

**City of Sanford, Maine
School Department**

Financial Report

June 30, 2014

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Accessible
Approachable
Accountable

Independent Auditors' Report

School Committee
Sanford School Department
Sanford, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Sanford School Department (the School Department), a department of the City of Sanford, Maine, as of and for the year ended June 30, 2014, 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. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of Sanford School Department, as of June 30, 2014, 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 Sanford School Department are intended to present the financial position, the changes in financial position of only that portion of each major fund, and the aggregate remaining fund information of the City of Sanford, 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 City of Sanford, Maine as of June 30, 2014 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 opinion is 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 require 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.



South Portland, Maine
December 30, 2014

Balance Sheet Governmental Funds

June 30, 2014

	General Fund	Local Entitlement	Other Governmental Funds	Total Governmental Funds
Assets				
Intergovernmental receivables	\$ 94,628	\$ 824,352	\$ 381,432	\$ 1,300,412
Due from City	2,439,138		1,518,976	3,958,114
Other receivables	35,274			35,274
Inventory			24,379	24,379
Total Assets	\$2,569,040	\$ 824,352	\$ 1,924,787	\$ 5,318,179
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 255,456	\$ 625	\$ 38,304	\$ 294,385
Due to City		969,382		969,382
Accrued payroll	3,790,908	85,935	237,322	4,114,165
Accrued compensated absences	24,600			24,600
Unearned revenue			410,972	410,972
Total Liabilities	4,070,964	1,055,942	686,598	5,813,504
Fund Balances				
Fund balances				
Nonspendable				
Permanent fund			5,000	5,000
Inventory			24,379	24,379
Restricted				
Capital projects fund			9,045	9,045
Special revenue funds			1,168,326	1,168,326
Permanent funds			31,439	31,439
Unassigned				
General fund	(1,501,924)	(231,590)		(1,733,514)
Total Fund Balances	(1,501,924)	(231,590)	1,238,189	(495,325)
Total Liabilities and Fund Balances	\$2,569,040	\$ 824,352	\$ 1,924,787	\$ 5,318,179

See independent auditors' 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, 2014

