payroll	49.5 %	49.9 %	50.5 %	39 %	38 %

Notes to required supplementary information:

Changes of assumptions: Changes of assumptions reflect the effects of changes in discount rate each period. The following are the discount rates used in each period:

June 30, 2023	3.54%
June 30, 2022	2.16%
June 30, 2021	2.21%
June 30, 2020	3.50%
June 30, 2019	3.87%

There is no required actuarially determined contribution, any calculated employer contribution represents an implicit employer subsidy. Accordingly, there are no assets held in the plan, no employer contributions funding of the plan and the net position at the end of each period will be zero.

This schedule is presented to illustrate requirements to show information for 10 years. However, until a full 10-year trend is completed, the School Unit presents information for those years of which information is available.

Unaudited.

See Independent Auditor's Report.

Regional School Unit No. 3
Schedule of Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System

Measurement/ Valuation Date	District Proportion of the Net Pension Liability	District Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Covered Payroll	District Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.098 %	\$ 1,451,353	\$ 7,361,780	\$ 8,813,133	\$ 8,462,534	17.15 %	85.79 %
June 30, 2021	0.068 %	579,205	4,280,516	4,859,721	7,819,965	7.41 %	90.90 %
June 30, 2020	0.050 %	811,752	8,549,968	9,361,720	7,424,156	10.93 %	81.03 %
June 30, 2019	0.051 %	749,488	8,025,069	8,774,557	7,637,348	9.81 %	82.73 %
June 30, 2018	0.050 %	668,298	7,509,965	8,178,263	7,443,934	8.98 %	82.90 %
June 30, 2017	0.056 %	809,121	8,043,317	8,852,438	7,373,041	10.97 %	80.78 %
June 30, 2016	0.064 %	1,131,076	10,240,222	11,371,298	7,562,471	14.96 %	76.21 %
June 30, 2015	0.060 %	813,878	7,945,305	8,759,183	7,465,300	10.90 %	81.18 %
June 30, 2014	0.067 %	721,520	6,457,737	7,179,257	7,459,889	9.67 %	83.91 %

Unaudited.
See Independent Auditor's Report.

Regional School Unit No. 3
Schedule of Contributions
Maine Public Employees Retirement System

Year Ended	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contributions Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	\$ 442,559	\$ 442,559	\$	\$ 7,754,856	5.71 %
June 30, 2022	527,990	527,990		8,462,534	6.24 %
June 30, 2021	455,097	455,097		7,819,965	5.82 %
June 30, 2020	399,310	399,310		7,424,156	5.38 %
June 30, 2019	374,145	374,145		7,637,348	4.90 %
June 30, 2018	362,572	362,572		7,443,934	4.87 %
June 30, 2017	315,787	315,787		7,373,041	4.28 %
June 30, 2016	330,075	330,075		7,562,471	4.36 %
June 30, 2015	291,105	291,105		7,465,300	3.90 %

Unaudited.
See Independent Auditor's Report.

Additional Information

Independent Auditor's Report on Additional Information

Board of Directors
Regional School Unit No. 3
Unity, Maine

We have audited the financial statements of Regional School Unit No. 3 as of and for the year ended June 30, 2023, and our report thereon dated December 20, 2023, which expressed unmodified opinions on those financial statements, appears on pages 1 through 3. Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedules on pages 52 through 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Madison, Wisconsin
December 20, 2023

Regional School Unit No. 3

Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund

<i>Year Ended June 30, 2023</i>	Regular	Adult Education	Total
Revenues			
Local allocation	\$ 6,282,198		\$ 6,282,198
Local additional allocation	3,120,095		3,120,095
Local adult education allocation		\$ 73,001	73,001
State allocation	9,564,607		9,564,607
State allocation, adult education		35,088	35,088
State agency revenue	93,773		93,773
On-behalf payments - pension contribution	972,400		972,400
On-behalf payments - OPEB contribution	200,000		200,000
Tuition	101,382	1,750	103,132
Interest	89,455		89,455
Interest credit subsidy	43,239		43,239
Miscellaneous	79,912	1,858	81,770
Total Revenues	20,547,061	111,697	20,658,758
Expenditures			
Regular instruction	5,971,125		5,971,125
Special education	2,611,926		2,611,926
Career and technical education	21,996		21,996
Other instruction	468,097		468,097
Student and staff support	1,191,646		1,191,646
System administration	738,541		738,541
School administration	1,077,468		1,077,468
Transportation and buses	1,673,359		1,673,359
Facilities maintenance	2,142,601		2,142,601
Debt service and other commitments	2,521,363		2,521,363
Adult education		83,479	83,479
On-behalf payments - pension contribution	972,400		972,400
On-behalf payments - OPEB contribution	200,000		200,000
Total Expenditures	19,590,522	83,479	19,674,001
Excess of Revenues Over Expenditures	956,539	28,218	984,757
Fund Balances			
Beginning of Year	5,839,360	163,586	6,002,946
End of Year	\$ 6,795,899	\$ 191,804	\$ 6,987,703

See Independent Auditor's Report on Additional Information.

