

**Town of Scarborough  
School Department**

**Financial Report**

**June 30, 2016**

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## Independent Auditors' Report

Board of Education  
Town of Scarborough School Department  
Scarborough, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the major fund and the remaining non-major fund information of the Town of Scarborough School Department (the School Department), a department of the Town of Scarborough, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the remaining non-major fund information of the Town of Scarborough School Department, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Town of Scarborough School Department are intended to present the financial position, the changes in financial position of only that portion of the major fund and the remaining non-major fund information of the Town of Scarborough, Maine that is attributable to the transactions of the School Department. They do not purport to, and do not, present fairly the financial position of the Town of Scarborough, Maine as of June 30, 2016, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Macpage LLC*

South Portland, Maine  
December 20, 2016

## Balance Sheet Governmental Funds

June 30, 2016

	General Fund	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Total Governmental Funds
<b>Assets</b>				
Due from the Town	\$ 6,975,784	288,590	\$ 1,537,280	\$ 8,801,654
Intergovernmental receivables	69,837	77,041		146,878
Inventory		36,472		36,472
<b>Total Assets</b>	<u>\$ 7,045,621</u>	<u>\$ 402,103</u>	<u>\$ 1,537,280</u>	<u>\$ 8,985,004</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 608,023	\$ 14,550	\$ 9,915	\$ 632,488
Accrued payroll	3,640,290			3,640,290
Accrued withholdings	31,116			31,116
Accrued compensated absences	37,485			37,485
Accrued vacation	78,669			78,669
Unearned revenue		1,396		1,396
<b>Total Liabilities</b>	<u>4,395,583</u>	<u>15,946</u>	<u>9,915</u>	<u>4,421,444</u>
<b>Fund Balances</b>				
Fund balances				
Nonspendable				
Inventory		36,472		36,472
Restricted				
Capital project funds			1,527,365	1,527,365
Special revenue funds		349,685		349,685
Assigned				
Carryover	426,253			426,253
Unassigned				
General fund	2,223,785			2,223,785
<b>Total Fund Balances</b>	<u>2,650,038</u>	<u>386,157</u>	<u>1,527,365</u>	<u>4,563,560</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,045,621</u>	<u>\$ 402,103</u>	<u>\$ 1,537,280</u>	<u>\$ 8,985,004</u>

See independent auditors' report.  
The accompanying notes are an integral part of these financial statements.

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

Year Ended June 30, 2016

	General Fund	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Total
<b>Revenues</b>				
Local allocation	\$ 37,659,488		\$ 273,728	\$ 37,933,216
State subsidy	4,343,939			4,343,939
State debt service subsidy	257,531			257,531
State subsidy - adult education	21,244			21,244
State agency clients	143,394			143,394
Medicaid revenue	16,716			16,716
On-behalf payments - pension contribution	2,765,000			2,765,000
Adult education	145,279			145,279
Student extra-curricular fees	158,718			158,718
Miscellaneous	142,615			142,615
Intergovernmental revenue		\$1,185,129		1,185,129
Federal donated commodities received		27,224		27,224
Sale of meals		936,260		936,260
Interest income			31,264	31,264
<b>Total Revenues</b>	<u>45,653,924</u>	<u>2,148,613</u>	<u>304,992</u>	<u>48,107,529</u>
<b>Expenditures</b>				
Regular instruction	17,831,360			17,831,360
Special education	6,688,003			6,688,003
Career and technical education	287,589			287,589
Other instruction	918,766			918,766
Student and staff support	4,021,934			4,021,934
System administration	963,733			963,733
School administration	1,617,626			1,617,626
Transportation	1,375,526			1,375,526
Facilities maintenance	3,594,760			3,594,760
Debt service and other commitments	3,740,323		1,378,113	5,118,436
Adult education	178,867			178,867
On-behalf payments - pension contribution	2,765,000			2,765,000
Grant expenditures		873,609		873,609
School lunch expenditures		1,439,695		1,439,695
Federal donated commodities used		27,224		27,224
Capital outlay			1,096,600	1,096,600
<b>Total Expenditures</b>	<u>43,983,487</u>	<u>2,340,528</u>	<u>2,474,713</u>	<u>48,798,728</u>
<b>Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)</b>	<u>1,670,437</u>	<u>(191,915)</u>	<u>(2,169,721)</u>	<u>(691,199)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	14,350	262,065	(276,415)	
Bond proceeds			1,483,843	1,483,843
<b>Total Other Financing Sources (Uses)</b>	<u>14,350</u>	<u>262,065</u>	<u>1,207,428</u>	<u>1,483,843</u>
<b>Net Change in Fund Balances</b>	1,684,787	70,150	(962,293)	792,644
<b>Fund Balances</b>				
<b>Beginning of Year</b>	<u>965,251</u>	<u>316,007</u>	<u>2,489,658</u>	<u>3,770,916</u>
<b>End of Year</b>	<u>\$ 2,650,038</u>	<u>\$ 386,157</u>	<u>\$ 1,527,365</u>	<u>\$ 4,563,560</u>