	General Fund	Local Entitlement	Other Governmental Funds	Total
Revenues				
Local allocation	\$ 12,752,094			\$ 12,752,094
State allocation	18,928,461			18,928,461
State agency clients	206,249			206,249
On-behalf payments - pension contributions	2,638,000			2,638,000
Tuition revenue	919,303			919,303
Miscellaneous	52,035		\$ 29,583	81,618
Adult education	792,479			792,479
Intergovernmental revenue		\$ 824,607	3,880,345	4,704,952
Donated commodities received			71,141	71,141
Sale of meals			389,516	389,516
Interest			67	67
Total Revenues	<u>36,288,621</u>	<u>824,607</u>	<u>4,370,652</u>	<u>41,483,880</u>
Expenditures				
Regular instruction	15,199,801			15,199,801
Special education	5,405,952			5,405,952
Career and technical education	1,364,129			1,364,129
Other instruction	778,844			778,844
Student and staff support	2,534,219			2,534,219
System administration	724,284			724,284
School administration	1,865,381			1,865,381
Transportation and buses	1,637,327			1,637,327
Facilities maintenance	3,944,054			3,944,054
All other expenditures	7,152			7,152
Adult education	755,988			755,988
On-behalf payments - pension contributions	2,638,000			2,638,000
Grant expenditures		913,106	4,616,577	5,529,683
Donated commodities used			69,190	69,190
Capital outlay			620,955	620,955
Total Expenditures	<u>36,855,131</u>	<u>913,106</u>	<u>5,306,722</u>	<u>43,074,959</u>
Deficiency of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(566,510)</u>	<u>(88,499)</u>	<u>(936,070)</u>	<u>(1,591,079)</u>
Other Financing Sources (Uses):				
Transfers (to) from other funds	(67,806)		67,806	
Bond proceeds			630,000	630,000
Total Other Financing Sources (Uses)	<u>(67,806)</u>		<u>697,806</u>	<u>630,000</u>
Net Change in Fund Balances	(634,316)	(88,499)	(238,264)	(961,079)
Fund Balances				
Beginning of Year, as Restated	<u>(867,608)</u>	<u>(143,091)</u>	<u>1,476,453</u>	<u>465,754</u>
End of Year	<u>\$ (1,501,924)</u>	<u>\$ (231,590)</u>	<u>\$ 1,238,189</u>	<u>\$ (495,325)</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, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local allocation	\$ 12,752,094	\$ 12,752,094	\$ 12,752,094	
State allocation	19,553,777	19,553,777	18,928,461	\$ (625,316)
State agency clients	275,000	275,000	206,249	(68,751)
Tuition revenue	984,950	984,950	919,303	(65,647)
Miscellaneous	187,500	187,500	52,035	(135,465)
Adult education	855,008	855,008	792,479	(62,529)
Total Revenues	<u>34,608,329</u>	<u>34,608,329</u>	<u>33,650,621</u>	<u>(957,708)</u>
Expenditures				
Regular instruction	14,054,648	14,054,648	15,175,201	(1,120,553)
Special education	5,774,447	5,774,447	5,405,952	368,495
Career and technical education	1,748,186	1,748,186	1,364,129	384,057
Other instruction	898,870	898,870	778,844	120,026
Student and staff support	3,126,554	3,126,554	2,534,219	592,335
System administration	860,830	860,830	724,284	136,546
School administration	1,919,748	1,919,748	1,865,381	54,367
Transportation and buses	1,659,100	1,659,100	1,637,327	21,773
Facilities maintenance	4,184,938	4,184,938	3,944,054	240,884
Debt service and other commitments	11,000	11,000		11,000
All other	15,000	15,000	7,152	7,848
Adult education	855,008	855,008	755,988	99,020
Total Expenditures	<u>35,108,329</u>	<u>35,108,329</u>	<u>34,192,531</u>	<u>915,798</u>
Deficiency of Revenues Over Expenditures Before Other Financing Uses	(500,000)	(500,000)	(541,910)	(41,910)
Other Financing Uses				
Transfers to other funds			(67,806)	(67,806)
Deficiency of Revenues Over Expenditures	(500,000)	(500,000)	(609,716)	(109,716)
Beginning Fund Balance Utilized, as Restated	500,000	500,000	(867,608)	(1,367,608)
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	(1,477,324)	<u>\$ (1,477,324)</u>
Less current portion of accrued compensated absences			(24,600)	
Fund Balance per Fund Financial Statement			<u>\$ (1,501,924)</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, 2014

	Private- Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 23,501	\$ 421,907
Investments	941,245	
Total Assets	<u>\$ 964,746</u>	<u>421,907</u>
Liabilities		
Due to student groups		421,907
Total Liabilities		<u>\$ 421,907</u>
Net Position		
Held in trust for scholarships	<u>\$ 964,746</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, 2014

	Private- Purpose Trusts
Additions	
Contributions and interest income	<u>\$ 116,974</u>
Total Additions	<u>116,974</u>
Deductions	
Scholarships	<u>15,339</u>
Total Deductions	<u>15,339</u>
Change in Net Position	101,635
Net Position, Beginning of Year	<u>863,111</u>
Net Position, End of Year	<u><u>\$ 964,746</u></u>

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sanford School Department (the School Department) provides elementary and secondary education for the children living in Sanford, 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 City of Sanford, Maine (the City), 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 City of Sanford, Maine in conformity with accounting principles generally accepted in the United States of America. Certain disclosures relevant to both the City and the School Department are omitted herein and have been disclosed in the City'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. Each major fund is 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.

Local Entitlement Fund

This fund is used to account for the proceeds and associated costs of the Local Entitlement program, which provides additional educational resources to individuals with disabilities. The Local Entitlement revenues include federal grants.

The other governmental funds of the School Department account for other grants and other resources, such as special revenue funds (including the school lunch program) and capital project funds of the School Department whose uses are restricted or committed to a particular purpose.

