

**SANFORD SCHOOL DEPARTMENT
SANFORD SCHOOL COMMITTEE
WORKSHOP AGENDA
Monday, November 7, 2016 ~ 5:30 pm**

Note: Meeting will be held in Superintendent's Conference Room, 2nd Floor, City Hall Annex

Members present: Jon Mapes, John Roux, Thomas Miscio, Scott Sheppard, Kendra Williams

Student Reps present: Summer Korpaczewski
Cole A. Jones

Staff present: David Theoharides, Superintendent
Matt Nelson, Assistant Superintendent
Gwen Bedell, Business Administrator
Bernie Flynn, Curriculum Director

Guests present:

A. Call to Order Time: ____ pm

B. Workshop Audit Report (Attachment B)

C. Adjournment
Recommendation: to adjourn at ____ pm.

**City of Sanford, Maine
School Department**

Financial Report

June 30, 2016

CONTENTS

Independent Auditors' Report	1
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual – General Fund	5
Statement of Fiduciary Net Position – Fiduciary Funds	6
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	7
Notes to Financial Statements	8
Independent Auditors' Report on Additional Information	16
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-major Special Revenue Funds	17
Schedule of Changes in Fiduciary Net Position – Private-Purpose Trust Funds	23
Schedule of Cash Receipts and Cash Disbursements – Student Activity Funds	24



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, 2016, 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.

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, 2016, 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.

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School Committee
Sanford School Department

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, 2016 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.

Macpage LLC

South Portland, Maine
October 31, 2016

Balance Sheet Governmental Funds

June 30, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Intergovernmental receivables	\$ 105,758		\$ 370,989	\$ 476,747
Due from City	4,850,971	643,456	904,788	6,399,215
Other receivables	14,535			14,535
Inventory			18,854	18,854
Total Assets	<u>\$ 4,971,264</u>	<u>\$ 643,456</u>	<u>\$ 1,294,631</u>	<u>\$ 6,909,351</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable - trade	\$ 291,633		\$ 61,295	\$ 352,928
Accounts payable - construction		1,514,984		\$ 1,514,984
Accrued payroll	4,244,259		423,895	4,668,154
Accrued compensated absences	35,090			35,090
Total Liabilities	<u>4,570,982</u>	<u>1,514,984</u>	<u>485,190</u>	<u>6,571,156</u>
Fund Balances				
Fund balances				
Nonspendable				
Permanent fund			5,000	5,000
Inventory			18,854	18,854
Restricted				
Special revenue funds			758,983	758,983
Permanent funds			26,604	26,604
Unassigned	400,282	(871,528)		(471,246)
Total Fund Balances (Deficit)	<u>400,282</u>	<u>(871,528)</u>	<u>809,441</u>	<u>338,195</u>
Total Liabilities and Fund Balances	<u>\$ 4,971,264</u>	<u>\$ 643,456</u>	<u>\$ 1,294,631</u>	<u>\$ 6,909,351</u>

