

NOTES & COMMENTS

FY23 QUARTER 4 – YEAR-END FINANCIALS AS OF 6/30/2023

FOR SCHOOL BOARD 10/5/2023 – PENDING AUDIT

Overview

This year-end financial report is provided as a supporting document for a presentation to the School Board at their meeting of October 5, 2023. In FY23 it finally seemed that we were back to normal school operations after the pandemic, although numerous post-COVID conditions remained, from student and staff needs, to labor market challenges, to global economic conditions. This report describes the financial impacts of that environment, and our status at the end of the fiscal year.

As usual, this report is marked "pending audit". Although we do not anticipate any significant changes, we will work with the Town auditors over the next few months to develop the official financial report for FY23. This introduction highlights major points of interest; the detailed financial statement begins on page 4.

Expenditures

As we have seen in the past few years, the 2022-23 fiscal year ended with a sizeable surplus in the General Fund. Expenditures came in under budget by \$2,175,205, which represents 3.8% of the FY23 operating budget. Throughout the budget categories, inflationary pressures in supplies and services have been offset by savings in personnel costs, with the result that we are still in a comfortable position budget-to-actual. Here are the areas of FY23 spending that were most affected:

Personnel costs

With personnel costs representing 80% of our FY23 budget, much of the surplus is found in this area. The effects of the continuing tight labor market meant that multiple positions across the district went unfilled for at least some part of the year, with the most challenging staffing shortages found in Special Services ed tech, bus driver and custodian positions. Also significant was the HR Specialist position in the Business Office which went unfilled for over half the year. A total surplus of \$748,000 is attributable to these factors, specifically:

- \$367,000 Special Services ed tech wages & benefits
- \$152,000 Custodian wages & benefits
- \$157,000 Bus Driver wages & benefits
- \$52,000 Business Office wages & benefits
- \$200,000 Additional turnover savings - salaries/wages & benefits across all lines

Other notable areas of savings were found in programs and operations:

Student programs & services

- Curriculum - \$92,000 under budget due to refined subscription levels, deferred program updates, and use of federal grant funds;
- Instructional Technology - \$75,000 under budget due to reduction and turnover of subscriptions & internet services;
- Special Education - \$37,000 under budget in tuition for outside placement based on changing student needs;
- Athletics & Activities - \$56,000 under budget due to reduced sports offerings at the Middle School and lower than expected use of transportation services.

Operations

The largest single factor in this year's surplus was \$500,000 unspent in Debt Service. The FY23 budget included the anticipated cost of a new bond issue for approved capital spending. As it turned out there was no bond issue at all in FY23, and therefore no need for any of the additional funds budgeted. Also notable were:

- Facilities - \$161,000 under budget in energy costs
 - savings of \$188,000 due to new electricity contract rate
 - gasoline is over budget but covered by other unused funds
 - increases in natural gas, oil and propane were anticipated in our budget projections
- System Administration -\$52,000 under budget due to savings in unemployment & legal services costs

These are the major factors in the surplus generated, with the remainder coming from small incremental balances across all of the other expenditure accounts in the budget. As usual, there are some individual accounts which were overspent by more than \$10,000 in FY23. Under School Board policy DBJ, the Board is asked to approve budget transfers to cover these deficits at the end of each fiscal year; this Board action item will take place at their meeting on October 5, 2023. This year every budget category ran at least a small surplus, and all of the overspent accounts can be covered with transfers within the same category.

Revenues

Revenues were very close to budget projections in FY23, showing a shortfall of \$33,093. Areas that were significantly under budgeted projections were State Agency Client reimbursements, based on shifts in the eligible student population, and activity and rental fees which were still in the process of rebounding in the post-COVID environment.

Other Funds

The **Adult Education** program was still feeling the impacts of the pandemic, with reduced interest in the health care programs which were so popular in the past. Apart from continuing to expand our enrichment offerings, our focus in FY23 targeted supporting English Language Learners with both literacy courses and workforce preparation. Partnerships with Abbott Labs and the Scarborough Library are some of the creative ways our program has reached out to serve the needs of new Mainers. Our program director continued to pursue a multitude of state and federal grants to support these programs, which helped to offset a shortfall in regular program tuition. The year-end Adult Education fund balance is a healthy \$47,041 after \$30,000 is set aside as non-tax revenue for the FY24 budget.

