

**AGENDA**  
**TOWN COUNCIL WORKSHOP WITH AUDITORS**  
**WEDNESDAY, MARCH 16, 2016 AT 6:00 P.M.**  
**TOWN COUNCIL CHAMBERS**

- Item 1.** Call to Order.
- Item 2.** Those Present.
- Item 3.** Presentation on the Town Audit.
- Item 4.** Adjournment.

# Town of Scarborough

Financial Statement Presentation

June 30, 2015

Presented by:

Christian Smith, CPA, CFE  
Principal

Macpage LLC

# Relationship With The Auditors

- Independent auditors work for the Council/Board.
- Auditors work with management to perform the audit.
- Auditors express an opinion on the financial statements that are the responsibility of management.
- The auditors' opinion is an “unmodified opinion”, this is a clean opinion, the financial statements are fairly stated and have been presented in accordance with Generally Accepted Accounting Principles (GAAP)

# Reports Issued

- SAS 114 Letter
- Management letters – Town and School Department
- Financial reports – Town and School Department
- Single audit report and data collection form
  - HIDTA grant, no findings
- State of Maine Department of Audit Procedural Form
- Reconciliation of MEDMS upload to financial report
- Compliance with the Maine School Finance Act

# Management Letter Comments - Town

- There are three levels of severity
- The highest level is a material weakness
- The next highest level is a significant deficiency
- The lowest level is a control deficiency or could be referred to as a best practice recommendation
- Auditors must evaluate each item and use judgment to determine the level of severity
- The Town has no comments.

# Management Letter Comments – School Department

- One best practices recommendation regarding
  - Cash Receipts – School Nutrition Program – not following policy requiring two initials to indicate dual verification of cash receipts and deposit.

# Overview of the Financial Statements and How to Read Them – Town

- Transmittal letter – pages 1-11 – 10<sup>th</sup> year of CAFR Program
- Auditors' Report – page 17 – 19 – unmodified opinion
- MD&A – pages 23-35 – provides the reader with a summary to have a basic understanding of how the Town is doing
- There are 3 basis, or levels of accounting
- Government Wide Financial Statements – pages 39 and 40 – full accrual basis
- Fund Financial Statements – pages 41 and 42 – Modified accrual basis
- Budgetary Basis – page 44 – Modified Cash basis
- Fiduciary funds – pages 45 and 46 – Modified accrual basis
- The footnotes and supporting schedules support the basic exhibits mentioned above

# Town - What is new in the current year?

- GASB No. 68 Pension accounting required full accrual in the government-wide financial statements for pension liabilities and required more disclosures. Effective June 30, 2015.
- Town's net pension liability (includes the School Department) - \$2,688,554
- State's obligation of net pension liability related to the Town's school teachers \$19,539,727



