

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION, AND
OTHER SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014



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INDEPENDENT AUDITOR'S REPORT

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Kent County, Maryland, a component unit of Kent County, Maryland, (the Board) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the foregoing 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Kent County, Maryland, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for other postemployment benefits*, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kent County Board of Education's basic financial statements. The schedule of general fund revenues, combining nonmajor fund financial statements, schedule of revenues and expenditures of the food service fund, and schedule of school activities cash receipts and cash disbursements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

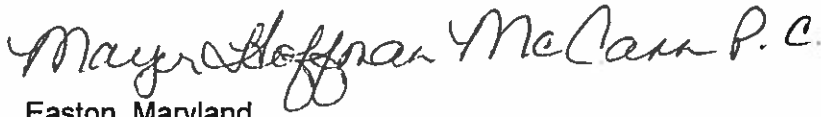
The schedule of general fund revenues, combining nonmajor fund financial statements, schedule of revenues and expenditures of the food service fund, and schedule of school activities cash receipts and cash disbursements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of general fund revenues, combining nonmajor fund financial statements, schedule of revenues and expenditures of the food service fund, and schedule of school activities cash receipts and cash disbursements are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Easton, Maryland
September 29, 2014



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Kent County, Maryland (the Board), as of and for the year ended June 30, 2014, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 29, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the 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 the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maya Hoffman McCann P.C.

Easton, Maryland
September 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

Our discussion and analysis of the Board of Education of Kent County's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the financial statements.

The goal of MD&A is for the Board's financial managers to present an objective and easily readable analysis of the Board's financial activities based on currently known facts, decisions, or conditions.

Financial Highlights

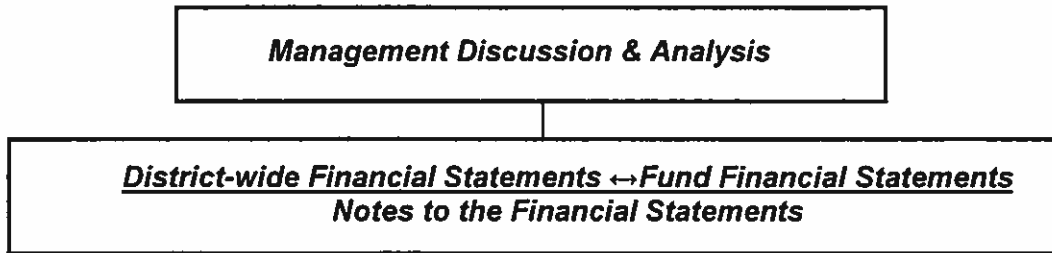
The General Fund budget was increased by \$414,648, or 1.54%, during the year from the originally adopted budget.

The General Fund fund balance increased by \$339,999 on a budgetary basis.

The General Fund revenues were more than the amended budget by \$173,638; expenditures and encumbrances were \$760,477, or approximately 2.78%, under the amended budget.

Details of the revenue and expenditure budget variances can be found on page 41 of the financial statements.

Basic Financial Statements



The illustration above represents the minimum requirements for the Board's external financial statements.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

District-wide Financial Statements

The District-wide perspective is designed to provide readers with a complete financial view of the entity known as The Board of Education of Kent County. The financial presentation of this perspective is similar to a private sector business.

The *statement of net position* presents information on all of the assets and liabilities of the Board with the difference between the two reported as *net position*. The *statement of activities* presents information showing how the Board's net position changed during the most recent fiscal year.

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. This means any change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (like earned but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

The District-wide perspective is unrelated to budget and, accordingly, budget comparisons are not provided.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Education of Kent County uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Board's funds are presented in two categories, governmental funds and fiduciary funds. The Board of Education of Kent County does not operate any enterprise activities that are reported as proprietary funds.

The measurement focus of these statements is current financial resources; therefore the emphasis is placed on the cash flows of the organization within the reporting period or in the near future. Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of The Board of Education of Kent County, open encumbrances are excluded from expenditures. Additionally, the State of Maryland's contribution to the teachers' retirement system and capital asset expenditures paid directly to the contractor (intergovernmental) are added to revenue and expenditures.

Budgetary presentation of individual fund financial information utilizing the current financial resources measurement focus and the budgetary basis of accounting is presented as part of the Required Supplementary Information. In this presentation, available cash flows of the Board itself are measured, as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are included in the expenditures.

**THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland**

**Management's Discussion and Analysis (MD&A)
June 30, 2014**

Fund Financial Statements – continued

This is the legal basis upon which the budget is adopted, so budget comparisons are provided. GASB Statement No. 34 requires that we present the original adopted budget as well as the final budget, and discuss the changes between them.

	District-wide Statements	Fund Statements	Budgetary Fund Statements
Measurement Focus	Economic Resources	Current Financial Resources	Current Financial Resources
Basis of Accounting	Accrual	Modified Accrual	Cash and Commitments
Budget	No	No	Yes

The table above presents the differences in the presentation of the basic financial statements.

Fiduciary Responsibility – Trust and Agency Funds

School Activity Funds

The Board is the trustee, or fiduciary, for its student activity funds. These funds are reported as a separate Agency Fund. We exclude these activities from The Board of Education of Kent County's other financial statements because the assets cannot be used to finance the Board's activities. We are responsible for ensuring the assets reported in the School Activity Funds are used for their intended purpose. The funds utilize a web-based accounting program that includes online payment options for parents. These funds are regulated by Board Policy and Procedures and are reviewed throughout the year by the Finance office and recommendations are discussed with applicable personnel as a follow up to the reviews.

Sultana Projects – Roots of a Nation

In fiscal year 2011 the Board became the trustee, or fiduciary, for Sultana Projects - Roots of a Nation. Roots of a Nation is an American history grant supported by the Sultana. The Board has agreed to manage the budget and the finance responsibilities, which include payments and financial accounting related to this program until fiscal year 2015. The amount of monies to be spent over the four year period is \$954,822. These funds are to be kept separate from the school system because the Sultana Project's assets cannot be used to finance the school system activities. However, the school system has been paid an administrative fee for this service. This money has enabled the school system to support the upward acceleration of technology and upgrade the current e-finance system to the newest version, which was fully implemented in April 2012. The money also helped with the continued training and support necessary for the system.