Notes to Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

Notes to Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 the current portion of compensated absences which is excluded from expenditures on the budgetary basis of accounting and except for on-behalf payments which are 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 City of Sanford is then called for the purpose of adopting both the proposed City and School Department's budgets after public notice of the meeting has been given.
- Prior to July 1 the budget is adopted.

Encumbrances are recorded when purchase orders are issued but are not considered expenditures for GAAP purposes until liabilities for payments are incurred. The Department may issue purchase orders before June 30 each year to encumber expenditures in the current year budget. The Department had no outstanding purchase orders for the fiscal year ended June 30, 2014.

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 City of Sanford, Maine.

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 at the City level.

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 be expended in 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.

Notes to Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences

Compensated absences are earned in varying amounts by employees of the School Department. The total liability of \$463,697 has been recorded in the government-wide financial statements of the City of Sanford, Maine and the portion that is currently due to employees of the School Department as of June 30, 2014 is 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.
- **Assigned** Resources neither restricted nor committed for which a government has a stated intended use as established by the School Committee or a body or official to which the School Committee 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 Committee establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the School Committee 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.

Recently Adopted Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The new statement is effective for periods beginning after December 15, 2012. The adoption of this statement did not have a significant impact on the School Department's financial statements.

Notes to Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014. The School Department is currently assessing the impact of this statement on its financial statement.

NOTE 2 – ACCOUNTABILITY

The deficit in the General Fund is a result of the accrual of teacher summer salaries which is funded through the subsequent year's budget.

The following special revenue funds have deficit fund balances:

Building Assets Reducing Risk	\$ 5,554
IDEA Grant – Local Entitlement	231,590
Partners In Arts And Learning	534
Title III	2,441
	<u>\$ 240,119</u>

The special revenue fund deficits will be covered by the general fund or future grant receipts.

NOTE 3 – CASH AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School Department's deposits may not be returned to it. The School Department does not have a deposit policy for custodial credit risk. As of June 30, 2014, the School Department reported deposits of \$445,408 with a bank balance of \$465,284 risk due to bank balances being covered by FDIC insurance or a supplemental insurance agreement with the Bank.

Investments

The School Department's investment policies are governed by Maine Statutes, generally 30-A M.R.S.A. §5706-5715. At June 30, 2014, the School Department had the following investments reported in the fiduciary fund:

Investment Type	Fair Value
Cash equivalents	\$ 148,857
Fixed income	43,857
Equities	748,531
	<u>\$ 941,245</u>

Credit Risk – The District does not have a policy for credit risk of investments.

Notes to Financial Statements

June 30, 2014

NOTE 4 – TRANSFERS

Operating transfers in/out to other funds consists of the following:

	Transfer In	Transfer Out
Major Funds		
General Fund		\$ 67,806
Nonmajor Governmental Funds	\$ 67,806	
Total	<u>\$ 67,806</u>	<u>\$ 67,806</u>

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the School Department has reported all capital assets in the City's Government-Wide Statement of Net Position.

NOTE 6 – LONG-TERM DEBT

In accordance with GASB Statement No. 34, the School Department has reported all long-term debt in the City's Government-Wide Statement of Net Position. The School Department has one capital lease for copier equipment and also has certain bonds payable. Total annual debt service requirements as of June 30, 2014 are as follows:

Year Ending June 30,	Bonds Payable		Capital Lease Obligations		Total Debt Service
	Principal	Interest	Principal	Interest	
2015	\$ 373,667	\$ 16,774	\$ 9,657	\$ 338	\$ 400,436
2016	297,187	10,415			307,602
2017	287,700	7,620			295,320
2018	126,000	4,864			130,864
2019	126,000	2,432			128,432
Total	<u>\$ 1,210,554</u>	<u>\$ 42,105</u>	<u>\$ 9,657</u>	<u>\$ 338</u>	<u>\$ 1,262,654</u>

NOTE 7 – OPERATING LEASES

The School Department leases office space, classrooms, and a postage meter under operating leases that expire in 2018.

The School Department's future minimum lease payment requirements under operating leases are as follows:

Years Ending June 30,	
2015	\$ 200,905
2016	166,692
2017	164,548
2018	69,620
	<u>\$ 601,765</u>

Total lease expense for the year ended June 30, 2014 amounted to \$198,517.