Regional School Unit No. 3

Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund (Continued)

<i>Year Ended June 30, 2023</i>	Regular	Adult Education	Total
Unexpended Fund Balance - June 30, 2022			
Committed			
Capital reserve	\$ 1,206,651		\$ 1,206,651
Fuel stabilization reserve	20,000		20,000
Assigned			
Carryover	1,165,000	\$ 51,400	1,216,400
Unassigned	4,404,248	140,404	4,544,652
	<u>\$ 6,795,899</u>	<u>\$ 191,804</u>	<u>\$ 6,987,703</u>

**Reconciliation to the Fund Balance as Reported on the Statement
of Revenues, Expenditures and Changes in Fund Balance - Budget
(Non-GAAP Basis) and Actual - General Fund**

Adult education	(191,804)
Current portion of compensated absences	32,455
	<u>(159,349)</u>
Fund Balance per the Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund (Page 45)	<u><u>\$ 6,828,354</u></u>

See Independent Auditor's Report on Additional Information.

Regional School Unit No. 3

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds - Budget Basis

<i>Year Ended June 30, 2023</i>	Title I	Local Entitlement	IDEA Preschool	Title VI Rural Low Income Grant	Title IIA Improve Teacher Quality	Title IV Student Support & Academic Enrichment	Proficiency Based Diploma	ESSER Grant	Subtotal
Revenues									
Federal grants	\$ 635,516	\$ 192,777	\$ 12,982	\$ 7,952	\$ 96,209			\$ 44,492	\$ 989,928
State grants									
Local grants									
Student activities revenue									
Contributions and investment earnings									
	<u>635,516</u>	<u>192,777</u>	<u>12,982</u>	<u>7,952</u>	<u>96,209</u>			<u>44,492</u>	<u>989,928</u>
Expenditures	<u>635,516</u>	<u>192,777</u>	<u>12,982</u>	<u>7,952</u>	<u>96,209</u>			<u>44,492</u>	<u>989,928</u>
Excess (Deficiency) of Revenues Over Expenditures									
Fund Balance - Beginning of Year							\$ 8,854		8,854
Fund Balance - End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,854</u>	<u>\$</u>	<u>\$ 8,854</u>
Reconciliation of Fund Balance to the Basic Financial Statements (GAAP)									
Fund balances, end of year							\$ 8,854		\$ 8,854
Accrued summer salaries	\$ 101,376	\$ (15,800)	(832)		\$ (13,343)				(131,351)
Fund Balances, Basic Financial Statements (GAAP), End of Year	<u>\$ 101,376</u>	<u>\$ (15,800)</u>	<u>\$ (832)</u>		<u>\$ (13,343)</u>		<u>\$ 8,854</u>	<u>\$</u>	<u>\$ (122,497)</u>

See Independent Auditor's Report on Additional Information.

Regional School Unit No. 3

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds - Budget Basis (Continued)

<i>Year Ended June 30, 2023</i>	Family Literacy	MaineCare	E-Rate	Library Endowment Trust	MBNA Grant	GEER Computer Science	Misc. Special Revenue Funds	Proficiency Diploma Funds	Subtotal
Revenues									
Federal grants						\$ 52,586			\$ 52,586
State grants		\$ 18,309						\$	18,309
Local grants	\$ 4,782						\$196,681		201,463
Student activities revenue									
Contributions and investment earnings				\$ 27					27
	4,782	18,309		27		52,586	196,681		272,385
Expenditures	4,782		\$ 14,437			52,586	131,632		203,437
Excess (Deficiency) of Revenues Over Expenditures		18,309	(14,437)	27			65,049		68,948
Fund Balance - Beginning of Year		663,789	96,401	14,440	\$ 258		411,303	8,854	1,186,191
Fund Balance - End of Year	\$	\$ 682,098	\$ 81,964	\$ 14,467	\$ 258	\$	\$476,352	\$ 8,854	\$ 1,255,139
Reconciliation of Fund Balance to the Basic Financial Statements (GAAP)									
Fund balances, end of year	\$	\$ 682,098	\$ 81,964	\$ 14,467	\$ 258		\$476,352	8,854	\$ 1,255,139
Accrued summer salaries									
Fund Balances, Basic Financial Statements (GAAP), End of Year	\$	\$ 682,098	\$ 81,964	\$ 14,467	\$ 258	\$	\$476,352	\$ 8,854	\$ 1,255,139

See Independent Auditor's Report on Additional Information.