School Nutrition continued to navigate the waves of change rolling in from the state and federal level. For FY23 the federal government reverted to prior funding levels for regular meals, however the state passed legislation to fund the difference and allow us to continue free meals for all students. This can be seen in the financial statement, as federal funding fell far short of our predictions, while state funding made up most of the difference. Food sales also generated more revenue than predicted because we were able to restore and expand a la carte offerings at the High School and Middle School. Staffing shortages challenged this program as well, as is shown in the budget surplus for wages and benefits. The program ended the fiscal year with an overall budget surplus of \$58,814, adding to the large balance that was created in FY22.

The detailed financial statement closes with the year-end status of **federal grant** funds as well as local and state **grants, trusts and special revenues**. In FY23 we closed out the last of the COVID-related grants; all of these grants will end as of September 30, 2023. For those who are not familiar with the nature of these grants, a detailed description of the use of these funds was provided as a public resource during the FY23 budget development process, and this information is available on our website.

Federal grants are provided on a reimbursement basis, so expenditures outpace revenues to a degree that depends on the state's processing time. At the time of this report, the only grant where we have significant funds not yet received is ARP ESSER III; we do have approval for all of our expenditures and are slowly moving through the reimbursement process with the anticipation that the full amount will be received.

In other areas of note, after spending down the balance in the Tech Maintenance fees fund in FY22 we have started to rebuild that balance with the small universal fee for all students reestablished in FY23. Similar to last year, the School Nutrition Special Programs fund shows a small fund deficit at year-end, however a \$10,000 grant was received over the summer, and the Backpack Program continues to receive regular donations that support our efforts to provide healthy food for families in need.

Capital Projects

This report includes a year-end summary of our capital improvement project (CIP) accounts. Most of these CIP accounts are multi-year, ongoing areas of investment, allowing for project scheduling to minimize disruption for staff and students. FY23 saw a return to a more typical level of building and facilities maintenance following the restrictions of COVID protocols. Areas of major focus in FY23 were HVAC repairs at the Middle School and K-2 schools, the addition of a walk-in freezer at Wentworth to accommodate the huge increase in food supplies for meal service, and continued cyclical replacement of furnishings across the district.

A few special projects of note were the addition of a wheelchair/mobility accessible play area to the Wentworth playground, finishing the turf replacement portion of the HS athletics complex upgrade, and the implementation of our new transportation software. FY23 also saw the start of a deep dive into the design and engineering work for the new Unified School project; costs for this work are seen in the Long-Range Planning CIP account.

In Summary

The return to normal school operations during FY23 was accompanied by the recognition that students, staff and families have an increased and ongoing need for resources to support learning recovery and social/emotional wellbeing. The global economic environment and regional labor market have posed challenges as well, with continued volatility in many areas of spending. Notwithstanding these challenges, we have ended the year in a positive financial position.

As of the end of FY23 we have preserved \$2,156,134 in undesignated fund balance pending audit adjustments (see page 5), which is equivalent to 3.7% of the total General Fund operating budget. In 2021, recognizing the unusual financial conditions created by the influx of federal funds to Maine school districts, the Legislature increased the statutory limit on undesignated surplus carry-over from 3% of the previous year's budget to 5%, with even higher exemptions allowed for FY22 through FY25. This change allows us to maintain a larger cushion against economic uncertainty, and to use surplus funds strategically to reduce the burden of increased costs on our local taxpayers.

Use of fund balance as non-tax revenue has been a critical tool available to the Board over the past few budget years. The large surpluses generated by the upheaval of the pandemic and the influx of federal funds have allowed us to mitigate the impact of school budget growth on Scarborough taxpayers. For context, in the FY20 budget, \$350,000 of fund balance was assigned as revenue; in FY21 it was \$750,000, in FY22 \$1 million and we applied \$1.5 million in both FY23 and FY24. We do expect that as pandemic conditions recede we will revert to smaller surpluses, but having this substantial amount at the end of FY23 will help us step down gradually and avert a funding cliff.

We are pleased to be able to present here a financial report which exemplifies our commitment to provide the best possible programs and services for the children of our community with the resources entrusted to our care.

