

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION, AND
OTHER SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

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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 (the Board), a component unit of Kent County, Maryland, as of and for the year ended June 30, 2015, 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, 2015, 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.

Emphasis of Matter

The financial statements for the year ended June 30, 2015 reflect the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as described further in notes 14 and 15 to the financial statements. These statements required a prior period adjustment in the statement of activities for net pension liability as of June 30, 2014. Our opinion is not modified with respect to this matter.

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, schedule of funding progress for other postemployment benefits, schedule of Board's proportionate share of net pension liability, schedule of Board's contributions, and notes to required supplementary information*, 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.

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

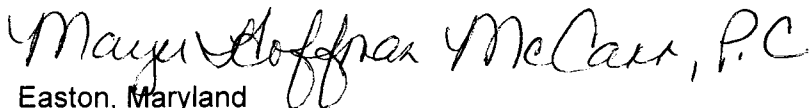
Other information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015 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, 2015



**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, 2015, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 29, 2015. 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.


Easton, Maryland
September 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2015

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, 2015. 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

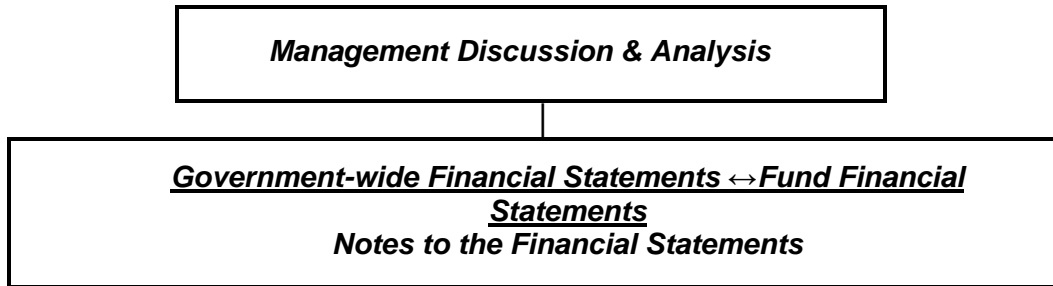
The General Fund budget was increased by \$551,882, or 2.05%, during the year from the originally adopted budget.

The General Fund balance increased by \$767,458 on a budgetary basis.

The General Fund revenues were more than the amended budget by \$38,944; expenditures and encumbrances were \$1,528,514, or approximately 5.57%, under the amended budget.

Details of the revenue and expenditure budget variances can be found on page 46 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, 2015

Government-wide Financial Statements

The Government-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 Government-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, 2015

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.

	Government-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 could not be used to finance the school system activities. However, the school system was 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 Board’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, 2015

The Board of Education of Kent County as a Whole

Table 1

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and other assets	\$ 5,418,219	\$ 4,530,286
Capital assets	<u>19,356,182</u>	<u>19,167,370</u>
Total Assets	<u>24,774,401</u>	<u>23,697,656</u>
Deferred outflows of resources	<u>286,347</u>	<u>-</u>
Current liabilities	2,467,258	2,372,569
Long term liabilities	<u>7,881,235</u>	<u>4,512,934</u>
Total Liabilities	<u>10,348,493</u>	<u>6,885,503</u>
Deferred inflows of resources	<u>220,000</u>	<u>-</u>
Net position:		
Capital assets	19,356,182	19,167,370
Restricted assets	241,037	208,992
Unrestricted	<u>(5,104,964)</u>	<u>(2,564,209)</u>
TOTAL NET POSITION	<u>\$ 14,492,255</u>	<u>\$ 16,812,153</u>

During the fiscal year ended June 30, 2015, the Board's net position decreased by \$2,319,898. Of that decrease, \$367,870 resulted from the operations of the Board during the year and the remaining \$1,952,028 is a result of a prior period adjustment related to the implementation of GASB Statement No. 68 (Note 15). 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 Pentamotion Fixed Asset software. Inventory is updated annually.

The unrestricted net deficit at June 30, 2015 is \$5,104,964. The significant decrease in unrestricted net assets is due to the rising long term obligation amount for the OPEB and the Board's proportionate share of the net pension liability in the state pension system. 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, 2015

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 94.43%. The variances in the end of year unexpended funds versus budgeted amounts are detailed by category on page 46 of the financial statements. Expenditure changes between major categories occurred to accommodate school system priorities during the fiscal year. The school board received State Aging Schools and QZAB funds that were used for capital outlay projects in fiscal year 2015.

