

**Town of Scarborough
School Department**

Financial Report

June 30, 2019

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Independent Auditor's 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, 2019, 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; 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.

Auditor's 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 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 auditor's 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, 2019, 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.

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, 2019 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States. 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 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 December 26, 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.

Wipac LLP

South Portland, Maine
December 26, 2019

Balance Sheet Governmental Funds

June 30, 2019

	General Fund	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Total Governmental Funds
Assets				
Due from the Town	\$ 5,300,762	\$ 28,526		\$ 5,329,288
Intergovernmental receivables	80,558	463,592		544,150
Inventory		36,915		36,915
Total Assets	<u>\$ 5,381,320</u>	<u>\$ 529,033</u>	<u>\$ -</u>	<u>\$ 5,910,353</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to the Town			\$ 202,919	\$ 202,919
Accounts payable	\$ 496,781	\$ 44,694	14,522	555,997
Accrued payroll	4,135,432	37,237		4,172,669
Accrued compensated absences	112,877			112,877
Accrued vacation	96,752			96,752
Unearned revenue	232			232
Total Liabilities	<u>4,842,074</u>	<u>81,931</u>	<u>217,441</u>	<u>5,141,446</u>
Fund Balances				
Fund balances				
Nonspendable				
Inventory		36,915		36,915
Restricted				
Special revenue funds		410,187		410,187
Assigned				
Carryover	350,000			350,000
Unassigned				
General fund	189,246			189,246
Capital project funds			(217,441)	(217,441)
Total Fund Balances	<u>539,246</u>	<u>447,102</u>	<u>(217,441)</u>	<u>768,907</u>
Total Liabilities and Fund Balances	<u>\$ 5,381,320</u>	<u>\$ 529,033</u>	<u>\$ -</u>	<u>\$ 5,910,353</u>

See independent auditor's 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, 2019

	General Fund	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Total
Revenues				
Local allocation	\$ 44,705,600	\$ 188,555	\$ 47,000	\$ 44,941,155
State subsidy	2,596,959			2,596,959
State subsidy - adult education	28,326			28,326
State agency clients	71,247			71,247
On-behalf payments - State of Maine pension contribution	4,002,000			4,002,000
On-behalf payments - other postemployment benefit contribution	96,500			96,500
Adult education	159,642			159,642
Student extra-curricular fees	144,764			144,764
Miscellaneous	281,397		67,839	349,236
Intergovernmental revenue		1,346,487		1,346,487
Federal donated commodities received		64,419		64,419
Sale of meals		1,104,407		1,104,407
Total Revenues	<u>52,086,435</u>	<u>2,703,868</u>	<u>114,839</u>	<u>54,905,142</u>
Expenditures				
Regular instruction	20,005,387			20,005,387
Special education	8,202,364			8,202,364
Other instruction	1,277,216			1,277,216
Student and staff support	4,643,600			4,643,600
System administration	1,094,836			1,094,836
School administration	1,825,721			1,825,721
Transportation	1,467,036			1,467,036
Facilities maintenance	3,697,042			3,697,042
Debt service and other commitments	5,691,071			5,691,071
Adult education	184,655			184,655
On-behalf payments - State of Maine pension contribution	4,002,000			4,002,000
On-behalf payments - other postemployment benefit contribution	96,500			96,500
Grant expenditures		1,146,268		1,146,268
School lunch expenditures		1,699,546		1,699,546
Federal donated commodities used		64,419		64,419
Capital outlay			1,412,892	1,412,892
Total Expenditures	<u>52,187,428</u>	<u>2,910,233</u>	<u>1,412,892</u>	<u>56,510,553</u>
Deficiency of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(100,993)</u>	<u>(206,365)</u>	<u>(1,298,053)</u>	<u>(1,605,411)</u>
Other Financing Sources (Uses):				
Transfers (to) from other funds	(193,458)	185,059	8,399	
Bond proceeds			675,367	675,367
Total Other Financing Sources (Uses)	<u>(193,458)</u>	<u>185,059</u>	<u>683,766</u>	<u>675,367</u>
Net Change in Fund Balances	(294,451)	(21,306)	(614,287)	(930,044)
Fund Balances				
Beginning of Year	<u>833,697</u>	<u>468,408</u>	<u>396,846</u>	<u>1,698,951</u>
End of Year	<u>\$ 539,246</u>	<u>\$ 447,102</u>	<u>\$ (217,441)</u>	<u>\$ 768,907</u>

