

## **NOTES & COMMENTS**

### **YEAR END FY2017**

#### **Overview**

This year-end financial report is provided as a supporting document to the School Board meeting presentation of October 5, 2017. As usual, this report is marked "pending audit"; we will be working the auditors in November and December, but don't anticipate any significant changes overall.

The following pages provide more detailed financials; here are some highlights:

#### **Expenditures**

General Fund expenditures came in under budget by \$861,027 overall. Most of the savings were achieved in a few broad spending areas: personnel turnover and benefits changes saved about \$150,000; energy and utility costs came in at around \$100,000 under budget; and Special Services tuition costs for outside placements were under budget by about \$200,000, both due to our ability to transition some students back into appropriate programming in our own district and to the use of federal grant funds (Local Entitlement/IDEA) to support unexpected costs. While school leaders always strive to end the fiscal year under budget on discretionary spending, a curtailment plan set in motion in April of 2017 helped to increase the typical level of savings, generating over \$150,000 in instructional accounts and over \$200,000 in operations accounts.

I have provided in a separate document the individual accounts which were overspent by more than \$10,000 in FY2017. The Board is asked to approve budget transfers to cover these deficits according to policy DBJ. You will find notes there about the various cost overruns, and I will address these in my year-end presentation to the Board.

#### **Revenues**

Year-end General Fund revenues were short of budgeted projections by \$477,338. The largest shortfall was \$268,994 in Wentworth project funds, where a portion of the original amount budgeted as FY2017 revenue was actually transferred early to the General Fund in the debt service offset at the end of FY2016. Due to clerical oversight, the FY2017 revenue expectation was not adjusted down at that time, so while the total of Wentworth project funds used remained the same, the revenue received in FY2017 was lower than expected. Another shortfall of almost \$90,000 was booked in State subsidy, which was reduced by Medicare seed payments made directly to special purpose private schools by the DOE, in a reimbursement model that was introduced in 2012.

State Agency Client reimbursements were short of budgeted estimates by about \$47,000; these reimbursements are affected by changing student eligibility and are notoriously difficult to predict. As we discussed earlier in the year, Medicaid reimbursement was originally budgeted at \$45,000, but our billing for school-based medical services has ground to a halt due to the State's unwillingness to guarantee that family insurance will not be billed for school expenses. Under the circumstances we are unlikely to receive informed consent from parents to bill Medicaid, and we are also concerned that this might constitute a failure to provide statutorily mandated "free & appropriate public education" (FAPE).

We were able to offset the significant revenue shortfall in FY2017 with savings in expenditures but the resulting year-end gain in General Fund fund balance was only \$107,539.

## NOTES & COMMENTS

### Other Funds

The **Adult Education** program ends FY2017 with a positive fund balance, although slightly reduced from FY2016. Tuition revenues fell a bit short of projections, mostly offset by an increase in State funding due to the addition of more subsidizable course offerings. Spending on instructional supplies went over budget - we added summer sessions for some of our workforce programming, and noticed that the advance purchase of textbooks and consumables didn't time out well with the receipt of offsetting tuition payments for those courses, so we're working on that for FY2018.

The **School Nutrition** program ended the year with a \$4,887 budget-to-actual surplus on the expenditure side, with higher staff costs offset by savings in food supplies, reflecting the shift from prepared foods to in-house cooking. As expected, however, food sale revenues fell well short of the FY2017 amount budgeted, and we will require a year-end fund transfer of \$276,151 to cover the deficit.

As you are well aware from discussions throughout the year, we are pleased to have made some important adjustments for FY2018 that should allow us to present a different year-end picture. We have re-worked budgeted revenue projections to more accurately reflect recent food sale levels, and have directly budgeted local tax revenues in support of the program for the first time, removing the need to rely solely on unbudgeted surplus at year-end.

This financial statement also contains year-end status of **federal grant funds** as well as local and State **grants and trusts**. A new item in the local section is a fund created to segregate revenue and expenses for the Backpack Program as well as other targeted grants for School Nutrition. Small balances also remain in the State PEPG and Proficiency Based Education grants to support our ongoing work in improvement of instruction.