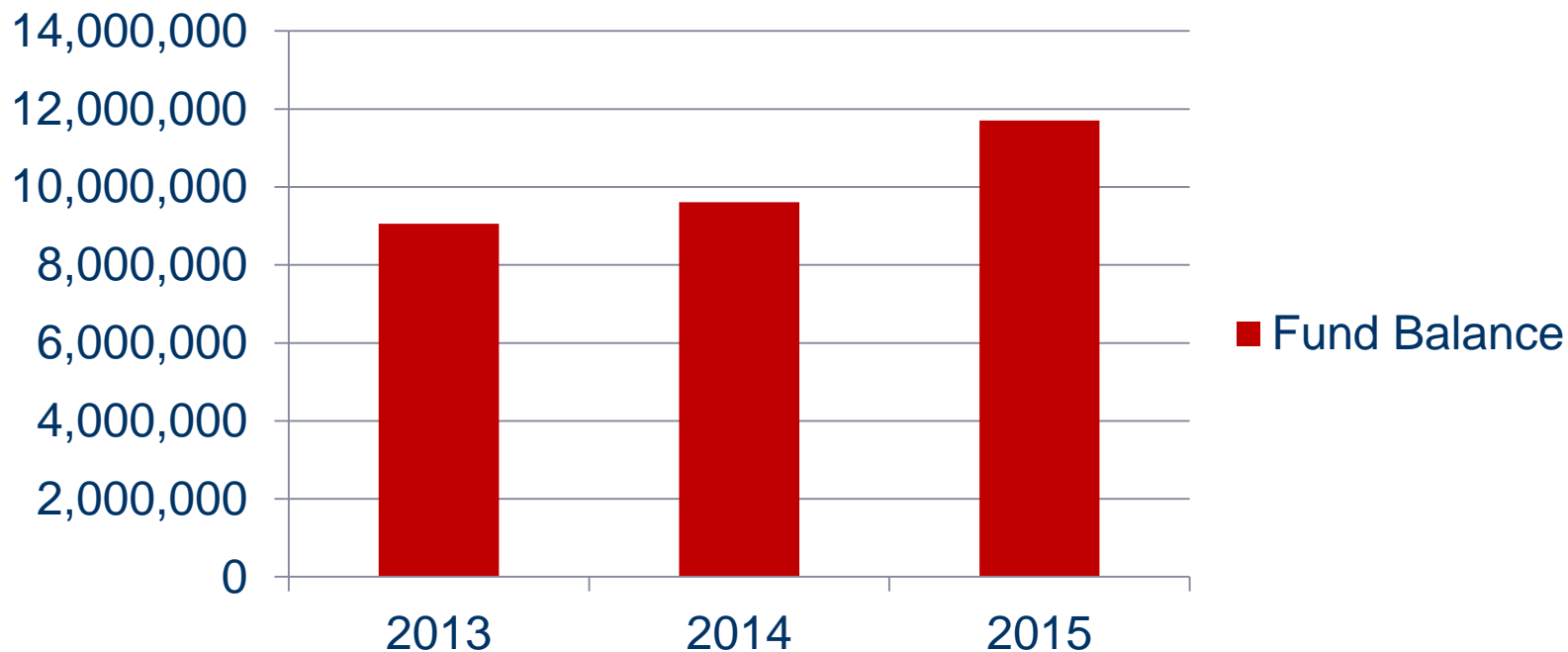
## Town - What is new in future years?

- GASB No. 75 - Effective June 30, 2018 requires full accrual in the government-wide financial statements for the Other Post-Employment Benefits Liability (OPEB).
- Impact is approximately another \$1million liability.

