

Federal Compliance Audit

Five Town Community School District

June 30, 2022



Proven Expertise & Integrity

FIVE TOWN COMMUNITY SCHOOL DISTRICT

CONTENTS

JUNE 30, 2022

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	13 - 14
STATEMENT B - STATEMENT OF ACTIVITIES	15 - 16
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	17
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	19
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT G - STATEMENT OF NET POSITION - FIDUCIARY FUNDS	21
STATEMENT H - STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS	22
NOTES TO FINANCIAL STATEMENTS	23 - 58
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	59
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	60

SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - SET PLAN	61
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS - PENSION	62
SCHEDULE 4 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - SET PLAN	63
SCHEDULE 5 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT PLAN	64
SCHEDULE 6 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - MEABT PLAN	65
SCHEDULE 7 - SCHEDULE OF CONTRIBUTIONS - OPEB	66
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	67
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	68
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	69
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	70 - 72
SCHEDULE B - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	73
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	74
SPECIAL REVENUE FUNDS DESCRIPTION	75
SCHEDULE D - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	76
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	77
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - FEDERAL AND STATE PROGRAMS	78
SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES,	

AND CHANGES IN FUND BALANCES - OTHER PROGRAMS	79
FIDUCIARY FUNDS DESCRIPTION	80
SCHEDULE H - COMBINING SCHEDULE OF CHANGES IN NET POSITION FIDUCIARY FUNDS - PRIVATE-PURPOSE FUNDS	81 - 82
GENERAL CAPITAL ASSETS DESCRIPTION	83
SCHEDULE I - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	84
SCHEDULE J - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	85
<u>FEDERAL COMPLIANCE</u>	
FEDERAL COMPLIANCE DESCRIPTION	86
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	87
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	88
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>	89 - 90
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	91 - 93
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	94 - 95
<u>STATE COMPLIANCE</u>	
STATE COMPLIANCE DESCRIPTION	96
INDEPENDENT AUDITOR'S REPORT ON STATE REQUIREMENTS	97
RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM	98



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Five Town Community School District
Camden, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Five Town Community School District, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Five Town Community School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Five Town Community School District as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the School Districted States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the School Districted States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the School Districted States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Five Town Community School District 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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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 School Districted States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Five Town Community School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Five Town Community School District'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 School Districted States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 5 through 12 and 61 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the School Districted States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Five Town Community School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the School Districted States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023, on our consideration of Five Town Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Five Town Community School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
June 22, 2023

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

(UNAUDITED)

The following management's discussion and analysis of Five Town Community School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the School District's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the School District's basic services are reported in governmental activities, which include regular instruction, special education, career and technical education, other instruction, student and staff support services, system administration, school administration, operations and maintenance, transportation and program expenses. Support from Towns, charges for services and state and federal grants finance most of these activities.

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds and capital asset activity.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the School District's governmental activities. The School District's total net position increased by \$670,979 from \$16,226,458 to \$16,897,437.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased to a balance of \$652,403 at the end of this year.

Table 1
Five Town Community School District
Net Position
June 30,

	2022	2021 (Restated)
Assets:		
Current Assets	\$ 6,028,653	\$ 5,895,994
Noncurrent Assets - Capital Assets	14,618,506	14,977,606
Total Assets	20,647,159	20,873,600
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	390,777	260,126
Deferred Outflows Related to OPEB	544,953	567,133
Total Deferred Outflows of Resources	935,730	827,259
Liabilities:		
Current Liabilities	2,122,215	3,254,927
Noncurrent Liabilities	2,377,931	2,207,712
Total Liabilities	4,500,146	5,462,639
Deferred Inflows of Resources:		
Deferred Revenue	25,355	-
Deferred Inflows Related to Pensions	129,215	11,762
Deferred Inflows Related to OPEB	30,736	-
Total Deferred Inflows of Resources	185,306	11,762
Net Position:		
Net Investment in Capital Assets	14,356,393	13,904,451
Restricted: General Fund	782,045	-
Special Revenue Funds	1,106,596	1,084,849
Unrestricted (Deficit)	652,403	1,237,158
Total Net Position	\$ 16,897,437	\$ 16,226,458

Revenues and Expenses

Revenues for the School District's governmental activities increased by 3.52%, while total expenses increased by 7.11%. All revenue categories increased from the previous year with the exception of charges for services and operating grants and contributions. The largest increases in expenses were in regular instruction.

Table 2
Five Town Community School District
Change in Net Position
For the Years Ended June 30,

	2022	2021
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 941,233	\$ 1,242,116
Operating grants and contributions	2,555,796	2,750,190
<i>General revenues:</i>		
Support from towns	11,050,633	10,853,028
Grants and contributions not restricted to specific programs	2,029,068	1,742,646
Interest earned	11,278	17,476
Miscellaneous	625,745	22,434
Total Revenues	17,213,753	16,627,890
Expenses		
<i>Instruction:</i>		
Regular instruction	5,332,961	4,755,527
Special education	1,366,818	1,273,816
Career and technical education	55,036	87,432
Other instruction	532,627	378,217
Student and staff support	1,161,609	992,724
System administration	473,263	462,041
School administration	546,727	509,119
Operations and maintenance	2,161,038	1,990,196
Transportation	565,551	469,153
On-behalf payments - State of Maine	1,231,172	1,117,760
Interest on long-term debt	667,826	809,843
Capital Outlay	194,407	175,345
Program expenses	2,253,739	2,423,745
Total Expenses	16,542,774	15,444,918
Change in Net Position	670,979	1,182,972
Net Position - July 1, Restated	16,226,458	15,043,486
Net Position - June 30	\$ 16,897,437	\$ 16,226,458

Financial Analysis of the School District's Fund Statements

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

Table 3
Five Town Community School District
Fund Balances - Governmental Funds
June 30,

	2022	2021 (Restated)	Increase/ (Decrease)
Major Funds:			
General Fund:			
Restricted	\$ 782,045	\$ -	\$ 782,045
Committed	500,000	-	500,000
Assigned	325,000	490,000	(165,000)
Unassigned	1,271,361	1,299,984	(28,623)
Total General Fund	\$ 2,878,406	\$ 1,789,984	\$ 1,088,422
Capital Reserve Fund:			
Committed	\$ -	\$ 796,380	\$ (796,380)
Total Capital Reserve Fund	\$ -	\$ 796,380	\$ (796,380)
Nonmajor Funds:			
Special revenue funds:			
Nonspendable	\$ 1,844	\$ 6,275	\$ (4,431)
Restricted	1,106,596	1,078,574	28,022
Unassigned	(3,772)	(44,663)	40,891
Total Nonmajor Funds	\$ 1,104,668	\$ 1,040,186	\$ 64,482

The changes to total fund balances for the general fund, capital reserve fund and the nonmajor funds occurred due to the regular activity of operations.

Budgetary Highlights

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

The general fund actual revenues were receipted over budgeted amounts by \$1,151,524. All revenue categories were within or exceeded budgeted amounts except for interest income. This excess includes transfers from the capital project fund and other special revenue funds in the amount of \$671,803.

The general fund actual expenditures were under budgeted amounts by \$261,898. All expenditure categories were at or under budgeted amounts with the exception of transportation, debt service - interest and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the net book value of capital assets recorded by the School District decreased by \$359,100 from the prior year. This decrease is the result of capital additions of \$247,223 less current year depreciation expense of \$606,323. Refer to Note 5 of Notes to Financial Statements for additional comparative information.

Table 4
Five Town Community School District
Capital Assets (Net of Depreciation)
June 30,

	2022	2021
Land	\$ 24,000	\$ 24,000
Buildings and improvements	14,058,246	14,606,616
Machinery and equipment	536,260	346,990
Total	\$14,618,506	\$14,977,606

Debt

At June 30, 2022, the School District had \$262,113 in notes from direct borrowings payable outstanding versus \$1,073,155 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The FY 2023 budget could be impacted by reductions in state subsidy as a result of reduced state revenue projections. Curtailments in the state's biennial budget may serve to increase required local contributions and/or reductions in School District spending.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District's Finance Office at 22 Knowlton Street, Camden, Maine 04843.

