

NOTES & COMMENTS

FY2017 QUARTER 2 -- FINANCIALS AS OF 12/31/2016

Overview

This report finds us at the halfway point of FY17, finished with the audit of FY16, heading full-steam into the budget development process for FY18, and ready for a check in on the current year.

Expenditures

The end of the second quarter is 50% through the fiscal year and 43% through the school year. As you may remember, last year we encountered a shift in the calendar which placed three payrolls instead of two in the month of December. As you are aware, 75% of our budget is spent on salaries and benefits, which means that having 14 of 26 payrolls fall in the first half of the fiscal year significantly increases the total budget percentage used by the end of quarter 2. That pay schedule holds true again this year, so our General Fund expenditures overall are at 54.1% rather than the typical close-to-50% expended (see also other variances described below).

We mentioned in the Quarter 1 report that the new Teachers' & Professionals' collective bargaining agreement was not ratified until October 6, and teacher salaries were paid according to the rates in the expired contract in September, which meant that first quarter expenditures ran a bit behind prior year percentages. As noted at that time, salaries for this bargaining unit were updated and retro pay was disbursed in October, so we are now back on a normal spending trajectory for salaries. Here are a few other variances of note:

Special Education and ESL -- These categories show a slightly lower rate of expenditure than the General Fund overall due to a combination of personnel turnover and delayed hiring, and significantly lower tuition costs for students in outside placements. That said, both categories have spent a larger proportion of their budgets this year than last year, particularly since we reduced the budgeted amount for tuition from \$500,000 in FY16 to \$300,000 in FY17 (creating a higher percentage spent of a smaller budget at quarter end).

Instructional Technology -- As we noted in Quarter 1, personnel costs for our IT staff are paid to the Town under our shared services model. This reimbursement is done twice per year, after the close of the second and fourth quarters. This year's higher expense ratio is driven by the strategic shift of funding for scheduled tech refreshes from CIP to the operating budget, with about \$150,000 increase in expenses over FY16.

Transportation -- This category is closer to the 50% mark than the prior years, both because we were closer to fully staffed in the 2nd quarter and because we actually reduced the overall department budget from FY16 FY17 due to lower projected staff and fuel costs.

Debt Service -- Debt payments continue the shift we saw last year at this time, where a larger proportion of the payments due are for principal rather than interest. Principal payments are made in the first half of the year, and interest payments are split between fall and spring.

Revenues

General Fund revenues are on target in most cases at the end of Quarter 2. Both State Agency Client and Medicaid reimbursements have been slow to arrive due both to turnover of State personnel and to continued uncertainty around Federal rules regarding allowable expenses for Medicaid billing. The Department of Education continues to work to clarify the relationship between school services and Medicaid, and we hope to catch up to budgeted projections in this area as the year continues.

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Other Funds

Adult Education spending is as expected for Quarter 2, and revenues are back up from FY16 due to the receipt of State subsidy in December (vs. January last year). The Winter-Spring 2017 course catalog has been published and distributed. Workforce programming and ESL offerings continue to be very popular with our adult learners.

The School Nutrition department is showing a very gradual increase in revenues, with significant gains in meal sales offset by a drop in a la carte sales. The School Board Communications Committee is working with school leadership to get the word out to parents about the wonderful improvements in school lunch offerings, and efforts are underway to increase student access to healthy foods throughout the day, with particular emphasis on breakfast and point-of-sale locations outside the school cafeterias. While expenditures are on target to remain under budget, the continued revenue shortfall in this program remains a problem to be addressed by the Board.

Local Entitlement (grant funds which support Special Education) reimbursements have been slowed by the State DOE's need to review compliance documentation under federal regulations; reimbursement requests from each district are randomly selected to provide background documentation for their expenditures, and this review process slows down the normal rate of reimbursement. As with all of our federal grant funds, however, we have been approved for and allocated a specific amount of funding for the fiscal year, so there isn't a need for concern that that we won't receive the funds.

A new entry in the Grants & Trusts section is a fund created to manage the maintenance fees charged to students for one-to-one technology devices across the district (\$60 at High School, \$25 at Middle School and \$10 at Wentworth School). These funds had been deposited in the three school activity accounts, but have been moved into a separate MUNIS fund at the recommendation of the auditors. The money collected will be used to offset the cost of student device repair and replacement.

Capital Projects

As usual, this report includes a year-to-date summary of our multi-year CIP project accounts. Spending typically slows during the second quarter, with most projects and purchases scheduled for completion prior to the start of the school year. By this time, remaining facilities and IT projects are generally planned for school breaks to avoid interruptions to school operations.

In Summary

This Quarter 2 financial report finds the district in a position of good fiscal health. As we continue work on the development of our FY18 budget proposal, we are pleased to be able to present a current picture of thoughtful spending and good financial stewardship to all the stakeholders in our community.