Retiree Health Plan Trust

The Board is the trustee, or fiduciary, for its retiree health plan trust. We exclude the activity from Kent County Public Schools' other financial statements because the assets cannot be used to finance the District's activities. We are responsible for ensuring the assets reported in this fund are used for their intended purposes.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

The Board of Education of Kent County as a Whole

Table 1

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current and other assets	\$ 4,530,286	\$ 4,491,822
Capital assets	<u>19,167,370</u>	<u>19,668,446</u>
Total Assets	<u>23,697,656</u>	<u>24,160,268</u>
Current and other liabilities	\$ 2,372,569	\$ 2,530,567
Long term liabilities	<u>4,512,934</u>	<u>3,362,934</u>
Total Liabilities	<u>6,885,503</u>	<u>5,893,501</u>
Net position:		
Capital assets	19,167,370	19,668,446
Restricted assets	208,992	209,472
Unrestricted	<u>(2,564,209)</u>	<u>(1,611,151)</u>
TOTAL NET POSITION	<u>\$ 16,812,153</u>	<u>\$ 18,266,767</u>

During the fiscal year ended June 30, 2014, the Board's net position decreased by \$1,454,614. The decrease is primarily attributable to the decrease in capital assets due to current year depreciation expense and the continued increase in the OPEB obligation.

Capital assets are insured with the Maryland Association of Boards of Education Group Insurance Pool. The capital assets are managed using Sungard Pentamation Fixed Asset software. Inventory is updated annually.

The unrestricted net deficit at June 30, 2014 is \$2,564,209. The significant decrease in unrestricted net assets is due to the rising long term obligation amount for the OPEB. The Board has the cash flow available to meet all current obligations.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

Table 2

	2014	% OF	2013	% OF
	GOVERNMENTAL	TOTAL	GOVERNMENTAL	TOTAL
	ACTIVITIES		ACTIVITIES	TOTAL
	<hr/>		<hr/>	
Revenues				
Program revenues:				
Charges for services	\$ 362,161	1.09%	\$ 371,746	1.13%
Federal, state and local grants	6,198,151	18.66%	6,044,147	18.39%
General revenues:				
Kent County	17,196,312	51.78%	17,362,758	52.84%
State of Maryland	9,204,137	27.71%	8,863,401	26.97%
Federal	80,000	0.24%	81,166	0.25%
Other	171,889	0.52%	135,347	0.42%
Total revenues	<hr/> 33,212,650	100.00%	<hr/> 32,858,565	100.00%
Expenses				
Instruction and special education	17,451,051	50.33%	17,268,294	49.88%
Administration	1,057,520	3.05%	1,172,084	3.39%
Support services	14,971,270	43.19%	14,950,433	43.18%
Depreciation - unallocated	1,187,423	3.43%	1,230,009	3.55%
Total expenses	<hr/> 34,667,264	100.00%	<hr/> 34,620,820	100.00%
Decrease in net position	(1,454,614)		(1,762,255)	
Net position, beginning	<hr/> 18,266,767		<hr/> 20,029,022	
Net position, ending	<hr/> \$ 16,812,153		<hr/> \$ 18,266,767	

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

Fund Performance

Funds are self-balancing sets of accounts used by the Board to control and manage money for particular purposes. As pointed out earlier, fund information is presented in two ways to satisfy two specific purposes.

General Fund

The following paragraph describes the additions made to the original budget, which were funded by a combination of supplemental appropriations from other sources and category transfers during the fiscal year.

Additional state funds were received for out-of-county and non-public reimbursement. The school system also receives funds annually through Medicare Part D to offset retiree health cost.

The total unrestricted budget was expended at 97.22%. The variances in the end of year unexpended funds versus budgeted amounts are detailed by category on page 41 of the financial statements. Expenditure changes between major categories occurred to accommodate school system priorities during the fiscal year. The variances in administration, mid-level administration and fixed charges were due to the reduction in supervisory and administrative positions. Instructional salaries variance results from salary savings largely due to extended FMLA absences and not replacing teachers who left the school system. Instructional supplies increased due to the adoption of a new reading and math series of textbooks for the elementary level students. This is the first time in over thirteen years the school system has been able to replace textbooks at this level. The special education costs increased due to increases in nonpublic placement that were not anticipated in the original budget. Student transportation had a favorable variance due to the reduction of a supervisory position, the reduction of buses due to consolidation of routes and diesel fuel prices not being as high as projected. Operation of plant increases were attributed to heating oil, electricity and propane due to the extreme cold experienced during the polar vortex this past winter. The Board has discontinued its contract with Energy Education, Inc., and has eliminated the energy manager position. The goal of this contract was to reduce energy consumption and control the related costs. The school board received State Aging Schools and QZAB funds that were used for capital outlay projects in fiscal year 2014.

The Board and the County entered into a solar agreement which began in July 2012. The project is located on the school system's Worton campus and currently contains five properties. The waterfall consists of Worton Elementary School, Kent County Community Center, Kent County Parks & Recreation, Radio Station, and Kent County High School. The school system has not recognized any savings thus far on this project. The school system also entered into another solar arrangement with the Town of Rock Hall in January 2013. The Board of Education and Rock Hall Elementary School are both participants in this venture. The school system has recognized savings from this project.

A schedule of changes between the original and final budgets for the year ended June 30, 2014 support the explanations presented above.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

General Fund – continued

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>TOTAL CHANGE</u>
REVENUE			
Local	\$ 17,196,312	\$ 17,196,312	\$ -
State	8,898,018	8,920,400	22,382
Federal	61,000	117,305	56,305
Other sources	169,000	504,961	335,961
Prior year's fund balance	594,116	594,116	-
	<u>\$ 26,918,446</u>	<u>\$ 27,333,094</u>	<u>\$ 414,648</u>
EXPENDITURES AND ENCUMBRANCES			
Administration	\$ 1,114,321	\$ 1,105,826	\$ (8,495)
Mid-level administration	2,108,118	1,802,046	(306,072)
Instructional salaries	9,306,677	9,283,314	(23,363)
Instructional texts and supplies	257,900	571,632	313,732
Other instructional costs	618,388	657,556	39,168
Special education	2,483,745	2,766,176	282,431
Pupil personnel services	236,669	226,566	(10,103)
Student health services	343,500	403,500	60,000
Student transportation	2,266,941	2,025,370	(241,571)
Operation of plant	2,125,271	2,131,756	6,485
Maintenance of plant	632,491	653,349	20,858
Fixed charges	5,409,425	5,347,425	(62,000)
Capital outlay	15,000	358,578	343,578
	<u>\$ 26,918,446</u>	<u>\$ 27,333,094</u>	<u>\$ 414,648</u>
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>\$ 26,918,446</u>	<u>\$ 27,333,094</u>	<u>\$ 414,648</u>

It is critical for the reader to understand that local and state revenues account for 99% of the total general fund revenue. Both are stable and highly predictable. Additional revenues are neither stable nor predictable, and usually are not budgeted in full in the original budget, but handled as adjustments during the year.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

General Fund – continued

Recurring, but unpredictable, are the E-rate rebates received from the Federal Communications Commission amounting to \$51,937. Our intention is to continue to budget from this source to support technology. The implementation of the VOIP telephone system has resulted in increased E-rate reimbursements.