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, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
Revenues				
Local allocation	\$ 14,120,211			\$ 14,120,211
State allocation	20,740,060			20,740,060
State agency clients	218,732			218,732
On-behalf payments - pension contributions	2,210,000			2,210,000
Tuition revenue	987,280			987,280
Miscellaneous	40,837		\$ 26,006	66,843
Adult education	393,616			393,616
Intergovernmental revenue			4,845,417	4,845,417
Donated commodities received			34,281	34,281
Sale of meals			399,356	399,356
Interest		1,511	82	1,593
Total Revenues	<u>38,710,736</u>	<u>1,511</u>	<u>5,305,142</u>	<u>44,017,389</u>
Expenditures				
Regular instruction	13,820,973			13,820,973
Special education	6,447,591			6,447,591
Career and technical education	1,811,009			1,811,009
Other instruction	882,011			882,011
Student and staff support	3,063,111			3,063,111
System administration	794,531			794,531
School administration	1,978,603			1,978,603
Transportation and buses	1,756,125			1,756,125
Facilities maintenance	3,852,567			3,852,567
All other expenditures	9,405			9,405
Adult education	816,418			816,418
On-behalf payments - pension contributions	2,210,000			2,210,000
Grant expenditures			5,544,082	5,544,082
Donated commodities used			42,301	42,301
Capital outlay		5,707,460		5,707,460
Total Expenditures	<u>37,442,344</u>	<u>5,707,460</u>	<u>5,586,383</u>	<u>48,736,187</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,268,392</u>	<u>(5,705,949)</u>	<u>(281,241)</u>	<u>(4,718,798)</u>
Other Financing Sources (Uses):				
Bond proceeds		4,900,000		4,900,000
Transfers in (out)	(554)		554	
Total Other Financing Sources (Uses)	<u>(554)</u>	<u>4,900,000</u>	<u>554</u>	<u>4,900,000</u>
Net Change in Fund Balances	1,267,838	(805,949)	(280,687)	181,202
Fund Balances				
Beginning of Year (Deficit)	<u>(867,556)</u>	<u>(65,579)</u>	<u>1,090,128</u>	<u>156,993</u>
End of Year (Deficit)	<u>\$ 400,282</u>	<u>\$ (871,528)</u>	<u>\$ 809,441</u>	<u>\$ 338,195</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, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local allocation	\$ 14,120,211	\$ 14,120,211	\$ 14,120,211	
State allocation	20,480,871	20,480,871	20,740,060	\$ 259,189
State agency clients	249,500	249,500	218,732	(30,768)
Tuition revenue	1,022,905	1,022,905	987,280	(35,625)
Miscellaneous	133,263	133,263	40,837	(92,426)
Adult education	331,200	331,200	393,616	62,416
Total Revenues	<u>36,337,950</u>	<u>36,337,950</u>	<u>36,500,736</u>	<u>162,786</u>
Expenditures				
Regular instruction	14,439,549	14,357,498	13,796,385	561,113
Special education	6,384,696	6,447,874	6,447,591	283
Career and technical education	1,996,284	1,988,984	1,811,009	177,975
Other instruction	877,572	898,072	882,011	16,061
Student and staff support	3,207,141	3,207,137	3,063,111	144,026
System administration	833,879	832,439	794,531	37,908
School administration	1,944,948	1,978,842	1,978,603	239
Transportation and buses	1,695,425	1,756,127	1,756,125	2
Facilities maintenance	4,160,470	4,072,991	3,852,567	220,424
All other	10,000	10,000	9,405	595
Adult education	787,986	787,986	816,418	(28,432)
Total Expenditures	<u>36,337,950</u>	<u>36,337,950</u>	<u>35,207,756</u>	<u>1,130,194</u>
Excess of Revenues Over Expenditures Before Other Financing Uses			<u>1,292,980</u>	<u>1,292,980</u>
Other Financing Uses				
Transfer in			(554)	(554)
Excess of Revenues Over Expenditures			1,292,426	1,292,426
Beginning Fund Balance (Deficit)			<u>(857,054)</u>	<u>(857,054)</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	435,372	<u>\$ 435,372</u>
Less current portion of accrued compensated absences			<u>(35,090)</u>	
Fund Balance per Fund Financial Statement			<u>\$ 400,282</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, 2016

	Private- Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 175,787	\$ 321,408
Investments	<u>2,166,945</u>	
Total Assets	<u>\$ 2,342,732</u>	<u>321,408</u>
Liabilities		
Due to student groups		<u>321,408</u>
Total Liabilities		<u>\$ 321,408</u>
Net Position		
Held in trust for scholarships	<u>\$ 2,342,732</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, 2016

	Private- Purpose Trusts
Additions	
Contributions and interest income	<u>248,488</u>
Deductions	
Scholarships	<u>173,105</u>
Change in Net Position	75,383
Net Position, Beginning of Year, As Restated	<u>2,267,349</u>
Net Position, End of Year	<u><u>\$ 2,342,732</u></u>

Notes to Financial Statements

June 30, 2016

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.