See independent auditor's 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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local allocation	\$ 44,705,600	\$ 44,705,600	\$ 44,705,600	
State subsidy	2,744,404	2,744,404	2,596,959	\$ (147,445)
MLTI state reimbursement	131,000	131,000	131,000	
State agency clients	120,000	120,000	71,247	(48,753)
Student activities fees	150,000	150,000	144,764	(5,236)
Miscellaneous	175,500	175,500	150,397	(25,103)
Adult education	188,501	188,501	187,968	(533)
Total Revenues	<u>48,215,005</u>	<u>48,215,005</u>	<u>47,987,935</u>	<u>(227,070)</u>
Expenditures				
Regular instruction	20,152,005	20,127,096	20,005,387	121,709
Special education	8,324,229	8,324,229	8,202,364	121,865
Career and technical education	9,000	9,000		9,000
Other instruction	1,283,875	1,283,875	1,277,216	6,659
Student and staff support	4,809,568	4,824,477	4,643,600	180,877
System administration	1,074,587	1,096,257	1,094,836	1,421
School administration	1,831,630	1,841,630	1,825,721	15,909
Transportation	1,427,492	1,474,378	1,467,036	7,342
Facilities maintenance	3,923,047	3,854,491	3,697,042	157,449
Debt service and other commitments	5,691,071	5,691,071	5,691,071	
Adult education	188,501	188,501	184,655	3,846
Total Expenditures	<u>48,715,005</u>	<u>48,715,005</u>	<u>48,088,928</u>	<u>626,077</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(500,000)	(500,000)	(100,993)	399,007
Other Financing Sources				
Transfers from other funds			(193,458)	(193,458)
Excess (Deficiency) of Revenues Over Expenditures	(500,000)	(500,000)	(294,451)	205,549
Beginning Fund Balance Utilized	<u>500,000</u>	<u>500,000</u>	<u>833,697</u>	<u>333,697</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,246</u>	<u>\$ 539,246</u>

See independent auditor's report.

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

Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2019

	Private- Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents		\$ 658,806
Investments	\$ 222,941	
Total Assets	<u>222,941</u>	<u>658,806</u>
Liabilities		
Due to student groups		658,806
Total Liabilities		<u>\$ 658,806</u>
Net Position		
Held in trust for other purposes	<u>\$ 222,941</u>	

See independent auditor's 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, 2019

	Private- Purpose Trusts
Additions	
Interest income and contributions	\$ 6,612
Total Additions	<u>6,612</u>
Deductions	
Scholarship distributions	<u>5,000</u>
Total Deductions	<u>5,000</u>
Change in Net Position	1,612
Net Position, Beginning of Year	<u>221,329</u>
Net Position, End of Year	<u><u>\$ 222,941</u></u>

Notes to Financial Statements

June 30, 2019

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 (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. 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, 2019

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, 2019

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, 2019

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 \$1,319,868 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, 2019, is \$209,629, 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, 2019

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 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, 2019 are, as follows:

Year Ending June 30,	Bonds Payable		Capital Lease Obligations		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 3,258,750	\$ 2,080,361	\$ 49,567	\$ 1,224	\$ 3,308,317	\$ 2,081,585
2021	3,303,026	1,944,641			3,303,026	1,944,641
2022	3,183,897	1,818,364			3,183,897	1,818,364
2023	2,848,603	1,725,073			2,848,603	1,725,073
2024	3,230,150	1,611,045			3,230,150	1,611,045
2025 – 2029	14,015,510	6,278,242			14,015,510	6,278,242
2030 – 2034	13,369,670	3,583,002			13,369,670	3,583,002
2035 – 2039	6,794,671	1,498,806			6,794,671	1,498,806
2040 – 2043	4,315,000	292,905			4,315,000	292,905
Total	<u>\$54,319,277</u>	<u>\$20,832,439</u>	<u>\$ 49,567</u>	<u>\$ 1,224</u>	<u>\$54,368,844</u>	<u>\$20,833,663</u>

Notes to Financial Statements

June 30, 2019

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 \$3,646,000 (14.65%) for the fiscal year 2019. 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 11.68% of their compensation. This amounted to approximately \$68,000 during the fiscal year 2019. 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, 2019, the amount of this contribution was approximately \$1,006,000.