### Capital Projects

This report includes a year-end summary of our multi-year CIP project accounts, as usual. As we noted last year, there continues to be a large carryover balance in the districtwide security and access management project line; funding was originally approved for installing backup generators at the K-2 schools but this project has been deferred pending continued development of both the district-wide long-range facilities plan and the town-wide IT disaster recovery plan.

### In Summary

At the close of FY2017 we find ourselves concerned but optimistic in our role as fiscal stewards of the funds provided for public education in Scarborough. We are confident that we are engaging in very important work to advance the quality of teaching and learning for our students, yet very aware of the challenges facing us as we navigate FY2018 and begin the budget development process for FY2019. School leaders have already developed a voluntary district-wide curtailment plan for FY2018, continuing our commitment to generating as much budget-to-actual surplus as possible by year end. Because our FY2018 budget passed at a significantly reduced level from the School Board's original proposal this is not an easy task, but we will strive to ensure that our community's children continue to receive the excellent programs and services they deserve.

**Scarborough Public Schools  
Statement of Surplus  
June 30, 2017**

**FOR SCHOOL BOARD 10/5/17 - PENDING AUDIT**

General Fund Surplus as of 6/30/2016	\$	2,639,453
Allocated to 2016-17 budget	\$	(425,000)
<b>Undesignated Surplus as of 7/1/2017</b>	<b>(audited balance) \$</b>	<b>2,214,453</b>

<u>General Fund Appropriations:</u>	<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	18,604,208	18,429,042	175,166	99.1%	98.5%	99.7%
English as a Second Language (ESL)	263,771	275,771	275,751	20	100.0%	92.9%	97.4%
Gifted and Talented Programs	301,899	301,899	298,900	2,999	99.0%	97.4%	99.5%
Special Education Instruction	7,125,737	7,111,737	6,901,258	210,479	97.0%	95.6%	99.5%
CTE Instruction (Career & Technical Ed)	259,555	259,555	259,555	(0)	100.0%	98.0%	101.5%
Other Instruction:							
Co-Curricular	138,729	138,729	133,621	5,108	96.3%	95.7%	93.6%
Extra-Curricular	866,587	912,587	912,566	21	100.0%	99.9%	99.6%
Student & Staff Support:							
Guidance Services	1,285,197	1,294,697	1,291,616	3,081	99.8%	99.9%	99.1%
Health Services	601,743	608,743	608,642	101	100.0%	100.0%	98.7%
Instructional Technology	995,908	995,908	967,815	28,093	97.2%	93.6%	97.4%
Improvement of Instruction	993,479	993,479	926,247	67,232	93.2%	90.4%	95.8%
Library Services	605,190	605,190	580,237	24,953	95.9%	96.5%	94.6%
System Administration	1,012,196	1,012,196	1,011,385	811	99.9%	100.0%	98.7%
School Administration	1,689,833	1,704,733	1,700,923	3,810	99.8%	99.3%	99.9%
Transportation	1,455,813	1,409,813	1,353,200	56,613	96.0%	90.0%	95.4%
Facilities & Maintenance	3,839,189	3,839,189	3,557,652	281,537	92.7%	95.8%	96.7%
Debt Service	5,761,633	5,761,633	5,760,631	1,002	100.0%	73.1%	96.4%
All Other	25,000	25,000	25,000	0	100.0%	100.0%	100.0%
<b>Total General Fund Appropriations</b>	<b>45,855,067</b>	<b>45,855,067</b>	<b>44,994,040</b>	<b>861,027</b>	<b>98.1%</b>	<b>94.3%</b>	<b>98.6%</b>