FIVE TOWN COMMUNITY SCHOOL DISTRICT

STATEMENT A

STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,854,640
Investments	42,061
Due from other governments	1,130,108
Inventory	<u>1,844</u>
Total current assets	<u>6,028,653</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	24,000
Buildings and equipment, net of accumulated depreciation	<u>14,594,506</u>
Total noncurrent assets	<u>14,618,506</u>
TOTAL ASSETS	<u>20,647,159</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	390,777
Deferred outflows related to OPEB	<u>544,953</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>935,730</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 21,582,889</u></u>

STATEMENT A (CONTINUED)

FIVE TOWN COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 149,115
Accrued payroll	1,076,554
Due to other governments	794,555
Current portion of long-term obligations	<u>101,991</u>
Total current liabilities	<u>2,122,215</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Notes from direct borrowings payable	160,122
Net pension liability	2,126,257
Net OPEB liability	<u>91,552</u>
Total noncurrent liabilities	<u>2,377,931</u>
TOTAL LIABILITIES	<u>4,500,146</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	25,355
Deferred inflows related to pensions	129,215
Deferred inflows related to OPEB	<u>30,736</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>185,306</u>
NET POSITION	
Net investment in capital assets	14,356,393
Restricted: General fund	782,045
Special revenue funds	1,106,596
Unrestricted	<u>652,403</u>
TOTAL NET POSITION	<u>16,897,437</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 21,582,889</u></u>

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

STATEMENT B

FIVE TOWN COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Instruction:					
Regular instruction	\$ 5,332,961	\$ 792,515	\$ -	\$ -	\$ (4,540,446)
Special education	1,366,818	-	-	-	(1,366,818)
Career and technical education	55,036	-	-	-	(55,036)
Other instruction	532,627	-	-	-	(532,627)
Student and staff support	1,161,609	-	-	-	(1,161,609)
System administration	473,263	-	-	-	(473,263)
School administration	546,727	-	-	-	(546,727)
Operations and maintenance	2,161,038	-	-	-	(2,161,038)
Transportation	565,551	-	-	-	(565,551)
On-behalf payments - State of Maine	1,231,172	-	1,231,172	-	-
Interest on long-term debt	667,826	-	-	-	(667,826)
Capital outlay	194,407	-	-	-	(194,407)
Program expenses	2,253,739	148,718	1,324,624	-	(780,397)
Total government	<u>\$ 16,542,774</u>	<u>\$ 941,233</u>	<u>\$ 2,555,796</u>	<u>\$ -</u>	<u>(13,045,745)</u>

STATEMENT B (CONTINUED)
 FIVE TOWN COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(13,045,745)
General revenues:	
Support from towns	11,050,633
Grants and contributions not restricted to specific programs	2,029,068
Interest earned	11,278
Miscellaneous	625,745
Total general revenues	13,716,724
Change in net position	670,979
NET POSITION - JULY 1, RESTATED	16,226,458
NET POSITION - JUNE 30	\$ 16,897,437

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,621,930	\$ -	\$ 232,710	\$ 4,854,640
Investments	-	-	42,061	42,061
Due from other governments	439,722	-	690,386	1,130,108
Inventory	-	-	1,844	1,844
Due from other funds	683,613	-	892,967	1,576,580
TOTAL ASSETS	\$ 5,745,265	\$ -	\$ 1,859,968	\$ 7,605,233
LIABILITIES				
Accounts payable	\$ 102,783	\$ -	\$ 46,332	\$ 149,115
Accrued expenses	1,076,554	-	-	1,076,554
Due to other governments	794,555	-	-	794,555
Due to other funds	892,967	-	683,613	1,576,580
TOTAL LIABILITIES	2,866,859	-	729,945	3,596,804
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	25,355	25,355
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	25,355	25,355
FUND BALANCES				
Nonspendable	-	-	1,844	1,844
Restricted	782,045	-	1,106,596	1,888,641
Committed	500,000	-	-	500,000
Assigned	325,000	-	-	325,000
Unassigned	1,271,361	-	(3,772)	1,267,589
TOTAL FUND BALANCES	2,878,406	-	1,104,668	3,983,074
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,745,265	\$ -	\$ 1,859,968	\$ 7,605,233

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 3,983,074
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	14,618,506
Deferred outflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the funds	935,730
Long-term obligations shown below are not due and payable in the current period and therefore are not reported in the funds shown above:	
Notes from direct borrowings payable	(262,113)
Net pension liability	(2,126,257)
Net OPEB liability	(91,552)
Deferred inflows of resources related to pensions and OPEB are not financial resources and therefore are not reported in the funds	<u>(159,951)</u>
Net position of governmental activities	<u><u>\$ 16,897,437</u></u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Support from towns	\$ 10,827,597	\$ -	\$ 223,036	\$ 11,050,633
Intergovernmental revenues	2,976,384	-	1,324,624	4,301,008
Charges for services	792,515	-	148,718	941,233
Interest earned	11,278	-	-	11,278
Miscellaneous	33,696	-	592,049	625,745
TOTAL REVENUES	14,641,470	-	2,288,427	16,929,897
EXPENDITURES				
Current:				
Instruction:				
Regular instruction	5,194,089	-	-	5,194,089
Special education	1,366,818	-	-	1,366,818
Career and technical education	55,036	-	-	55,036
Other instruction	532,627	-	-	532,627
Student and staff support	1,161,609	-	-	1,161,609
System administration	473,263	-	-	473,263
School administration	546,727	-	-	546,727
Operations and maintenance	1,562,528	-	-	1,562,528
Transportation	560,151	-	-	560,151
On-behalf payments - State of Maine	947,316	-	-	947,316
Program expenditures	-	-	2,252,711	2,252,711
Debt service:				
Principal	1,023,337	-	-	1,023,337
Interest	667,826	-	-	667,826
Capital outlay	-	229,335	-	229,335
TOTAL EXPENDITURES	14,091,327	229,335	2,252,711	16,573,373
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	550,143	(229,335)	35,716	356,524
OTHER FINANCING SOURCES (USES)				
Transfers in	671,803	90,000	43,524	805,327
Transfers (out)	(133,524)	(657,045)	(14,758)	(805,327)
TOTAL OTHER FINANCING SOURCES (USES)	538,279	(567,045)	28,766	-
NET CHANGE IN FUND BALANCES	1,088,422	(796,380)	64,482	356,524
FUND BALANCES - JULY 1, RESTATED	1,789,984	796,380	1,040,186	3,626,550
FUND BALANCES - JUNE 30	\$ 2,878,406	\$ -	\$ 1,104,668	\$ 3,983,074

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 356,524</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases	247,223
Depreciation expense	<u>(606,323)</u>
	<u>(359,100)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	130,651
OPEB	<u>(22,180)</u>
	<u>108,471</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>1,023,337</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position	<u>(212,295)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	(117,453)
OPEB	<u>(30,736)</u>
	<u>(148,189)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	(79,962)
Net OPEB liability	<u>(17,807)</u>
	<u>(97,769)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 670,979</u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022

	Private- Purpose Funds
	<u> </u>
ASSETS	
Due from other governments	\$ 794,555
TOTAL ASSETS	<u>\$ 794,555</u>
LIABILITIES	
Accounts payable	\$ -
TOTAL LIABILITIES	<u>\$ -</u>
NET POSITION	
Restricted - held in trust	\$ 794,555
TOTAL NET POSITION	<u>\$ 794,555</u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Private- Purpose Funds
ADDITIONS	
Contributions	
Donations	\$ 77,541
Total contributions	<u>77,541</u>
Investment earnings:	
Income earned	<u>2,760</u>
Total investment earnings, net	<u>2,760</u>
Total additions	<u>80,301</u>
DEDUCTIONS	
Scholarship awards	<u>54,335</u>
Total deductions	<u>54,335</u>
CHANGE IN NET POSITION	25,966
NET POSITION - JULY 1	<u>768,589</u>
NET POSITION - JUNE 30	<u><u>\$ 794,555</u></u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Five Town Community School District was incorporated under the laws of the State of Maine. The School District operates under the board of directors-superintendent form of government and provides the following services: regular instruction, special education, career and technical education, other instruction, student and staff support services, system administration, school administration, operations and maintenance, transportation and program expenditures.