Scarborough Public Schools
Financial Statement
June 30, 2023

For School Board 10/5/2023

General Fund Surplus as of 6/30/2022 (audited) \$ 3,814,022
Allocated to 2022-23 budget \$ (1,500,000)

Undesignated Surplus as of 7/1/2022 (audited balance) **\$ 2,314,022**

General Fund Expenditures:	Approved Budget	Revised Budget	Year-end Expended	Budget Balance	FY23 % Used	FY22 % Used	FY21 % Used
Regular Instruction:							
Regular Instruction Programs	23,955,747	23,955,747	23,619,263	336,484	98.6%	98.1%	97.7%
English as a Second Language (ESL)	413,220	413,220	412,989	231	99.9%	96.5%	99.1%
Gifted and Talented Programs	386,784	386,784	385,599	1,185	99.7%	99.3%	97.9%
Special Education Instruction	11,064,123	11,064,123	10,665,109	399,014	96.4%	93.9%	90.8%
CTE Instruction (Career & Technical Ed)	0	0	0	0	0.0%	0.0%	0.0%
Other Instruction:							
Co-Curricular	211,446	211,446	202,651	8,795	95.8%	85.4%	68.1%
Extra-Curricular	1,334,419	1,334,419	1,271,702	62,717	95.3%	95.4%	79.3%
Student & Staff Support:							
Guidance Services	1,757,825	1,757,825	1,747,373	10,452	99.4%	100.5%	99.8%
Health Services	892,024	892,024	883,866	8,158	99.1%	103.0%	90.6%
Improvement of Instruction	902,090	902,090	826,760	75,330	91.6%	82.1%	84.8%
Instructional Technology	1,488,865	1,488,865	1,398,879	89,986	94.0%	96.6%	96.4%
Library Services	815,533	815,533	754,765	60,768	92.5%	98.5%	95.6%
System Administration	1,451,500	1,451,500	1,333,640	117,860	91.9%	91.7%	94.6%
School Administration	1,920,485	1,920,485	1,903,176	17,309	99.1%	99.1%	98.3%
Transportation	1,893,021	1,893,021	1,772,443	120,578	93.6%	98.2%	80.0%
Facilities & Maintenance	4,601,844	4,601,844	4,235,507	366,337	92.0%	99.6%	93.4%
Debt Service	5,712,560	5,712,560	5,212,559	500,001	91.2%	99.5%	96.9%
All Other	0	0	0	0	0.0%	0.0%	0.0%
Total General Fund Appropriations	58,801,486	58,801,486	56,626,282	2,175,205	96.3%		
FY22 Year-to-date	55,683,015	55,683,015	54,114,579	1,568,436		97.2%	
FY21 Year-to-date	53,311,243	53,311,243	50,389,962	2,921,281			94.5%

General Fund Revenues:	Estimated Revenue	Revised Estimate	Year-to-date Received	Balance/ (Shortfall)	FY23 % Rec'd	FY22 % Rec'd	FY21 % Rec'd
Town Funding - Local Taxes	51,949,958	51,949,958	51,949,958	0	100.0%	100.0%	100.0%
Use of Fund Balance	1,500,000	1,500,000	1,500,000	0	100.0%	100.0%	100.0%
State Subsidy - GPA	5,003,528	5,003,528	5,031,553	28,025	100.6%	111.7%	99.9%
State Agency Client Funding	60,000	60,000	20,507	(39,493)	34.2%	0.0%	23.0%
Comm. Services Daycare (rent space)	35,000	35,000	36,569	1,569	104.5%	88.6%	0.0%
Community Services Transportation	25,000	25,000	21,351	(3,649)	85.4%	81.0%	0.0%
Winslow Homer/Facility Rental Fees	23,000	23,000	11,724	(11,276)	51.0%	30.1%	1.2%
Student Sports/Activity Fees	145,000	145,000	117,494	(27,506)	81.0%	94.5%	45.0%
Summer Academy Fees	0	0	6,275	6,275	100.0%	0.0%	0.0%
Other Miscellaneous Revenue	60,000	60,000	72,962	12,962	121.6%	132.6%	96.7%
Total Revenue	58,801,486	58,801,486	58,768,393	(33,093)	99.9%	100.9%	99.6%

Scarborough Public Schools
Financial Statement
June 30, 2023

For School Board 10/5/2023

Year-end Fund Transfers

Surplus to capital reserve fund - per SBFC recommendation	\$ (800,000)
Audit adjustments	\$ -
Total Transfers	\$ (800,000)