See independent auditors' report.

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

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

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Local allocation	\$ 37,659,488	\$ 37,659,488	\$ 37,659,488	
State subsidy	4,645,178	4,645,178	4,601,470	\$ (43,708)
State agency clients	172,000	172,000	143,394	(28,606)
Student activities fees	157,500	157,500	158,718	1,218
Miscellaneous	210,200	210,200	159,331	(50,869)
Adult education	181,552	181,552	166,523	(15,029)
<b>Total Revenues</b>	<u>43,025,918</u>	<u>43,025,918</u>	<u>42,888,924</u>	<u>(136,994)</u>
<b>Expenditures</b>				
Regular instruction	18,119,515	18,119,515	17,831,360	288,155
Special education	6,996,457	6,996,457	6,688,003	308,454
Career and technical education	293,591	293,591	287,589	6,002
Other instruction	925,117	925,117	918,766	6,351
Student and staff support	4,189,753	4,189,753	4,021,934	167,819
System administration	997,264	997,264	963,733	33,531
School administration	1,595,697	1,595,697	1,617,626	(21,929)
Transportation	1,529,166	1,529,166	1,375,526	153,640
Facilities maintenance	3,753,759	3,753,759	3,594,760	158,999
Debt service and other commitments	5,118,437	5,118,437	3,740,323	1,378,114
All other	25,000	25,000	25,000	
Adult education	181,552	181,552	178,867	2,685
<b>Total Expenditures</b>	<u>43,725,308</u>	<u>43,725,308</u>	<u>41,243,487</u>	<u>2,481,821</u>
<b>Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources</b>	(699,390)	(699,390)	1,645,437	2,344,827
<b>Other Financing Sources</b>				
Transfers from other funds	274,390	274,390	14,350	(260,040)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(425,000)	(425,000)	1,659,787	2,084,787
<b>Beginning Fund Balance Utilized</b>	425,000	425,000	965,251	540,251
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,625,038</u>	<u>\$ 2,625,038</u>

See independent auditors' report.  
The accompanying notes are an integral part of these financial statements.

## Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2016

	Private- Purpose Trusts	Agency Funds
<b>Assets</b>		
Cash and cash equivalents		\$ 288,206
Investments	\$ 228,818	
<b>Total Assets</b>	<u>228,818</u>	<u>288,206</u>
<b>Liabilities</b>		
Due to student groups		288,206
<b>Total Liabilities</b>		<u>\$ 288,206</u>
<b>Net Position</b>		
Held in trust for other purposes	<u>\$ 228,818</u>	

See independent auditors' report.  
The accompanying notes are an integral part of these financial statements.