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 then 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, 2015 support the explanations presented above.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2015

General Fund – continued

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>TOTAL CHANGE</u>
REVENUE			
Local	\$ 17,191,672	\$ 17,191,672	\$ -
State	8,656,069	8,897,451	241,382
Federal	69,000	379,500	310,500
Other sources	181,000	181,000	-
Prior year's fund balance	800,000	800,000	-
	<u>26,897,741</u>	<u>27,449,623</u>	<u>551,882</u>
TOTAL REVENUES			
EXPENDITURES AND ENCUMBRANCES			
Administration	\$ 1,102,801	\$ 1,102,801	\$ -
Mid-level administration	1,902,010	1,962,320	60,310
Instructional salaries	8,997,984	8,923,550	(74,434)
Instructional texts and supplies	414,718	414,718	-
Other instructional costs	665,796	745,578	79,782
Special education	2,419,044	2,749,283	330,239
Pupil personnel services	239,560	193,684	(45,876)
Student health services	365,800	346,018	(19,782)
Student transportation	2,261,174	2,193,346	(67,828)
Operation of plant	2,109,385	1,966,926	(142,459)
Maintenance of plant	710,980	780,810	69,830
Fixed charges	5,693,489	5,693,489	-
Capital outlay	15,000	377,100	362,100
	<u>26,897,741</u>	<u>27,449,623</u>	<u>551,882</u>
TOTAL EXPENDITURES AND ENCUMBRANCES			

It is critical for the reader to understand that local and state revenues account for 98% 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, 2015

General Fund – continued

Recurring, but unpredictable, are the E-rate rebates received from the Federal Communications Commission amounting to \$71,919 for the year ended June 30, 2015. Our intention is to continue to budget from this source to support technology. Beginning in fiscal year 2016 cellular telephones will not be eligible for E-rate rebates. This will reduce the annual amount the school system receives.

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 2016, the budget reflects an increase in health care rates of 10% and increased costs due to the Affordable Care Act (ACA).

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 2015, revenues exceeded expenditures by \$11,469, resulting in an increase in the program's fund balance.

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.

This is the first year that all five elementary schools along with Kent County Middle School participated in the Maryland Meals for Achievement Program. This program provides free breakfast for all students in these schools.

The school system has 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 \$66,000 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, 2015

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.

Capital Assets and Debt Administration

Capital assets – By the end of fiscal year 2015, the Board had invested \$55.5 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, and furniture and equipment. More detailed information about capital assets can be found in Note 9 to the financial statements. Total depreciation expense for the year was approximately \$1.4 million.

Long-term liabilities – At year end, the Board had \$7,881,235 in long term liabilities of which all is due after one year. This amount consists of the following:

- \$5,871,306 in net OPEB obligation
- \$2,009,929 in net pension liability

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. Due to the dramatic decline in enrollment over the past decade, the school system plans to consolidate schools in fiscal year 2016. No formal decision has been made in regards to what school or how many schools at this point.

In 2015 the County Commissioners committed to fund capital projects for the foreseeable future. The school system replaced the roof at Henry Highland Garnett Elementary School (HHGES) in 2015 and will replace six roof top HVAC units at HHGES in 2016. 2015 was the first year since 2008 that the school system received funds from the County for CIP projects. The County Commissioners also funded non-recurring costs in 2015 for the school system in the amount of \$133,000. These funds were used for one time expenditures necessary to do business, such as, visitor team bleachers, classroom furniture and professional development for the new partnership with Discovery Education. The County Commissioners have agreed to fund non-recurring costs again in 2016 for \$494,126. These funds will be used to purchase student laptops, which will enable the school system to move towards the goal of the "one to one initiative" with technology devices. These funds also helped fund the rise in the retiree portion of health care costs known as the "Pay-Go" portion of the post-employment benefits (OPEB) obligation.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2015

Factors Bearing on the Board's Future – continued

The Board recognizes the OPEB obligation 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 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 and fixed charges, due to the rising cost of health care and the financial implications of the ACA 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 received a 2% increase along with a step increase in April 2015. All employees will receive another step increase at the beginning of fiscal year 2016. Employees already at the top of the scale will receive a 1% cost of living increase. Kent County still remains three steps behind due to the economic challenges from 2012 until the present.