Breakdown of General Fund Surplus Balances

As of 6/30/2022 fund balance was :	\$ 3,814,022
Used For FY23 Budget	\$ (1,500,000)
Undesignated Fund Balance 7/1/2022	\$ 2,314,022
 FY23 Appropriations Balance	 \$ 2,175,205
FY23 Revenue Balance	\$ (33,093)
FY23 Year-end Adjustments	\$ (800,000)
FY23 Year-end Balance	\$ 1,342,112
 Total Available Fund Balance	 \$ 3,656,134
Used for FY24 Budget	\$ (1,500,000)
Undesignated Fund Balance 6/30/2023	\$ 2,156,134

OTHER FUNDS

Adult Education:

	Approved Budget	Revised Budget	Year-to-date Expended	Budget Balance	FY23 % Used	FY22 % Used	FY21 % Used
Expenditures							
Wages & benefits (instructors & program admin)	154,310	154,310	136,714	17,596	88.6%	85.9%	63.4%
General supplies & operations	11,360	11,360	10,780	580	94.9%	77.8%	70.9%
Instructional supplies, software & equipment	18,700	18,700	6,427	12,273	34.4%	48.2%	58.4%
Expenditure totals	184,370	184,370	153,920.49	30,450	83.5%	82.2%	63.5%

	Estimated Revenue	Revised Estimate	Year-to-date Received	Balance/ (Shortfall)	FY23 % Rec'd	FY22 % Rec'd	FY21 % Rec'd
Revenues							
Town Funding - Local Taxes	80,000	80,000	80,000	0	100.0%	100.0%	100.0%
Use of Fund Balance	14,000	14,000	14,000	0	100.0%	100.0%	100.0%
State Subsidy - Adult Ed	36,225	36,225	36,149	(76)	99.8%	132.5%	97.5%
Grant Funds	9,000	9,000	16,368	7,368	181.9%	675.5%	166.0%
Adult Ed Tuition	45,145	45,145	26,755	(18,390)	59.3%	54.4%	46.1%
Revenue totals	184,370	184,370	173,272	(11,098)	94.0%	101.5%	85.0%

Adult Education YTD fund balance	19,351
Fund balance as of 6/30/22	57,689
Used for FY24 budget	(30,000)
Total undesignated fund balance	47,041

Scarborough Public Schools
Financial Statement
June 30, 2023

For School Board 10/5/2023

School Nutrition Program:

	Approved	Revised	Year-to-date	Budget	FY23	FY22	FY21
Expenditures	<u>Budget</u>	<u>Budget</u>	<u>Expended</u>	<u>Balance</u>	<u>% Used</u>	<u>% Used</u>	<u>% Used</u>
Wages & Benefits	1,293,689	1,293,689	1,160,375	133,314	89.7%	101.0%	92.0%
Food & Beverages	639,072	639,072	829,893	(190,821)	129.9%	121.9%	54.0%
Contracted Services (software & repairs)	26,500	26,500	27,995	(1,495)	105.6%	97.2%	111.6%
Supplies & Equipment	79,739	79,739	79,496	243	99.7%	180.0%	54.3%
Operations	2,000	2,000	2,460	(460)	123.0%	149.9%	105.1%
Expenditure totals	2,041,000	2,041,000	2,100,219	(59,219)	102.9%	110.3%	78.9%
	Budgeted	Revised	Year-to-date	Balance/	FY22	FY22	FY21
Revenues	<u>Revenue</u>	<u>Estimate</u>	<u>Received</u>	<u>(Shortfall)</u>	<u>% Rec'd</u>	<u>% Rec'd</u>	<u>% Rec'd</u>
Food Sales	200,000	200,000	359,674	159,674	179.8%	15.9%	0.3%
Federal Funding (USDA)	1,799,000	1,799,000	506,985	(1,292,015)	28.2%	744.1%	0.0%
State Funding (DOE)	36,000	36,000	1,290,122	1,254,122	3583.7%	195.7%	59.5%
Grants & Donations	6,000	6,000	2,251	(3,749)	37.5%	27.3%	3765.8%
Revenue totals	2,041,000	2,041,000	2,159,033	118,033	105.8%	136.6%	55.3%

School Nutrition YTD fund balance	58,814
Fund balance as of 6/30/22	484,482
Total undesignated fund balance	543,295