Notes to Financial Statements

June 30, 2014

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

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 Public Employees 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 \$2,638,000 (15.36%) for the fiscal year 2014. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (page 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 15.83% of their compensation. This amounted to approximately \$208,000 during the fiscal year 2014. 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 2.65% of the qualified teachers' salaries for the entire teachers' fund. For the year ended June 30, 2014, the amount of this contribution was approximately \$490,000.

Consolidated Retirement Pension Plan

Description of the Plan

School Department custodians, school lunch personnel, and other non-teacher personnel including some ed techs, central office employees, and secretaries 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.

Funding Policy

The contribution rates of plan members and the School Department and the City 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, 2014 was approximately \$121,000.

Notes to Financial Statements

June 30, 2014

NOTE 9 – COMMITMENTS AND 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, 2014. 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.

NOTE 10 – PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATION

Fund balance at the beginning of fiscal year 2014 has been adjusted to correct an error in posting prior year accounts receivable in the special revenue funds. Had the error not been made, the change in fund balance for fiscal year 2013 would have been increased by \$296,005.

Additionally, fund balance at the beginning of fiscal year 2014 has been adjusted to correct the presentation of certain funds that were not included in prior year's financial statements.

The following funds were restated in the 2014 financial statement presentation:

	General Fund	Other Governmental Funds
Beginning balance, as previously stated	\$ (878,811)	\$ 1,109,714
Add adult education	11,203	
Less school unemployment fund		(109,646)
Add permanent funds		36,372
Add prior year revenue		296,005
Add health insurance premiums balance		917
Beginning balance, as restated	<u>\$ (867,608)</u>	<u>\$ 1,333,362</u>

NOTE 11 – SUBSEQUENT EVENTS

On October 1, 2014, the School Department obtained a general obligation bond from the Maine Municipal Bond Bank for \$1,500,000. The interest rate is 6% and the principal balance is due on November 1, 2024. The bond proceeds are expected to be used to finance the planning portion of the project for construction of the new high school and vocational school, for which construction has not yet been approved.



Accessible
Approachable
Accountable

Independent Auditors' Report on Additional Information

School Committee
Sanford School Department
Sanford, Maine

We have audited the financial statements of the Sanford School Department (the School Department), a department of the City of Sanford, Maine, as of and for the year ended June 30, 2014, and our report thereon dated December 30, 2014, which expressed an unmodified opinions on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedules on pages 17 through 24 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macpage LLC

South Portland, Maine
December 30, 2014

Macpage LLC

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

Year Ended June 30, 2014

	21st Century	Alcohol Abuse Reduction Grant	Buildings Assets Reducing Risk	CAPCO grant	College Transitions	ECT Grant (Preschool)	Efficiency Maine	Elementary School Counseling Program	Subtotal
Revenues									
Federal education grants	\$ 99,335		\$ 135,372		\$ 46,000	\$ 36,031			\$ 270,738
State education grants									46,000
Local funds									
Total Revenues	<u>99,335</u>		<u>135,372</u>		<u>46,000</u>	<u>36,031</u>			<u>316,738</u>
Expenditures	99,335		122,709		31,614	24,952			278,610
Transfer in (Out)		\$ 2,612					\$ 11		2,623
Excess (Deficiency) of Revenues Over Expenditures		2,612	12,663		14,386	11,079		11	40,751
Fund Balances (Deficit) - MEDMS									
Beginning of year	23,159	(2,612)	(18,217)	\$ 1,804	1,887	3,522	18,472	(11)	28,004
End of year	23,159		(5,554)	1,804	16,273	14,601	18,472		68,755
Unearned Revenue	23,159					14,601			37,760
Fund Balance, End of Year	\$ -	\$ -	\$ (5,554)	\$ 1,804	\$ 16,273	\$ -	\$ 18,472	\$ -	\$ 30,995

