

**Town of Scarborough  
School Department**

**Financial Report**

**June 30, 2018**

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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 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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 School Department, as of June 30, 2018, 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 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 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, 2018 or 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 omitted the Management's Discussion and Analysis (MD&A) 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 31, 2019, on our consideration of the School Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Department's internal control over financial reporting and compliance.

*Wipfli LLP*

South Portland, Maine  
January 31, 2019

## Balance Sheet Governmental Funds

June 30, 2018

	General Fund	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Total Governmental Funds
<b>Assets</b>				
Due from the Town	\$ 5,546,973	\$ 37,170	\$ 404,363	\$ 5,988,506
Intergovernmental receivables	85,884	470,746		556,630
Inventory		30,957		30,957
<b>Total Assets</b>	<u>\$ 5,632,857</u>	<u>\$ 538,873</u>	<u>\$ 404,363</u>	<u>\$ 6,576,093</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 610,473	\$ 35,260	\$ 7,517	\$ 653,250
Accrued payroll	3,911,315	32,997		3,944,312
Accrued withholdings	29,753			29,753
Accrued compensated absences	158,807			158,807
Accrued vacation	89,294			89,294
Unearned revenue	232	1,494		1,726
<b>Total Liabilities</b>	<u>4,799,874</u>	<u>69,751</u>	<u>7,517</u>	<u>4,877,142</u>
<b>Fund Balances</b>				
Fund balances				
Nonspendable				
Inventory		30,957		30,957
Restricted				
Special revenue funds		438,165		438,165
Capital project funds			396,846	396,846
Assigned				
Carryover	500,000			500,000
Unassigned				
General fund	332,983			332,983
<b>Total Fund Balances</b>	<u>832,983</u>	<u>469,122</u>	<u>396,846</u>	<u>1,698,951</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,632,857</u>	<u>\$ 538,873</u>	<u>\$ 404,363</u>	<u>\$ 6,576,093</u>