Capital Projects Fund

The capital projects fund is used to account for the accumulation of resources to fund the acquisition, construction or improvement of capital facilities and equipment which are specifically approved by the City's voters.

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) of the School Department whose uses are restricted or committed to a particular purpose.

Notes to Financial Statements

June 30, 2016

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, 2016

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, 2016.

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, 2016

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 \$368,987 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, 2016, if any, 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.

Notes to Financial Statements

June 30, 2016

NOTE 2 – ACCOUNTABILITY

The special revenue fund had the following deficit balances, which will be covered by the general fund or future grant receipts. The deficits related to federal grants are the result of salary accruals which were reimbursed in July and August.

<u>Grant</u>	<u>Deficit</u>
AEFLA	\$ (396)
ECT Grant (Preschool)	(2,934)
IDEA Grant Local Entitlement	(132,898)
Other Grants	(2,820)
Preschool Expansion Grant	(47,027)
Title IA	(158,873)
Title IC Perkins	(4,663)
Title IIA Teacher Quality	(48,842)

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, 2016, the School Department reported deposits of \$321,408, with a bank balance of \$338,148. As of June 30, 2016, none of the School Department's bank balance was exposed to custodial credit 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, 2016, the School Department had the following investments reported in the fiduciary fund:

<u>Investment Type</u>	<u>Fair Value</u>
Cash equivalents	\$ 229,647
Fixed income	278,635
Equities	1,192,446
Maine Community Foundation	466,217
	<u>\$ 2,166,945</u>

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

Concentration Risk - The School Department does not have any concentration risk whereby any one security exceeds 5% of total investments.

The Maine Community Foundation (MCF) holds eleven investment accounts for the School Department, which are included in MCF's general investment pool. MCF issues a publicly available financial report, which can be obtained by visiting their website.

Notes to Financial Statements

June 30, 2016

NOTE 4 – 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 5 – 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 certain bonds payable. Included in bonds payable is a bond anticipation note (BAN) for \$22 million of which \$7.4 million is outstanding as of June 30, 2016, which is due and payable on January 20, 2017. Total annual debt service requirements as of June 30, 2016 are as follows:

Year Ending June 30,	Bonds Payable		Total Debt Service
	Principal	Interest	
2017	\$ 7,711,700	\$ 24,198	\$ 7,735,898
2018	150,000	22,643	172,643
2019	150,000	20,955	170,955
2020	150,000	18,802	168,802
2021	150,000	16,185	166,185
Thereafter	600,000	30,675	630,675
Total	<u>\$ 8,911,700</u>	<u>\$ 133,458</u>	<u>\$ 9,045,158</u>

Interest expense on the BAN is 1.08% per annum and is not included in the schedule above, and would be approximately \$83,000 in 2017, based on the amount currently outstanding.

NOTE 6 – OPERATING LEASES

The School Department leases office space, classrooms, a vehicle, 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,	
2017	\$ 202,893
2018	204,845
2019	92,174
2020	3,777
	<u>\$ 503,689</u>

Total lease expense for the year ended June 30, 2016 amounted to \$202,893.

Notes to Financial Statements

June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT SYSTEMS

In accordance with GASB Statement No. 68, the School Department has reported the liability in the City's Government-Wide Statement of Net Position.

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 \$2,210,000 (12.58%) for the fiscal year 2016. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (page 4). There is a contribution required for federally funded teachers, for which the School contributed 10.02% of their compensation. This amounted to approximately \$163,000 during the fiscal year 2016. 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 3.36% of the qualified teachers' salaries for the entire teachers' fund. For the year ended June 30, 2016, the amount of this contribution was approximately \$641,000.

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.

Notes to Financial Statements

June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT SYSTEMS – CONTINUED

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, 2016 was approximately \$172,000.