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

Year Ended June 30, 2014

	E-Rate	Extended Secondary Counseling Grant	Industrial Tech Sending School	ING Unsung Heroes	Junior High Local Funds	Corning	5HS iPad Program	Subtotal
Revenues								
Federal education grants								
State education grants								
Local funds	\$ 82,534		\$ 126,646		\$ 500	\$ 6,594	\$ 41,055	\$ 257,329
Total Revenues	<u>82,534</u>		<u>126,646</u>		<u>500</u>	<u>6,594</u>	<u>41,055</u>	<u>257,329</u>
Expenditures	6,750		54,046		514	3,778	10,097	75,185
Transfer In (Out)		\$ 19,487	(24,289)					(4,802)
Excess (Deficiency) of Revenues Over Expenditures	75,784	19,487	48,311		(14)	2,816	30,958	177,342
Fund Balances (Deficit) - MEDMS								
Beginning of year	255,994	(19,487)	154,306	\$ 1,187	1,845	154	34,787	428,786
End of year	331,778		202,617	1,187	1,831	2,970	65,745	606,128
Unearned Revenue								
Fund Balance, End of Year	<u>\$ 331,778</u>	<u>\$ -</u>	<u>\$ 202,617</u>	<u>\$ 1,187</u>	<u>\$ 1,831</u>	<u>\$ 2,970</u>	<u>\$ 65,745</u>	<u>\$ 606,128</u>

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

Year Ended June 30, 2014

Revenues	Walmart Foundation	Kids Club	Lafayette Local Funds	Lighthouse Grant	Learn And Serve - Summer Of Service	MaineCare	Meimac Grant	Nellie May Planning Grant	Subtotal
Federal education grants									
State education grants									
Local funds	\$ 2,000	\$ 5,424		\$ 19,398		\$ 163,475		\$ 949,549	\$ 163,475
Total Revenues	<u>2,000</u>	<u>5,424</u>		<u>19,398</u>		<u>163,475</u>		<u>949,549</u>	<u>1,139,846</u>
Expenditures	1,331			12,965	\$ 1,909	312,731	\$ 6,434	1,070,135	1,405,505
Transfer In (Out)					(431)			(12,000)	(12,431)
Excess (Deficiency) of Revenues Over Expenditures	669	5,424		6,433	(2,340)	(149,256)	(6,434)	(132,586)	(278,090)
Fund Balances (Deficit) - MEDMS Beginning of year	<u>1,000</u>	<u>24,547</u>	<u>\$ 460</u>	<u>(1,124)</u>	<u>2,340</u>	<u>153,552</u>	<u>8,153</u>	<u>173,229</u>	<u>362,157</u>
End of year	1,669	29,971	460	5,309		4,296	1,719	40,643	84,067
Unearned Revenue									
Fund Balance, End of Year	<u>\$ 1,669</u>	<u>\$ 29,971</u>	<u>\$ 460</u>	<u>\$ 5,309</u>	<u>\$ -</u>	<u>\$ 4,296</u>	<u>\$ 1,719</u>	<u>\$ 40,643</u>	<u>\$ 84,067</u>

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

Year Ended June 30, 2014

	Partners In Arts And Learning	Project Canopy	Safe Schools Healthy Students	Safe Schools Mini/Local	Other School Grants	Smart Grant	Target Media Grant	Title IA	Subtotal
Revenues									
Federal education grants	\$ 1,000							\$ 964,736	\$ 964,736
State education grants							\$ 2,000	1,000	1,000
Local funds							2,000	2,000	2,000
Total Revenues	<u>1,000</u>						<u>2,000</u>	<u>964,736</u>	<u>967,736</u>
Expenditures	1,126						1,858	976,952	979,936
Transfer In (Out)		\$ 2,226	\$ (16,724)	\$ (2,211)	\$ 13,941	\$ (3)			<u>(2,771)</u>
Excess (Deficiency) of Revenues Over Expenditures	(126)	2,226	(16,724)	(2,211)	13,941	(3)	142	(12,216)	(14,971)
Fund Balances (Deficit) - MEDMS									
Beginning of year	(408)	(2,226)	16,724	2,211	(13,941)	3	153	46,203	48,719
End of year	(534)						295	33,987	33,748
Unearned Revenue								33,987	33,987
Fund Balance, End of Year	<u>\$ (534)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ (239)</u>