Regional School Unit No. 3
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Special Revenue Funds - Budget Basis (Continued)

<i>Year Ended June 30, 2023</i>	ESSER II	ESSER III	ESSER ARP HCY II	Mount View High School Student Activities	Mount View Middle School Student Activities	Mount View High School Scholarship Fund	Total
Revenues							
Federal grants	\$ 496,988	\$ 593,585	\$ 280				\$ 2,133,367
State grants							18,309
Local grants							201,463
Student activities revenue				\$ 80,154	\$ 13,176	49,051	142,381
Contributions and investment earnings						\$	27
	496,988	593,585	280	80,154	13,176	49,051	2,495,547
Expenditures	496,988	593,585	280	64,013	13,036	35,260	2,396,527
Excess (Deficiency) of Revenues Over Expenditures				16,141	140	13,791	99,020
Fund Balance - Beginning of Year				101,250	\$ 14,925	42,779	1,353,999
Fund Balance - End of Year	\$	\$	\$	\$ 117,391	\$ 15,065	\$ 56,570	\$ 1,453,019
Reconciliation of Fund Balance to the Basic Financial Statements (GAAP)							
Fund balances, end of year		\$		\$ 117,391	\$ 15,065	\$ 56,570	\$ 1,453,019
Accrued summer salaries	34,308	19,614					(185,273)
Fund Balances, Basic Financial Statements (GAAP), End of Year	\$ 34,308	\$ 19,614	\$	\$ 117,391	\$ 15,065	\$ 56,570	\$ 1,267,746

See Independent Auditor's Report on Additional Information.

Regional School Unit No. 3
Mount View High School Student Activities Fund
Schedule of Cash Receipts and Cash Disbursements

<i>Year Ended June 30, 2023</i>	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Athletics	\$ 3,219	4,787	\$ 1,185	\$ 6,821
Band Boosters	340	340		680
Baseball	319			319
Basketball - Boys	2,374	1,421	3,795	
Basketball - Girls	4,142	\$ 4,653	7,433	1,362
Chamber Singers	1,607	7,988	536	9,059
Cheerleaders	1,652	3,653	3,470	1,835
Class of 2015	4,518			4,518
Class of 2017	4,658			4,658
Class of 2018	3,395			3,395
Class of 2019	2,918			2,918
Class of 2020	10,840			10,840
Class of 2021	227			227
Class of 2022	403		403	
Class of 2023	4,256	6,982	10,437	801
Class of 2024	9,819	118	870	9,067
Class of 2025	1,706	2,434	646	3,494
Class of 2026		4,391		4,391
Dramatics	1,217	200	346	1,071
Envirothon	191			191
Fencing	94			94
Fellowship Christian Athletes	62			62
Field Hockey	2,147	1,154	1,423	1,878
FOMVA	4,699			4,699
GAPP	1,460	291		1,751
Gate Receipts		9,034	9,034	
General	4,941	3,866	4,646	4,161
Golf	120			120
Greenhouse	2,744	1,495	1,298	2,941
GSA	77			77
JMG	23			23
Library Book Sale	308	84		392
Library Club	1,448		1,302	146
Life Skills	2,809	2,429	1,931	3,307
National Honor Society	1,746	726	944	1,528
Peace Jam	7			7
Project Graduation	1,074	5,600	6,473	201
SHARE	3,713			3,713
Soccer - Boys	5,976	3,769	2,339	7,406
Soccer - Girls	4,141	5,818	4,245	5,714
Spanish Club	392			392
Softball	2,543			2,543
Special Education	452			452
Student Council	1,093	751	151	1,693
Wrestling	275			275
Yearbook	1,105	8,170	1,105	8,170
	<u>\$ 101,250</u>	<u>\$ 80,154</u>	<u>\$ 64,012</u>	<u>\$ 117,392</u>

See Independent Auditor's Report on Additional Information.

Regional School Unit No. 3
Mount View Middle School Student Activities Fund
Schedule of Cash Receipts and Cash Disbursements

<i>Year Ended June 30, 2023</i>	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Athletics	\$ 179			\$ 179
Cheering	100			100
Drama	596	\$ 1,498	920	1,174
General	3,817	498	\$ 323	3,992
Girls basketball	520			520
Grade 7	216		216	
Class of 2026	3,820	571	4,391	
Class of 2027		8,377	6,271	2,106
Reach	558	1,771	915	1,414
Student Council	3,413			3,413
Wrestling	111			111
Yearbook	1,595	461		2,056
	<u>\$ 14,925</u>	<u>\$ 13,176</u>	<u>\$ 13,036</u>	<u>\$ 15,065</u>

See Independent Auditor's Report on Additional Information.

Regional School Unit No. 3
Mount View High School Scholarship and Loan Funds
Schedule of Cash Receipts and Cash Disbursements

<i>Year Ended June 30, 2023</i>	Beginning Balance	Cash Receipts	Interest Receipts	Cash Disbursements	Ending Balance
Mount View Fund for Education	\$ 37,738	\$ 49,030	\$ 19	\$ 35,060	\$ 51,727
Kristy Gibbs Scholarship Fund	1,161		1	200	962
L. Curtis Scholarship Fund	3,879		2		3,881
	<u>\$ 42,778</u>	<u>\$ 49,030</u>	<u>\$ 22</u>	<u>\$ 35,260</u>	<u>\$ 56,570</u>

See Independent Auditor's Report on Additional Information.