Earnings on investments decreased over the previous year due to lower interest rates that were not anticipated nor budgeted at the level we ultimately received. Since these rates and the amount of funds available for investment at any one time are unpredictable, the Board usually is very conservative when budgeting this revenue source. The County's close management of cash flow and our overnight investment activity manages to keep idle cash to a minimum. Efforts continue to be made in the management of cash flow in consideration of the County's request.

The largest segment of expenditures continues to be salary and related fringe benefits. In fiscal year 2014, this also accounts for the continuing increased costs of health care. The fiscal year 2015 budget reflects an increase in health care rates of 10%.

The Board has no formal fund balance policy. However, an attempt is made each year to maintain a balance equal to the prior year fund balance. These funds are then budgeted in the subsequent budget year to offset projected expenditures. An unreserved portion of fund balance is available for unanticipated emergencies. Approval from county government is required before any expenditure can be made from this unreserved portion.

Food Service

The Board's food service program is a special revenue fund. Increased staff costs and related expenses, along with the need to replace kitchen equipment, are ongoing trends of concern. In fiscal year 2014, expenditures exceeded revenues by \$480, resulting in a decrease in the program's fund balance. Revenue from federal sources decreased by \$43,878 due to the extraordinary amount of snow days and school closings as well as the loss of the federal Supper Food program.

The use of technology in inventory control and basic operations has resulted in tremendous improvements in managing the program. The school system uses a number of best practices in its food service operations and uses certain performance measures to monitor the efficiency of its operations. The system takes advantage of available USDA commodities and maximizes its participation in the National School Meal Program.

Four of the five elementary schools and Kent County Middle School participated in the Maryland Meals for Achievement Program. Beginning in fiscal year 2015, all five elementary schools will participate in the program. This program provides free breakfast for all students in these schools.

The school system implemented a secure web-based software program that gives parents the convenience to pay for school meals and other activities online. This software integrates and updates to our current Meal Tracker program daily. This allows parents to track their child's meal balance online. This program enabled the school system to collect more than \$70,000 in online parent payments; improving collections and reducing loss of cash. Plans are ongoing to improve the service to parents and improve system efficiency.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

Other

School districts in Maryland are in the uncommon position, as they are fully fiscally dependent on the state and county governments, of owning assets but not the debt associated with those facilities. Accordingly, the Board carries no bond rating and does not have a debt policy.

Factors Bearing on the Board's Future

Probably one of the most significant factors bearing on the Board's future is the continuing decline of student enrollment and its impact on funding; especially efforts provided by the County government. The Kent County local government revenues, due to marginal population growth and little change in property tax revenues, operate on a tight budget, making additional educational programming dollars scarce. This fact, coupled with declining enrollment and the rising costs of maintaining small schools in each of Kent County's communities, could create a serious budget crisis. Changes to maintenance of effort funding along with the pension cost shift from the state to the county will have a significant impact on our school system. Beginning in fiscal year 2015, the County is committing to fund capital projects for the foreseeable future. This is the first year since 2008 that the school system will receive funds from the County for CIP projects.

The Board recognizes other post-employment benefits (OPEB) in the statement of net position and statement of activities in accordance with GASB Statement No. 45, based on an actuarial valuation of the annual OPEB expense and liability. Funding of these post-employment benefits began in fiscal year 2009 with funds appropriated by the school system and the county government. The county government has not contributed to the OPEB liability since June 30, 2009. The school system is a member of the Maryland Association of Boards of Education OPEB trust that serves as a depository for these funds.

Potential increases in the areas of salary, fixed charges and utilities will continue to be a challenge. Salaries were frozen for three consecutive years, along with major staff reductions in the 2012 and 2014 fiscal year budgets. In January 2015, all employees will receive a 2% increase and they will receive a step increase in April 2015.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2014

Factors Bearing on the Board's Future – continued

The Federal No Child Left Behind legislation mandates annual testing for all students in grades 3 - 8 and once in high school for both reading and math. Although Maryland has received some waivers, this continues to be a requirement that all states must meet. As a result, each school in Kent County must reach increasing AMO targets overall and for each subgroup.

Kent County Public Schools transitioned fully to Maryland's College and Career Ready Standards in fiscal year 2014. The Board used funds through the Race to the Top program to develop curricula and assessments and to purchase an assessment delivery and data system to support this transition. In addition, the Board used funds from the Digital Innovation Grant and local funds to implement one-to-one technology in grades 5 – 9, mathematics and science Gizmos for all grades, and Digital Techbooks for mathematics, social studies and science. These materials increase student engagement and provide increased opportunities for students to gain conceptual understanding of math, history and science topics.

Contacting the Board of Education of Kent County's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the Board's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Finance Office, (410) 778-7123, at The Board of Education of Kent County, Maryland.

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and temporary investments	\$ 3,204,646
Due from other units of government	1,195,501
Other receivables	57,600
Inventory	72,539
Capital assets, nondepreciable	228,772
Capital assets, net of depreciation	<u>18,938,598</u>
TOTAL ASSETS	<u>\$ 23,697,656</u>
LIABILITIES	
Accounts payable	\$ 326,424
Accrued expenses	188,727
Accrued salaries	1,579,634
Payroll deductions and withholdings	142,877
Unearned revenue	92,285
Due to agency funds	12,782
Compensated absences	29,840
Noncurrent liabilities	
Due in more than one year	<u>4,512,934</u>
TOTAL LIABILITIES	<u>6,885,503</u>
NET POSITION	
Net investment in capital assets	19,167,370
Restricted for:	
Smith Estate fund	3,079
Food service activities	205,913
Unrestricted	<u>(2,564,209)</u>
TOTAL NET POSITION	<u>16,812,153</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 23,697,656</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Administration	\$ 1,057,520	\$ -	\$ -	\$ (1,057,520)
Instructional services	14,045,835	72,568	2,650,167	(11,323,100)
Special education	3,405,216	-	1,136,113	(2,269,103)
Student personnel services	225,021	-	-	(225,021)
Student health services	352,867	-	-	(352,867)
Student transportation	1,870,124	-	1,509,479	(360,645)
Operation of plant	2,128,543	-	-	(2,128,543)
Maintenance of plant	645,598	27,288	-	(618,310)
Community services	70,882	-	-	(70,882)
Food services	1,251,021	262,305	902,392	(86,324)
Fixed charges	8,427,214	-	-	(8,427,214)
Depreciation – unallocated	1,187,423	-	-	(1,187,423)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 34,667,264	\$ 362,161	\$ 6,198,151	\$ (28,106,952)
General Revenues				
				17,196,312
				8,579,357
				624,780
				80,000
				171,889
				<u>26,652,338</u>
				CHANGE IN NET POSITION
				(1,454,614)
				NET POSITION AT JULY 1, 2013
				<u>18,266,767</u>
				NET POSITION AT JUNE 30, 2014
				<u>\$ 16,812,153</u>