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

Year Ended June 30, 2014

	Title IA - ARRA	Title IC - Perkins	Title IIA - Teacher Quality	Title III - English Language Acquisition	Title V - Innovative	Adult Basic Education	Wellness Team	LE_MCF	Subtotal
Revenues									
Federal education grants		\$ 146,718	\$ 135,446	\$ 7,201		\$ 62,229			\$ 351,594
State education grants									
Local funds		146,718	135,446	7,201		62,229			1,640
Total Revenues		<u>146,718</u>	<u>135,446</u>	<u>7,201</u>		<u>62,229</u>	<u>500</u>	<u>1,140</u>	<u>353,234</u>
Expenditures									
Transfer In (Out)	\$ 1,238				\$ 83,949				85,187
Excess (Deficiency) of Revenues Over Expenditures	1,238		(1,875)	(60)	83,949	3,307	94	1,140	87,793
Fund Balances (Deficit) - MEDMS									
Beginning of year	(1,238)	450	317,399	(2,381)	(83,949)	19,944			250,225
End of year		450	315,524	(2,441)		23,251	94	1,140	338,018
Unearned Revenue									
		450	315,524			23,251			339,225
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ (2,441)	\$ -	\$ -	\$ 94	\$ 1,140	\$ (1,207)

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

Year Ended June 30, 2014

Revenues	(SRTC) Genest Foundation	SHS Local Funds	Proficiency Based Transition Grant	SRTC Early College (Bridge Year)	Homeland Security Cameras	School Lunch Program	Totals
Federal education grants					\$ 4,809	\$ 1,643,819	\$ 3,235,696
State education grants			\$ 30,484	\$ 20,000		26,839	287,798
Local funds	\$ 20,000	725					1,258,065
Total Revenues	<u>20,000</u>	<u>725</u>	<u>30,484</u>	<u>20,000</u>	<u>4,809</u>	<u>1,670,658</u>	<u>4,781,559</u>
Expenditures				8,000	4,809	1,583,096	4,685,769
Transfer In (Out)							<u>67,806</u>
Excess (Deficiency) of Revenues Over Expenditures	20,000	725	30,484	12,000		87,562	163,596
Fund Balances (Deficit) - MEDMS						322,190	1,440,081
Beginning of year							
End of year	20,000	725	30,484	12,000		409,752	1,603,677
Unearned Revenue							410,972
Fund Balance, End of Year	<u>\$ 20,000</u>	<u>\$ 725</u>	<u>\$ 30,484</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 409,752</u>	<u>\$ 1,192,705</u>

Reconciliation to Balance Sheet - Governmental Funds:

Fund balance - end of year - as noted above	\$ 1,192,705
Nonspendable	
Permanent fund	5,000
Restricted	
Capital project fund	9,045
Permanent fund	31,439
Fund Balance - Governmental Funds	<u>\$ 1,238,189</u>

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

Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
Private-Purpose Trust Funds:				
Lucy Emery Trust	\$ 13,749	\$ 3		\$ 13,752
Walter Cyr Trust	8,453	17		8,470
Thornburg Goodall Fund	1,280			1,280
High School Scholarship Fund	839,629	116,954	\$ 15,339	941,244
Total Private-Purpose Trust Funds	\$ 863,111	\$ 116,974	\$ 15,339	\$ 964,746

Schedule of Cash Receipts and Cash Disbursements Student Activity Funds

Year Ended June 30, 2014

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Sanford High School	\$ 350,390	\$ 388,431	\$ 414,605	\$ 324,216
Sanford Middle School	60,550	66,979	72,797	54,732
Sanford Vocational School	36,787	73,513	84,543	25,757
Emerson School	15	350	350	15
Lafayette School	665	1,190	610	1,245
Carl Lamb School	8,832	21,088	18,473	11,447
Margaret Chase Smith School	544	2,469	2,757	256
Willard School	7,750	9,938	13,449	4,239
Total Student Activity Funds	<u>\$ 465,533</u>	<u>\$ 563,958</u>	<u>\$ 607,584</u>	<u>\$ 421,907</u>