NOTE 8 – 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, 2016. 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 9 – ADJUSTMENT TO BEGINNING NET POSITION

During the year ended June 30, 2016, the School Department identified additional private purpose trust funds, which are held by local investment firms, and are for the purpose of providing scholarships to the School Department's students. The adjustment to beginning net position is as follows:

Beginning net position as previously reported	\$ 981,138
Additional funds	<u>1,286,211</u>
Beginning net position as restated	<u>\$2,267,349</u>

NOTE 10 – SUBSEQUENT EVENTS

On March 31, 2016, the School Department borrowed \$22 million in a bond anticipation note from Bangor Savings Bank. The interest rate is 1.08% and the principal balance is due on January 20, 2017. The approved total project cost for the new high school and regional technical center is \$102.7 million. Construction began in May 2016 and approximately \$9.5 million has been spent to date.



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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, 2016, and our report thereon, dated October 31, 2016, 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
October 31, 2016

Macpage LLC

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Sanford School Department

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

Year Ended June 30, 2016

	21st Century	AEFLA	College Transitions	Corning	Ecomaine	E-Rate	Subtotal
Revenues							
Federal education grants	\$ 162,500	\$ 47,064					\$ 209,564
State education grants					\$ 2,873	\$ 76,031	78,904
Local funds			\$ 45,000	\$ 4,000			49,000
Total Revenues	<u>162,500</u>	<u>47,064</u>	<u>45,000</u>	<u>4,000</u>	<u>2,873</u>	<u>76,031</u>	<u>337,468</u>
Expenditures	162,500	47,460	46,326	6,505	1,158	18,948	282,897
Transfer In (Out)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues Over Expenditures		(396)	(1,326)	(2,505)	1,715	57,083	54,571
Fund Balance, Beginning of Year	<u> </u>	<u> </u>	<u>13,314</u>	<u>6,441</u>	<u>584</u>	<u>256,896</u>	<u>277,235</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (396)</u>	<u>\$ 11,988</u>	<u>\$ 3,936</u>	<u>\$ 2,299</u>	<u>\$ 313,979</u>	<u>\$ 331,806</u>

See independent auditors' report on additional information.

Sanford School Department

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

Year Ended June 30, 2016

	FAA Dept. of Agriculture	(SRTC) Genest Foundation	ECT Grant (Preschool)	ING Unsung Heroes	Industrial Tech Sending School	IDEA Grant Local Entitlement	Subtotal
Revenues							
Federal education grants			\$ 17,360			\$ 791,984	\$ 809,344
State education grants					\$ 176,763		176,763
Local funds	\$ 2,700						2,700
Total Revenues	<u>2,700</u>		<u>17,360</u>		<u>176,763</u>	<u>791,984</u>	<u>988,807</u>
Expenditures	2,370	\$ 23,648	20,294		69,164	924,882	1,040,358
Transfer In (Out)							
Excess (Deficiency) of Revenues Over Expenditures	330	(23,648)	(2,934)		107,599	(132,898)	(51,551)
Fund Balance, Beginning of Year		30,000	(2,403)	\$ 255	222,372	(255)	249,969
Fund Balance, End of Year	<u>\$ 330</u>	<u>\$ 6,352</u>	<u>\$ (5,337)</u>	<u>\$ 255</u>	<u>\$ 329,971</u>	<u>\$ (133,153)</u>	<u>\$ 198,418</u>

See independent auditors' report on additional information.

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

Year Ended June 30, 2016

	SHS iPad Program	John T Gorman Foundation	Junior High Local Funds	Kids Club	Let's Go	LE-MCF	Local School	Subtotal
Revenues								
Federal education grants								
State education grants						\$ 1,240		\$ 1,240
Local funds	\$ 32,336	10,000	\$ 5,500	\$ 8,446			\$ 600	56,882
Total Revenues	<u>32,336</u>	<u>10,000</u>	<u>5,500</u>	<u>8,446</u>		<u>1,240</u>	<u>600</u>	<u>58,122</u>
Expenditures	31,257		5,544	45,447		2,340		84,588
Transfer In (Out)								
Excess (Deficiency) of Revenues Over Expenditures	1,079	10,000	(44)	(37,001)		(1,100)	600	(26,466)
Fund Balance, Beginning of Year	<u>46,482</u>		<u>2,934</u>	<u>37,002</u>	<u>47</u>	<u>2,340</u>		<u>88,805</u>
Fund Balance, End of Year	<u>\$ 47,561</u>	<u>\$ 10,000</u>	<u>\$ 2,890</u>	<u>\$ 1</u>	<u>\$ 47</u>	<u>\$ 1,240</u>	<u>\$ 600</u>	<u>\$ 62,339</u>

See independent auditors' report on additional information.