See Notes to Financial Statements

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>MAJOR FUNDS</u>			
	<u>Unrestricted General Fund</u>	<u>Restricted Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and temporary investments	\$ 3,164,916	\$ -	\$ 39,730	\$ 3,204,646
Due from other governments	428,571	677,181	89,749	1,195,501
Due from other governmental funds	516,548	-	61,846	578,394
Other receivables	49,230	-	8,370	57,600
Inventories, at cost	-	-	72,539	72,539
TOTAL ASSETS	\$ 4,159,265	\$ 677,181	\$ 272,234	\$ 5,108,680
LIABILITIES				
Payroll deductions and withholdings	\$ 142,746	\$ -	\$ 131	\$ 142,877
Accounts payable	238,547	75,923	11,954	326,424
Accrued salaries	1,577,918	-	1,716	1,579,634
Accrued expenses	145,283	43,444	-	188,727
Compensated absences	29,840	-	-	29,840
Due to other units of government	-	-	-	-
Due to other governmental funds	61,846	494,767	21,781	578,394
Due to agency funds	12,782	-	-	12,782
Unearned revenue	63,047	-	29,238	92,285
TOTAL LIABILITIES	\$ 2,208,962	\$ 677,181	\$ 64,820	\$ 2,950,963
FUND BALANCES				
Nonspendable:				
Inventory	-	-	43,301	43,301
Permanent fund principal	-	-	3,079	3,079
Restricted:				
Fund purposes	-	-	117,285	117,285
Committed to:				
Budget reserve	800,000	-	-	800,000
Assigned to:				
Other purposes - encumbrances	216,008	-	43,749	259,757
Unassigned:	934,295	-	-	934,295
TOTAL FUND BALANCES	\$ 1,950,303	\$ -	\$ 207,414	\$ 2,157,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,159,265	\$ 677,181	\$ 272,234	\$ 5,108,680

See Notes to Financial Statements

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2014

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS \$ 2,157,717

Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in governmental
funds:

Cost of assets	53,904,063
Less: accumulated depreciation	(34,736,693)

Long-term liabilities are not due and payable from current resources
and, therefore, are not reported as liabilities in the funds. Long-term
liabilities at year end consist of the net OPEB obligation

(4,512,934)

TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES \$ 16,812,153

**BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	MAJOR FUNDS			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Restricted Fund			
REVENUES					
Kent County	\$ 17,196,312	\$ -	\$ -	54,300	\$ 17,250,612
State of Maryland	11,233,416	944,007	-	205,696	12,383,119
United States Government	80,000	2,068,212	-	816,696	2,964,908
Other Sources:					
Sales of food	-	-	-	242,280	242,280
Other	271,745	-	-	99,986	371,731
TOTAL REVENUES	<u>28,781,473</u>	<u>3,012,219</u>	<u>-</u>	<u>1,418,958</u>	<u>33,212,650</u>
EXPENDITURES					
Current					
Administration	1,031,098	26,448	-	-	1,057,546
Mid-level administration	1,778,271	64,011	-	-	1,842,282
Instructional salaries	9,197,591	864,750	-	-	10,062,341
Instructional texts and supplies	499,514	188,149	-	-	687,663
Instructional other costs	655,318	774,636	-	-	1,429,954
Special education	2,746,979	658,237	-	-	3,405,216
Student personnel services	225,021	-	-	-	225,021
Student health services	352,867	-	-	-	352,867
Student transportation	1,848,888	21,236	-	-	1,870,124
Operation of plant	2,128,043	500	-	-	2,128,543
Maintenance of plant	676,115	-	-	-	676,115
Fixed charges	5,080,983	327,374	-	-	5,408,357
Community services	-	70,882	-	-	70,882
Capital outlay	494,986	-	-	254,261	749,247
Food services	-	15,996	-	1,165,177	1,181,173
On behalf payments	1,868,857	-	-	-	1,868,857
TOTAL EXPENDITURES	<u>28,584,531</u>	<u>3,012,219</u>	<u>-</u>	<u>1,419,438</u>	<u>33,016,188</u>
NET CHANGE IN FUND BALANCES	196,942	-	-	(480)	196,462
FUND BALANCES AT JULY 1, 2013	1,753,361	-	-	207,894	1,961,255
FUND BALANCES AT JUNE 30, 2014	<u>\$ 1,950,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,414</u>	<u>\$ 2,157,717</u>

See Notes to Financial Statements

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$	196,462
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures; however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

These consist of:

Capital outlays		895,892
Depreciation expense		(1,396,968)

OPEB costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

		<u>(1,150,000)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(1,454,614)</u>
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BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	<u>Agency Funds</u>	<u>Retiree Health Plan Trust</u>	<u>Total</u>
ASSETS			
Cash	\$ 100,254	\$ -	\$ 100,254
Investment in OPEB trust	-	931,658	931,658
Due from other funds	12,782	-	12,782
Due from State of Maryland	<u>42,038</u>	<u>-</u>	<u>42,038</u>
TOTAL ASSETS	<u><u>\$ 155,074</u></u>	<u><u>\$ 931,658</u></u>	<u><u>\$ 1,086,732</u></u>
LIABILITIES			
Accounts payable	\$ 42,038	\$ -	\$ 42,038
School activity funds payable	100,254	-	100,254
Accrued expenses	<u>12,782</u>	<u>-</u>	<u>12,782</u>
TOTAL LIABILITIES	155,074	-	155,074
NET POSITION			
Held in trust for OPEB	<u>-</u>	<u>931,658</u>	<u>931,658</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 155,074</u></u>	<u><u>\$ 931,658</u></u>	<u><u>\$ 1,086,732</u></u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2014

	<u>Retiree Health Plan Trust</u>
ADDITIONS	
Net investment portfolio results	\$ 121,345
DEDUCTIONS	
Administrative expenses	<u>10,963</u>
NET INCREASE	110,382
NET POSITION AT JULY 1, 2013	<u>821,276</u>
NET POSITION AT JUNE 30, 2014	<u>\$ 931,658</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

The Board of Education of Kent County is a component unit of Kent County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. Accordingly, the financial statements of the Board are included in the financial statements of Kent County.