**Scarborough Public Schools
2016-2017 Financial Report
Operating Account
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General Fund Appropriations: (including encumbrances)	<u>Approved Budget</u>	<u>Revised Budget</u>	<u>Year-to-date Expended</u>	<u>Budget Balance</u>	<u>FY17 % Used</u>	<u>FY16 % Used</u>	<u>FY15 % Used</u>
Regular Instruction:							
Regular Instruction Programs	18,633,608	18,633,608	9,595,902	9,037,706	51.5%	52.1%	48.5%
English as a Second Language (ESL)	263,771	263,771	129,467	134,304	49.1%	47.3%	41.8%
Gifted and Talented Programs	301,899	301,899	161,048	140,851	53.3%	52.4%	49.4%
Special Education Instruction	7,125,737	7,125,737	3,415,133	3,710,604	47.9%	46.3%	46.0%
CTE Instruction (Career & Technical Ed)	259,555	259,555	258,302	1,253	99.5%	98.0%	101.5%
Other Instruction:		114,012		1.60			
Co-Curricular	138,729	138,729	76,737	61,993	55.3%	51.1%	49.2%
Extra-Curricular	866,587	866,587	444,382	422,205	51.3%	50.7%	49.4%
Student & Staff Support:							
Guidance Services	1,285,197	1,285,197	648,184	637,013	50.4%	51.5%	47.8%
Health Services	601,743	601,743	317,535	284,208	52.8%	49.8%	46.1%
Instructional Technology	995,908	995,908	336,445	659,463	33.8%	24.0%	19.8%
Improvement of Instruction	993,479	993,479	592,696	400,783	59.7%	58.1%	62.1%
Library Services	605,190	605,190	303,807	301,383	50.2%	47.5%	46.0%
System Administration	1,012,196	1,012,196	564,727	447,469	55.8%	53.6%	52.5%
School Administration	1,689,833	1,689,833	848,917	840,916	50.2%	51.3%	48.6%
Transportation	1,455,813	1,455,813	673,263	782,550	46.2%	43.0%	42.0%
Facilities & Maintenance	3,839,189	3,839,189	1,853,903	1,985,286	48.3%	45.9%	43.7%
Debt Service	5,761,633	5,761,633	4,642,407	1,119,226	80.6%	77.4%	71.6%
All Other	25,000	25,000	0	25,000	0.0%	0.0%	0.0%
Total General Fund Appropriations	45,855,067	45,969,079	24,862,855	20,992,214	54.1%		
FY16 Year-to-date	43,543,756	43,543,756	23,067,609	20,476,147		53.0%	
FY15 Year-to-date	41,990,624	41,990,624	21,130,533	20,860,091			50.3%

Estimated Revenue:	<u>Estimated Revenue</u>	<u>Revised Estimate</u>	<u>Year-to-date Received</u>	<u>Balance/ (Shortfall)</u>	<u>FY17 % Rec'd</u>	<u>FY16 % Rec'd</u>	<u>FY15 % Rec'd</u>
Town Funding - Tax Levy	39,734,010	39,734,010	39,734,010	0	100.0%	100.0%	100.0%
Use of Fund Balance	425,000	425,000	425,000	0	100.0%	100.0%	100.0%
Wentworth Project Funds	1,585,910	1,585,910	1,585,910	0	100.0%	100.0%	0.0%
State Subsidy - GPA	3,589,147	3,589,147	1,787,384	(1,801,763)	49.8%	52.6%	55.2%
State Agency Client Funding	165,000	165,000	13,731	(151,269)	8.3%	0.0%	17.6%
Medicaid Reimbursement	45,000	45,000	334	(44,666)	0.7%	11.8%	22.6%
Comm. Services Daycare (rent space)	30,000	30,000	0	(30,000)	0.0%	0.0%	0.0%
Community Services Transportation	30,000	30,000	26,933	(3,067)	89.8%	80.8%	98.5%
Winslow Homer/Facility Rental Fees	43,000	43,000	10,694	(32,306)	24.9%	35.0%	50.3%
Student Sports/Activity Fees	150,000	150,000	77,010	(72,990)	51.3%	68.7%	47.9%
Other Miscellaneous Revenue	58,000	58,000	38,802	(19,198)	66.9%	59.8%	42.1%
Total Revenue	45,855,067	45,855,067	43,699,808	(2,155,259)	95.3%	94.1%	94.2%

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OTHER FUNDS

Adult Education:

	Approved Budget	Revised Budget	Year-to-date Expended	Budget Balance	FY17 % Used	FY16 % Used	FY15 % Used
Expenditures							
Wages & benefits (instructors & program admin)	162,055	162,055	71,909	90,146	44.4%		
General supplies & operations	10,000	10,000	5,484	4,516	54.8%		
Instructional supplies, software & equipment	10,750	10,750	9,729	1,022	90.5%		
Expenditure totals	182,805	182,805	87,122	95,683	47.7%	49.2%	47.7%
	Budgeted Revenue	Revised Estimate	Year-to-date Received	Balance/ (Shortfall)	FY17 % Rec'd	FY16 % Rec'd	FY15 % Rec'd
Revenues							
Town Funding - Tax Levy	99,552	99,552	99,552	0	100.0%		
Use of Fund Balance	1,253	1,253	1,253	0	100.0%		
State Subsidy - Adult Ed	25,000	25,000	29,306	4,306	117.2%		
Adult Ed Tuition	57,000	57,000	13,751	(43,249)	24.1%		
Revenue totals	182,805	182,805	143,862	(38,943)	78.7%	61.2%	82.9%
Adult Education YTD fund balance	0	0	56,740	56,740			