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

Year Ended June 30, 2018

	General Fund	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Total
<b>Revenues</b>				
Local allocation	\$ 42,204,017	\$ 188,942	\$ 53,000	\$ 42,445,959
State subsidy	2,055,550			2,055,550
State subsidy - adult education	27,206			27,206
State agency clients	107,333			107,333
On-behalf payments - State of Maine pension contribution	3,281,000			3,281,000
On-behalf payments - other postemployment benefit contribution	107,400			107,400
Adult education	149,179			149,179
Student extra-curricular fees	125,560			125,560
Miscellaneous	265,551		1,408	266,959
Intergovernmental revenue		1,285,128		1,285,128
Federal donated commodities received		73,514		73,514
Sale of meals		1,027,170		1,027,170
<b>Total Revenues</b>	<u>48,322,796</u>	<u>2,574,754</u>	<u>54,408</u>	<u>50,951,958</u>
<b>Expenditures</b>				
Regular instruction	19,451,055			19,451,055
Special education	7,426,459			7,426,459
Career and technical education	293,318			293,318
Other instruction	1,179,525			1,179,525
Student and staff support	4,414,029			4,414,029
System administration	1,019,644			1,019,644
School administration	1,827,096			1,827,096
Transportation	1,311,968			1,311,968
Facilities maintenance	3,604,823			3,604,823
Debt service and other commitments	5,614,407			5,614,407
Adult education	173,329			173,329
On-behalf payments - State of Maine pension contribution	3,281,000			3,281,000
On-behalf payments - other postemployment benefit contribution	107,400			107,400
Grant expenditures		983,027		983,027
School lunch expenditures		1,530,481		1,530,481
Federal donated commodities used		73,514		73,514
Capital outlay			853,142	853,142
<b>Total Expenditures</b>	<u>49,704,053</u>	<u>2,587,022</u>	<u>853,142</u>	<u>53,144,217</u>
<b>Deficiency of Revenues Over Expenditures Before Other Financing Sources (Uses)</b>	<u>(1,381,257)</u>	<u>(12,268)</u>	<u>(798,734)</u>	<u>(2,192,259)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	(129,714)	105,439	24,275	
Bond proceeds			1,160,083	1,160,083
<b>Total Other Financing Sources (Uses)</b>	<u>(129,714)</u>	<u>105,439</u>	<u>1,184,358</u>	<u>1,160,083</u>
<b>Net Change in Fund Balances</b>	(1,510,971)	93,171	385,624	(1,032,176)
<b>Fund Balances</b>				
Beginning of Year	<u>2,343,954</u>	<u>375,951</u>	<u>11,222</u>	<u>2,731,127</u>
End of Year	<u>\$ 832,983</u>	<u>\$ 469,122</u>	<u>\$ 396,846</u>	<u>\$ 1,698,951</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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Local allocation	\$ 42,204,017	42,204,017	\$ 42,204,017	
State subsidy	2,150,151	2,150,151	2,055,550	\$ (94,601)
State agency clients	165,000	165,000	107,333	(57,667)
Student activities fees	150,000	150,000	125,560	(24,440)
Miscellaneous	356,000	356,000	265,551	(90,449)
Adult education	182,701	182,701	176,385	(6,316)
<b>Total Revenues</b>	<u>45,207,869</u>	<u>45,207,869</u>	<u>44,934,396</u>	<u>(273,473)</u>
<b>Expenditures</b>				
Regular instruction	19,675,688	19,671,488	19,451,055	220,433
Special education	7,558,169	7,564,669	7,426,459	138,210
Career and technical education	293,318	293,318	293,318	
Other instruction	1,115,212	1,192,061	1,179,525	12,536
Student and staff support	4,659,167	4,656,867	4,414,029	242,838
System administration	1,069,128	1,055,943	1,019,644	36,299
School administration	1,837,854	1,837,854	1,827,096	10,758
Transportation	1,494,471	1,419,971	1,311,968	108,003
Facilities maintenance	3,818,590	3,818,590	3,604,823	213,767
Debt service and other commitments	5,603,571	5,614,407	5,614,407	
Adult education	182,701	182,701	173,329	9,372
<b>Total Expenditures</b>	<u>47,307,869</u>	<u>47,307,869</u>	<u>46,315,653</u>	<u>992,216</u>
<b>Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources</b>	(2,100,000)	(2,100,000)	(1,381,257)	718,743
<b>Other Financing Sources</b>				
Transfers from other funds			(129,714)	(129,714)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(2,100,000)	(2,100,000)	(1,510,971)	589,029
<b>Beginning Fund Balance Utilized</b>	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,343,954</u>	<u>243,954</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 832,983</u>	<u>\$ 832,983</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, 2018

	Private- Purpose Trusts	Agency Funds
<b>Assets</b>		
Cash and cash equivalents		\$ 482,022
Investments	\$ 221,329	
<b>Total Assets</b>	<u>221,329</u>	<u>482,022</u>
<b>Liabilities</b>		
Due to student groups		482,022
<b>Total Liabilities</b>		<u>\$ 482,022</u>
<b>Net Position</b>		
Held in trust for other purposes	<u>\$ 221,329</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, 2018

	Private- Purpose Trusts
<b>Additions</b>	
Interest income and contributions	\$ 1,051
<b>Total Additions</b>	<u>1,051</u>
<b>Deductions</b>	
Scholarship distributions	<u>5,150</u>
<b>Total Deductions</b>	<u>5,150</u>
<b>Change in Net Position</b>	(4,099)
<b>Net Position, Beginning of Year</b>	<u>225,428</u>
<b>Net Position, End of Year</b>	<u><u>\$ 221,329</u></u>

## Notes to Financial Statements

June 30, 2018

### 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 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 in conformity with accounting principles generally accepted in the United States of America. Certain disclosures relevant to both 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, 2018

### 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, 2018

### 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 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.

## Notes to Financial Statements

June 30, 2018

### 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.

#### 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 \$1,147,418 has been recorded in the government-wide financial statements of the Town and the portion that is currently due to employees of the School Department as of June 30, 2018, is \$158,807, 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, 2018

### 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 certain bonds payable and one capital lease for copier equipment. Total annual debt service requirements as of June 30, 2018 are, as follows:

Year Ending June 30,	Bonds Payable		Capital Lease Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,511,021	\$ 2,180,051	\$ 48,372	\$ 2,419	\$ 3,559,393	\$ 2,182,470
2020	3,173,244	2,052,277	49,567	1,224	3,222,811	2,053,501
2021	3,217,520	1,914,271			3,217,520	1,914,271
2022	3,098,391	1,792,269			3,098,391	1,792,269
2023	2,763,097	1,703,252			2,763,097	1,703,252
2024 – 2028	14,141,722	6,802,115			14,141,722	6,802,115
2029 – 2033	13,955,545	4,095,207			13,955,545	4,095,207
2034 – 2038	7,729,393	1,807,821			7,729,393	1,807,821
2039 – 2043	5,565,000	484,044			5,565,000	484,044
Total	<u>\$57,154,933</u>	<u>\$22,831,307</u>	<u>\$ 97,939</u>	<u>\$ 3,643</u>	<u>\$57,252,872</u>	<u>\$22,834,950</u>

## Notes to Financial Statements

June 30, 2018

### 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 \$3,281,000 (13.69%) for the fiscal year 2018. 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 11.08% of their compensation. This amounted to approximately \$64,000 during the fiscal year 2018. 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 3.97% of the qualified teachers' salaries for the entire teachers' fund. For the year ended June 30, 2018, the amount of this contribution was approximately \$969,000.

#### 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, 2018**

### **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, 2018 was approximately \$164,000.

### **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, 2018. 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, 2018, and our report thereon, dated January 31, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules on pages 16 through 27 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



South Portland, Maine  
January 31, 2019

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

Year Ended June 30, 2018

	Title IA	Title IIA	Title IVA	Local Entitlement	Local Entitlement Preschool	Proficiency- Based Grad Grant (State)	PEPG Grant (State)	School Nutrition	School Nutrition Special Programs	Scarborough Education Foundation	Fineberg Trust	Local Grants and Donations	Laptops	Admin Recertification (Fiscal agent)	Totals	
<b>Revenues</b>																
Federal education grants	\$ 155,789	\$ 66,377	\$ 3,300	\$ 681,263	\$ 7,421			\$ 296,595								\$ 1,210,745
State education grants								13,393								13,393
Charges for services and other								1,216,112	\$ 9,782	\$ 36,666		\$ 7,480	\$ 72,276	\$ 8,300	1,350,616	
<b>Total Revenues</b>	<u>155,789</u>	<u>66,377</u>	<u>3,300</u>	<u>681,263</u>	<u>7,421</u>			<u>1,526,100</u>	<u>9,782</u>	<u>36,666</u>		<u>7,480</u>	<u>72,276</u>	<u>8,300</u>	<u>2,574,754</u>	
<b>Expenditures</b>	<u>155,789</u>	<u>66,377</u>	<u>3,300</u>	<u>681,300</u>	<u>7,421</u>	<u>\$ 4,800</u>	<u>\$ 3,147</u>	<u>1,603,995</u>	<u>4,138</u>	<u>23,529</u>	<u>\$ 19,055</u>	<u>5,994</u>		<u>8,177</u>	<u>2,587,022</u>	
<b>Revenues Over (Under) Expenditures Before Other Financing Sources</b>				<u>(37)</u>		<u>(4,800)</u>	<u>(3,147)</u>	<u>(77,895)</u>	<u>5,644</u>	<u>13,137</u>	<u>(19,055)</u>	<u>1,486</u>	<u>72,276</u>	<u>123</u>	<u>(12,268)</u>	
<b>Other Financing Sources</b>																
Transfers from other funds								105,439							105,439	
<b>Total Other Financing Sources</b>								<u>105,439</u>							<u>105,439</u>	
<b>Net Change in Fund Balance</b>				<u>(37)</u>		<u>(4,800)</u>	<u>(3,147)</u>	<u>27,544</u>	<u>5,644</u>	<u>13,137</u>	<u>(19,055)</u>	<u>1,486</u>	<u>72,276</u>	<u>123</u>	<u>93,171</u>	
<b>Fund Balance, Beginning of Year</b>		<u>749</u>		<u>35</u>	<u>(34)</u>	<u>7,883</u>	<u>3,735</u>	<u>(27,546)</u>	<u>5,355</u>	<u>24,469</u>	<u>184,129</u>	<u>18,496</u>	<u>157,934</u>	<u>746</u>	<u>375,951</u>	
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ 749</u>		<u>\$ (2)</u>	<u>\$ (34)</u>	<u>\$ 3,083</u>	<u>\$ 588</u>	<u>\$ (2)</u>	<u>\$ 10,999</u>	<u>\$ 37,606</u>	<u>\$ 165,074</u>	<u>\$ 19,982</u>	<u>\$ 230,210</u>	<u>\$ 869</u>	<u>\$ 469,122</u>	