<u>Estimated Revenue:</u>	<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	1,569,553	1,569,553	1,300,559	(268,994)	82.9%	100.0%	100.0%
Debt Service Premium (2015 CIP)	16,357	16,357	16,357	0	100.0%	100.0%	0.0%
State Subsidy - GPA	3,589,147	3,589,147	3,499,284	(89,863)	97.5%	99.1%	99.4%
State Agency Client Funding	165,000	165,000	117,676	(47,324)	71.3%	83.4%	105.6%
Medicaid Reimbursement	45,000	45,000	334	(44,666)	0.7%	34.5%	170.2%
Comm. Services Daycare (rent space)	30,000	30,000	29,539	(461)	98.5%	101.9%	104.4%
Community Services Transportation	30,000	30,000	29,289	(711)	97.6%	83.2%	108.5%
Winslow Homer/Facility Rental Fees	43,000	43,000	29,634	(13,366)	68.9%	81.7%	102.5%
Student Sports/Activity Fees	150,000	150,000	135,053	(14,947)	90.0%	100.8%	75.8%
Other Miscellaneous Revenue	58,000	58,000	60,993	2,993	105.2%	88.9%	101.0%
<b>Total Revenue</b>	<b>45,855,067</b>	<b>45,855,067</b>	<b>45,377,729</b>	<b>(477,338)</b>	<b>99.0%</b>	<b>99.7%</b>	<b>99.9%</b>

Scarborough Public Schools  
Statement of Surplus  
June 30, 2017

FOR SCHOOL BOARD 10/5/17 - PENDING AUDIT

**Year-end Fund Transfers**

Food Services fund deficit (see below)	\$ (276,151)
Surplus bond proceeds from closed CIP projects to General Fund	(276,151)
Audit adjustments	
<b>Total Transfers</b>	<b>\$ (276,151)</b>

**Breakdown of General Fund Surplus Balances**

As of 6/30/2016 fund balance was :	\$ 2,639,453
Used For FY17 Budget	\$ (425,000)
Undesignated Fund Balance 6/30/2016	\$ 2,214,453
FY17 Appropriations Balance	\$ 861,027
FY17 Revenue Balance	\$ (477,338)
FY17 Year-end Adjustments	\$ (276,151)
FY17 Year-end Balance	\$ 107,539
Total Available Fund Balance	\$ 2,321,992
Used for FY18 Budget	\$ (2,100,000)
<b>Undesignated Fund Balance 6/30/2017</b>	<b>\$ 221,992</b>

**OTHER FUNDS**

**Adult Education:**

	Approved Budget	Revised Budget	Year-to-date Expended	Budget Balance	FY17 % Used	FY16 % Used	FY15 % Used
<b>Expenditures</b>							
Wages & benefits (instructors & program admin)	162,055	162,055	159,384	2,671	98.4%		
General supplies & operations	10,000	10,000	9,885	115	98.8%		
Instructional supplies, software & equipment	10,750	10,750	18,254	(7,504)	169.8%		
<b>Expenditure totals</b>	<b>182,805</b>	<b>182,805</b>	<b>187,523</b>	<b>(4,718)</b>	102.6%	98.5%	94.4%
<b>Revenues</b>							
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	50,808	(6,192)	89.1%		
<b>Revenue totals</b>	<b>182,805</b>	<b>182,805</b>	<b>180,919</b>	<b>(1,886)</b>	99.0%	91.7%	95.7%
<b>Adult Education YTD fund balance</b>	<b>0</b>	<b>0</b>	<b>(6,604)</b>	<b>(6,604)</b>			
Adult Education multi-year fund balance	10,585	7/1/2016		3,982	6/30/2017		

**Scarborough Public Schools  
Statement of Surplus  
June 30, 2017**

**FOR SCHOOL BOARD 10/5/17 - PENDING AUDIT**

<b>School Nutrition Program:</b>	<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>
<b>Expenditures</b>							
Wages & Benefits	841,841	841,841	867,658	(25,817)	103.1%		
Food & Beverages	543,675	543,675	540,268	3,407	99.4%		
Contracted Services (software & repairs)	19,000	10,500	10,691	(191)	101.8%		
Supplies & Equipment	64,800	73,300	44,475	28,825	60.7%		
Operations	1,750	1,750	3,088	(1,338)	176.4%		
<b>Expenditure totals</b>	<b>1,471,066</b>	<b>1,471,066</b>	<b>1,466,179</b>	<b>4,887</b>	<b>99.7%</b>	<b>96.3%</b>	<b>98.7%</b>
<b>Revenues</b>							
Food Sales	1,150,566	1,150,566	919,433	(231,133)			
Federal Funding (USDA)	258,000	258,000	214,287	(43,713)			
State Funding (DOE)	15,000	15,000	13,831	(1,169)			
Summer Meal Program	18,500	18,500	13,026	(5,474)			
Grants & Donations (see also new fund 7216)	4,000	4,000	4,450	450			
General Fund support	25,000	25,000	25,000	0			
<b>Revenue totals</b>	<b>1,471,066</b>	<b>1,471,066</b>	<b>1,190,028</b>	<b>(281,038)</b>	<b>80.9%</b>	<b>80.4%</b>	<b>88.1%</b>
<b>School Nutrition YTD fund balance</b>	<b>0</b>	<b>0</b>	<b>(276,151)</b>	<b>(276,151)</b>			