# Town of Scarborough

## Total General Fund, fund balance– Past 3 Years

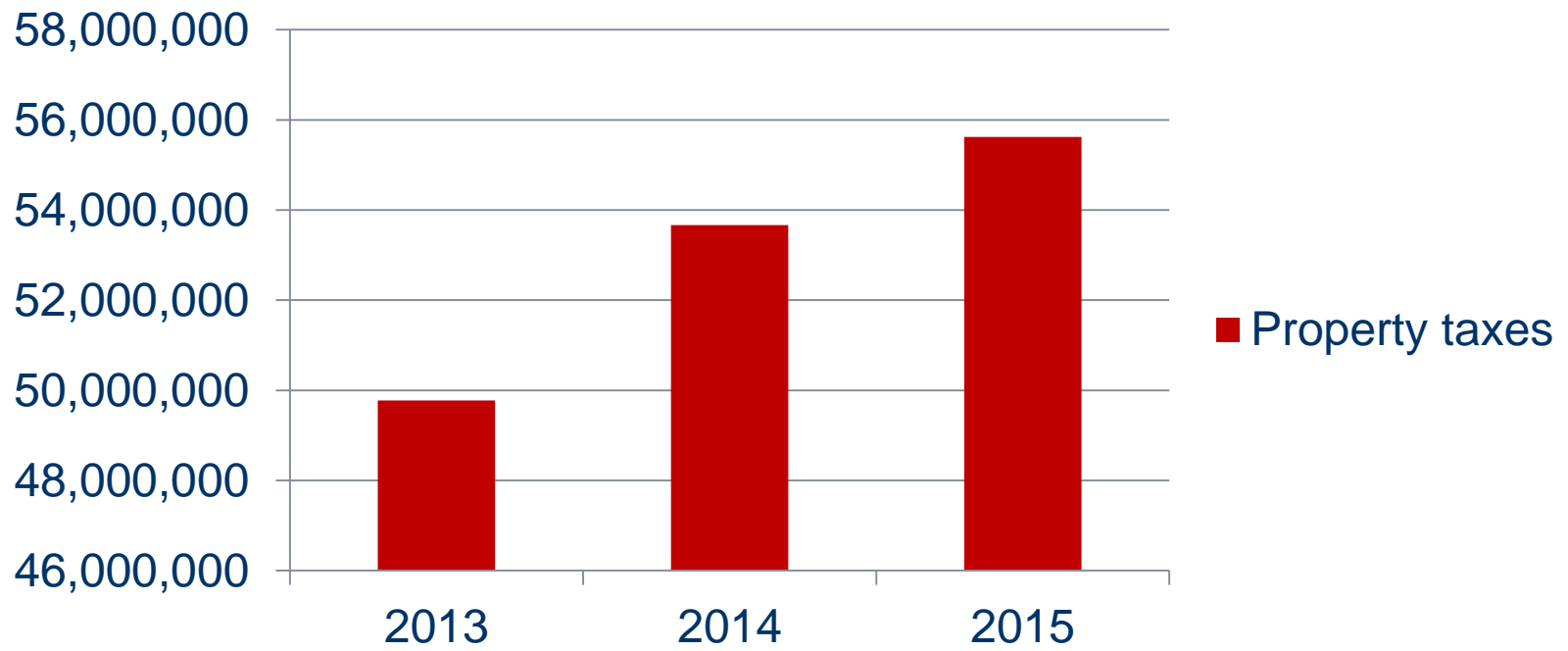
**Fund Balance**



# Town of Scarborough

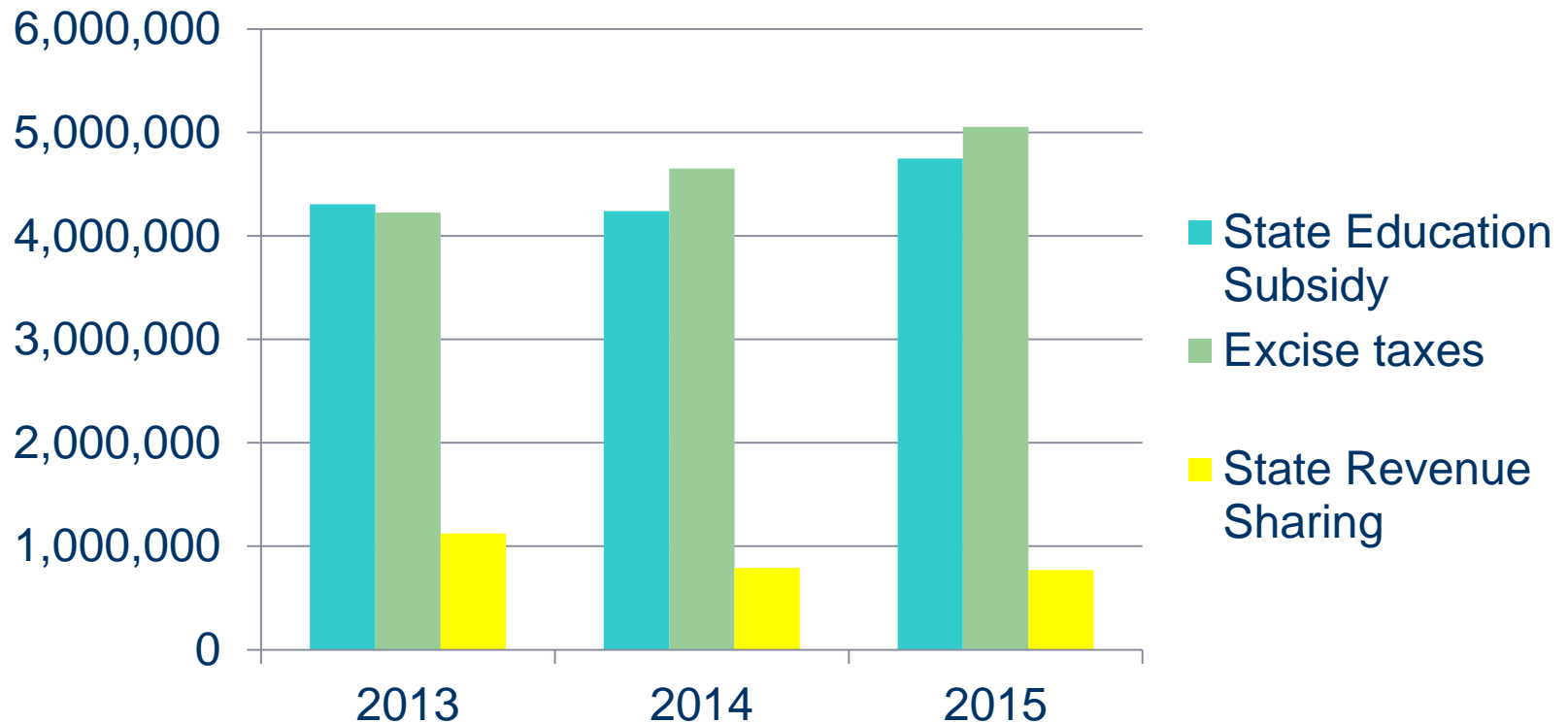
## Major Revenue Source Trend – Past 3 Years