The accounting policies of the Board of Education of Kent County (the Board) conform to generally accepted accounting principles (GAAP) for governmental units. The following is a summary of the significant policies employed by the Board:

Government-wide and fund financial statements – The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the Board of Education of Kent County as a whole. For the most part, the effect of interfund activity has been removed from these statements. The activities of the General Fund (Unrestricted Current Expense Fund), Special Revenue Funds (Restricted Current Expense and Food Service Funds), Capital Projects Fund (School Construction Fund), and permanent fund (Smith Estate Fund) have been presented as governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational requirements of a particular program. Local appropriations, state and federal aid, and other items not classified as program revenues are presented as general revenues of the Board.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The individual major governmental and the nonmajor governmental funds are reported as separate columns in the fund financial statements. Combining statements are provided for the nonmajor funds and are included in the supplementary information to the financial statements. The Board has no proprietary funds.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Local appropriations and state and federal aid are recognized as revenues in the year for which they were approved by the provider. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies – continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to certain compensated absences are recognized when the obligations are expected to be liquidated with expendable available resources.

Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria have been met. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The Retiree Health Plan Trust Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The government reports the following governmental funds:

Major funds

General fund (current expense fund) – The general fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

Restricted fund (special revenue fund) – This fund is used to account for revenue sources that are legally restricted to expenditure for a specific purpose for federal, state and local grants.

Non - major funds

Food service fund (special revenue fund) – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The food service fund accounts for the operation of the schools' cafeterias.

Capital projects fund (school construction fund) – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies – continued

Smith Estate fund – The Smith Estate fund is a permanent fund resulting from a bequest of funds that provides for the payment of library expenses to the extent of investment income.

Fiduciary funds – These funds are not available for current operations, thus they are not reported in the governmental funds financial statements or the government-wide financial statements. The Board reports the following fiduciary funds:

Agency funds – These funds are used to account for the transactions of the student activities funds, which are the direct responsibility of the principal of each of the respective schools. Additionally, the Board processes the payroll for an officer of the Maryland State Teachers Association (MSTA), and the Board is the trustee, or fiduciary, for Sultana Projects - Roots of a Nation.

Retiree health plan trust fund – This fund was established in fiscal year 2009 to prefund other postemployment benefits (OPEB) that the Board provides to retirees of Kent County Public Schools.

The accounting policies of the Board conform to accounting principles generally accepted in the United States of America. Accordingly, the Board applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

Interfund activities – During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables/payables on the balance sheet. Short-term interfund loans are also classified as interfund receivables/payables.

Capital assets – Capital assets, which include property, plant, equipment and infrastructure assets, are reported as governmental activities in the government wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over estimated useful lives of 20-50 years for buildings, improvements and infrastructure, and 5-20 years for equipment.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies – continued

Capital assets – Assets which have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases, that the Board must reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

Operating budgets – The Kent County Public Schools operated within the following budget requirements for local educational agencies as specified by state law.

1. The Board of Education must submit an annual school budget in writing to the County Commissioners each year.
2. The County Commissioners must approve the budget ordinance by June 30 each year.
3. The budget is prepared and approved by major categories as specified in the state law.
4. The Board of Education may transfer funds within the major categories without recourse to the County Commissioners, and a report of the transfer shall be submitted to the County Commissioners at the end of each month. Transfers between major categories can only be made with the approval of the County Commissioners.
5. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary compliance is measured using the budgetary basis of accounting, the purpose of which is to demonstrate compliance with the legal requirements of Kent County, the State of Maryland, and special federal and state programs.

The budget is presented in its original form and as amended for the fiscal year ended June 30, 2014.

Capital budget – school construction fund (capital projects fund) – Annual budgetary comparisons to actual expenditures are not presented in the financial statements for the capital projects fund.

School construction is budgeted on a project basis with funds primarily provided by Kent County and the State of Maryland. State funds are approved by the State's Interagency Committee.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies – continued

Budgetary accounting – The budgetary basis differs from the modified accrual basis, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as reservations of the fund balance. The other principal differences are that under the budgetary basis, designations of the prior years' fund balance are treated as revenue of the current period and compensated absences currently payable are not recognized as expenditures until the subsequent fiscal year. The statement of revenues, expenditures and encumbrances - budget and actual is presented using the budgetary basis of accounting.

Budget calendar

<u>Approximate Date</u>	<u>Procedure Performed</u>
Mid-November	Department heads and schools submit requests
Early December	Review compilation of department budget requests with Superintendent, Assistant Superintendent, and Directors and establish proposed priority listing.
Early January	Board of Education public meeting to review proposed budget
Early February	Regular meeting – Board of Education for final adoption of the proposed budget. Submission of proposed budget to County Council
Late May/June	Board public workshops on revised budget based on actual appropriation
June	Public meeting(s) to review actual budget allocations and final adoption

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund and restricted fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Deposits and investments – The Board is authorized to invest any monies in any fund or account for which they have custody or control. The types of investments are specified in accordance with Section 6-222 of the Maryland State Finance and Procurement Article.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies – continued

Article 95, Section 22 of the Annotated Code of Maryland requires that deposits with financial institutions by local boards of education be fully collateralized. Full collateralization is necessary to minimize the risk of loss of a deposit in the event of the default of a financial institution. In addition, this section of the law requires that collateral be of the types specified in the State Finance and Procurement Article, Section 6-202 of the Code (i.e., direct obligations of the United States or its agencies and/or obligations of states, counties, or municipalities).

Inventory – Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. Inventory is charged to expenditures as the inventory is consumed.

Food received from the USDA is included at values stated by the USDA, but is offset by a liability for unearned revenue until consumed.

On-behalf payments – The Board recognizes as revenue and expenditures amounts expended on its behalf during the fiscal year for amounts paid by third parties.

Net position – Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations placed through external restrictions imposed by grantors, or laws or regulations of other governments.

Use of restricted funds – When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund balances – governmental funds – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of enabling legislation or externally imposed conditions by grantors or creditors.
- *Committed* – amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board members are the highest level of decision-making authority for the Board. Commitments may be established, modified, or rescinded only through motions approved by the Board members.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The finance department may assign amounts through approving purchase orders and creating encumbrances.
- *Unassigned* – all amounts not included in other spendable classifications.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies – continued

The details of the fund balances are included in the Governmental Funds Balance Sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board or the finance department has provided otherwise in its commitment or assignment actions.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Deposits and investments

Cash on hand – At year-end cash on hand for petty cash was \$630.