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

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

Implementation of New Accounting Standards

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

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

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

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

Statement No. 97 "Certain Component School District Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The primary objectives of this Statement are to (1) increase consistency and

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

comparability related to the reporting of fiduciary component School Districts in circumstances in which a potential component School District does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component School Districts in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

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

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

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds

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

Nonmajor Funds

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues per budgetary basis	\$ 13,694,154
Add: On-behalf payments	<u>947,316</u>
Total GAAP basis	<u>\$ 14,641,470</u>
Expenditures per budgetary basis	\$ 13,277,535
Add: On-behalf payments	<u>947,316</u>
Total GAAP basis	<u>\$ 14,224,851</u>

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

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

Deposits and Investments

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

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

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

The Five Town Community School District has no formal investment policy but instead follows the State of Maine Statutes.

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2022. Accounts receivable netted with allowances for uncollectible accounts were \$1,130,108 for the year ended June 30, 2022.

Inventories

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

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

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

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

Pensions

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Net Position

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

Fund Balance

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed.

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions and deferred inflows related to OPEB also qualify for reporting in this category. These items are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the School District will not be able to recover its deposits. The School District does not have a policy covering custodial credit risk for deposits.

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

However, the School District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2022, the School District's cash balances amounting to \$4,854,640 was comprised of bank deposits amounting to \$5,432,372. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the School District's cash balance. Of these bank deposits, \$250,000 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$4,760,522 was collateralized with securities held by the financial institution in the Town's name. The remaining balance of \$421,850 was uninsured and uncollateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 671,850
Repurchase agreements	<u>4,760,522</u>
	<u>\$ 5,432,372</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District does not have a policy for custodial credit risk for investments. However, the School District seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$42,061 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

All of the School District's investments of \$42,061 in certificates of deposit were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

Credit risk - Statutes for the State of Maine authorize the School District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The School District does not have an investment policy on credit risk. Generally, the School District invests excess funds in various insured certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due From)	Payables (Due To)
General Fund	\$ 683,613	\$ 892,967
Nonmajor Special Revenue Funds	892,967	683,613
	<u>\$ 1,576,580</u>	<u>\$ 1,576,580</u>

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

NOTE 4 - INTERFUND TRANSFERS

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

	Transfers From	Transfers To
General Fund	\$ 133,524	\$ 671,803
Capital Reserve Fund	657,045	90,000
Nonmajor Special Revenue Funds	14,758	43,524
	<u>\$ 805,327</u>	<u>\$ 805,327</u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS

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

	Balance, 7/1/21	Additions	Disposals	Balance, 6/30/22
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Depreciated assets:				
Buildings and improvements	25,587,274	14,200	-	25,601,474
Furniture and fixtures	112,388	-	-	112,388
Machinery and equipment	926,878	233,023	-	1,159,901
	<u>26,626,540</u>	<u>247,223</u>	<u>-</u>	<u>26,873,763</u>
Less accumulated depreciation:				
Buildings and improvements	(10,980,658)	(562,570)	-	(11,543,228)
Furniture and fixtures	(112,388)	-	-	(112,388)
Machinery and equipment	(579,888)	(43,753)	-	(623,641)
	<u>(11,672,934)</u>	<u>(606,323)</u>	<u>-</u>	<u>(12,279,257)</u>
Net capital assets	<u>\$ 14,977,606</u>	<u>\$ (359,100)</u>	<u>\$ -</u>	<u>\$ 14,618,506</u>

Current Year Depreciation

Regular instruction	\$ 1,385
Facilities maintenance	598,510
Transportation	5,400
School nutrition	1,028
Total depreciation expense	<u>\$ 606,323</u>

NOTE 6 - LONG-TERM DEBT

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

	Balance, 7/1/21	Additions	Reductions	Balance, 6/30/22	Due Within One Year
Notes from direct borrowings payable	<u>\$ 1,073,155</u>	<u>\$ 212,295</u>	<u>\$ (1,023,337)</u>	<u>\$ 262,113</u>	<u>\$ 101,991</u>

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of notes from direct borrowings payable outstanding as of June 30, 2022:

The School District leases photocopiers under a non-cancelable lease agreement. The term of the lease is for a five year period ending in August of 2022. Annual payments are \$3,655. Annual interest is fixed at a rate of 5.47% per annum.	\$ 3,461
The School District leases student computers under a non-cancelable lease agreement. The term of the lease is for a four year period ending in August of 2023. Annual principal payments are \$37,715. Annual interest is fixed at a rate of 1.99% per annum.	73,238
The School District leases an eight passenger van under a non-cancelable lease agreement. The term of the lease is for a five year period ending in August of 2023. Annual principal payments are \$18,126. Annual interest is fixed at a rate of 3.00% per annum.	10,973
The School District leases student computers under a non-cancelable lease agreement. The term of the lease is for a four year period ending in August of 2024. Annual principal payments are \$53,074. Annual interest is fixed at a rate of 0.0% per annum.	159,221
The School District leases photocopiers under a non-cancelable lease agreement. The term of the lease is for a four year period ending in July of 2026. Annual payments are \$3,805. Annual interest is fixed at a rate of 0.0% per annum.	<u>15,220</u>
Total notes from direct borrowings payable	<u>\$ 262,113</u>

The annual principal and interest requirements to amortize the notes from direct borrowings payable are as follows:

Year Ending June 30,	Notes from Direct Borrowings Payable		
	Principal	Interest	Total
2023	\$ 101,991	\$ 2,028	\$ 104,019
2024	99,438	927	100,365
2025	56,879	-	56,879
2026	3,805	-	3,805
	<u>\$ 262,113</u>	<u>\$ 2,955</u>	<u>\$ 265,068</u>

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

All notes from direct borrowings payable are direct obligations of the School District, for which its full faith and credit are pledged. The School District is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the School District's participating towns.

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

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

	Balance, 7/1/21	Additions	Reductions	Balance, 6/30/22	Due Within One Year
Net pension liability	\$ 73,745	\$ 397,227	\$ (379,420)	\$ 91,552	\$ -
Net OPEB liability	2,046,295	111,394	(31,432)	2,126,257	-
Totals	<u>\$ 2,120,040</u>	<u>\$ 508,621</u>	<u>\$ (410,852)</u>	<u>\$ 2,217,809</u>	<u>\$ -</u>

Please see Notes 14 and 16 for detailed information on each of the other long-term obligations.