	Approved Budget	Revised Budget	Year-to-date Expended	Budget Balance	FY17 % Used	FY16 % Used	FY15 % Used
School Nutrition Program:							
Expenditures							
Wages & Benefits	841,841	841,841	376,574	465,267	44.7%		
Food & Beverages	543,675	543,675	263,139	280,536	48.4%		
Contracted Services (software & repairs)	19,000	19,000	5,678	13,322	29.9%		
Supplies & Equipment	64,800	64,800	29,257	35,543	45.1%		
Operations	1,750	1,750	1,091	659	62.4%		
Expenditure totals	1,471,066	1,471,066	675,739	795,327	45.9%	43.3%	43.0%
	Budgeted Revenue	Revised Estimate	Year-to-date Received	Balance/ (Shortfall)	FY17 % Rec'd	FY16 % Rec'd	FY15 % Rec'd
Revenues							
Food Sales	1,150,566	1,150,566	401,940	(748,626)			
Federal Funding (USDA)	258,000	258,000	67,341	(190,659)			
State Funding (DOE)	15,000	15,000	3,355	(11,645)			
Summer Meal Program	18,500	18,500	13,026	(5,474)			
Grants & Donations	4,000	4,000	7,000	3,000			
General Fund support	25,000	25,000	25,000	0			
Revenue totals	1,471,066	1,471,066	517,662	(953,404)	35.2%	33.2%	33.0%
School Nutrition YTD fund balance	0	0	(158,077)	(158,077)			

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Federal Restricted Funds:	<u>Beg. Balance</u>	<u>Year-to-date Revenues</u>	<u>Year-to-date Expenses</u>	<u>End. Balance*</u>
Title IA	0	55,378	74,624	(19,247)
Title IIA	0	29,378	40,063	(10,686)
Pre-K Local Entitlement	0	4,097	4,182	(85)
Local Entitlement	0	95,787	327,625	(231,838)
Total Federal Restricted	0	184,640	446,495	(261,856)

*reimbursement pending - Federal funds are disbursed after actual expenditures are reported

Grants & Trusts:	<u>Beg. Balance</u>	<u>Year-to-date Revenues</u>	<u>Year-to-date Expenses</u>	<u>End. Balance</u>
Louis & Tina Fineberg Trust	194,129	0	0	194,129
Scarborough Education Foundation	16,079	14,180	1,244	29,014
Local grants & donations	7,291	7,476	386	14,382
CC Admin Recertification (fiscal agent)	852	8,100	0	8,952
Tech Maintenance Fees**	92,893	70,345	0	163,238
PEPG State Grant	2,235	0	0	2,235
Proficiency-based Graduation Grant	70,910	36,299	50,500	56,708
Total Grants & Trusts	384,388	136,400	52,130	468,658

**transferred to MUNIS account from School Activity Accounts

School CIP project account status
as of 12/31/2016

FACILITIES	Account #	Budget Balance as of 6/30/2016	FY17 Budgeted	FY17 YTD Expenses*	Budget Balance as of 12/31/2016
Long-range Planning	73001798 570000	44,059	0	0.00	44,059
District-wide Energy Impr	73001803 570000	22,598	60,000	39,889.25	42,708
District-wide Roofing	74001771 570000	21,649	238,500	176,350.00	83,799
District-wide Security & Access	74001787 570000	512,824	0	5,339.80	507,484
District-wide Flooring	74001791 570000	3,145	20,000	0.00	23,145
District-wide Movable Equipmt	74001792 573100	24,264	138,375	153,476.00	9,163
HS Auditorium	74001793 570000	0	10,000	0.00	10,000
District-wide Building Envelope	74001794 570000	(9)	125,000	91,803.00	33,188
District-wide Pavement Mtce	74001805 570000	0	15,000	0.00	15,000
HS Athletics Equipment	74001807 570000	0	26,000	29,800.00	(3,800)
HS Science Labs Retrofit	74001808 570000	0	50,000	0.00	50,000
District-wide HVAC/Mechanical	74176800 573100	65,656	100,000	61,899.00	103,757
Facilities Support/Equipment	74176900 573100	9,152	52,000	8,018.00	53,134
TOTALS		703,338	834,875	566,575.05	971,638
TRANSPORTATION					
Bus purchase/lease	74001712 573600	0	315,000	310,828.60	4,171
TECHNOLOGY					
Equipment Replacement	74001784 573100	88,780	194,275	57,565.98	225,489
New Equipment	74001799 573100	96,181	36,680	24,332.49	108,529
TOTALS		184,961	230,955	81,898.47	334,018
				*including encumbrances	
GRAND TOTALS		888,299	1,380,830	959,302.12	1,309,827