Sanford School Department

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

Year Ended June 30, 2016

	MaineCare	NAT'L BRD Cert Scholarship Grant	Nellie Mae	Partners in Arts And Learning	PEPG Development Grant	Proficiency Based Transition Grant	Subtotal
Revenues							
Federal education grants						\$ 35,745	\$ 35,745
State education grants							
Local funds	\$ 195,096	1,900	\$ 400,000	\$ 1,000	4,600		\$ 602,596
Total Revenues	<u>195,096</u>	<u>1,900</u>	<u>400,000</u>	<u>1,000</u>	<u>4,600</u>	<u>35,745</u>	<u>638,341</u>
Expenditures	192,650		400,000	1,000		32,765	626,415
Transfer In (Out)				554			554
Excess (Deficiency) of Revenues Over Expenditures	2,446	1,900		554	4,600	2,980	12,480
Fund Balance, Beginning of Year	<u>52,719</u>			<u>(554)</u>		<u>30,519</u>	<u>82,684</u>
Fund Balance, End of Year	<u>\$ 55,165</u>	<u>\$ 1,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,600</u>	<u>\$ 33,499</u>	<u>\$ 95,164</u>

See independent auditors' report on additional information.

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

Year Ended June 30, 2016

	Preschool Expansion Grant	ReMaxx	School Lunch Program	SHS Local Funds	SRTC Equipment Grant	Target Media Grant	Title IA	Subtotal
Revenues								
Federal education grants	\$ 592,851		\$ 1,112,404				\$ 778,827	\$ 2,484,082
State education grants			25,359		\$ 50,000			75,359
Local funds			425,362					425,362
Total Revenues	<u>592,851</u>		<u>1,563,125</u>		<u>50,000</u>		<u>778,827</u>	<u>2,984,803</u>
Expenditures	639,878		1,573,490		49,988		937,700	3,201,056
Transfer In (Out)								
Excess (Deficiency) of Revenues Over Expenditures	(47,027)		(10,365)		12		(158,873)	(216,253)
Fund Balance, Beginning of Year		<u>1,125</u>	<u>357,813</u>	<u>725</u>		<u>295</u>	<u>(156)</u>	<u>359,802</u>
Fund Balance, End of Year	<u>\$ (47,027)</u>	<u>\$ 1,125</u>	<u>\$ 347,448</u>	<u>\$ 725</u>	<u>\$ 12</u>	<u>\$ 295</u>	<u>\$ (159,029)</u>	<u>\$ 143,549</u>

See independent auditors' report on additional information.

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

Year Ended June 30, 2016

	Title IC - Perkins	Title IIA - Teacher Quality	Walmart Foundation	Wellness Team	Totals
Revenues					
Federal education grants	\$ 154,503	\$ 143,018			\$ 3,836,256
State education grants					332,266
Local funds					1,136,540
Total Revenues	<u>154,503</u>	<u>143,018</u>			<u>5,305,062</u>
Expenditures	159,166	191,860	\$ 18	\$ 25	\$ 5,586,383
Transfer In (Out)					<u>554</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,663)	(48,842)	(18)	(25)	(280,767)
Fund Balance, Beginning of Year	<u>(6)</u>		<u>21</u>	<u>94</u>	<u>1,058,604</u>
Fund Balance, End of Year	<u>\$ (4,669)</u>	<u>\$ (48,842)</u>	<u>\$ 3</u>	<u>\$ 69</u>	<u>\$ 777,837</u>

Reconciliation to Balance Sheet - Governmental Funds:

Fund balance - end of year - as noted above	\$ 777,837
Nonspendable	
Permanent fund	5,000
Restricted	
Permanent fund	<u>26,604</u>
Fund Balance - Governmental Funds	<u>\$ 809,441</u>

See independent auditors' report on additional information.