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS

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

	Governmental Activities
Invested in capital assets	\$ 26,897,763
Accumulated depreciation	(12,279,257)
Outstanding capital related debt	(262,113)
	<u>\$ 14,356,393</u>

NOTE 9 - NONSPENDABLE FUND BALANCE

At June 30, 2022, the School District had the following nonspendable fund balance:

School lunch fund:	
Inventory	<u>\$ 1,844</u>

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 - RESTRICTED NET POSITION AND RESTRICTED FUND BALANCES

At June 30, 2022, the School District had the following restricted net position and restricted fund balances:

General fund:	
School Board	\$ 50,000
Capital reserve	657,045
Special education	75,000
Nonmajor special revenue funds (Schedule C)	<u>1,106,596</u>
	<u>\$ 1,888,641</u>

NOTE 11 - COMMITTED FUND BALANCE

At June 30, 2022, the School District had the following committed fund balance:

General fund:	
Capital projects	<u>\$ 500,000</u>

NOTE 12 - ASSIGNED FUND BALANCE

At June 30, 2022, the School District had the following assigned fund balance:

General fund:	
Use of fund balance for FY23	<u>\$ 325,000</u>

NOTE 13 - EXPENDITURES OVER APPROPRIATIONS

The Town had the following overspent appropriations at June 30, 2022:

Transfer to other funds	<u>\$ 919</u>
-------------------------	---------------

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

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

Benefits Provided

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 0.93%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The School District's teachers are required to contribute 7.65% of their compensation to the retirement system. The School District's payroll for teachers covered by this program was approximately \$6,336,559 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.29% of the School District's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$492,363 for the year ended June 30, 2022. Title 5 of the Maine Revised Statutes Annotated also requires the School District to contribute at an actuarially determined normal cost rate of 3.84%, which totaled \$261,967 for 2022. In addition, the School District is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 14.89% of compensation and totaled \$14,821 the year ended June 30, 2022.

Pension Liabilities

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

District's proportionate share of the net pension liability	\$	91,552
State's proportionate share of the net pension liability associated with the Unit		<u>3,751,588</u>
Total	\$	<u><u>3,843,140</u></u>

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating School Districts and the State actuarially determined. At June 30, 2021, the School District's proportion was 0.01082%, which was an increase of 0.006324% from its proportion measured as of June 30, 2020.

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

For the year ended June 30, 2022, the School District recognized expense of \$333,340 and net revenue of \$266,576 for support provided by the State of Maine for the SET plan. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SET Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,357	\$ 1,872
Changes of assumptions	62,419	-
Net difference between projected and actual earnings on pension plan investments	-	124,748
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,034	2,595
Contributions subsequent to the measurement date	<u>261,967</u>	<u>-</u>
Total	<u>\$ 390,777</u>	<u>\$ 129,215</u>

\$261,967 for the SET plan was reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	SET Plan
Plan year ended June 30:	
2022	\$ 26,569
2023	36,136
2024	(28,337)
2025	(34,772)
2026	-
Thereafter	-

Actuarial Methods and Assumptions

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

Actuarial Cost Method

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

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

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

Asset Valuation Method

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Amortization

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses, and changes are amortized over ten-year periods beginning on the date as of which they occur.

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

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

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

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

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	7.2%
Diversifiers	10.0%	5.9%

Discount Rate

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

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

	1% Decrease	Discount Rate	1% Increase
<u>SET Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
Employer's proportionate share of the net pension liability	\$ 240,427	\$ 91,552	\$ (32,401)

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

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

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2021 and 2020, this was three years for the SET Plan

Differences between Expected and Actual Investment Earnings

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

Changes in Assumptions

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Pension Plan Fiduciary Net Position

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

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of June 30, 2021, there were 228 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

Benefits Provided

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

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2022 was approximately \$16,401.

OPEB Liabilities and OPEB Expense

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Unit		<u>70,014</u>
Total	\$	<u><u>70,014</u></u>

For the year ended June 30, 2022, the School District recognized net OPEB expense of \$879 and revenue of \$879 for support provided by the State of Maine.

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

Active members	118
Retirees and spouses	<u>29</u>
Total	<u>147</u>

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Cost Sharing Provisions/Contributions

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

Employee/Retiree Premium Amounts:

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

<u>Pre-Medicare</u>	<u>Employee</u>	<u>Employee/ Spouse</u>	<u>Employee/ Child(ren)</u>	<u>Family</u>
Choice Plus	\$793.96	\$1,789.44	\$1,405.13	\$2,177.98
Standard \$200 Ded	\$857.37	\$1,932.58	\$1,517.53	\$2,352.22
Standard \$1,000 Ded	\$754.26	\$1,699.97	\$1,334.88	\$2,069.08
<u>Medicare</u>				
Medicare-Eligible Retirees	\$393.32	\$786.64	N/A	N/A

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

At June 30, 2022, the School District reported a liability of \$2,126,257 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. The School District's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$70,723. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

	MEABT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,377	\$ -
Changes of assumptions	432,158	30,736
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	39,418	-
Total	<u>\$ 544,953</u>	<u>\$ 30,736</u>

\$39,418 were reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MEABT
Plan year ended June 30:	
2022	\$ 78,076
2023	78,076
2024	78,078
2025	88,321
2026	75,055
Thereafter	77,193

Discount Rate

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	1.16%	2.16%	3.16%
Total OPEB liability	\$ 2,513,001	\$ 2,126,257	\$ 1,815,941
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,513,001</u>	<u>\$ 2,126,257</u>	<u>\$ 1,815,941</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Healthcare Trend

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

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 1,769,996	\$ 2,126,257	\$ 2,584,579
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,769,996</u>	<u>\$ 2,126,257</u>	<u>\$ 2,584,579</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Actuarial Methods and Assumptions

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Actuarial Cost Method

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

Assumptions

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

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

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

Trend Assumptions:

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

Trend Assumption Inputs

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

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

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

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

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

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

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

Rates of Turnover - Rates vary for plans based on service.

Disability Incidence - Rates vary for plans based on age.

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

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

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

Administrative expenses - Included in the per capita claims cost.

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

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

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

Rate of Mortality:

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

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

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

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

Disabled Annuitants: Based on 94.2% and 123.8% of the 2010 Public Plan Non-Safety Benefits-Weighted Disabled Retiree Mortality Table,

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model described in the healthy annuitant mortality.

Retiree Continuation Percentage:

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

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

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

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

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

Monthly Per Capital Claims and Expense Cost - Claims are based on Community School District rated premiums through July 1, 2020 and projects through June 30, 2021 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN
(CONTINUED)

Changes in Total OPEB Liability

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

Differences between Expected and Actual Experience

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. As of July 1, 2021, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2021, there were no differences between expected and actual experience.

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2021, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2020. For the fiscal year ended June 30, 2021, there were no changes in assumptions.

Differences between Projected and Actual Earnings on OPEB Plan Investments

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

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the School District's Finance Office at 22 Knowlton Street, Camden, Maine 04843.

FIVE TOWN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 - RISK MANAGEMENT - PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

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

NOTE 18 - CONTINGENCIES/COMMITMENTS

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

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

NOTE 19 - RESTATEMENT

The net position of the governmental activities and the general fund have both increased at July 1, 2021 to correct certain accounts receivable balances. The general fund beginning fund balance increased by \$21,165 from \$1,768,819 to \$1,789,984.

The resulting restatement increased governmental activities beginning net position from \$16,205,293 to \$16,226,458.

Required Supplementary Information

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 1,789,984	\$ 1,789,984	\$ 1,789,984	\$ -
Resources (Inflows):				
Local assessments	10,827,597	10,827,597	10,827,597	-
Intergovernmental revenues	1,753,434	1,753,434	2,029,068	275,634
Charges for services	607,402	607,402	792,515	185,113
Interest income	15,000	15,000	11,278	(3,722)
Miscellaneous revenues	11,000	11,000	33,696	22,696
Transfers from other funds	-	-	671,803	671,803
Amounts Available for Appropriation	15,004,417	15,004,417	16,155,941	1,151,524
Charges to Appropriations (Outflows):				
Instruction:				
Regular instruction	5,282,050	5,214,050	5,194,089	19,961
Special education	1,474,630	1,474,630	1,366,818	107,812
Career and technical education	55,036	55,036	55,036	-
Other instruction	561,527	561,527	532,627	28,900
Student and staff support	1,171,376	1,171,376	1,161,609	9,767
System administration	482,403	482,403	473,263	9,140
School administration	554,895	554,895	546,727	8,168
Operations and maintenance	1,681,088	1,591,088	1,562,528	28,560
Transportation	520,470	560,470	560,151	319
All other	50,000	50,000	-	50,000
Debt service:				
Principal	1,023,337	1,023,337	1,023,337	-
Interest	640,016	668,016	667,826	190
Transfers to other funds	42,605	132,605	133,524	(919)
Total Charges to Appropriations	13,539,433	13,539,433	13,277,535	261,898
Budgetary Fund Balance, June 30	\$ 1,464,984	\$ 1,464,984	\$ 2,878,406	\$ 1,413,422
Utilization of unassigned fund balance	\$ 325,000	\$ 325,000	\$ -	\$ (325,000)