## Statement of Changes in Fiduciary Net Position Fiduciary Funds

Year Ended June 30, 2016

	Private- Purpose Trusts
<b>Additions</b>	
Interest income	\$ 2,306
<b>Total Additions</b>	<u>2,306</u>
<b>Deductions</b>	
Scholarship distributions	4,250
<b>Total Deductions</b>	<u>4,250</u>
<b>Change in Net Position</b>	(1,944)
<b>Net Position, Beginning of Year</b>	<u>230,762</u>
<b>Net Position, End of Year</b>	<u><u>\$ 228,818</u></u>

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Scarborough School Department (the School Department) provides elementary and secondary education for the children living in Scarborough, Maine.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in the publication entitled State and Local Governments. The more significant of the School Department's accounting policies are described below.

#### Reporting Entity

The Town of Scarborough School Department operates as a department of the Town of Scarborough, Maine (the Town), the financial statements of which have been issued in a separate report.

The accompanying financial statements present only the School Department's operations and are not intended to present fairly the financial position and results of operations of the Town of Scarborough, Maine in conformity with accounting principles generally accepted in the United States of America. Certain disclosures relevant to both the Town and the School Department are omitted herein and have been disclosed in the Town's financial statements.

#### Basis of Presentation

The financial statements report detailed information about the School Department. The focus of governmental financial statements is on major funds rather than reporting funds by type. The major fund is required to be presented in a separate column.

#### Governmental Funds

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

#### General Fund

The general fund is used to account for all financial resources, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use.

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects requiring separate accounting because of legal or regulatory provisions or administrative action).

#### Capital Project Funds

Capital project funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities. Such resources are derived principally from the proceeds of general obligation bond issues.

#### Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: Pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School Department under a trust agreement for individuals, private organizations, or other governments and are not available to support the School Department's own programs. The School Department's only trust fund is a private purpose trust fund which accounts for nonexpendable trusts established for the benefit of the School Department and its students. Agency funds are custodial in nature (assets equal liabilities) and do not involve any measurement of results of operations. The School Department agency fund accounts for various student-managed activities and scholarship funds for the benefit of the School Department's students.

#### Measurement Focus

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

#### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting.

#### Revenues – Exchange and Non-Exchange Transactions

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

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Revenues – Exchange and Non-Exchange Transactions – Continued

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

#### Expenditures

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

#### Budgetary Accounting

The School Department utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. The budget is established in accordance with the various laws that govern the School Department's operations. The budget is presented on the modified accrual basis of accounting, except for on-behalf payments which is excluded from both revenues and expenditures on the budgetary basis of accounting.

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

- Early in the second half of the previous fiscal year, the School Department prepares a budget for the current fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the residents of the Town of Scarborough is then called for the purpose of adopting both the proposed Town and School Department's budgets after public notice of the meeting has been given.
- Prior to July 1 the budget is adopted.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they do not constitute expenditures or liabilities and will be re-appropriated and honored during the subsequent year. Encumbrances are not treated as expenditures under the budgetary basis.

All unexpended and unencumbered appropriations lapse at year-end unless specific approval is granted to carry forward such amounts.

During the year ended June 30, 2016 the School Department utilized \$1,378,114 of available funds from the Wentworth School Construction capital project fund to pay for debt service. This resulted in an increase in the fund balance of the general fund. The resulting surplus fund balance in the general fund is expected to be utilized in future year's budgets.

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Inventories

School lunch inventories are valued at the lower of cost (first in-first out basis) or market. The cost of inventories is recorded as an expense when consumed rather than when purchased. Inventories include the value of U.S. Department of Agriculture commodities donated to the School Lunch Program.

#### Capital Assets

Capital assets of the School Department are recorded on the entity-wide financial statements of the Town of Scarborough, Maine.

#### Interfund Assets/Liabilities

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

#### Transfers

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

#### Compensated Absences

Compensated absences are earned in varying amounts by employees of the School Department. The total long-term liability of \$979,373 has been recorded in the government-wide financial statements of the Town of Scarborough, Maine and the portion that is currently due to employees of the School Department as of June 30, 2016, is \$37,485, which is also included in the fund financial statements.