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.

Effective with fiscal year 2015, the Board was required to implement the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. As a result of this pronouncement, the Board must report its allocated share of the net pension liability, deferred financing inflows and outflows, and net pension expense from the Employees' Retirement and Pension System of the Maryland State Retirement and Pension System. The impact of this statement on the fiscal year 2015 financial statements is discussed in notes 5 and 15.

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, 2015

	Governmental Activities
	<u> </u>
ASSETS	
Cash and temporary investments	\$ 4,448,803
Due from other units of government	837,043
Other receivables	76,116
Inventory	56,257
Capital assets, nondepreciable	255,388
Capital assets, net of depreciation	19,100,794
TOTAL ASSETS	<u>24,774,401</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - state pension plan	<u>286,347</u>
 LIABILITIES	
Accounts payable	504,796
Accrued expenses	152,785
Accrued salaries	1,533,258
Payroll deductions and withholdings	138,530
Unearned revenue	63,599
Due to other units of government	26,557
Due to agency funds	12,933
Compensated absences	34,800
Noncurrent liabilities	
Due in more than one year:	
Net OPEB obligation	5,871,306
Net pension obligation	2,009,929
TOTAL LIABILITIES	<u>10,348,493</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - state pension plan investment activity	<u>220,000</u>
 NET POSITION	
Net investment in capital assets	19,356,182
Restricted for:	
Smith Estate fund	3,079
School construction activities	20,576
Food service activities	217,382
Unrestricted	(5,104,964)
TOTAL NET POSITION	<u>\$ 14,492,255</u>

See Notes to Financial Statements

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Administration	\$ 1,036,693	\$ -	\$ -	\$ (1,036,693)
Instructional services	13,542,993	36,009	2,314,759	(11,192,225)
Special education	3,344,664	-	1,227,073	(2,117,591)
Student personnel services	186,829	-	-	(186,829)
Student health services	358,081	-	-	(358,081)
Student transportation	1,885,047	-	1,517,184	(367,863)
Operation of plant	1,912,632	-	-	(1,912,632)
Maintenance of plant	664,286	25,869	-	(638,417)
Community services	74,505	-	-	(74,505)
Capital outlay	67,747	-	-	(67,747)
Food services	1,279,066	240,851	974,767	(63,448)
Fixed charges	8,793,015	-	-	(8,793,015)
Depreciation – unallocated	1,170,533	-	-	(1,170,533)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 34,316,091	\$ 302,729	\$ 6,033,783	\$ (27,979,579)
General Revenues				
				17,247,114
				8,415,946
				1,600,496
				66,047
				282,106
				<u>27,611,709</u>
				<u>(367,870)</u>
				NET POSITION AT JUNE 30, 2014
				As previously reported
				16,812,153
				Prior period adjustment
				(1,952,028)
				<u>As restated</u>
				<u>14,860,125</u>
				NET POSITION AT JUNE 30, 2015
				<u>\$ 14,492,255</u>

See Notes to Financial Statements

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	<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	\$ 4,382,617	\$ -	\$ 66,186	\$ 4,448,803
Due from other governments	231,126	522,212	83,705	837,043
Due from other governmental funds	343,990	-	38,353	382,343
Other receivables	57,416	-	18,700	76,116
Inventories, at cost	-	-	56,257	56,257
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 5,015,149	\$ 522,212	\$ 263,201	\$ 5,800,562
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES				
Payroll deductions and withholdings	\$ 138,379	\$ -	\$ 151	\$ 138,530
Accounts payable	368,516	122,858	13,422	504,796
Accrued salaries	1,531,290	-	1,968	1,533,258
Accrued expenses	150,194	2,591	-	152,785
Compensated absences	34,800	-	-	34,800
Due to other units of government	26,557	-	-	26,557
Due to other governmental funds	38,353	343,990	-	382,343
Due to agency funds	12,933	-	-	12,933
Unearned revenue	4,203	52,773	6,623	63,599
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	2,305,225	522,212	22,164	2,849,601
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES				
Nonspendable	-	-	52,713	52,713
Restricted	-	-	164,351	164,351
Committed	934,295	-	-	934,295
Assigned	646,564	-	23,973	670,537
Unassigned	1,129,065	-	-	1,129,065
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	2,709,924	-	241,037	2,950,961
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,015,149	\$ 522,212	\$ 263,201	\$ 5,800,562
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2015