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, 2019

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, 2019 was approximately \$184,000.

Retiree Group Health Insurance Plan

Description of the Plan

The School Department is a participant in the MEA Benefits Trust (MEABT). MEABT was established by the Maine Education Association on April 10, 1993, as an employee welfare benefit plan. The MEABT is administered by Trustees, in accordance with its terms for the exclusive benefit of Plan participants and beneficiaries. The principal asset of the MEABT is a group insurance contract, currently held with Anthem Blue Cross and Blue Shield of Maine, which provides medical, hospital, surgical, prescription coverage and related health benefits to individuals of the School Department, including active educators, retired and disabled educators and related personnel and their dependents. The School Department's participation in the MEABT plan is considered its own post-retirement benefit plan, based on its own census data or participants in the trust. The MEABT does not issue a separate financial report for its OPEB. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy

The State of Maine contributes on behalf of the District's retired teachers participating in the plan an amount equal to 45% of the blended single premium for the retiree's healthcare coverage. Using the census data for the measurement period ended June 30, 2018 the estimated on-behalf OPEB subsidy for year ended June 30, 2019 was approximately \$356,000. The amount has been recorded as a revenue and expenditure in the general fund in the statement of revenues, expenditures and changes in fund balances - governmental funds.

Notes to Financial Statements

June 30, 2019

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, 2019. 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 Auditor's 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, 2019, and our report thereon, dated December 26, 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 17 through 28 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 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.

Wipfli LLP

South Portland, Maine
December 26, 2019

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

Year Ended June 30, 2019

	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
Revenues															
Federal education grants	\$ 153,646	\$ 88,449	\$ 19,526	\$ 765,205	\$ 6,221			\$ 274,681							\$ 1,307,728
State education grants								13,907							13,907
Charges for services and other								1,292,962	\$ (2,665)			\$ 3,700	\$ 79,636	\$ 8,600	1,382,233
Total Revenues	<u>153,646</u>	<u>88,449</u>	<u>19,526</u>	<u>765,205</u>	<u>6,221</u>			<u>1,581,550</u>	<u>(2,665)</u>			<u>3,700</u>	<u>79,636</u>	<u>8,600</u>	<u>2,703,868</u>
Expenditures	<u>153,646</u>	<u>88,449</u>	<u>19,526</u>	<u>792,564</u>	<u>6,221</u>			<u>1,763,965</u>	<u>1,945</u>	<u>\$ 35,435</u>	<u>\$ 27,581</u>	<u>1,051</u>	<u>10,864</u>	<u>8,986</u>	<u>2,910,233</u>
Revenues Over (Under) Expenditures Before Other Financing Sources				<u>(27,359)</u>				<u>(182,415)</u>	<u>(4,610)</u>	<u>(35,435)</u>	<u>(27,581)</u>	<u>2,649</u>	<u>68,772</u>	<u>(386)</u>	<u>(206,365)</u>
Other Financing Sources															
Transfers from other funds								185,059							185,059
Total Other Financing Sources								<u>185,059</u>							<u>185,059</u>
Net Change in Fund Balance				<u>(27,359)</u>				<u>2,644</u>	<u>(4,610)</u>	<u>(35,435)</u>	<u>(27,581)</u>	<u>2,649</u>	<u>68,772</u>	<u>(386)</u>	<u>(21,306)</u>
Fund Balance, Beginning of Year				<u>(1)</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>468,408</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,360)</u>	<u>\$ -</u>	<u>\$ 3,083</u>	<u>\$ 588</u>	<u>\$ 2,642</u>	<u>\$ 6,389</u>	<u>\$ 2,171</u>	<u>\$ 137,493</u>	<u>\$ 22,631</u>	<u>\$ 298,982</u>	<u>\$ 483</u>	<u>\$ 447,102</u>