Deposits – At year-end, the carrying amount of the Board's deposits was \$262,373 and the bank balance was \$268,204. The deposits of the Board were not exposed to custodial credit risk at June 30, 2014. The Board has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

Investments – At June 30, 2014, the Board's investment balances by type and maturity were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		<u>Interest Rate At June 30</u>
		<u>Less Than 1</u>	<u>1 thru 5</u>	
Repurchase Agreement	\$3,041,897	\$ 2,694,133	\$ 347,764	0.12% to 0.375%

Reconciliation of cash and investments as shown on Statement of Net Position:

Cash on hand	\$ 630
Carrying amount of deposits	262,373
Carrying amount of investments	<u>3,041,897</u>
Total Cash and Investments	3,304,900
Less: Amounts in fiduciary funds	<u>(100,254)</u>

TOTAL CASH AND INVESTMENTS PER
STATEMENT OF NET POSITION \$ 3,204,646

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(2) Deposits and investments – continued

Investment rate risk – Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Board's exposure to fair value losses arising from increasing interest rates, the Board does not allow investments other than deposits at Chesapeake Bank & Trust.

Credit risk – The Board's investment policy does not permit investments in commercial paper or corporate bonds unless permitted under state law.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the bank, the Board will not be able to recover all or a portion of the value of its repurchase agreements that are in the possession of the bank. For the Board's \$3,041,897 in repurchase agreements, \$3,500,000 of underlying securities were held by Chesapeake Bank & Trust in the Bank's name, pledged to the Board's account. At June 30, 2014, all of the Board's investments were insured or registered.

(3) Compensated absences

As of June 30, 2014, the value of accumulated unused sick leave which will be used has not been determined. It is not practical to estimate the portion of such values which will ultimately be paid because payment is contingent upon employees' future illnesses or retirement. The Board expects its commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees.

Any accumulated unused sick leave at retirement will ultimately be taken into consideration and paid through retirement benefits by the State of Maryland.

Twelve-month employees earn annual leave at varying rates dependent upon position and length of service. Annual leave generally must be taken by June 30 each year. For support staff, up to 15 days may be transferred to the next fiscal year. For administrative staff, up to three days may be transferred to the first week of July, and they can contribute 10 unused days to their 403B plans at the end of the fiscal year.

At June 30, 2014, a total of \$29,840 in unused annual leave is available, which has been recorded as compensated absences payable in the Statement of Net Position.

Expenditures in the statement of revenues and expenditures for such items are the amounts accrued during the year that normally would be liquidated with expendable available financial resources. All accrued compensated absences are recorded in the government-wide financial statements.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(4) Interfund receivable – payables

At June 30, 2014, the interfund account balances are as follows:

Fund	Interfund Receivable	Interfund Payable
General fund	\$ 516,548	\$ 61,846
Restricted fund	-	494,767
School construction fund	-	21,781
Food service fund	61,846	-
TOTAL	\$ 578,394	\$578,394

Interfund receivables and payables, "due to/from other funds", are caused by cash from one fund paying for expenditures or expenses of another. The Board did not incur transactions between funds that would represent lending/borrowing arrangements outstanding at the end of the fiscal year.

(5) Pension plans

State retirement system

Plan description – The Board contributes to the State Retirement and Pension System (SRPS), a cost sharing multiple-employer defined benefit pension plan administered by the State of Maryland. SRPS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Article 73B of the Annotated Code of the State of Maryland assigns the authority to establish and amend benefit provisions to the SRPS Board of Trustees. The State of Maryland issues a publicly available financial report that includes financial statements and required supplementary information for SRPS. That report may be obtained by writing to Maryland State Retirement and Pension System, 301 West Preston Street, Baltimore, Maryland 21502.

Funding policy – Members of the retirement system entering on or after July 1, 1973 are required to contribute 5% or 7% of earnable compensation; members before that date contribute the lesser of 5% of earnable compensation or the percentage they were contributing prior to July 1, 1973. Members of the pension system are required to make contributions of 5% of earnable compensation in excess of the taxable wage base under FICA. Members of the contributory pension are required to contribute 1.11% - 2.42% of earnable compensation. The Board is required to contribute at an actuarially determined rate. The current rate is 14.71% of annual covered payroll for teachers and 14.05% for classified employees. An additional 6.47% on all retirement system member payroll is required. The contribution requirements of plan members and the Board are established and may be amended by the SRPS Board of Trustees.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(5) Pension plans – continued

Employer's payroll and contributions under the plans – The employer's current year payroll, for the years ended June 30, 2014, 2013 and 2012, payroll covered under the various state plans, and contributions paid are as follows:

	<u>Fiscal</u> <u>Year 2014</u>	<u>Fiscal</u> <u>Year 2013</u>	<u>Fiscal</u> <u>Year 2012</u>
Total payroll	\$16,764,935	\$17,905,044	\$18,100,753
Payroll covered under the plans:			
Teachers retirement system	\$ 82,305	\$ 91,076	\$ 90,550
Teachers pension system	\$12,259,656	\$12,819,945	\$13,304,608
Employees pension system	\$ 1,541,544	\$ 1,692,348	\$ 1,130,419
Contributions paid in (not including on behalf payments made by State of Maryland):			
Teachers retirement system	\$ 6,449	\$ 7,060	\$ 7,128
Teachers pension system	\$ 960,187	\$ 999,606	\$ 1,012,463
Employees pension system	\$ 107,411	\$ 117,661	\$ 112,034

The State of Maryland contributed \$1,868,857 to the State Retirement System on behalf of the Board for the year ended June 30, 2014.

(6) Unearned revenue

Unearned revenue consists of federal and state grants and USDA commodities that have not been expended by June 30, 2014 as noted below:

Restricted federal and Maryland grant programs	\$ 63,047
USDA commodities	29,238
TOTAL	\$ 92,285

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(7) On-behalf payments

The Board recognized the following on-behalf payments for the fiscal year ended June 30, 2014:

Pension contribution by the State of Maryland to the state retirement system for applicable employees of the Board	<u>\$ 1,868,857</u>
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(8) Budget reconciliation

The accompanying Statement of Revenues, Expenditures and Encumbrances – Budget and Actual has been prepared on a legally prescribed budgetary basis of accounting which differs from the modified accrual basis of accounting. The purpose of the budgetary basis of accounting is to demonstrate compliance with the legal requirements of Kent County and the State of Maryland. The difference between the two methods is set forth below.