### Property taxes



# Town of Scarborough

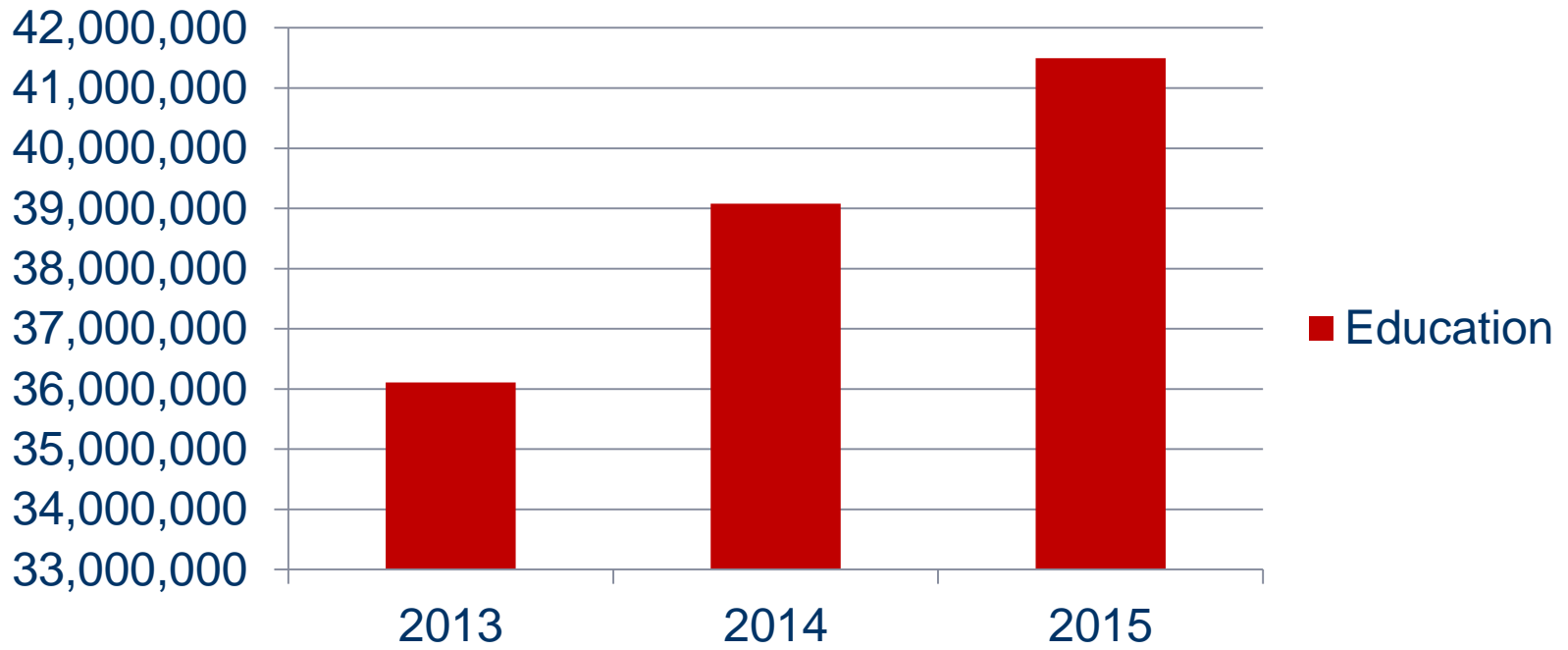
## Major Revenue Source Trend – Past 3 Years