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	\$	2,950,961
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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		55,455,253
Less: accumulated depreciation		(36,099,071)

Deferred financing outflow for change in assumptions in net pension liability		286,347
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Deferred financing inflow for investment activity in net pension liability		(220,000)
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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:

Net OPEB obligation		(5,871,306)
Net pension liability		(2,009,929)

TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	\$	<u>14,492,255</u>
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BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>MAJOR FUNDS</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Restricted Fund</u>		
REVENUES				
Kent County	\$ 17,247,114	\$ -	\$ 764,165	\$ 18,011,279
State of Maryland	10,942,817	594,615	761,592	12,299,024
United States Government	66,047	2,110,030	877,006	3,053,083
Other Sources:				
Sales of food	-	-	224,513	224,513
Other	343,984	-	16,338	360,322
TOTAL REVENUES	<u>28,599,962</u>	<u>2,704,645</u>	<u>2,643,614</u>	<u>33,948,221</u>
EXPENDITURES				
Current				
Administration	970,603	66,090	-	1,036,693
Mid-level administration	1,906,201	79,345	-	1,985,546
Instructional salaries	8,758,280	874,271	-	9,632,551
Instructional texts and supplies	399,886	187,665	-	587,551
Instructional other costs	726,407	434,391	-	1,160,798
Special education	2,709,228	635,436	-	3,344,664
Student personnel services	186,829	-	-	186,829
Student health services	358,081	-	-	358,081
Student transportation	1,862,431	22,616	-	1,885,047
Operation of plant	1,912,132	500	-	1,912,632
Maintenance of plant	737,269	-	-	737,269
Fixed charges	5,246,767	323,764	-	5,570,531
Community services	-	74,505	-	74,505
Capital outlay	154,832	-	1,405,842	1,560,674
Food services	-	6,062	1,204,149	1,210,211
On behalf payments	1,911,395	-	-	1,911,395
TOTAL EXPENDITURES	<u>27,840,341</u>	<u>2,704,645</u>	<u>2,609,991</u>	<u>33,154,977</u>
NET CHANGE IN FUND BALANCES	759,621	-	33,623	793,244
FUND BALANCES AT JULY 1, 2014	<u>1,950,303</u>	<u>-</u>	<u>207,414</u>	<u>2,157,717</u>
FUND BALANCES AT JUNE 30, 2015	<u>\$ 2,709,924</u>	<u>\$ -</u>	<u>\$ 241,037</u>	<u>\$ 2,950,961</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, 2015

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$	793,244
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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		1,565,910
Depreciation expense		(1,377,098)

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		(1,358,372)
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Increases in deferred inflows of resources do not use current financial resources and, therefore, are not reported as expenditures in governmental funds.		(220,000)
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Increases in deferred outflows of resources do not create current financial resources and, therefore, are not reported as revenues in governmental funds.		22,419
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Decreases in the net pension liability do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		206,027
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(367,870)</u>
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BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>Agency Funds</u>	<u>Retiree Health Plan Trust</u>	<u>Total</u>
ASSETS			
Cash	\$ 121,672	\$ -	\$ 121,672
Investment in OPEB trust	-	932,046	932,046
Due from other funds	<u>12,933</u>	<u>-</u>	<u>12,933</u>
 TOTAL ASSETS	 <u>\$ 134,605</u>	 <u>\$ 932,046</u>	 <u>\$ 1,066,651</u>
LIABILITIES			
School activity funds payable	\$ 121,672	\$ -	\$ 121,672
Accrued expenses	<u>12,933</u>	<u>-</u>	<u>12,933</u>
 TOTAL LIABILITIES	 134,605	 -	 134,605
NET POSITION			
Held in trust for OPEB	<u>-</u>	<u>932,046</u>	<u>932,046</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 134,605</u>	 <u>\$ 932,046</u>	 <u>\$ 1,066,651</u>

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

June 30, 2015

	<u>Retiree Health Plan Trust</u>
ADDITIONS	
Net investment portfolio results	\$ 11,347
DEDUCTIONS	
Administrative expenses	<u>10,959</u>
NET INCREASE	388
NET POSITION AT JULY 1, 2014	<u>931,658</u>
NET POSITION AT JUNE 30, 2015	<u><u>\$ 932,046</u></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.