<b>Federal Restricted Funds:</b>	<u>Beg. Balance</u>	<u>Year-to-date Revenues</u>	<u>Year-to-date Expenses</u>	<u>End. Balance*</u>
Title IA	0	165,825	165,825	0
Title IIA	0	71,464	72,587	(1,123)
Pre-K Local Entitlement	0	7,496	7,532	(36)
Local Entitlement	0	814,292	814,148	144
<b>Total Federal Restricted</b>	<b>0</b>	<b>1,059,077</b>	<b>1,060,093</b>	<b>(1,015)</b>

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

<b>Grants &amp; Trusts:</b>	<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	10,000	184,129
Scarborough Education Foundation	16,079	33,040	24,649	24,469
Local grants & donations	7,291	13,486	2,254	18,524
CC Admin Recertification (fiscal agent)	852	8,100	8,207	745
Tech Maintenance Fees	92,893	158,479	545	250,827
School Nutrition Special Programs	0	7,435	2,080	5,355
PEPG State Grant	2,235	1,500	0	3,735
Proficiency-based Graduation Grant	70,910	36,299	99,325	7,883
<b>Total Grants &amp; Trusts</b>	<b>384,388</b>	<b>258,339</b>	<b>147,060</b>	<b>495,667</b>

new fund for donations & grants

School CIP project account status      Year-end FY17  
as of 6/30/2017

**FOR SCHOOL BOARD 10/5/17 - PENDING AUDIT**

<b>FACILITIES</b>	<b>Account #</b>	<b>Budget Balance as of 6/30/2016</b>	<b>FY17 Budgeted</b>	<b>FY17 Expended</b>	<b>Budget Balance as of 6/30/2017</b>
Long-range Planning	73001798 570000	(4,488)	0	4,059.21	(8,547)
District-wide Energy Impr	73001803 570000	22,598	60,000	82,415.48	182
District-wide Roofing	74001771 570000	21,649	238,500	176,350.00	83,799
District-wide Security & Access	74001787 570000	512,824	0	22,534.28	490,289
District-wide Flooring	74001791 570000	3,145	20,000	0.00	23,145
District-wide Movable Equipmt	74001792 573100	24,264	88,375	111,325.66	1,313
HS Auditorium	74001793 570000	0	10,000	9,998.00	2
District-wide Building Envelope	74001794 570000	(9)	125,000	91,803.00	33,188
District-wide Pavement Mtce	74001805 570000	0	15,000	15,000.00	0
Athletics Facilities/Equipment	74001807 570000	0	76,000	76,000.00	0
HS Science Labs Retrofit	74001808 570000	0	50,000	0.00	50,000
District-wide HVAC/Mechanical	74176800 573100	65,656	100,000	120,909.97	44,746
Facilities Support/Equipment	74176900 573100	9,152	52,000	47,958.00	13,194
<b>TOTALS</b>		<b>654,791</b>	<b>834,875</b>	<b>758,353.60</b>	<b>731,312</b>
<b>TRANSPORTATION</b>					
Bus purchase/lease	74001712 573600	0	315,000	310,828.60	4,171
<b>TECHNOLOGY</b>					
Equipment Replacement	74001784 573100	88,780	194,275	213,962.98	69,092
New Equipment	74001799 573100	96,181	36,680	24,332.49	108,529
<b>TOTALS</b>		<b>184,961</b>	<b>230,955</b>	<b>238,295.47</b>	<b>177,621</b>
<b>GRAND TOTALS</b>		<b>839,752</b>	<b>1,380,830</b>	<b>1,307,477.67</b>	<b>913,105</b>