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

Year Ended June 30, 2018

	2013-2014 Projects	2014-2015 Projects	2015-2016 Projects	2016-2017 Projects	2017-2018 Projects	2018-2019 Projects	Totals
<b>Revenues</b>							
Local contribution					\$ 53,000		\$ 53,000
Interest	\$ 528	\$ 513			367		1,408
<b>Total Revenues</b>	<u>528</u>	<u>513</u>	<u>-</u>	<u>-</u>	<u>53,367</u>	<u>-</u>	<u>54,408</u>
<b>Expenditures</b>							
Purchased services	56,482		\$ 4,193	\$ 186,419	\$ 604,735	\$ 1,313	853,142
	<u>56,482</u>	<u>-</u>	<u>4,193</u>	<u>186,419</u>	<u>604,735</u>	<u>1,313</u>	<u>853,142</u>
<b>Revenues Under Expenditures Before Other Financing Sources (Uses)</b>	<u>(55,954)</u>	<u>513</u>	<u>(4,193)</u>	<u>(186,419)</u>	<u>(551,368)</u>	<u>(1,313)</u>	<u>(798,734)</u>
<b>Other Financing Sources (Uses):</b>							
Bond proceeds				118,300	1,041,783		1,160,083
Transfers (to) from other funds				(9,549)	33,824		24,275
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,751</u>	<u>1,075,607</u>	<u>-</u>	<u>1,184,358</u>
<b>Net Change in Fund Balance</b>	(55,954)	513	(4,193)	(77,668)	524,239	(1,313)	385,624
<b>Fund Balance (Deficit), Beginning of Year</b>	<u>85,740</u>	<u>65,485</u>	<u>4,193</u>	<u>91,090</u>	<u>(235,286)</u>		<u>11,222</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ 29,786</u>	<u>\$ 65,998</u>	<u>\$ -</u>	<u>\$ 13,422</u>	<u>\$ 288,953</u>	<u>\$ (1,313)</u>	<u>\$ 396,846</u>

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

Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Private-Purpose Trust Funds:</b>				
Shirley Grover Fund	\$ 1,020	\$ 3		\$ 1,023
Mary Campbell Pederson Fund	92,328	350	\$ 1,000	91,678
Edith Warga Art Scholarship	99,200	373	2,500	97,073
Packy McFarland Scholarship	183	1		184
Roy Nelson Scholarship	12			12
Daniel Tranchemontagne Scholarship	1,114	4		1,118
Virginia Jackson Scholarship	13,474	51	1,500	12,025
Evelyn Chaddon Scholarship	318	1		319
S. Dwight Howard Scholarship	2,468	8	150	2,326
Bertha Libby-Lary Scholarship	10,894	42		10,936
Kathy Pearson Scholarship	3,013	11		3,024
Academic Decathlon Scholarship	1,253	5		1,258
Class of 1976 Scholarship Fund	150	202		352
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Private-Purpose Trust Funds</b>	<u>\$ 225,428</u>	<u>\$ 1,051</u>	<u>\$ 5,150</u>	<u>\$ 221,329</u>

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

Year Ended June 30, 2018

SUMMARY

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Scarborough High School	\$ 234,862	\$ 547,215	\$ 403,881	\$ 378,195
Scarborough Middle School	45,998	118,584	109,206	55,376
Wentworth Intermediate School	33,096	39,834	44,800	28,130
Eight Corners School	7,090	8,024	7,936	7,178
Blue Point School	5,134	3,753	3,474	5,413
Pleasant Hill School	6,973	4,672	3,915	7,730
Total Student Activity Funds	<u>\$ 333,153</u>	<u>\$ 722,082</u>	<u>\$ 573,213</u>	<u>\$ 482,022</u>