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	2022	2021	2020	2019	2018	2017	2016	2015
<u>SET Plan:</u>								
District's proportion of the net pension liability (asset)	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
District's proportionate share of the net pension liability (asset)	\$ 91,552	\$ 73,745	\$ 73,748	\$ 86,918	\$ 74,675	\$ 141,245	\$ 130,529	\$ 90,251
State's proportionate share of the net pension liability (asset) associated with the Unit	<u>3,751,588</u>	<u>7,379,315</u>	<u>6,471,297</u>	<u>6,058,936</u>	<u>6,320,975</u>	<u>11,187,649</u>	<u>5,494,004</u>	<u>4,442,374</u>
Total	<u>\$ 3,843,140</u>	<u>\$ 7,453,060</u>	<u>\$ 6,545,045</u>	<u>\$ 6,145,854</u>	<u>\$ 6,395,650</u>	<u>\$ 11,328,894</u>	<u>\$ 5,624,533</u>	<u>\$ 4,532,625</u>
Unit's covered payroll	\$ 6,160,387	\$ 5,920,042	\$ 5,705,368	\$ 5,596,168	\$ 5,411,131	\$ 5,223,599	\$ 4,782,609	\$ 4,680,371
Unit's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.49%	1.25%	1.29%	1.55%	1.38%	2.70%	2.73%	1.93%
Plan fiduciary net position as a percentage of the total pension liability	90.90%	81.03%	84.52%	85.17%	80.78%	76.21%	81.18%	83.91%

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
SET Plan:									
Contractually required contribution	\$ 261,967	\$ 256,272	\$ 246,274	\$ 226,503	\$ 222,168	\$ 181,814	\$ 175,513	\$ 126,739	\$ 124,030
Contributions in relation to the contractually required contribution	<u>(261,967)</u>	<u>(256,272)</u>	<u>(246,274)</u>	<u>(226,503)</u>	<u>(222,168)</u>	<u>(181,814)</u>	<u>(175,513)</u>	<u>(126,739)</u>	<u>(124,030)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered payroll	\$ 6,336,559	\$ 6,160,387	\$ 5,920,042	\$ 5,705,368	\$ 5,596,168	\$ 5,411,131	\$ 5,223,599	\$ 4,782,609	\$ 4,680,371
Contributions as a percentage of covered payroll	4.13%	4.16%	4.16%	3.97%	3.97%	3.36%	3.36%	2.65%	2.65%

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>					
Proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
School's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School	<u>70,014</u>	<u>139,525</u>	<u>127,700</u>	<u>134,825</u>	<u>125,356</u>
Total	<u>\$ 70,014</u>	<u>\$ 139,525</u>	<u>\$ 127,700</u>	<u>\$ 134,825</u>	<u>\$ 125,356</u>
Covered payroll	\$ 6,160,387	\$ 5,920,042	\$ 5,705,368	\$ 5,596,168	\$ 5,411,131
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	62.90%	55.40%	49.51%	49.22%	48.04%

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at 6/30/20 (Reporting June 30, 2021)	\$ 2,046,295	\$ -	\$ 2,046,295
Changes for the year:			
Service cost	48,275	-	48,275
Interest	45,945	-	45,945
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	17,174	-	17,174
Contributions - employer	-	31,432	(31,432)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(31,432)	(31,432)	-
Administrative expense	-	-	-
Net changes	<u>79,962</u>	<u>-</u>	<u>79,962</u>
Balances at 6/30/21 (Reporting June 30, 2022)	<u>\$ 2,126,257</u>	<u>\$ -</u>	<u>\$ 2,126,257</u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	2022	2021	2020	2019
<u>Total OPEB liability</u>				
Service cost (BOY)	\$ 48,275	\$ 22,403	\$ 18,956	\$ 20,227
Interest (includes interest on service cost)	45,945	55,980	56,690	53,578
Changes of benefit terms	-	(171,377)	-	-
Differences between expected and actual experience	-	97,837	-	-
Changes of assumptions	17,174	485,420	92,868	(71,720)
Benefit payments, including refunds of member contributions	(31,432)	(41,634)	(33,160)	(32,014)
Net change in total OPEB liability	<u>\$ 79,962</u>	<u>\$ 448,629</u>	<u>\$ 135,354</u>	<u>\$ (29,929)</u>
Total OPEB liability - beginning	\$ 2,046,295	\$ 1,597,666	\$ 1,462,312	\$ 1,492,241
Total OPEB liability - ending	<u>\$ 2,126,257</u>	<u>\$ 2,046,295</u>	<u>\$ 1,597,666</u>	<u>\$ 1,462,312</u>
<u>Plan fiduciary net position</u>				
Contributions - employer	31,432	41,634	33,160	32,014
Contributions - member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(31,432)	(41,634)	(33,160)	(32,014)
Administrative expense	-	-	-	-
Net change in fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 2,126,257</u>	<u>\$ 2,046,295</u>	<u>\$ 1,597,666</u>	<u>\$ 1,462,312</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered payroll	\$ 5,795,442	\$ 5,654,090	\$ 5,856,383	\$ 5,699,643
Net OPEB liability as a percentage of covered payroll	36.7%	36.2%	27.3%	25.7%

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,336,559	\$ 6,160,387	\$ 5,920,042	\$ 5,705,368	\$ 5,596,168
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
<u>MEABT:</u>					
Employer contributions	\$ 31,432	\$ 41,634	\$ 33,160	\$ 55,650	
Benefit payments	(31,432)	(41,634)	(33,160)	(55,650)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 5,795,442	\$ 5,654,090	\$ 5,856,383	\$ 5,699,643	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

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

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

Changes of Assumptions

MEPERS SET Pension Plan:

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

MEPERS SET OPEB Plan:

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

MEABT OPEB Plan:

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

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

Other Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Federal and State Programs
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Other Programs
- Combining Schedule of Changes in Net Position - Fiduciary Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Local assessments:				
Camden	\$ 4,049,294	\$ 4,049,294	\$ 4,049,294	\$ -
Rockport	3,811,851	3,811,851	3,811,851	-
Appleton	491,664	491,664	491,664	-
Hope	779,313	779,313	779,313	-
Lincolnville	1,695,475	1,695,475	1,695,475	-
	<u>10,827,597</u>	<u>10,827,597</u>	<u>10,827,597</u>	<u>-</u>
Intergovernmental:				
State allocation	1,753,434	1,753,434	1,976,149	222,715
National board salary supplement	-	-	49,888	49,888
Medicaid reimbursement	-	-	3,031	3,031
	<u>1,753,434</u>	<u>1,753,434</u>	<u>2,029,068</u>	<u>275,634</u>
Charges for services:				
Tuition	599,402	599,402	787,272	187,870
Athletic receipts	8,000	8,000	5,243	(2,757)
	<u>607,402</u>	<u>607,402</u>	<u>792,515</u>	<u>185,113</u>
Investment income	<u>15,000</u>	<u>15,000</u>	<u>11,278</u>	<u>(3,722)</u>
Other revenues:				
Refund of prior year expenses	-	-	15,591	15,591
Rentals	8,000	8,000	6,872	(1,128)
Miscellaneous	3,000	3,000	11,233	8,233
	<u>11,000</u>	<u>11,000</u>	<u>33,696</u>	<u>22,696</u>
Transfers from other funds	<u>-</u>	<u>-</u>	<u>671,803</u>	<u>671,803</u>
Total revenues	<u>\$ 13,214,433</u>	<u>\$ 13,214,433</u>	<u>\$ 14,365,957</u>	<u>\$ 1,151,524</u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Regular Instruction:				
Instructional services 9-12	\$ 4,916,890	\$ 4,848,890	\$ 4,868,517	\$ (19,627)
ESL	30,931	30,931	29,225	1,706
Instructional services - Horizon	42,229	42,229	39,241	2,988
Alternative education	292,000	292,000	257,106	34,894
	<u>5,282,050</u>	<u>5,214,050</u>	<u>5,194,089</u>	<u>19,961</u>
Special Education:				
Instructional services	1,087,817	1,087,817	1,040,621	47,196
Administration	245,699	245,699	203,300	42,399
Psychological services	120,688	120,688	113,274	7,414
ESY	20,426	20,426	9,623	10,803
	<u>1,474,630</u>	<u>1,474,630</u>	<u>1,366,818</u>	<u>107,812</u>
Career and technical education	<u>55,036</u>	<u>55,036</u>	<u>55,036</u>	<u>-</u>
Other Instruction:				
Co-curricular activities	83,313	83,313	88,349	(5,036)
Athletics	478,214	478,214	444,278	33,936
	<u>561,527</u>	<u>561,527</u>	<u>532,627</u>	<u>28,900</u>