Cash and cash equivalents – The Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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 expenditures under state and federal restricted programs may exceed budgeted amounts. The grants included in this category are not part of budget categories subject to the spending limitations of the operating budget. Expenditures under these programs are limited to the amounts of the respective grants.

The budget is presented in its original form and as amended for the fiscal year ended June 30, 2015.

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>Date</u>	<u>Procedure Performed</u>
Mid-November to Early January	Department heads and schools submit requests
Early December to Mid January	Review compilation of department budget requests with Superintendent, Assistant Superintendent, and Directors and establish proposed priority listing.
Early January to March	Board of Education public meeting to review proposed budget
Early February April	Regular meeting – Board of Education for final adoption of the proposed budget. Submission of proposed budget to County Commissioners

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Retirement and Pension Plan (SRPS) and additions to/deductions from SRPS's fiduciary net position have been determined on the same basis as they are reported by SRPS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Deferred outflows of resources – A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Deferred inflows of resources – A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time.

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.

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.

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.

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.

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

(1) Summary of significant accounting policies – continued

- *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.

As of June 30, 2015, fund balances are composed of the following:

	Unrestricted General Fund	Nonmajor Governmental Funds
Nonspendable:		
Inventory	\$ -	\$ 49,634
Permanent fund principal	-	3,079
Total nonspendable	-	52,713
Restricted:		
Fund purposes	-	164,351
Committed to:		
Budget reserve	934,295	-
Assigned to:		
Other purposes - encumbrances	208,171	23,973
QZAB projects	153,393	-
Textbooks	85,000	-
KCMS grounds update	10,000	-
Pre-K teacher salary & benefits	90,000	-
Special Ed non-public placement	75,000	-
Consolidation expenses	25,000	-
Total assigned	646,564	23,973
Unassigned:	1,129,065	-
Total fund balances	\$ 2,709,924	\$ 241,037

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.

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

(2) Deposits and investments

Deposits – At year-end, the carrying amount of the Board’s deposits was \$305,617 and the bank balance was \$316,134. The deposits of the Board were not exposed to custodial credit risk at June 30, 2015. 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, 2015, 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	\$4,264,858	\$ 3,337,054	\$ 927,804	0.00% to 0.85%

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

Carrying amount of deposits	\$ 305,617
Carrying amount of investments	<u>4,264,858</u>
Total Cash and Investments	4,570,475
Less: Amounts in fiduciary funds	<u>(121,672)</u>

TOTAL CASH AND INVESTMENTS PER
STATEMENT OF NET POSITION \$ 4,448,803

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 \$4,264,858 in repurchase agreements, \$4,600,000 of underlying securities were held by Chesapeake Bank & Trust in the Bank’s name, pledged to the Board’s account. At June 30, 2015, all of the Board’s investments were insured or registered.

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

(3) Compensated absences

As of June 30, 2015, 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, 2015, a total of \$34,800 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.

(4) Interfund receivable – payables

At June 30, 2015, the interfund account balances are as follows:

Fund	Interfund Receivable	Interfund Payable
General fund	\$ 343,990	\$ 38,353
Restricted fund	-	343,990
School construction fund	1,636	-
Food service fund	36,717	-
TOTAL	\$ 382,343	\$382,343

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.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

(5) Pension plans

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. 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. The report may be downloaded by visiting <http://www.sra.maryland.gov/Agency/Downloads/CAFR/>.

The Teachers' Retirement System (TRS) was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the TRS was closed to new members and the Teachers' Pension System (TPS) was established. As a result, teachers hired after December 31, 1979, became members of the as a condition of employment. On or after January 1, 2005, an individual who is a member of the TRS may not transfer membership to the TPS.

On October 1, 1941, the Employees' Retirement System (ERS) was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the ERS was essentially closed to new members and the Employees' Pension System (EPS) was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the EPS as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the ERS. On or after January 1, 2005, an individual who is a member of the ERS may not transfer membership to the EPS.

All individuals who are members of the TPS on or before June 30, 2011, participate in the Alternate Contributory Pension Selection (ACPS) except for the few members who transferred from the TRS after April 1, 1998 or former vested members who terminated employment prior to July 1, 1998. All individuals who enroll in the Teachers' Pension System on or after July 1, 2011, participate in the Reformed Contributory Pension Benefit (RCPB).