# Town of Scarborough

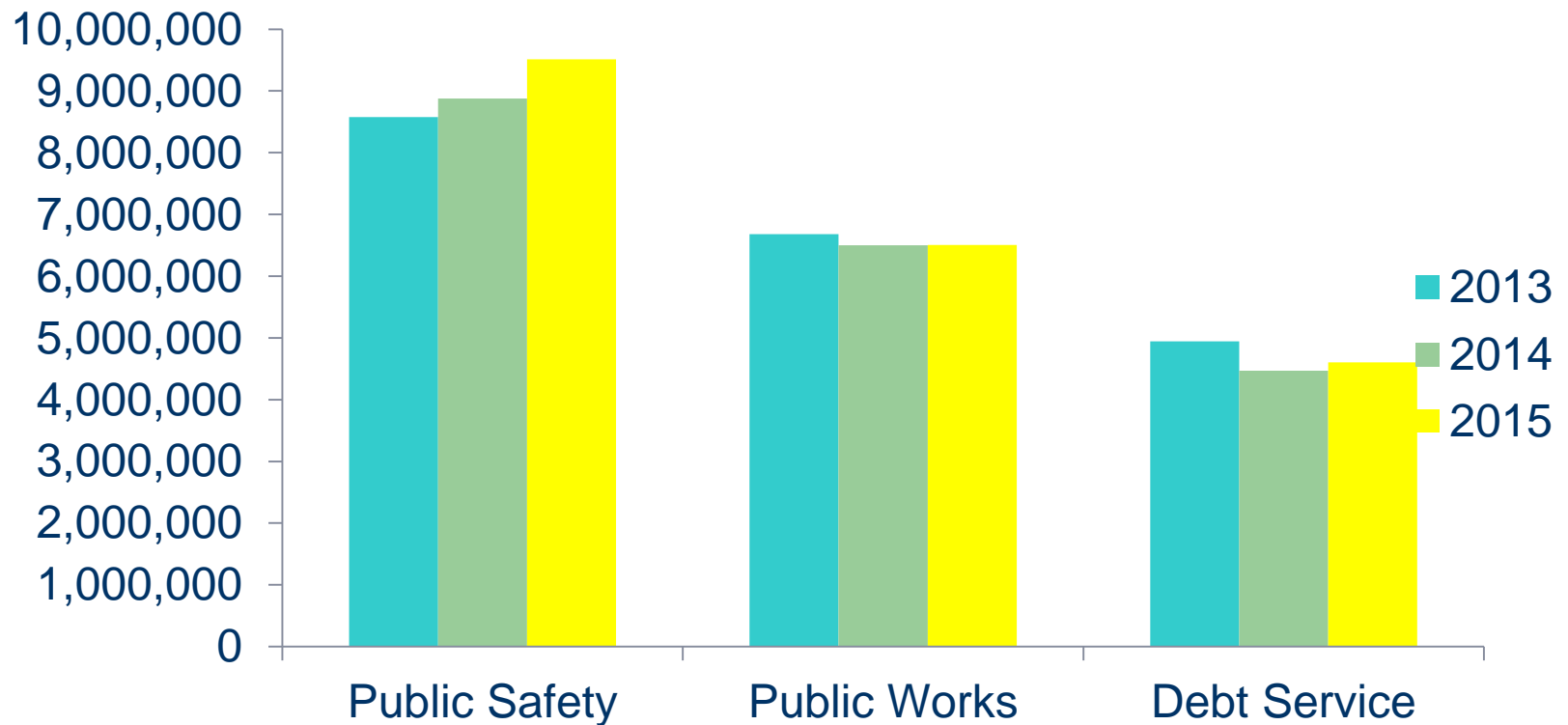
## Major Expenditure Trend – Past 3 Years