SCHEDULE B (CONTINUED)

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Student and Staff Support:				
Guidance 9-12	564,189	564,189	546,964	17,225
Health	100,248	100,248	101,797	(1,549)
Curriculum development	69,212	69,212	69,618	(406)
Library 9-12	131,182	131,182	124,492	6,690
Technical services	292,457	292,457	293,100	(643)
Social worker	-	-	14,225	(14,225)
Innovation	4,000	4,000	1,060	2,940
Instructional staff training	3,625	3,625	5,400	(1,775)
Assessment	6,463	6,463	4,953	1,510
	<u>1,171,376</u>	<u>1,171,376</u>	<u>1,161,609</u>	<u>9,767</u>
System Administration:				
School board	71,575	71,575	57,742	13,833
Superintendent's office	249,697	249,697	259,680	(9,983)
Business office	161,131	161,131	155,841	5,290
	<u>482,403</u>	<u>482,403</u>	<u>473,263</u>	<u>9,140</u>
School Administration:				
Principal's office and staff	554,895	554,895	546,727	8,168
	<u>554,895</u>	<u>554,895</u>	<u>546,727</u>	<u>8,168</u>
Transportation				
	<u>520,470</u>	<u>560,470</u>	<u>560,151</u>	<u>319</u>
	<u>520,470</u>	<u>560,470</u>	<u>560,151</u>	<u>319</u>

SCHEDULE B (CONTINUED)

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Facilities Maintenance:				
Operations of building	1,610,233	1,520,233	1,506,814	13,419
Auditorium	70,855	70,855	55,714	15,141
	<u>1,681,088</u>	<u>1,591,088</u>	<u>1,562,528</u>	<u>28,560</u>
Debt Service:				
Principal	1,023,337	1,023,337	1,023,337	-
Interest	640,016	668,016	667,826	190
	<u>1,663,353</u>	<u>1,691,353</u>	<u>1,691,163</u>	<u>190</u>
All Other Expenditures:				
Contingency	50,000	50,000	-	50,000
Transfer - capital reserve fund	-	90,000	90,000	-
Transfer - school nutrition	42,605	42,605	42,605	-
Transfer - MaineCare	-	-	919	(919)
	<u>92,605</u>	<u>182,605</u>	<u>133,524</u>	<u>49,081</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 13,539,433</u></u>	<u><u>\$ 13,539,433</u></u>	<u><u>\$ 13,277,535</u></u>	<u><u>\$ 261,898</u></u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 232,710	\$ 232,710
Investments	42,061	42,061
Due from other governments	690,386	690,386
Inventory	1,844	1,844
Due from other funds	892,967	892,967
TOTAL ASSETS	<u>\$ 1,859,968</u>	<u>\$ 1,859,968</u>
LIABILITIES		
Accounts payable	\$ 46,332	\$ 46,332
Due to other funds	683,613	683,613
TOTAL LIABILITIES	<u>729,945</u>	<u>729,945</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	25,355	25,355
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>25,355</u>	<u>25,355</u>
FUND BALANCES		
Nonspendable	1,844	1,844
Restricted	1,106,596	1,106,596
Committed	-	-
Assigned	-	-
Unassigned (deficit)	(3,772)	(3,772)
TOTAL FUND BALANCES	<u>1,104,668</u>	<u>1,104,668</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,859,968</u>	<u>\$ 1,859,968</u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Local assessment	\$ 223,036	\$ 223,036
Intergovernmental revenue	1,324,624	1,324,624
Charges for services	148,718	148,718
Other	592,049	592,049
TOTAL REVENUES	<u>2,288,427</u>	<u>2,288,427</u>
EXPENDITURES		
Program expenses	<u>2,252,711</u>	<u>2,252,711</u>
TOTAL EXPENDITURES	<u>2,252,711</u>	<u>2,252,711</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,716</u>	<u>35,716</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	43,524	43,524
Transfers (out)	<u>(14,758)</u>	<u>(14,758)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>28,766</u>	<u>28,766</u>
NET CHANGE IN FUND BALANCES	64,482	64,482
FUND BALANCES - JULY 1	<u>1,040,186</u>	<u>1,040,186</u>
FUND BALANCES - JUNE 30	<u>\$ 1,104,668</u>	<u>\$ 1,104,668</u>

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

Special Revenue Funds

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	School Lunch Fund	Adult Education Fund	Federal and State Programs	MaineCare Fund	F1 Visa Fund	Student Activity Funds	Other Programs	Total
ASSETS								
Cash and cash equivalents	\$ 226	\$ 150	\$ -	\$ -	\$ -	\$ 232,334	\$ -	\$ 232,710
Investments	-	-	-	-	-	-	42,061	42,061
Due from other governments	1,310	-	689,076	-	-	-	-	690,386
Inventory	1,844	-	-	-	-	-	-	1,844
Due from other funds	85,618	155,122	21,445	-	77,295	-	553,487	892,967
TOTAL ASSETS	\$ 88,998	\$ 155,272	\$ 710,521	\$ -	\$ 77,295	\$ 232,334	\$ 595,548	\$ 1,859,968
LIABILITIES								
Accounts payable	\$ 2,433	\$ 1,244	\$ 12,317	\$ -	\$ -	\$ -	\$ 30,338	\$ 46,332
Due to other funds	-	-	679,841	-	-	-	3,772	683,613
TOTAL LIABILITIES	2,433	1,244	692,158	-	-	-	34,110	729,945
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue	25,355	-	-	-	-	-	-	25,355
TOTAL DEFERRED INFLOWS OF RESOURCES	25,355	-	-	-	-	-	-	25,355
FUND BALANCES								
Nonspendable	1,844	-	-	-	-	-	-	1,844
Restricted	59,366	154,028	18,363	-	77,295	232,334	565,210	1,106,596
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(3,772)	(3,772)
TOTAL FUND BALANCES	61,210	154,028	18,363	-	77,295	232,334	561,438	1,104,668
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 88,998	\$ 155,272	\$ 710,521	\$ -	\$ 77,295	\$ 232,334	\$ 595,548	\$ 1,859,968