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

Year Ended June 30, 2018

### SCARBOROUGH HIGH SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Academic Decathlon	\$ 224	\$ 236	\$ 254	\$ 206
Alternative Education	396		390	7
Athletics	34,934	84,715	88,572	31,077
Athletics Concession	164	27,315	27,301	179
Athletics - Track & Field		2,500		2,500
Auditorium	116		8	109
Buddy System	300		102	198
Chorus	8,498	2,075	2,645	7,927
Civil Rights Team	317	86	205	198
Class of 2015	48			48
Class of 2016	5,000			5,000
Class of 2017	4,766	46		4,812
Class of 2018	14,058		13,768	290
Class of 2019	1,555	21,591	11,041	12,105
Class of 2020	196	930	198	928
Class of 2021		1,080		1,080
Class of 2022		500		500
ECOS	2,061	1,726	3,062	726
GSA	758	100	435	423
General Account	1,097	5,253	5,740	610
Guidance	20,225	55,620	52,286	23,559
Key Club	3,516	6,819	8,250	2,086
Laptop Fees	33	22,255	20,788	1,500
Library	1,633	342	280	1,695
Model UN	3,039	5,900	4,870	4,069
NHS	1,107	720	357	1,470
Natural Helpers	271		187	84
Oak Hill Players	28,716	26,457	27,805	27,367
One Act Play	1,320	2,053	1,473	1,900
Project AWARE	250			250
Project G.R.A.C.E.	103			103
SAAF Fund	1,516		405	1,111
Scholarship	7,446	10,025	4,500	12,971
School Store	2,829	1,917	1,425	3,321
Seeds of Peace	1,600		281	1,319
SHS Basketball Boosters		62,966	40,473	22,494
SHS Boys Ice Hockey Boosters		900		900
SHS Boys Lacrosse Boosters		18,121	3,715	14,405
SHS Boys Tennis Boosters	2,298	360	537	2,121
SHS Football Boosters		37,354	17,544	19,810
SHS Girls Ice Hockey Boosters		24,887	2,531	22,356
SHS Girls Lacrosse Boosters	21,960	16,858	13,484	25,334
SHS Girls Tennis Boosters		560		560
SHS Golf Boosters	537	485	785	237
SHS Ski Team Boosters		15,353		15,353
SHS Soccer Boosters	12,170	37,532	24,369	25,334
SHS Softball Boosters		34,537	17,319	17,218

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

Year Ended June 30, 2018

SCARBOROUGH HIGH SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
SHS Volleyball Boosters		3,050		3,050
SHS Wrestling Boosters		624		624
STEM	250		250	
Steven Delano Memorial Fund	300			300
Storm for a Cure (was Pink Ribbon Club)	344	770	275	839
Student Art	189			189
Student Council	359	68		427
Study Center	48,863	5,770	1,791	52,842
Sunshine Fund	7	1,502	1,503	5
Video Productions	424	57	335	146
Yearbook	87	5,200	2,344	2,944
Unassigned Retained Earnings	(1,020)	-		(1,020)
	<u>\$ 234,862</u>	<u>\$ 547,215</u>	<u>\$ 403,881</u>	<u>\$ 378,195</u>

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

Year Ended June 30, 2018

SCARBOROUGH MIDDLE SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
8th Grade Celebration	\$ -	\$ 870	\$ 789	\$ 81
Athletics	7	4,472	2,429	2,050
Band & Music	85			85
Bike-a-thon	266	8,079	8,345	-
Box Tops/Soup Labels	753	575	595	733
Builder's Club	620	939	1,021	539
Class of 2021	3,609		3,609	-
Class of 2022	1,789	15,718	15,698	1,809
Class of 2023	5,710	8,205	11,364	2,550
Class of 2024		18,499	15,574	2,924
Clynk 6th Grade	375	310		685
Clynk 7th Grade	231	124	188	167
Clynk 8th Grade	503	358	85	776
Encore	73			73
General Fund	159	7,004	6,049	1,113
Grants & Donations	2,691	358	1,055	1,994
Grants & Donations: Math	902			902
Health II	257	863	686	435
Laptops	5,049	9,035	8,568	5,516
Library	4,367	5,231	3,547	6,050
Lost Books	170			170
Math Team	4	425	425	4
Operation Cupid	194	345	420	119
Pepsi Cola	276	81		357
Project G.R.A.C.E.	202			202
Read-a-thon	91	10,908	10,926	72
Red Storm Strikes Out Cancer		6,456	6,455	1
School Store	1,772			1,772
STEM	216			216
Student Advocacy	502	380	424	458
Student Council	592	1,603	1,087	1,109
Sunshine Fund	0	1,008	984	24
Theater Team	11,322	8,085	6,378	13,030
Wellness	34	3,967	2,503	1,497
Yearbook	3,176	4,686		7,862
	<u>\$ 45,998</u>	<u>\$ 118,584</u>	<u>\$ 109,206</u>	<u>\$ 55,376</u>