<u>Federal Restricted Funds:</u>	<u>Beg. Balance</u>	<u>FY23 Grant Funds Available</u>	<u>Year-to-date Revenues</u>	<u>Year-to-date Expenses</u>	<u>Ending Balance</u>
ESSER II	0	90,658	90,658	90,658	0
ARP ESSER III	0	606,317	175,457	526,361	79,956
ARP Local Entitlement	0	99,059	87,319	87,319	11,740
Title IA	0	159,438	94,541	94,541	64,897
Title IIA	0	152,291	135,018	135,018	17,273
Title IVA	0	233	233	233	0
Pre-K Local Entitlement	0	13,001	13,001	13,001	0
Local Entitlement	0	925,642	662,910	664,670	260,972
Total Federal Restricted	0	2,046,639	1,259,136	1,611,801	434,838

Note: Federal funds are disbursed after actual expenditures are reported.

<u>Grants, Trusts & Special Revenues:</u>	<u>Beg. Balance</u>	<u>Year-to-date Revenues</u>	<u>Year-to-date Expenses</u>	<u>End. Balance</u>
Louis & Tina Fineberg Trust	136,743	0	0	136,743
Scarborough Education Foundation	23,851	17,227	18,537	22,541
Local grants & donations	31,938	7,973	5,413	34,498
CC Admin Recertification (fiscal agent)	1,334	9,890	8,776	2,448
Tech Maintenance Fees	4,492	27,555	0	32,047
School Nutrition Special Programs	(1,567)	14,305	16,132	(3,394)
MLTI State Reimbursement	19,637	293,453	293,449	19,641
PEPG State Grant	588	0	0	588
Proficiency-based Graduation Grant	3,083	0	0	3,083
Total Grants, Trusts & Special Revenues	220,099	370,402	342,307	248,194

School CIP project account status
as of 6/30/2023

For School Board 10/5/2023

FACILITIES	Account #	Budget Balance as of 6/30/2022	FY23 Budget	FY23 Expended	Prior budget authority rescinded (TC 3/23)	Budget Balance as of 6/30/2023
Long-range Planning	73001798 570000	319,015	0	244,395		74,619
District-wide Energy Improvements	73001803 570000	162	150,000	58,739	(6,520)	84,903
District-wide Plumbing	74001739 570000	33,423	0	17,147		16,276
District-wide Roofing	74001771 570000	414	476,000	16,672	(1,000)	458,742
District-wide Interior Finishes	74001772 570000	33,550	50,000	70,265		13,285
District-wide Security & Access Mgmt	74001787 570000	53,555	60,000	79,308	(1,030)	33,217
District-wide Flooring	74001791 570000	45,185	30,000	31,470		43,715
District-wide Movable Equipment	74001792 573100	105,902	285,000	279,608	(5,334)	105,960
District-wide Building Envelope	74001794 570000	74,804	0	45,134	(12,236)	17,434
District-wide Grounds & Site Mtce	74001805 570000	107,056	150,000	185,515	(7,290)	64,251
Athletics Facilities/Equipment	74001807 570000	32,005	15,000	30,288	(1,423)	15,294
HS Science Labs Retrofit	74001808 570000	113,117	0	79,145		33,972
District-wide HVAC/Mechanical	74176800 573100	201,431	150,000	242,404	(2,230)	106,798
Facilities Support/Equipment	74176900 573100	18,995	29,000	1,107	(2,222)	44,666
Facilities Support/Vehicles	74176900 573200	714	55,000	46,850	(3,759)	5,105
TOTALS		1,198,074	1,450,000	1,428,047		1,118,237
TOWN/SCHOOL PROJECT						
Turf field & track replacement	74001795 570000	1,831,962	0	711,865		1,120,097
TRANSPORTATION						
Bus purchase/lease	74001712 573600	19,327	405,783	407,950	(4,778)	12,382
Transportation software	74001786 570000	0	120,000	99,032		20,968
TOTALS		19,327	525,783	506,982		33,351
TECHNOLOGY						
Equipment Replacement	74001784 573100	79,305	312,500	211,399	(9,179)	171,227
New Equipment	74001799 573100	(0)	25,000	27,709		(2,709)
TOTALS		79,305	337,500	239,107		168,519
GRAND TOTALS		3,128,668	2,313,283	2,886,001	(57,001)	2,440,203