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

Year Ended June 30, 2019

	2013-2014 Projects	2014-2015 Projects	2016-2017 Projects	2017-2018 Projects	2018-2019 Projects	2019-2020 Projects	Totals
Revenues							
Local contribution					\$ 47,000		\$ 47,000
Interest	\$ 49	\$ 317		\$ 14,983	52,490		67,839
Total Revenues	<u>49</u>	<u>317</u>	<u>-</u>	<u>14,983</u>	<u>99,490</u>	<u>-</u>	<u>114,839</u>
Expenditures							
Purchased services	38,413	90,823	\$ 53,279	405,231	750,814	\$ 74,330	1,412,890
	<u>38,413</u>	<u>90,823</u>	<u>53,279</u>	<u>405,231</u>	<u>750,814</u>	<u>74,330</u>	<u>1,412,890</u>
Revenues Under Expenditures Before Other Financing Sources (Uses)	<u>(38,364)</u>	<u>(90,506)</u>	<u>(53,279)</u>	<u>(390,248)</u>	<u>(651,324)</u>	<u>(74,330)</u>	<u>(1,298,051)</u>
Other Financing Sources (Uses):							
Bond proceeds				136,667	538,700		675,367
Transfers (to) from other funds	(1,425)	(1,315)	13,177	(2,040)			8,397
Total Other Financing Sources (Uses)	<u>(1,425)</u>	<u>(1,315)</u>	<u>13,177</u>	<u>134,627</u>	<u>538,700</u>	<u>-</u>	<u>683,764</u>
Net Change in Fund Balance	(39,789)	(91,821)	(40,102)	(255,621)	(112,624)	(74,330)	(614,287)
Fund Balance (Deficit), Beginning of Year	<u>29,786</u>	<u>65,999</u>	<u>13,423</u>	<u>288,951</u>	<u>(1,313)</u>		<u>396,846</u>
Fund Balance (Deficit), End of Year	<u>\$ (10,003)</u>	<u>\$ (25,822)</u>	<u>\$ (26,679)</u>	<u>\$ 33,330</u>	<u>\$ (113,937)</u>	<u>\$ (74,330)</u>	<u>\$ (217,441)</u>

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

Year Ended June 30, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
Private-Purpose Trust Funds:				
Shirley Grover Fund	\$ 1,023	\$ 31		\$ 1,054
Mary Campbell Pederson Fund	91,678	2,746	\$ 1,000	93,424
Edith Warga Art Scholarship	97,073	2,903	2,500	97,476
Packy McFarland Scholarship	184	5		189
Roy Nelson Scholarship	12	89		101
Daniel Tranchemontagne Scholarship	1,118	34		1,152
Virginia Jackson Scholarship	12,025	359	1,500	10,884
Evelyn Chaddon Scholarship	319	9		328
S. Dwight Howard Scholarship	2,326	70		2,396
Bertha Libby-Lary Scholarship	10,936	318		11,254
Kathy Pearson Scholarship	3,024			3,024
Academic Decathlon Scholarship	1,258	38		1,296
Class of 1976 Scholarship Fund	352	10		362
Total Private-Purpose Trust Funds	<u>\$ 221,329</u>	<u>\$ 6,612</u>	<u>\$ 5,000</u>	<u>\$ 222,941</u>

Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2019

SUMMARY

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Scarborough High School	\$ 378,196	\$ 802,436	\$ 626,806	\$ 553,826
Scarborough Middle School	55,376	121,549	124,135	52,790
Wentworth Intermediate School	28,130	43,798	39,619	32,309
Eight Corners School	7,178	2,768	3,633	6,313
Blue Point School	5,413	2,212	2,365	5,260
Pleasant Hill School	<u>7,730</u>	<u>3,425</u>	<u>2,847</u>	<u>8,308</u>
Total Student Activity Funds	<u>\$ 482,023</u>	<u>\$ 976,188</u>	<u>\$ 799,405</u>	<u>\$ 658,806</u>

Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2019

SCARBOROUGH HIGH SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Academic Decathlon	\$ 206	\$ 3,244	\$ 3,152	\$ 298
Alternative Education	7	500	324	183
Athletics	31,077	48,493	46,804	32,766
Athletics Concession	179	21,792	21,603	368
Athletics - Track & Field	2,500			2,500
Auditorium	109	375		484
Buddy System	198			198
Chess Club		500	500	-
Chorus	7,927	1,696	150	9,473
Civil Rights Team	198	500	129	569
Class of 2015	48		48	-
Class of 2016	5,000		5,000	-
Class of 2017	4,812		4,812	-
Class of 2018	290			290
Class of 2019	12,105	300	6,722	5,683
Class of 2020	928	30,731	12,837	18,822
Class of 2021	1,080	1,975	1,000	2,055
Class of 2022	500	834		1,334
ECOS	726	2,807	3,111	422
GSA	423	500	147	776
General Account	610	2,329	1,917	1,022
Grant Committee		10,110	4,225	5,885
Guidance	23,559	50,511	62,379	11,691
Investment Income		3,552		3,552
Key Club	2,086	7,167	6,005	3,248
Laptop Fees	1,500	26,495	26,330	1,665
Library	1,695	230	182	1,743
Lisa Ruhman Grant		1,550	1,550	-
Mindfulness Project		425	381	44
Model UN	4,069	5,372	4,524	4,917
NHS	1,470	470	1,849	91
Natural Helpers	84	740	363	461
Oak Hill Players	27,367	22,945	25,263	25,049
One Act Play	1,900	1,941	1,106	2,735
Pride Committee		500		500
Project AWARE	250		250	-
Project G.R.A.C.E.	103	794	834	63
SAAF Fund	1,111	500	970	641
Scholarship	12,971	5,525	6,500	11,996
School Store	3,321	1,409	770	3,960
Seeds of Peace	1,319			1,319
Shakespeare		1,319	510	809
SHS Baseball Boosters		33,201	21,855	11,346
SHS Basketball Boosters	22,494	93,675	64,262	51,907
SHS Boys Ice Hockey Boosters	900	46,294	19,268	27,926
SHS Boys Lacrosse Boosters	14,405	40,604	34,545	20,464
SHS Boys Tennis Boosters	2,121	622	1,036	1,707
SHS Cheering Boosters		26,926	13,327	13,599

See independent auditor's report on additional information.

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

Year Ended June 30, 2019

SCARBOROUGH HIGH SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
SHS Cheering Invitational		20,343	14,163	6,180
SHS Field Hockey Boosters		17,912	10,767	7,145
SHS Football Boosters	19,810	27,712	31,082	16,440
SHS Girls Ice Hockey Boosters	22,356	20,704	16,011	27,049
SHS Girls Lacrosse Boosters	25,334	15,997	16,890	24,441
SHS Girls Tennis Boosters	560	2,147	1,733	974
SHS Golf Boosters	237	130		367
SHS Ski Team Boosters	15,353			15,353
SHS Soccer Boosters	25,334	23,402	36,004	12,732
SHS Softball Boosters	17,218	16,436	23,684	9,970
SHS Swim Team Boosters		72,912	15,821	57,091
SHS Track & XC Boosters		37,170	26,112	11,058
SHS Volleyball Boosters	3,050	22,547	11,225	14,372
SHS Wrestling Boosters	624	8,470	6,635	2,459
Steven Delano Memorial Fund	300		300	-
Storm for a Cure	839	413	600	652
Student Art	189		189	-
Student Council	427	4,357	3,408	1,376
Study Center	52,842	6,360	3,278	55,924
Sunshine Fund	5	25		30
Video Productions	146			146
Yearbook	2,944	5,946	2,364	6,526
Unassigned Retained Earnings	(1,020)			(1,020)
	<u>\$ 378,196</u>	<u>\$ 802,436</u>	<u>\$ 626,806</u>	<u>\$ 553,826</u>

Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2019

SCARBOROUGH MIDDLE SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
8th Grade Celebration	\$ 81	\$ 605	\$ 334	\$ 352
Athletics	2,050	165	1,369	846
Band & Music	85			85
Box Tops/Soup Labels	733	358	751	340
Builder's Club	539	1,055	606	988
Class of 2021			1,809	(1,809)
Class of 2022	1,809	15,767	15,708	1,868
Class of 2023	2,550	11,030	11,645	1,935
Class of 2024	2,924	18,678	13,723	7,879
Clynk 6th Grade	685	107		792
Clynk 7th Grade	167	82		249
Clynk 8th Grade	776	243	68	951
Encore	73			73
General Fund	1,113	6,290	6,509	894
Grants & Donations	1,994	450	392	2,052
Grants & Donations: Math	902		902	-
Health II	435	589	705	319
Laptops	5,516	11,054	15,662	908
Library	6,050	5,545	5,995	5,600
Lost Books	170	70		240
Math Team	4	220	24	200
Operation Cupid	119	596	536	179
Pepsi Cola	357			357
Project G.R.A.C.E.	202			202
Read-a-thon	72	17,614	17,614	72
Red Storm Strikes Out Cancer	1	7,667	7,668	-
School Store	1,772			1,772
STEM	216		216	-
Student Advocacy	458	55	132	381
Student Council	1,109	1,327	1,433	1,003
Sunshine Fund	24	1,014	1,037	1
Theater Team	13,030	12,843	12,209	13,664
Wellness	1,497	3,905	3,458	1,944
Yearbook	7,862	4,220	3,630	8,452
	<u>\$ 55,376</u>	<u>\$ 121,549</u>	<u>\$ 124,135</u>	<u>\$ 52,790</u>

Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2019

WENTWORTH INTERMEDIATE SCHOOL

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Clynk Schoolwide	\$ 1,935	\$ 655	\$ 2,590	\$ -
3rd Grade Field Trip	682	1,328	1,140	870
4th Grade Field Trip		4,982	4,982	-
5th Grade Field Trip	424	4,831	5,255	-
Garden - Stuart	2,171	8,431	3,577	7,025
General	12,155	4,326	2,879	13,602
Laptops	530	4,110	4,430	210
Library	3,869	6,277	6,086	4,060
Music		727	727	-
Sunshine Fund	5	936	708	233
Wentworth K-Kids		363	165	198
Wolf Den School Store	1,381	4,355	4,206	1,530
Yearbooks	1,295	2,477	2,874	898
Unassigned Credit	3,683			3,683
	<u>\$ 28,130</u>	<u>\$ 43,798</u>	<u>\$ 39,619</u>	<u>\$ 32,309</u>

Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2019

EIGHT CORNERS SCHOOL

Beginning Balance	<u>\$ 7,178</u>
Receipts:	
Instructional Supplies	150
Library	981
Miscellaneous	71
Staff Development	450
Staff Enrichment	400
Student Enrichment	250
Sunshine Fund	466
Total Receipts	<u>2,768</u>
Disbursements:	
Instructional Supplies	63
Library	319
Miscellaneous	1,648
Staff Development	450
Staff Enrichment	219
Student Enrichment	778
Sunshine Fund	156
Total Disbursements	<u>3,633</u>
Ending Balance	<u><u>\$ 6,313</u></u>

Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2019

BLUE POINT SCHOOL

Beginning Balance	<u>\$ 5,413</u>
Receipts:	
General	1,274
Library	938
Total Receipts	<u>2,212</u>
Disbursements:	
General	1,679
Library	331
PTA	355
Total Disbursements	<u>2,365</u>
Ending Balance	<u><u>\$ 5,260</u></u>

Statement of Cash Receipts and Cash Disbursements - Student Activity Funds

Year Ended June 30, 2019

PLEASANT HILL

Beginning Balance	\$ 7,730
Receipts:	
Clynk Bottle Drives	1,035
Field Trips	735
General	793
Library	862
Total Receipts	<u>3,425</u>
Disbursements:	
Clynk Bottle Drives	26
Field Trips	735
General	1,830
Library	176
Wellness	80
Total Disbursements	<u>2,847</u>
Ending Balance	<u><u>\$ 8,308</u></u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Education			
<u>Pass-Through State of Maine Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010	013-3107	\$ 153,646
Special Education Cluster			
Special Education - Grants to States	84.027	013-3046	792,564
Special Education - Preschool Grants	84.173	013-6247	6,221
Total Special Education Cluster			<u>798,785</u>
Improving Teacher Quality State Grants	84.367	013-3042	<u>88,449</u>
Total U.S. Department of Education			<u>1,040,880</u>
U.S. Department of Agriculture			
<u>Pass-Through State of Maine Department of Education</u>			
Child Nutrition Cluster			
National School Lunch Program	10.555	013-3022	57,286
National School Lunch Program	10.555	013-3125	109,378
National School Lunch Program	10.555	013-3024	11,088
School Breakfast Program	10.556	013-3014	29,183
Total Child Nutrition Cluster			<u>206,935</u>
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	13-6134	<u>64,419</u>
Total Food Distribution Cluster			<u>64,419</u>
Summer Food Service Program for Children	10.559	013-3016	<u>3,328</u>
Total U.S. Department of Agriculture			<u>274,682</u>
Total Expenditures of Federal Awards			<u>\$ 1,315,562</u>