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

Year Ended June 30, 2018

WENTWORTH INTERMEDIATE SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Clynk Schoolwide	\$ 1,279	\$ 656	\$ -	\$ 1,935
3rd Grade Field Trip	268	1,611	1,197	682
4th Grade Field Trip	1,218	5,172	6,390	
5th Grade Field Trip	1,278	3,736	4,590	424
Garden - Stuart	4,299	3,157	5,286	2,171
General	13,791	3,700	5,336	12,155
Laptops	500	4,360	4,330	530
Library	5,260	9,595	10,986	3,869
Music		905	905	
Sunshine Fund	469	1,492	1,956	5
Wolf Den School Store		2,139	758	1,381
Yearbooks	1,051	3,311	3,067	1,295
Unassigned Credit	3,683			3,683
	<u>\$ 33,096</u>	<u>\$ 39,834</u>	<u>\$ 44,800</u>	<u>\$ 28,130</u>

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

Year Ended June 30, 2018

EIGHT CORNERS SCHOOL

<b>Beginning Balance</b>	<u>\$ 7,090</u>
<b>Receipts:</b>	
Library	1,063
Miscellaneous	3,612
Office Supplies	120
Staff Enrichment	513
Student Enrichment	2,279
Sunshine Fund	437
<b>Total Receipts</b>	<u>8,024</u>
<b>Disbursements:</b>	
Library	2,249
Miscellaneous	3,171
Office Supplies	20
Staff Enrichment	419
Student Enrichment	1,679
Sunshine Fund	398
<b>Total Disbursements</b>	<u>7,936</u>
<b>Ending Balance</b>	<u><u>\$ 7,178</u></u>

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

Year Ended June 30, 2018

BLUE POINT SCHOOL

<b>Beginning Balance</b>	<u>\$ 5,134</u>
<b>Receipts:</b>	
General	2,617
Library	956
Sunshine Fund	180
<b>Total Receipts</b>	<u>3,753</u>
<b>Disbursements:</b>	
General	1,550
Library	1,649
PTA	200
Sunshine Fund	75
<b>Total Disbursements</b>	<u>3,474</u>
<b>Ending Balance</b>	<u><u>\$ 5,413</u></u>

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

Year Ended June 30, 2018

PLEASANT HILL

<b>Beginning Balance</b>	<u>\$ 6,973</u>
<b>Receipts:</b>	
Clynk Bottle Drives	1,023
Field Trips	88
General	2,349
Library	962
Wellness	250
<b>Total Receipts</b>	<u>4,672</u>
<b>Disbursements:</b>	
Clynk Bottle Drives	795
Field Trips	88
General	771
Library	736
Playground (PTA)	1,270
Wellness	255
<b>Total Disbursements</b>	<u>3,915</u>
<b>Ending Balance</b>	<u><u>\$ 7,730</u></u>

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

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	013-3107	\$ 155,789
Special Education Cluster			
Special Education - Grants to States	84.027	013-3046	681,300
Special Education - Preschool Grants	84.173	013-6247	7,421
Total Special Education Cluster			<u>688,721</u>
Improving Teacher Quality State Grants	84.367	013-3042	<u>66,377</u>
<b>Total U.S. Department of Education</b>			<u>910,887</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	013-3022	59,561
National School Lunch Program	10.555	013-3125	11,528
National School Lunch Program	10.555	013-3024	119,271
School Breakfast Program	10.556	013-3014	28,830
Total Child Nutrition Cluster			<u>219,190</u>
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	13-6134	<u>73,514</u>
Total Food Distribution Cluster			<u>73,514</u>
Summer Food Service Program for Children	10.559	013-3016	<u>3,891</u>
<b>Total U.S. Department of Agriculture</b>			<u>296,595</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,207,482</u></u>