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	School Lunch Fund	Adult Education Fund	Federal and State Programs	MaineCare Fund	F1 Visa Fund	Student Activity Funds	Other Programs	Total
REVENUES								
Local assessments	\$ -	\$ 223,036	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,036
Intergovernmental revenue	343,484	69,247	911,893	-	-	-	-	1,324,624
Charges for services	49,170	99,548	-	-	-	-	-	148,718
Other	271	241	-	-	-	313,411	278,126	592,049
TOTAL REVENUES	392,925	392,072	911,893	-	-	313,411	278,126	2,288,427
EXPENDITURES								
Program expenses	390,295	392,928	853,431	-	-	304,008	312,049	2,252,711
TOTAL EXPENDITURES	390,295	392,928	853,431	-	-	304,008	312,049	2,252,711
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES								
	2,630	(856)	58,462	-	-	9,403	(33,923)	35,716
OTHER FINANCING SOURCES (USES)								
Transfers in	42,605	-	-	919	-	-	-	43,524
Transfers (out)	-	-	-	-	-	-	(14,758)	(14,758)
TOTAL OTHER FINANCING SOURCES (USES)	42,605	-	-	919	-	-	(14,758)	28,766
NET CHANGE IN FUND BALANCES (DEFICITS)	45,235	(856)	58,462	919	-	9,403	(48,681)	64,482
FUND BALANCES (DEFICITS) - JULY 1	15,975	154,884	(40,099)	(919)	77,295	222,931	610,119	1,040,186
FUND BALANCES (DEFICITS) - JUNE 30	\$ 61,210	\$ 154,028	\$ 18,363	\$ -	\$ 77,295	\$ 232,334	\$ 561,438	\$ 1,104,668

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FEDERAL AND STATE PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2022

	Fund Balance, 7/1/2021	Revenues			Program Expenditures	Fund Balance, 6/30/2022
		Federal	State	Other		
Federal and state programs:						
Local entitlement	\$ -	\$ 145,042	\$ -	\$ -	\$ 145,042	\$ -
Elementary and Secondary School Emergency Relief Funds (ESSER)	-	7,413	-	-	7,413	-
Coronavirus Relief Funds Elementary and Secondary School Emergency Relief Funds (ESSER III)	-	110,138	-	-	110,138	-
Title II	-	11,313	-	-	11,313	-
Supporting Effective Instruction	(3,082)	-	-	-	-	(3,082)
AEFLA Grant	2,024	53,777	-	-	35,524	20,277
AEFLA Grant (pass-through)	(7,830)	119,933	-	-	111,935	168
Adult Education Continuity of Service Grant	(31,975)	-	32,095	-	120	-
College Transitions	764	-	11,101	-	10,865	1,000
Total federal and state programs	\$ (40,099)	\$ 868,697	\$ 43,196	\$ -	\$ 853,431	\$ 18,363

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2022

	Fund Balance, 7/1/2021	Other Revenues	Program Expenditures	Transfers In/(Out)	Fund Balance, 6/30/2022
Full Plates Full Potential	\$ 5,000	\$ -	\$ -	\$ (5,000)	\$ -
EE Reduction Benefits	(189)	-	-	-	(189)
Bisbee Sport Fund	144,773	17,162	21,814	-	140,121
Bisbee Washington Fund	284,716	150,599	285,065	-	150,250
ADF	53,489	109,625	-	-	163,114
R. Clark Bequest	50,652	-	-	-	50,652
Emily Hall	31,423	-	-	-	31,423
Carl and Stella Hopkins Fund	5,082	-	269	-	4,813
Zenith McLean	410	-	-	-	410
Zenith Housing	(112)	-	-	-	(112)
Zenith Homeless	183	-	-	-	183
Zenith Greenhouse	1,035	-	807	-	228
Zenith Yearbooks	-	-	461	-	(461)
Nurse Grant SLVC	335	-	335	-	-
The Hatchery	5,052	-	-	-	5,052
Innovation Conference	4,734	-	104	-	4,630
Trailblazers	(556)	-	-	-	(556)
MLTI Protection Plan	11,378	-	-	-	11,378
Professional Development	2,548	-	-	-	2,548
Bleacher Account	6	-	-	-	6
Ice Hockey	10,160	-	-	(9,758)	402
Superintendent's discretionary fund	-	740	3,194	-	(2,454)
Total other funds	<u>\$ 610,119</u>	<u>\$ 278,126</u>	<u>\$ 312,049</u>	<u>\$ (14,758)</u>	<u>\$ 561,438</u>

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

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the School District's programs.

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	<u>Net Position,</u> <u>7/1/2021</u>	<u>Additions</u> <u>Contributions</u>	<u>Additions</u> <u>Interest</u>	<u>Deductions</u> <u>Scholarships</u>	<u>Net Position,</u> <u>6/30/2022</u>
Scholarship funds:					
Alfred Litzermman Memorial Scholarship	\$ 31	\$ -	\$ -	\$ -	\$ 31
Amelia Bucholz Scholarship	2,541	500	6	1,250	1,797
Appleton H.S. Alumni Association	26,978	2,049	101	500	28,628
B. G. Gushee Scholarship	3,524	-	12	-	3,536
Basil Arau Scholarship	11,842	-	41	500	11,383
A. Mosher Bradford Scholarship	2,964	-	-	-	2,964
Camden Rotary	1,138	-	-	-	1,138
Camden Real Estate	5,063	500	4	4,500	1,067
Carelton Wood	221	-	-	-	221
Chickawaukee	732	-	-	-	732
David Eaton Scholarship	3,153	-	9	500	2,662
Sarah Doubleday	24,905	1,000	85	2,000	23,990
Emma M. Brewster Scholarship	(3)	-	-	-	(3)
Earnest Earl Mahoney Scholarship	4,923	-	12	1,600	3,335
Eugene T: Pitney Scholarship	1,120	-	-	-	1,120
Florence Kimball Fine Arts Scholarship	4,336	-	14	500	3,850
Forest Priestly Memorial	744	-	2	-	746
Gladys P. Larrabee	15,594	-	53	500	15,147
Harold Tribou	2,001	-	7	-	2,008
Ken A Prudence Dickey Bus	216,790	-	761	1,000	216,551

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	<u>Net Position, 7/1/2021</u>	<u>Additions Contributions</u>	<u>Additions Interest</u>	<u>Deductions Scholarships</u>	<u>Net Position, 6/30/2022</u>
Julie Landwehr Scholarship	-	10,000	35	-	10,035
Leforest Doucette	1,058	-	-	-	1,058
Linwood Thorndike	506	250	-	300	456
Megunticook Fish and Game	292	-	-	-	292
Miscellaneous	6,943	-	26	-	6,969
Nancy Crawford	25	-	-	-	25
Olive Coates Trust	53,566	38,732	224	28,625	63,897
Polson - Back to school	476	-	-	-	476
RC Gushee	(3,106)	8,000	11	2,000	2,905
Reny Charitable	73	6,000	11	3,000	3,084
Richard Sorenson	195	-	-	-	195
Rockport Alumni Association	4,315	3,710	17	2,960	5,082
Sarah Hunter Memorial Scholarship	6,684	-	23	500	6,207
Senior Class	351	-	-	-	351
Simel Education Trust	302,232	-	1,059	2,000	301,291
T.W. Williams Scholarship	27,965	-	95	1,500	26,560
Timothy Crockett Scholarship	29,705	-	104	-	29,809
West Bay Rotary	1,052	-	-	-	1,052
Billy Williams	2,324	4,000	22	-	6,346
JR Kindness	303	-	-	300	3
The Rae Scholarship for Women Artists	3	300	-	300	3
Aleishas Scholarship	5,030	2,500	26	-	7,556
Total trust funds	<u>\$ 768,589</u>	<u>\$ 77,541</u>	<u>\$ 2,760</u>	<u>\$ 54,335</u>	<u>\$ 794,555</u>

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

General Capital Assets

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
 JUNE 30, 2022

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Total
Regular Instruction	\$ -	\$ -	\$ 262,084	\$ 262,084
Facilities Maintenance	24,000	25,601,474	946,961	26,572,435
Transportation	-	-	27,001	27,001
School Lunch	-	-	36,243	36,243
Total General Capital Assets	24,000	25,601,474	1,272,289	26,897,763
Less: Accumulated Depreciation	-	(11,543,228)	(736,029)	(12,279,257)
Net General Capital Assets	<u>\$ 24,000</u>	<u>\$ 14,058,246</u>	<u>\$ 536,260</u>	<u>\$14,618,506</u>