#### Fund Balances

In the governmental fund financial statements, fund balance is reported in five classifications.

- **Nonspendable** Amounts that are not in spendable form, such as inventories and prepaid items or are legally or contractually required to be maintained intact.
- **Restricted** Resources with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

## Notes to Financial Statements

June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Fund Balances – Continued

- **Assigned** Resources neither restricted nor committed for which a government has a stated intended use as established by the School Board or a body or official to which the School Board has delegated the authority to assign amounts for specific purposes.
- **Unassigned** Resources which cannot be properly classified in one of the other four categories. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

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

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

#### Estimates

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

### NOTE 2 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the School Department has reported all capital assets in the Town's Government-Wide Statement of Net Position.

### NOTE 3 – LONG-TERM DEBT

In accordance with GASB Statement No. 34, the School Department has reported all long-term debt in the Town's Government-Wide Statement of Net Position. The School Department has two capital leases for copier equipment and also has certain bonds payable. Total annual debt service requirements as of June 30, 2016 are as follows:

Year Ending June 30,	Bonds Payable		Capital Lease Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,470,865	\$ 2,289,467	\$ 53,606	\$ 1,770	\$ 3,524,471	\$ 2,291,237
2018	3,394,861	2,181,711			3,394,861	2,181,711
2019	3,325,694	2,072,063			3,325,694	2,072,063
2020	2,811,739	1,963,245			2,811,739	1,963,245
2021	2,845,998	1,841,034			2,845,998	1,841,034
2022 – 2026	13,368,463	7,758,193			13,368,463	7,758,193
2027 – 2031	13,651,080	5,116,382			13,651,080	5,116,382
2032 – 2036	10,830,000	2,594,981			10,830,000	2,594,981
2037 – 2041	6,250,000	962,469			6,250,000	962,469
2042 – 2043	1,815,000	56,075			1,815,000	56,075
Total	<u>\$61,763,700</u>	<u>\$26,835,620</u>	<u>\$ 53,606</u>	<u>\$ 1,770</u>	<u>\$61,817,306</u>	<u>\$26,837,390</u>

## Notes to Financial Statements

June 30, 2016

### NOTE 4 – EMPLOYEE RETIREMENT SYSTEMS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No 27*, was implemented by the Town and the associated liability has been reported in the Town's government-wide financial statements.

#### Maine Public Employees Retirement – Teachers Group

##### Description of Plan

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. 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 Maine State Legislature establishes and amends benefit provisions. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the teacher's group.

That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, ME 04333-0046 or by calling 1-800-451-9800.

##### Funding Policy

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to approximately \$2,765,000 (12.55%) for the fiscal year 2016. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (page 4). The School contributes for federally funded teachers 12.55% of their compensation. This amounted to approximately \$55,000 during the fiscal year 2016. This cost is charged to the applicable grant.

The School Department also makes a contribution to the Maine Public Employees Retirement System Teachers Fund for the teachers of the School Department. The payment is determined by an actuary and is approximately 3.36% of the qualified teachers' salaries for the entire teachers' fund. For the year ended June 30, 2016, the amount of this contribution was approximately \$754,000.

#### Consolidated Retirement Pension Plan

##### Description of the Plan

School Department custodians, school lunch personnel and other non-teacher personnel can elect to participate in the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State Legislature. 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 Maine State Legislature establishes and amends benefit provisions. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333-0046 or by calling 1-800-451-9800.

## **Notes to Financial Statements**

**June 30, 2016**

### **NOTE 4 – EMPLOYEE RETIREMENT SYSTEMS – CONTINUED**

#### **Consolidated Retirement Pension Plan – Continued**

##### **Funding Policy**

The contribution rates of plan members and the School Department and the Town are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The School Department's contribution to the Maine Public Employees Retirement System Consolidated Plan for the year ended June 30, 2016 was approximately \$142,000.

### **NOTE 5 – CONTINGENCIES**

#### **Grants**

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

#### **Insurance**

The School Department is exposed to various risks of loss related to tort, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the School Department carries commercial insurance.