	<u>General Fund</u>
REVENUES	
Budgetary basis	\$ 26,912,616
State of Maryland on-behalf payments	<u>1,868,857</u>
MODIFIED ACCRUAL BASIS	<u>\$ 28,781,473</u>
 EXPENDITURES	
Budgetary basis	\$ 26,572,617
Net encumbrance adjustment	143,057
State of Maryland on-behalf payments	<u>1,868,857</u>
MODIFIED ACCRUAL BASIS	<u>\$ 28,584,531</u>

Under generally accepted accounting principles (GAAP), encumbrances representing appropriations based on purchase orders, contracts and other forms of legal commitments, are regarded as reservations of fund equity and are not reported as expenditures. Under the non-GAAP budgetary basis, encumbrances are accounted for similar to expenditures.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(9) Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
GOVERNMENT ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 147,475	\$ -	\$ -	\$ 147,475
Construction in progress	-	81,297	-	81,297
Total capital assets, not being depreciated	<u>147,475</u>	<u>81,297</u>	<u>-</u>	<u>228,772</u>
Capital assets, being depreciated:				
Land improvements	726,079	-	-	726,079
Buildings, furniture, fixtures and equipment	51,783,354	814,595	-	52,597,949
Vehicles	374,613	-	23,350	351,263
Total capital assets, being depreciated	<u>52,884,046</u>	<u>814,595</u>	<u>23,350</u>	<u>53,675,291</u>
Less accumulated depreciation for:				
Land improvements	128,865	37,578	-	166,443
Buildings, furniture, fixtures and equipment	32,909,128	1,338,249	-	34,247,377
Vehicles	325,082	21,141	23,350	322,873
Total accumulated depreciation	<u>33,363,075</u>	<u>1,396,968</u>	<u>23,350</u>	<u>34,736,693</u>
Total capital assets, being depreciated, net	<u>19,520,971</u>	<u>(582,373)</u>	<u>-</u>	<u>18,938,598</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 19,668,446</u>	<u>\$ (501,076)</u>	<u>\$ -</u>	<u>\$19,167,370</u>

Depreciation expense for the year ended June 30, 2014 was charged to governmental functions as follows:

<u>Support Services</u>	
Instructional services	\$ 139,697
Food services	69,848
Unallocated	<u>1,187,423</u>
TOTAL	<u><u>\$ 1,396,968</u></u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(10) Other post employment benefits

Plan description – The Kent County Public Schools Retiree Health Plan is a single-employer defined benefit healthcare Plan that is administered by the Board of Education and covers retired employees of the Board and their dependents. The Plan provides for the payment of a portion or all of the health insurance premiums for eligible retired employees depending on their position that was held and length of service. The Board of Education has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

Funding policy – Premiums and other contributions for the Boards' share of the cost of the group programs may be paid, as determined by the Board, from the assets of the Board or from the assets of the Retiree Benefit Trust of the Board of Education of Kent County (the Trust). Premium payments for some programs may require contributions by the participant as well as the Board. The frequency and amount of such contributions shall be established from time to time by the Board. In no event will payments made by participants be excluded from their taxable income. No participant shall have any claim against, right to, or interest in the Trust. In the event that the Board or the trustee of the Trust for any reason fails to pay premiums for, or otherwise implement, the group programs for participants, the sole liability of the Board shall be limited to the amount of premiums otherwise payable. The Board shall not be responsible for any losses to participants or dependents for such failure beyond the amount of such premiums or contributions.

Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Kent County Public Schools Retiree Health Plan pays 45% of the individual premium for each insured retiree who was a teacher and 55% for A&S employees. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost of such coverage if they retired on or after January 1, 1998. If they retired prior to December 31, 1997 the Board pays 45% of the premiums. As of June 30, 2014, 455 of approximately 509 eligible participants were receiving benefits.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

(10) Other post employment benefits – continued

Annual OPEB cost and net OPEB obligation – The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Board's net OPEB obligation to Kent County Public Schools Retiree Health Plan:

Annual required contribution	\$ 1,909,000
Interest on net OPEB obligation	132,000
Amortization of net OPEB obligation	<u>(154,000)</u>
Annual OPEB cost (expense)	1,887,000
Benefits paid during fiscal year	<u>(737,000)</u>
Increase in net OPEB obligation	1,150,000
Net OPEB obligation—beginning of year	<u>3,362,934</u>
Net OPEB obligation—end of year	<u><u>\$ 4,512,934</u></u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$1,887,000	39.06%	\$4,512,934
6/30/2013	\$1,751,000	46.43%	\$3,362,934
6/30/2012	\$1,656,000	47.28%	\$2,424,934

Funded status and funding progress – As of July 1, 2013, the most recent actuarial valuation date, the plan was 3.94 percent funded. The actuarial accrued liability for benefits was \$23,656,000, and the actuarial value of assets was \$931,658, resulting in an unfunded actuarial accrued liability (UAAL) of \$22,724,342. The covered payroll (annual payroll of active employees covered by the plan) was \$13,801,200, and the ratio of the UAAL to the covered payroll was 164.7 percent.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

(10) **Other post employment benefits – continued**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a projected salary increase of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 4.3 percent. All rates included a 2.8 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was twenty five years.

(11) **Risk management**

General insurance – The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards of Education Group Insurance Pool (MABE), which provides casualty and property insurance coverage, as well as the MABE Workers Compensation Trust. MABE operates as authorized by Section 482B of Article 84A of the Annotated Code of Maryland. The Board pays an annual premium to MABE for its insurance coverage. The agreement for formation of MABE provides that it will be self-sustaining through member premiums and will reinsure through commercial companies as specified in the agreement. As of June 30, 2014, MABE had total fund equity of approximately \$18 million. It is believed that there are no outstanding claims in excess of the equity.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(11) Risk management – continued

MABE publishes its own audited financial report based on a June 30 year-end. This report may be obtained from Maryland Association of Boards of Education Group Insurance Pool, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401.

Health insurance – Effective with the 1996 fiscal year, the Board joined together with the Eastern Shore of Maryland Boards of Education to form the Eastern Shore of Maryland Education Consortium Health Insurance Alliance, a public entity risk pool currently operating as a common risk management and insurance group for health insurance coverage. Currently, six boards of education and two county governments are participating in the alliance for their health insurance coverage.

The agreement for formation of the alliance provides that the pool will be self-sustaining through member premiums. In fiscal year 2014, the Board was not required to contribute additional premiums toward its 8% call. This call serves as a deposit reserve for potential excess claims. These funds have been invested in the PNC Local Government Investment Pool.

The pooling agreement allows for the pool, which is administered by Carefirst Blue Cross/Blue Shield of Maryland, to make additional assessments to make the pool self-sustaining. As of the date of this report, it is believed that there are no outstanding claims in excess of the equity of the trust.

(12) Commitments and contingencies

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Maryland State Department of Education. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

Contracts – The Board has entered into a contract with Ironshore Contracting, LLC for the replacement of the roof at Garnett Elementary School. The bid was awarded for \$1,368,777. The funding for this project will be provided equally by the state of Maryland and Kent County Government.