### Education



# Town of Scarborough

## Major Expenditure Trend – Past 3 Years

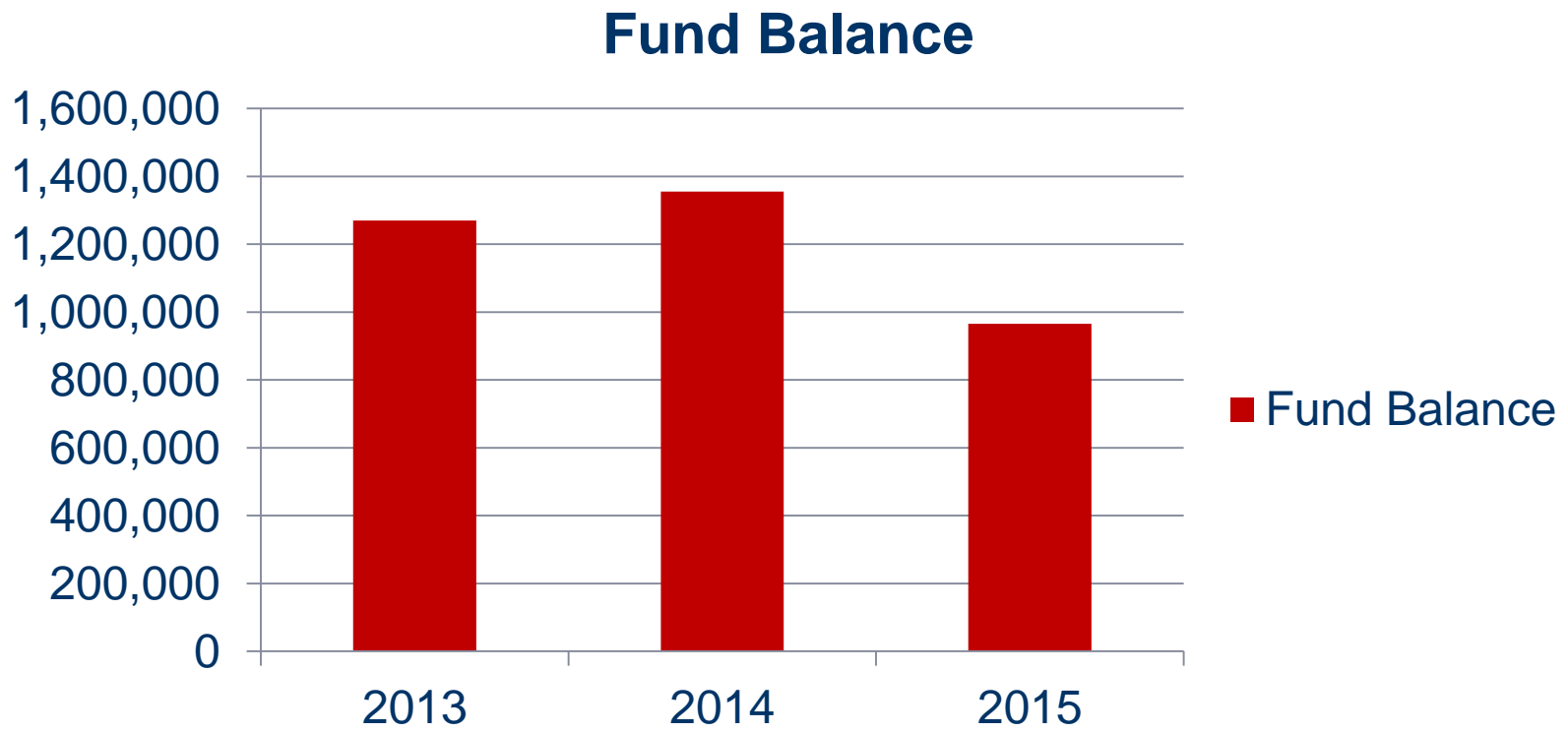


# Overview of the Financial Statements and How to Read Them – School Department

- Auditors' Report – page 1-2 – unmodified opinion, exclusion of the MD&A is not a qualification of our report
- There are 2 basis, or levels of accounting (not 3)
  - Why? Because the School Department is not a legally separate entity – it does not own the capital assets, and the debt is in the Town's name .
- Fund Financial Statements – pages 3 and 4 – Modified accrual basis
- Budgetary Basis – page 5 – Modified Cash basis
- Fiduciary funds – pages 6 and 7 – Modified accrual basis
- The footnotes and supporting schedules support the basic exhibits mentioned above