The Employees' Pension System (EPS) consists of four parts. The Non-Contributory Pension System (NCPS) was established on January 1, 1980 and consists only of those participating employers that did not elect membership in the Employees' Contributory Pension System (ECPS) or the Alternate Contributory Pension Selection (ACPS). The Employees' Contributory Pension System (ECPS) was established as of July 1, 1998 and consists of those participating employers that elected participation in the ECPS effective July 1, 1998 through July 1, 2005 and did not elect membership in the ACPS as of July 1, 2006. Employees who transferred from the ERS to the EPS after April 1, 1998 were not eligible for the benefits of the ECPS. The Alternate Contributory Pension Selection (ACPS) was established as of July 1, 2006 and consists of all eligible State employees and those participating employers that elected participation in the ACPS effective July 1, 2006. Employees who transferred from the ERS to the EPS after April 1, 1998 were not eligible for the benefits of the ACPS. The Reformed Contributory Pension Benefit (RCPB) was established as of July 1, 2011 and consists of all State employees and employees of participating governmental units enrolling in the EPS on or after July 1, 2011. It does not apply to employees of participating governmental units participating in the NCPS or ECPS who in enroll in the Employees' Pension System on or after July 1, 2011.

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

(5) Pension plans – continued

Benefits provided – SRPS provides retirement, disability and death benefits as well as annual cost-of-living adjustments to plan members and beneficiaries.

Teachers' and Employees' Retirement Systems

A member is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. Retirement allowances are computed using both the highest three years' average final compensation (AFC) and the actual number of years of accumulated creditable service.

A member may retire with reduced benefits after completing 25 years of eligibility service prior to attaining age 60. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction is 30%. The maximum reduction for a member who elected Selection C (details provided in Contributions section below) is 30% on the first part and 42% on the second part of the benefit calculation.

Any individual who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. Members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they became totally and permanently disabled. Accidental disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, plus 66.7% of AFC. Allowances may not exceed the members' AFC.

To be eligible for death benefits, members must have either accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. The benefit provided upon death for members equals the members' annual earnable compensation at the time of death plus accumulated contributions. There is a special death benefit paid to the surviving spouse, dependent children, or dependent parents of employees killed in the line of duty equal to 66.7% of the deceased member's average final compensation.

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

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

(5) Pension plans – continued

Teachers' and Employees' Pension Systems

An individual who is a member on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

An individual who is a member on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members is 42%. An individual who becomes a member on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members is 30%.

For all individuals who are members on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service.

Any individual who is a member on or before June 30, 2011, and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins on or after July 1, 2011, and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

A member who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 66.7% of the member's AFC plus an annuity based on all member contributions and interest.

To be eligible for death benefits, members must have either accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest. There is a special death benefit paid to the surviving spouse, dependent children, or dependent parents of employees killed in the line of duty equal to 66.7% of the deceased member's average final compensation.

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. With certain exceptions, effective July 1, 1998, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year.

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

(5) Pension plans – continued

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Contributions – During a special session of the Maryland General Assembly – Teacher Pension Cost – it was determined that the State and local school boards will share the cost of teacher retirement by phasing in a requirement for school board payment of annual normal cost over a four year period in increments of 50%, 65%, 85% and 100%. This action outlines the payment required of each school board for fiscal years 2013 through 2016 and the additional maintenance of effort payments required by each county in the same period.

The Board is required to contribute at an actuarially determined rate. The current rate is 15.47% of annual covered payroll for teachers and 15.53% for classified employees. An additional 6.2% on all retirement system member payroll is required. There are surcharges ranging from 1.11% to 2.42%. The contribution requirements of plan members and the Board are established and may be amended by the SRPS Board of Trustees. The Board's contributions were \$257,272 for the year ended June 30, 2015. For the year ended June 30, 2015, the Board's total payroll for all employees was \$16,529,309. The total covered payroll was \$13,696,066. Covered payroll refers to all compensation paid by the Board to active employees covered under the SRPS.

Teachers' and Employees' Retirement Systems

Members of the Teachers' and Employees' Retirement Systems are required to contribute 7% or 5% of earnable compensation depending upon the retirement option selected.

Members who elected in 1984 to receive unlimited future cost-of-living adjustments (COLA) contribute 7% if enrolled after June 30, 1973. Members enrolled before July 1, 1973 contribute the lesser of 7% or 2% more than the rate of contribution in effect on the date of their enrollment. This option is referred to as Selection A (Unlimited COLA).