Contingency – The Board is a defendant in a lawsuit. The suit asks for damages totaling \$1.2 million. Outside counsel for the company has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome. If there is a finding for the plaintiff the damages will be covered under MABE Group Insurance Pool. The Board would be responsible for the insurance deductible amount of \$5,000.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

(13) Long-term liabilities

A summary of long-term liability activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Other post-employment benefit obligation	\$ 3,362,934	\$ 1,150,000	\$ -	\$ 4,512,934	\$ -

REQUIRED SUPPLEMENTARY INFORMATION



Restricted Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ -	\$ 96,526	\$ -	\$ (96,526)
403,520	741,151	944,007	202,856
1,667,217	2,809,025	2,068,212	(740,813)
-	-	-	-
<u>2,070,737</u>	<u>3,646,702</u>	<u>3,012,219</u>	<u>(634,483)</u>
33,377	61,605	26,448	35,157
60,394	74,844	64,011	10,833
766,919	1,089,367	864,750	224,617
84,748	249,008	188,149	60,859
68,696	860,418	774,636	85,782
570,760	719,382	658,237	61,145
-	-	-	-
-	-	-	-
33,555	54,287	21,236	33,051
-	1,000	500	500
-	-	-	-
380,182	442,178	327,374	114,804
-	15,996	15,996	-
68,306	78,617	70,882	7,735
3,800	-	-	-
<u>2,070,737</u>	<u>3,646,702</u>	<u>3,012,219</u>	<u>634,483</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS
FOR THE KENT COUNTY PUBLIC SCHOOLS RETIREE HEALTH PLAN
Year Ended June 30, 2014

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2013	\$ 931,658	\$ 23,656,000	\$ 22,724,342	3.94%	\$ 13,801,200	164.7%
7/1/2012	\$ 821,276	\$ 22,349,000	\$ 21,527,724	3.67%	\$ 14,512,293	148.3%
7/1/2011	\$ 768,706	\$ 21,464,000	\$ 20,695,294	3.58%	\$ 14,435,027	143.4%

OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES

GENERAL FUND

For the Year Ended June 30, 2014

KENT COUNTY FUNDS

Annual appropriation	\$ 16,732,210	
Pension funding	464,102	
Total Kent County Funds	<u>17,196,312</u>	17,196,312

STATE OF MARYLAND FUNDS

State share of basic current expenses	2,631,417	
Compensatory education	2,654,899	
Student transportation	1,509,479	
Handicapped children – formula	571,261	
Supplemental Grant	1,003,414	
ESL program	202,800	
Medical assistance	208,988	
Geographic cost of ED IDX	137,212	
Aging schools program	218,819	
Net taxable income adjustment	42,171	
QZAB	151,700	
Out of county living	32,399	
On-behalf payments	1,868,857	
Total State of Maryland Funds	<u>11,233,416</u>	11,233,416

UNITED STATES GOVERNMENT

80,000

OTHER SOURCES

E-Rate reimbursement	51,937	
Out of county living	72,568	
WKHS	13,412	
MABE grant	20,000	
Sports events	22,953	
Extended day	10,000	
Lease of building space	17,288	
Miscellaneous	63,587	
Total Other Sources	<u>271,745</u>	271,745

TOTAL REVENUES

\$ 28,781,473

BOARD OF EDUCATION KENT COUNTY, MARYLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	School Construction	Food Services	Smith Estate	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ -	\$ 36,651	\$ 3,079	\$ 39,730
Due from other governments	30,211	59,538	-	89,749
Accounts receivable	-	8,370	-	8,370
Due from other funds	-	61,846	-	61,846
Inventories, at cost	-	72,539	-	72,539
TOTAL ASSETS	\$ 30,211	\$ 238,944	\$ 3,079	\$ 272,234
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll deductions and withholdings	\$ -	\$ 131	\$ -	\$ 131
Accounts payable	10,008	1,946	-	11,954
Accrued salaries	-	1,716	-	1,716
Due to other funds	21,781	-	-	21,781
Unearned revenue	-	29,238	-	29,238
TOTAL LIABILITIES	31,789	33,031	-	64,820
Fund balances:				
Nonspendable				
Inventory	-	43,301	-	43,301
Permanent fund principal	-	-	3,079	3,079
Restricted				
Fund purposes	(21,778)	139,063	-	117,285
Assigned to				
Other purposes - encumbrances	20,200	23,549	-	43,749
TOTAL FUND BALANCES	(1,578)	205,913	3,079	207,414
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,211	\$ 238,944	\$ 3,079	\$ 272,234

BOARD OF EDUCATION KENT COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	School Construction	Food Services	Smith Estate	Total Nonmajor Governmental Funds
REVENUES				
Kent County	\$ 54,300	\$ -	\$ -	\$ 54,300
State of Maryland	120,000	85,696	-	205,696
United States Government	-	816,696	-	816,696
Other Sources:				
Sales of food	-	242,280	-	242,280
Other	79,961	20,025	-	99,986
TOTAL REVENUES	254,261	1,164,697	-	1,418,958
EXPENDITURES				
Current:				
Capital outlay	254,261	-	-	254,261
Food services	-	1,165,177	-	1,165,177
TOTAL EXPENDITURES	254,261	1,165,177	-	1,419,438
CHANGE IN FUND BALANCES	-	(480)	-	(480)
FUND BALANCES, JULY 1, 2013	(1,578)	206,393	3,079	207,894
FUND BALANCES, JUNE 30, 2014	\$ (1,578)	\$ 205,913	\$ 3,079	\$ 207,414

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES

FOOD SERVICE FUND

For the Year Ended June 30, 2014

REVENUES

Cafeteria sales	\$ 242,280	
Federal sources	770,824	
Federal – value of commodities used	45,872	
State sources	85,696	
Other miscellaneous receipts	<u>20,025</u>	
TOTAL REVENUES		\$ 1,164,697

EXPENDITURES

Salaries and wages	440,425	
Contracted services	62,947	
Supplies and materials	599,883	
Other charges	<u>61,922</u>	
TOTAL EXPENDITURES		<u>1,165,177</u>

EXCESS OF EXPENDITURES OVER REVENUE \$ (480)

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF RECEIPTS AND EXPENDITURES

SCHOOL ACTIVITIES AGENCY FUND

For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2014</u>
Kent County High School	\$ 45,176	\$ 149,834	\$ 134,523	\$ 60,487
Galena Elementary School	4,608	12,868	10,564	6,912
Garnett Elementary School	3,204	11,294	10,784	3,714
Kent County Middle School	12,989	46,445	43,194	16,240
Rock Hall Elementary School	2,063	8,321	9,749	635
Millington Elementary School	1,298	8,469	7,842	1,925
Worton Elementary School	<u>7,417</u>	<u>12,267</u>	<u>9,343</u>	<u>10,341</u>
TOTALS	<u>\$ 76,755</u>	<u>\$ 249,498</u>	<u>\$ 225,999</u>	<u>\$ 100,254</u>