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

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	General Capital Assets 7/1/21	Additions	Disposals	General Capital Assets 6/30/22
Regular Instruction	\$ 49,789	\$ 212,295	\$ -	\$ 262,084
Facilities Maintenance	26,537,507	34,928	-	26,572,435
Transportation	27,001	-	-	27,001
School Lunch	36,243	-	-	36,243
Total General Capital Assets	26,650,540	247,223	-	26,897,763
Less: Accumulated Depreciation	<u>(11,672,934)</u>	<u>(606,323)</u>	<u>-</u>	<u>(12,279,257)</u>
Net General Capital Assets	<u>\$ 14,977,606</u>	<u>\$ (359,100)</u>	<u>\$ -</u>	<u>\$ 14,618,506</u>

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

Federal Compliance Description

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

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal AL Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through State of Maine - Department of Education and Cultural Services				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3014	\$ -	\$ 44,408
National School Lunch Program	10.555	6662	-	4,976
National School Lunch Program	10.555	3022	-	17,877
National School Lunch Program	10.555	3024	-	209,604
Summer Food Service Program for Children	10.559	3016	-	13,901
Subtotal Child Nutrition Cluster			<u>-</u>	<u>290,766</u>
Food Distribution Cluster:				
Child Nutrition Supply Chain Assistance	10.565	6670	-	16,738
Subtotal Food Distribution Cluster			<u>-</u>	<u>16,738</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>307,504</u>
U.S. Department of Education				
Passed through State of Maine - Department of Education and Cultural Services:				
Adult Education - Basic Grants to States	84.002		<u>-</u>	<u>35,523</u>
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027A	3046	<u>-</u>	<u>157,795</u>
Subtotal Special Education Cluster (IDEA)			<u>-</u>	<u>157,795</u>
Teacher Quality Grant	84.367A	3042	<u>-</u>	<u>3,014</u>
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	7042	-	7,413
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	7010	-	136,421
American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	7015	<u>-</u>	<u>421,170</u>
			<u>-</u>	<u>565,004</u>
Total U.S. Department of Education			<u>-</u>	<u>761,336</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ -</u>	<u>\$ 1,068,840</u>

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Five Town Community School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Five Town Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Five Town Community School District.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Five Town Community School District has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Food Donation Program

The Five Town Community School District reports commodities consumed on the Schedule at the fair value (or entitlement value). The Government allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities. At June 30, 2022, the School District had no food commodities in inventory.



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
Five Town Community School District
Camden, Maine

We have audited, in accordance with the auditing standards generally accepted in the School Districted States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the School Districted States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Five Town Community School District as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Five Town Community School District's basic financial statements and have issued our report thereon dated June 22, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Five Town Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Five Town Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Five Town Community School District'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.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

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

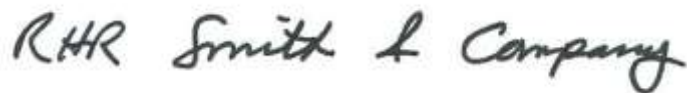
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Five Town Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
June 22, 2023



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

Board of Directors
Five Town Community School District
Camden, Maine

Report on Compliance for Each Major Federal Program

We have audited Five Town Community School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Five Town Community School District's major federal programs for the year ended June 30, 2022. Five Town Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Five Town Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the School Districted States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the School Districted States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Five Town Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Five Town Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Five Town Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Report on Internal Control Over Compliance

Management of Five Town Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Five Town Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Five Town Community School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

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

RHR Smith & Company

Buxton, Maine
June 22, 2023

FIVE TOWN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

- *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

- *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a)? X yes ___no

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425U	American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER)

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

Auditee qualified as low-risk auditee? X yes ___no

Section II - Financial Statement Findings

None

FIVE TOWN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section III - Federal Awards Findings and Questioned Costs

SIGNIFICANT DEFICIENCIES

2022-001 – Allowable Cost/Cost Principal

Federal Program Information:

Department of Education:

Passed through the State of Maine Agency of Education

ALN – 84.425 – Education Stabilization Fund

Criteria: The following CFR(s) apply to this finding: 2 CFR 200.430(i)(1)(vii).

Condition: During audit procedures, it was identified that the Unit did not complete the semi-annual time certifications/periodic time certifications for six employees.

Cause: The District does not have the necessary internal controls over compliance.

Effect: Expenses may not be properly allocated to the grant; this could result in unallowable expenses being charged and subsequently improperly reimbursed by federal funds.

Identification of Questioned Costs: None identified.

Context: A sample of six time certifications was reviewed. This is a statistically valid sample.

Repeat Finding: This is not a repeat finding.

Recommendation: It is recommended that the District implement internal control processes and procedures to ensure that time and effort records for employees working are properly documented in accordance with the grant requirements.

Views of Responsible Officials and Corrective Action Plan: Please see the Corrective Action Plan issued by Five Towns Community School District.

State Compliance Description

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

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



Faithful Expertise & Integrity

INDEPENDENT AUDITOR'S REPORT ON STATE REQUIREMENTS

Board of Directors
Five Town Community School District
Camden, Maine

We have audited the financial statements of the Five Town Community School District for the year ended June 30, 2022 and have issued our report thereon dated June 22, 2023. Our audit was made in accordance with auditing standards generally accepted in the School Districted States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place and have reviewed the annual financial report that was submitted to the School District for accuracy. In addition, we have reviewed the School District's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Five Town Community School District, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Five Town Community School District was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the School District and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the Maine Education financial system maintained at the School District.

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

RHR Smith & Company

Buxton, Maine
June 22, 2023

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

FIVE TOWN COMMUNITY SCHOOL DISTRICT

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

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (4000)	Total
June 30 Balance per Maine Education Financial System	\$ 2,878,406	\$ 233,601	\$ -	\$ 3,112,007
Other Adjustments:				
Not reported on MEFS:				-
F1 Visa fund	-	77,295	-	77,295
Student activity funds	-	232,334	-	232,334
Other programs	-	561,438	-	561,438
Audited GAAP Basis Fund balance June 30	<u>\$ 2,878,406</u>	<u>\$ 1,104,668</u>	<u>\$ -</u>	<u>\$ 3,983,074</u>



22 Knowlton Street
Camden, Maine 04843
(207) 236-3358
FAX (207) 236-7810

Maria Libby
Superintendent
Shawn Carlson, Ph.D.
Assistant Superintendent



FY22 Audit Corrective Action Plan:

2022-001 - Allowable Cost/Cost Principal

Condition: During audit procedures, it was identified that the Unit did not complete the semi-annual time certifications/periodic time certifications for six employees.

Cause: The CSD does not have the necessary internal controls over compliance.

Effect: Expenses may not be properly allocated to the grant; this could result in unallowable expenses being charged and subsequently improperly reimbursed by federal funds

Recommendation: It is recommended that the Unit implement internal control processes and procedures to ensure that time and effort records for employees working are properly documented in accordance with the grant requirements.

FY22 Process: The Five Town CSD had regularly had each employee paid with federal money sign a semi-annual certification and that certification is maintained in the employee's personnel file under Contracts. The CSD believes that these certifications had been pulled from the files by the prior business manager in an effort to compile compliance paperwork to the Maine DOE for reimbursement purposes.

New Process: In addition to our practice of requiring compliance from the employee or supervisor with direct knowledge of the employee's time and effort, we are preserving a digital copy in our federal funds cash management folders as well as attaching the document to the employee's digital record so they are preserved and available for federal grant and audit compliance. Time and Effort records will be reconciled semi-annually with the general ledger documentation of grant funded salary expenditures.

Responsibility: The Business Manager, Peter Orne, and Human Resources Director, Monica Gallagher, are responsible for the execution of the plan and subsequent reconciliation.

Completion Date: This is an ongoing process and semi-annual certification for July 2022 to December 2022 has been reconciled.