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

Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
Private-Purpose Trust Funds:				
Lucy Emery Trust	\$ 13,754	\$ 3		\$ 13,757
Walter Cyr Trust	8,487	17		8,504
Thornburg Goodall Fund	1,280			1,280
High School Scholarship Fund	957,617	41,445	\$ 104,931	894,131
Ross Fund	162,923	31,188	32,624	161,487
Ross Fund - HM Payson	401,531	2,181		403,712
Paganelli Fund	128,323	6,662	15,778	119,207
Farro Scholarship		122,191		122,191
Poulin Fund	130,009	2,702	5,593	127,118
Alexander Fund	38,658	1,355	1,753	38,260
Watson-Hardy Scholarship Fund	32,505	1,140	1,477	32,168
Levasseur Scholarship Fund	65,501	2,297	2,977	64,821
Littlefield Scholarship Fund	45,980	1,612	2,094	45,498
R. Prescott Fund	6,275	217	291	6,201
F. Prescott Scholarship Fund	20,697	719	950	20,466
Ross Scholarship Fund	49,942	1,752	2,272	49,422
Bloom Scholarship Fund	19,256	680	582	19,354
Class of 1942 Scholarship Fund	16,815	(84)	123	16,608
W. Littlefield Scholarship Fund	17,891	220	1,660	16,451
Lucy E. Emery Fund		29,851		29,851
Lucy E. Emery Fund - Special revenue		2,340		2,340
General HS Scholarships due from City	149,905			149,905
Total Private-Purpose Trust Funds	<u>\$ 2,267,349</u>	<u>\$ 248,488</u>	<u>\$ 173,105</u>	<u>\$ 2,342,732</u>

Schedule of Cash Receipts and Cash Disbursements Student Activity Funds

Year Ended June 30, 2016

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
Sanford High School	\$ 349,101	\$ 316,198	\$ 461,966	\$ 203,333
Sanford Middle School	44,992	67,942	72,424	40,510
Sanford Vocational School	35,567	149,794	115,198	70,163
Lafayette School	2,226	314	2,070	470
Carl Lamb School	459	17,617	16,147	1,929
Margaret Chase Smith School	533	5,784	5,206	1,111
Willard School	4,261	11,046	11,415	3,892
Total Student Activity Funds	<u>\$ 437,139</u>	<u>\$ 568,695</u>	<u>\$ 684,426</u>	<u>\$ 321,408</u>



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Independent Auditors' Report on Compliance with Title 20-A §6051
School Administrative Departments

School Committee
Sanford School Department
Sanford, Maine

We have audited Sanford School Department's (the School Department), a department of the City of Sanford, Maine, compliance with the types of compliance requirements described in Title 20-A Section 6051 School Administrative Districts and other applicable state and federal laws as we considered necessary in the circumstances that could have a direct and material effect on the School Department's financial statements for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations that pertain to Title 20-A Section 6051, School Administrative Departments.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the School Department with Title 20-A Section 6051, School Administrative Units, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the School Department's financial statements occurred. An audit includes examining, on a test basis, evidence about the School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the School Department's compliance.

Basis for Qualified Opinion

In our opinion, the School Department complied, in all material respects, with the types of compliance requirements which include a determination of whether or not the School Department:

- Have proper budgetary controls in place.
- Has submitted annual financial data to the department that is correct, including submission of an audited reconciliation of the annual financial data prepared and certified by the auditor.
- Has complied with applicable provisions of the Essential Programs and Services Funding Act.

Each of which could have a direct and material effect on the School Department's financial statements for the year ended June 30, 2016.