Based on the coverage provided by the commercial insurance purchased, the School Department is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2016. There have been no significant reductions in commercial insurance coverage from the prior year and no settlements have exceeded commercial insurance coverage in any of the past three years.



## Independent Auditors' Report on Additional Information

Board of Education  
Town of Scarborough School Department  
Scarborough, Maine

We have audited the financial statements of the Town of Scarborough School Department as of and for the year ended June 30, 2016, and our report thereon, dated December 20, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedules on pages 16 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Macpage LLC*

South Portland, Maine  
December 20, 2016

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### Macpage LLC

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**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds**

Year Ended June 30, 2016

	Title IA	Title IIA	Laptops	Local Entitlement	Local Entitlement Preschool	Proficiency- Based Grad Grant (State)	PEPG Grant (State)	School Nutrition	Scarborough Education Foundation	Fineberg Trust	Local Grants and Donations	Admin Recertification (Fiscal agent)	Totals
<b>Revenues</b>													
Federal education grants	\$ 174,392	\$ 51,278		\$ 564,711	\$ 5,384			\$ 254,805					\$ 1,050,570
State education grants						\$ 37,153	\$ 4,600	13,793					55,546
Charges for services and other			\$ 58,532					936,260	\$ 33,317		\$ 5,888	\$ 8,500	1,042,497
<b>Total Revenues</b>	<u>174,392</u>	<u>51,278</u>	<u>58,532</u>	<u>564,711</u>	<u>5,384</u>	<u>37,153</u>	<u>4,600</u>	<u>1,204,858</u>	<u>33,317</u>		<u>5,888</u>	<u>8,500</u>	<u>2,148,613</u>
<b>Expenditures</b>	<u>174,392</u>	<u>49,406</u>	<u>4,794</u>	<u>564,817</u>	<u>5,384</u>	<u>17,399</u>	<u>2,365</u>	<u>1,466,920</u>	<u>29,655</u>	<u>\$ 10,000</u>	<u>7,224</u>	<u>8,172</u>	<u>2,340,528</u>
<b>Revenues Over (Under) Expenditures Before Other Financing Sources</b>		<u>1,872</u>	<u>53,738</u>	<u>(106)</u>		<u>19,754</u>	<u>2,235</u>	<u>(262,062)</u>	<u>3,662</u>	<u>(10,000)</u>	<u>(1,336)</u>	<u>328</u>	<u>(191,915)</u>
<b>Other Financing Sources</b>													
Transfers from other funds								262,062					262,062
<b>Total Other Financing Sources</b>								<u>262,062</u>					<u>262,062</u>
<b>Net Change in Fund Balance</b>		<u>1,872</u>	<u>53,738</u>	<u>(106)</u>		<u>19,754</u>	<u>2,235</u>	<u>3,662</u>	<u>(10,000)</u>	<u>(1,336)</u>	<u>328</u>		<u>70,147</u>
<b>Fund Balance, Beginning of Year</b>			<u>39,155</u>			<u>51,155</u>		<u>12,417</u>	<u>204,129</u>	<u>8,627</u>	<u>524</u>		<u>316,007</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ 1,872</u>	<u>\$ 92,893</u>	<u>\$ (106)</u>	<u>\$ -</u>	<u>\$ 70,909</u>	<u>\$ 2,235</u>	<u>\$ -</u>	<u>\$ 16,079</u>	<u>\$ 194,129</u>	<u>\$ 7,291</u>	<u>\$ 852</u>	<u>\$ 386,154</u>