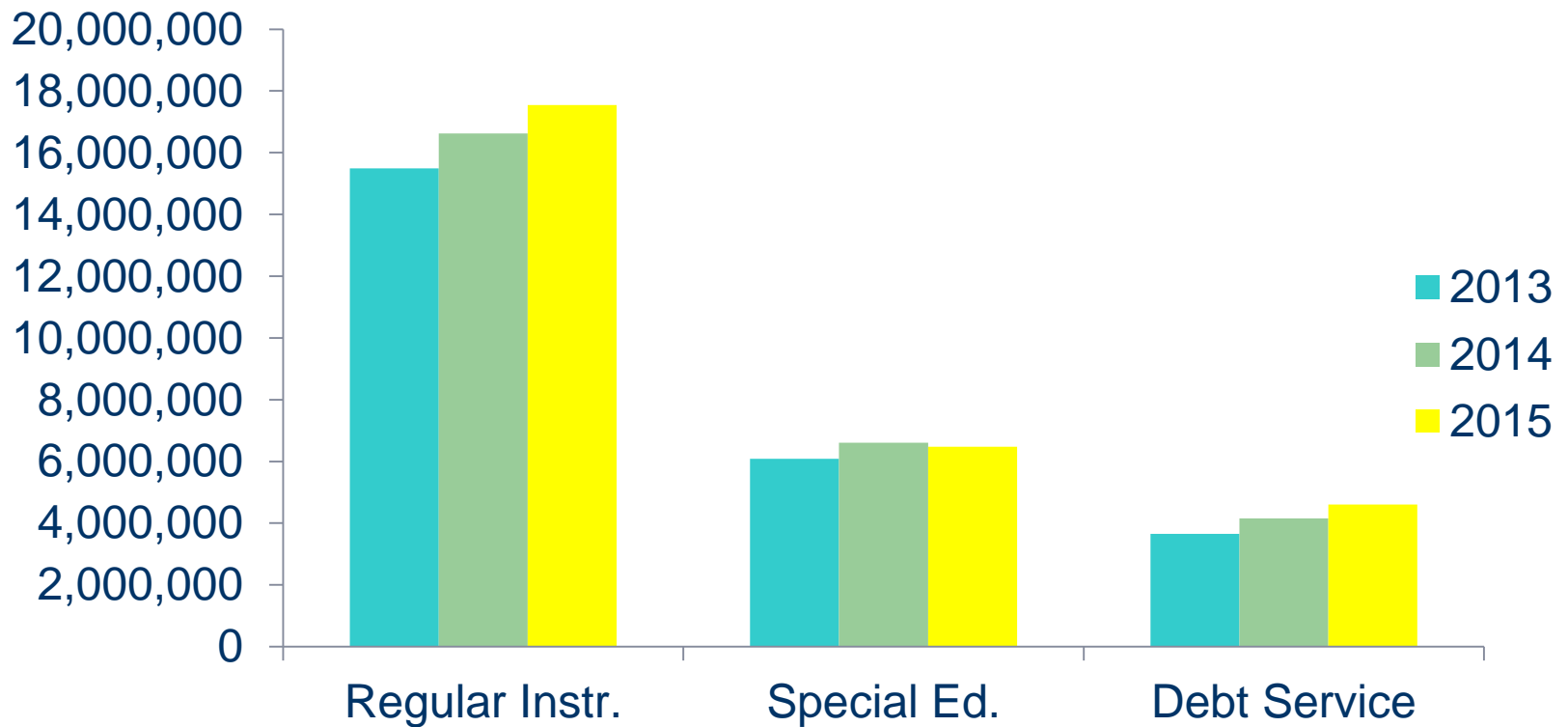
# Scarborough School Dept.

## Budgetary Basis Fund Balance – Last 3 Years





# Scarborough School Dept. Major Expenditure Trend – Past 3 Years



# Questions & Comments

This presentation is intended as a tool to assist the , Council and Board and management in understanding its financial results. The information contained in this publication should be read in conjunction with the audited financial statements and related disclosures and should not be used for any other purposes without the expressed consent of Macpage LLC.