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School Committee
Sanford School Department
Page 2

Report on the Reconciliation of MEDMS Financial Systems to the Audited Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of Sanford School Department, a department of the City of Sanford, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Sanford School Department's basic financial statements. We issued our report thereon, dated October 31, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying report on reconciliation of MEDMS financial systems to the audited financial statements is presented for purposes of additional analysis as required by Title 20-A Section 6051 and is 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 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 report on reconciliation of MEDMS financial systems to the audited financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the School Committee, others within the School Department, and the Maine Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Macpage LLC

South Portland, Maine
October 31, 2016

Sanford School Department
Reconciliation of MEDMS Financial Systems to the Audited Financial Statements
June 30, 2016

	General Fund Fund 1000	Special Revenue Fund Fund 2000	Capital Projects Fund Fund 3000/4000	Enterprise Fund Fund 6000
Revenues, per MEDMS	\$ 36,411,652	\$ 3,742,215	\$ 4,901,511	\$ 1,617,928
Adjustments:				
School nutrition, presented in special revenue fund		1,528,844		(1,528,844)
Adult education enrichment, presented in general fund	89,084			(89,084)
On behalf revenue	2,210,000			
Donated commodities revenue		34,281		
Health insurance fund, presented as agency transaction		(280)		
Permanent fund interest income		82		
Adjustments not included in MEDMS upload		554		
Revenues, per MEDMS as reconciled	\$ 38,710,736	\$ 5,305,696	\$ 4,901,511	\$ -
Revenues, per fund financial statements				
Revenues	\$ 38,710,736	\$ 5,305,142	\$ 1,511	\$ -
Other financing sources	-	554	4,900,000	
Total revenues, per fund financial statements	\$ 38,710,736	\$ 5,305,696	\$ 4,901,511	\$ -
Expenditures, per MEDMS	\$ 35,207,756	\$ 4,010,553	\$ 4,215,099	\$ 1,528,193
Adjustments:				
Adjustments not included in MEDMS upload at time of issuance	554	13,356	1,492,361	
School nutrition, presented in special revenue fund		1,528,193		(1,528,193)
On behalf expenditures	2,210,000			
Change in compensated absences	24,588			
Donated commodities expense		34,281		
Expenditures, per MEDMS as reconciled	\$ 37,442,898	\$ 5,586,383	\$ 5,707,460	\$ -
Expenditures, per fund financial statements				
Expenditures	\$ 37,442,344	\$ 5,586,383	\$ 5,707,460	\$ -
Other financing uses	554	-		
Total revenues, per fund financial statements	\$ 37,442,898	\$ 5,586,383	\$ 5,707,460	\$ -



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Independent Accountants' Compilation Report

School Committee
Sanford School Department
Sanford, Maine

Management is responsible for the Maine School Management Association's Wage Certification July 1, 2015 - June 30, 2016 (the wage certification) of the Sanford School Department for the year ended June 30, 2016, included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the wage certification included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the wage certification included in the accompanying prescribed form.

The wage certification included in the accompanying prescribed form are presented in accordance with the requirements of the Maine School Management Association, and are not intended to be a complete presentation of the Sanford School Department's financial statements in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the board of directors and management of the Sanford School Department and the Maine School Management Association and is not intended to be and should not be used by anyone other than these specified parties.

Macpage LLC

South Portland, Maine
October 31, 2016

Macpage LLC

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WAGE CERTIFICATION JULY 1, 2015 – JUNE 30, 2016

UNIT NAME: Sanford School Department

Quarter 3, 2015	Quarter 4, 2015	Quarter 1, 2016	Quarter 2, 2016	FISCAL YEAR
July 1, 2015	Oct 1, 2015	Jan 1, 2016	Apr 1, 2016	TOTALS
To	To	To	To	
Sept 30, 2015	Dec 31, 2015	Mar 31, 2016	June 30, 2016	(add all four lines)

GROSS WAGES	5,884,860	6,354,695	5,241,087	5,463,881	22,944,523
EXCESS WAGES	5,409,519	5,657,951	422,826	4,005,428	15,495,724
TAXABLE WAGES	475,341	696,744	4,818,261	1,458,452	7,448,798
NO. OF EMPLOYEES	644	681	660	673	

See accountants' compilation report
Auditor's signature

See accountants' compilation report
October 31, 2016

Mail to:

Douglas Burdin
Maine School Management Association
49 Community Drive
Augusta, Maine 04330-9405

or Fax to: 1-207-626-2968



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School Committee
Sanford School Department
Sanford, Maine

In planning and performing our audit of the 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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Sanford School Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanford School Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the School Committee, others within the School Department, and the Maine Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Macpage LLC

South Portland, Maine
October 31, 2016

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School Committee
Sanford School Department
Sanford, Maine

We have audited the 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, for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you, dated May 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sanford School Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Sanford School Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the School Department's financial statements was:

Management's estimate of the on-behalf payments is based on the percentage rate of contributions from the Maine Public Employees Retirement System based upon eligible wages. We evaluated the key factors and assumptions used to develop the on-behalf payments in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements as a whole.

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter, dated October 31, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We discussed a variety of matters, including the application of accounting principles and auditing standards, with management prior to our election as the School Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our being engaged.

Other Matters

We were engaged to report on the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Non-major Special Revenue Funds, Schedule of Changes in Fiduciary Net Position – Private Purpose Trust Funds, and the Schedule of Cash Receipts and Cash Disbursements – Student Activity Funds which accompany the financial statements but are not required supplemental information (RSI). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the School Committee and management of Sanford School Department and is not intended to be, and should not be, used by anyone other than these specified parties.

Macpage LLC

South Portland, Maine
October 31, 2016

Attachment B AUDIT

City of Sanford and Sanford School Department
June 30, 2016

A Listing of Uncorrected Misstatements

Account Title and Description	Assets	Liabilities	Revenues	Expenditures	(Excess) Deficiency	Other Financing Sources (Uses)	Change in Fund Balances	Beg. of Year Fund Balance	End of Year Fund Balance
Debit / (Credit)									
<u>Effect of Prior Year Uncorrected Misstatements</u>									
None in PY									
<u>Effect of Current Year Uncorrected Misstatements</u>									
Accounts Payable		14,000							
Misc. Expense				(14,000)	(14,000)		(14,000)	-	(14,000)
	-	14,000	-	(14,000)	(14,000)	-	(14,000)	-	(14,000)
Fund Financial Statements	6,909,351	(6,571,156)	(44,017,389)	48,736,187	4,718,798	(4,900,000)	(181,202)	(156,993)	(338,195)
% effect on Fund Financial Statements	0.00%	-0.21%	0.00%	-0.03%	-0.30%	0.00%	7.73%	0.00%	4.14%
Financial Statements, if adjustment was posted	6,909,351	(6,557,156)	(44,017,389)	48,722,187	4,704,798	(4,900,000)	(195,202)	(156,993)	(352,195)



Accessible
Approachable
Accountable

School Committee
Sanford School Department
Sanford, Maine

In planning and performing our audit of the 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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Sanford School Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanford School Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Department's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions concerning those matters. A separate letter, dated October 31, 2016, contains our communication of significant deficiencies in the School Department's internal control. This letter does not affect our report, dated October 31, 2016, on the financial statements of Sanford School Department.

Controls over Cash Receipts and Disbursements – Student Activity Funds

We noted an example whereby the Carl J. Lamb School did not use a check request form to provide evidence of approval to pay an invoice. In accordance with school policy, check request forms are required to be submitted by the advisor and are required to be signed by the advisor and the principal to provide evidence of approval to pay and the fund to charge the expense to. We recommend that the policy of using check request forms is followed when a vendor is to be paid. This will help to ensure documentation of approval of expenses and the related accounting.

We noted an example whereby the High School and the Carl J. Lamb School did not use deposit vouchers when making deposits. Per school policy, deposit vouchers are required to be submitted by the activity fund advisor and are to be signed by the advisor and the individual receiving the deposit to provide evidence of the amount and purpose of the funds. We recommend that the policy of using deposit vouchers is followed when making a deposit. This will help to ensure that the money collected is documented and accounted for properly.

We will review the status of these comments and suggestions during our next audit engagement. We already have discussed many of these comments and suggestions with various School Department personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the School Committee, others within the School Department, and the Maine Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Macpage LLC

South Portland, Maine
October 31, 2016

Macpage LLC

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