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Capital Projects Funds

Year Ended June 30, 2016

	2007-2008 Projects	2010-2011 Projects	2012-2013 Projects	2013-2014 Projects	2014-2015 Projects	2015-2016 Projects	Wentworth School Construction	Totals
<b>Revenues</b>								
Local contribution						\$ 273,728		\$ 273,728
Interest		\$ 7		\$ 190	\$ 9,777	21,260	\$ 30	31,264
<b>Total Revenues</b>		<u>7</u>		<u>190</u>	<u>9,777</u>	<u>294,988</u>	<u>30</u>	<u>304,992</u>
<b>Expenditures</b>								
Debt service							1,378,113	1,378,113
Purchased services	\$ 5,500	10,062	\$ 3,035	99,245	568,675	405,083	5,000	1,096,600
	<u>5,500</u>	<u>10,062</u>	<u>3,035</u>	<u>99,245</u>	<u>568,675</u>	<u>405,083</u>	<u>1,383,113</u>	<u>2,474,713</u>
<b>Revenues Under Expenditures Before Other Financing Sources (Uses)</b>	<u>(5,500)</u>	<u>(10,055)</u>	<u>(3,035)</u>	<u>(99,055)</u>	<u>(558,898)</u>	<u>(110,095)</u>	<u>(1,383,083)</u>	<u>(2,169,721)</u>
<b>Other Financing Sources (Uses):</b>								
Bond proceeds					503,435	980,408		1,483,843
Transfers (to) from other funds		(12)	(2)	(5,264)	(188)	(317)	(270,632)	(276,415)
<b>Total Other Financing Sources (Uses)</b>		<u>(12)</u>	<u>(2)</u>	<u>(5,264)</u>	<u>503,247</u>	<u>980,091</u>	<u>(270,632)</u>	<u>1,207,428</u>
<b>Net Change in Fund Balance</b>	(5,500)	(10,067)	(3,037)	(104,319)	(55,651)	869,996	(1,653,715)	(962,293)
<b>Fund Balance (Deficit), Beginning of Year</b>	<u>1,013</u>	<u>13,497</u>	<u>3,037</u>	<u>170,297</u>	<u>82,501</u>	<u>(734,882)</u>	<u>2,954,195</u>	<u>2,489,658</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ (4,487)</u>	<u>\$ 3,430</u>	<u>\$ -</u>	<u>\$ 65,978</u>	<u>\$ 26,850</u>	<u>\$ 135,114</u>	<u>\$ 1,300,480</u>	<u>\$ 1,527,365</u>

## Schedule of Changes in Fiduciary Net Position Private-Purpose Trust Funds

Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Private-Purpose Trust Funds:</b>				
Shirley Grover Fund	\$ 1,000	\$ 10		\$ 1,010
Mary Campbell Peterson Fund	91,950	925		92,875
Edith Warga Art Scholarship	102,154	1,014	\$ 2,500	100,668
Packy McFarland Scholarship	178	2		180
Roy Nelson Scholarship	12			12
Daniel Tranchemontagne Scholarship	1,092	11		1,103
Virginia Jackson Scholarship	16,149	162	1,500	14,811
Evelyn Chaddon Scholarship	312	3		315
S. Dwight Howard Scholarship	2,566	26		2,592
Bertha Libby-Lary Scholarship	11,170	111	250	11,031
Kathy Pearson Scholarship	2,952	12		2,964
Academic Decathlon Scholarship	1,228	30		1,258
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Private-Purpose Trust Funds</b>	<u>\$ 230,762</u>	<u>\$ 2,306</u>	<u>\$ 4,250</u>	<u>\$ 228,818</u>

## Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2016

SUMMARY

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Scarborough High School	\$ 146,985	\$ 275,602	\$ 231,242	\$ 191,345
Scarborough Middle School	44,379	123,337	123,042	44,674
Wentworth Intermediate School	30,638	41,288	39,227	32,699
Eight Corners School	9,137	6,354	7,628	7,863
Blue Point School	6,262	10,456	9,293	7,425
Pleasant Hill School	3,934	7,554	7,288	4,200
Total Student Activity Funds	<u>\$ 241,335</u>	<u>\$ 464,591</u>	<u>\$ 417,720</u>	<u>\$ 288,206</u>

## Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2016

## SCARBOROUGH HIGH SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Academic Decathlon	\$ 583		\$ 503	\$ 80
Alternative Education	85	\$ 585	275	395
Athletics	27,069	49,240	35,921	40,388
Athletics Concession	103	27,598	27,652	49
Auditorium	40	250	152	138
Boy's Tennis	685	1,230	46	1,869
Chorus	3,718	37,290	33,418	7,590
Civil Rights Team	1,722	800	1,902	620
Class of 2015	1,549			1,549
Class of 2016	11,260	2,530	8,525	5,265
Class of 2017	383	23,279	8,992	14,670
Class of 2018	1,201	3,948	2,777	2,372
Class of 2019		1,995	1,995	
ECOS	2,832	1,531	2,029	2,334
General Account	705	9,267	8,942	1,030
Golf Boosters	1,681	310	1,533	458
Guidance	13,294	44,514	39,793	18,015
GSA	245	640		885
Key Club	2,243	9,119	6,948	4,414
Library	1,438	404	395	1,447
Lisa Ruhman Grant		2,250	2,250	
Model UN	1,063	4,380	3,592	1,851
Natural Helpers	271			271
NHS	901	810		1,711
Oak Hill Players	19,273	16,764	12,113	23,924
One Act Play	610	2,490	2,171	929
Project AWARE	250			250
Project G.R.A.C.E.	103			103
SAAF Fund	1,676	30	10	1,696
Scholarship	4,893	4,026	3,500	5,419
School Store	1,366	3,606	2,976	1,996
Seeds of Peace		1,600		1,600
STEM		250		250
Steven Delano Memorial Fund	300			300
Storm for a Cure (was Pink Ribbon Club)	390	2,220	2,258	352
Student Art	189			189
Student Council	80	608	250	438
Study Center	41,138	5,710	2,484	44,364
Sunshine Fund	6	620	624	2
Video Productions	542	425	344	623
Yearbook	3,098	15,283	16,872	1,509
	<u>\$ 146,985</u>	<u>\$ 275,602</u>	<u>\$ 231,242</u>	<u>\$ 191,345</u>

## Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2016

SCARBOROUGH MIDDLE SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Algonquin	\$ 1		\$ 1	
Athletics		\$ 5,966	4,284	\$ 1,682
Band & Music	85	1,045	1,045	85
Bike-a-thon		5,853	5,853	
Box Tops/Soup Labels	252	923	95	1,080
Builder's Club	1,028	1,672	2,137	563
Civil Rights	234		234	
Class of 2019	423		423	
Class of 2020	6,693	13,508	19,041	1,160
Class of 2021	5,266	13,378	13,234	5,410
Class of 2022		19,313	13,637	5,676
Clynk 6th Grade		90		90
Clynk 7th Grade		129		129
Clynk 8th Grade		94		94
Coca Cola	2,069		2,069	
Donations	94		94	
Encore	577		54	523
General Fund	1,341	3,152	3,471	1,022
Grants & Donations	3,139	8,208	7,486	3,861
Grants & Donations: Math	902			902
Health II	199	805	655	349
Library	2,746	4,544	4,281	3,009
Literary Magazine	172	381	553	
Lost Books	447	183	17	613
Math Team	217	175	345	47
Operation Cupid	115	850	853	112
Pepsi Cola	111	358	124	345
Project G.R.A.C.E.	202			202
Read-a-thon		21,138	21,017	121
Red Storm Strikes Out Cancer	75	4,692	4,687	80
School Store	562	2,493	1,457	1,598
SMS Garden	621		621	
STEM	216			216
Student Advocacy	575	35	198	412
Student Council	2,176	234	2,344	66
Sunshine Fund		808	526	282
Theater Team	3,763	3,600	1,097	6,266
Wellness	906	1,904	1,685	1,125
Yearbook	9,172	7,806	9,424	7,554
	<u>\$ 44,379</u>	<u>\$ 123,337</u>	<u>\$ 123,042</u>	<u>\$ 44,674</u>

## Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2016

WENTWORTH INTERMEDIATE SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Becky's Garden	\$ 785		\$ 785	
Clynk Schoolwide	1,975	\$ 1,853	1,600	\$ 2,228
Field Trips	2,305	13,308	13,138	2,475
Garden - Stuart	3,346	5,023	4,647	3,722
General	12,810	5,962	2,214	16,558
Library	5,356	8,971	10,420	3,907
Music		499	483	16
PTO	94		94	
Sunshine Fund	284	792	982	94
Yearbooks		4,880	4,864	16
Unassigned Credit	3,683			3,683
	<u>\$ 30,638</u>	<u>\$ 41,288</u>	<u>\$ 39,227</u>	<u>\$ 32,699</u>



## Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2016

EIGHT CORNERS SCHOOL

<b>Beginning Balance</b>	<u>\$ 9,137</u>
<b>Receipts:</b>	
Field Trips	447
Library	1,557
Miscellaneous	892
Staff Enrichment	700
Student Enrichment	1,525
Sunshine Fund	369
Yearbook/Lifetouch	864
<b>Total Receipts</b>	<u>6,354</u>
<b>Disbursements:</b>	
Field Trips	310
Instr Supplies	422
Library	1,338
Miscellaneous	1,488
Office Supplies	75
Staff Enrichment	584
Student Enrichment	1,343
Sunshine Fund	320
Yearbook/Lifetouch	1,748
<b>Total Disbursements</b>	<u>7,628</u>
<b>Ending Balance</b>	<u>\$ 7,863</u>

## Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2016

BLUE POINT SCHOOL

<b>Beginning Balance</b>	<u>\$ 6,262</u>
<b>Receipts:</b>	
General	6,824
Library	2,029
Yearbook	1,603
<b>Total Receipts</b>	<u>10,456</u>
<b>Disbursements:</b>	
General	4,164
Library	2,052
PTA Technology	1,237
Yearbook	1,840
<b>Total Disbursements</b>	<u>9,293</u>
<b>Ending Balance</b>	<u><u>\$ 7,425</u></u>

## Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2016

PLEASANT HILL

<b>Beginning Balance</b>	<u>\$ 3,934</u>
<b>Receipts:</b>	
Clynk Bottle Drives	1,105
Field Trips	859
General	2,810
Library	1,860
Wellness	200
Yearbooks	720
<b>Total Receipts</b>	<u>7,554</u>
<b>Disbursements:</b>	
Clynk Bottle Drives	1,246
Field Trips	859
General	2,927
Library	1,373
Project G.R.A.C.E.	51
Wellness	112
Yearbooks	720
<b>Total Disbursements</b>	<u>7,288</u>
<b>Ending Balance</b>	<u><u>\$ 4,200</u></u>

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. Department of Education</b>			
<u>Pass-Through State of Maine Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010	013-05A-3107	\$ 174,392
Special Education Cluster			
Special Education - Grants to States	84.027	013-05A-3046	564,817
Special Education - Preschool Grants	84.173	013-05A-6247	5,384
Total Special Education Cluster			<u>570,201</u>
Improving Teacher Quality State Grants	84.367	013-05A-3042	<u>49,406</u>
<b>Total U.S. Department of Education</b>			<u>793,999</u>
<b>U.S. Department of Agriculture</b>			
<u>Pass-Through State of Maine Department of Education</u>			
Child Nutrition Cluster			
National School Lunch Program	10.555	013-05A-3022	56,398
National School Lunch Program	10.555	013-05A-3023	11,668
National School Lunch Program	10.555	013-05A-3024	124,551
School Breakfast Program	10.556	013-05A-3014	30,130
Total Child Nutrition Cluster			<u>222,747</u>
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	13-05A-6134	<u>27,224</u>
Total Food Distribution Cluster			<u>27,224</u>
Summer Food Service Program for Children	10.559	013-05A-3016	<u>4,834</u>
<b>Total U.S. Department of Agriculture</b>			<u>254,805</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,048,804</u></u>