Members who elected in 1984 to receive limited future COLA's contribute 5% if enrolled after June 30, 1973. Members enrolled before July 1, 1973 contribute the lesser of 5% or the rate of contribution in effect on the date of their enrollment. This option is referred to as Selection B (Limited COLA).

All other members contribute in accordance with the provisions of the Teachers' Pension System or Employees' Pension System. This option is referred to as Selection C (Combination Formula), which provides a two-part benefit calculation upon retirement.

Members who are in Selection A, B, or C will remain in these until their retirement. As of January 1, 2005, they were no longer permitted to change selections.

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

(5) Pension plans – continued

Teachers' and Employees' Pension Systems

Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System from 5% to 7%.

For the Employee's Pension System, NCPS members are required to contribute 5% of earnable compensation in excess of the social security wage base, ECPS members are required to contribute 2% of earnable compensation, and ACPS and RCPB members are required to contribute 7% of earnable compensation.

Pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources – At June 30, 2015, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

District's proportionate share of the net pension liability	\$ 2,009,929
State's proportionate share of the net pension liability associated with the Board	16,219,599
Total	<u><u>\$18,229,528</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the actual employer contributions billed to the Board for the year ending June 30, 2014 compared to the total billings to all participating government units. That percentage was then multiplied by the total net pension liability for the SRPS to calculate the liability related to the Board. At June 30, 2014 the Board's portion was .0113256%.

For the year ended June 30, 2015, the Board recognized pension expense of \$248,826. The Board recognized revenue of \$1,872,558 for support provided by the state. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 29,075	\$ -
Net difference between projected and actual earnings on pension plan investments	-	220,000
Board contributions subsequent to the measurement date	257,272	-
Total	<u><u>\$ 286,347</u></u>	<u><u>\$ 220,000</u></u>

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

(5) Pension plans – continued

The \$257,272 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (47,731)
2017	(47,731)
2018	(47,731)
2019	(47,732)

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.90% general, 3.4% wage
Salary Increases	3.40% to 11.9%, including inflation
Investment Rate of Return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to the year 2025.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 2006 to 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	<u>100%</u>	

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

(5) Pension plans – continued

Discount rate – A single discount rate of 7.65% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate – The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.65%) or 1% higher (8.65%) than the current rate.

	Discount rate	District's proportionate share of the net pension liability
1% decrease	6.65%	\$2,896,560
Current discount rate	7.65%	\$2,009,929
1% increase	8.65%	\$1,267,263

Plan fiduciary net position – Detailed information about the Plan's fiduciary net position is available in the separately issued SRPS financial report.

(6) Unearned revenue

Unearned revenue consists of federal and state grants, prepayments for an event occurring this fall, and USDA commodities that have not been expended by June 30, 2015 as noted below:

Restricted federal and Maryland grant programs	\$ 52,773
Challenge Day prepayments	4,203
USDA commodities	6,623
TOTAL	\$ 63,599

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, 2015:

Pension contribution by the State of Maryland to the state retirement system for applicable employees of the Board	\$ 1,872,558
School resource officer provided by Kent County, Maryland	<u>38,837</u>
TOTAL ON-BEHALF PAYMENTS	<u>\$ 1,911,395</u>

(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	\$ 26,688,567
Kent County on-behalf payments	38,837
State of Maryland on-behalf payments	<u>1,872,558</u>
MODIFIED ACCRUAL BASIS	<u>\$ 28,599,962</u>
 EXPENDITURES	
Budgetary basis	\$ 25,921,109
Net encumbrance adjustment	7,837
Kent County on-behalf payments	38,837
State of Maryland on-behalf payments	<u>1,872,558</u>
MODIFIED ACCRUAL BASIS	<u>\$ 27,840,341</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, 2015 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	1,400,813	1,374,197	107,913
Total capital assets, not being depreciated	<u>228,772</u>	<u>1,400,813</u>	<u>1,374,197</u>	<u>255,388</u>
Capital assets, being depreciated:				
Land improvements	726,079	-	-	726,079
Buildings, furniture, fixtures and equipment	52,597,949	1,523,394	14,720	54,106,623
Vehicles	351,263	15,900	-	367,163
Total capital assets, being depreciated	<u>53,675,291</u>	<u>1,539,294</u>	<u>14,720</u>	<u>55,199,865</u>
Less accumulated depreciation for:				
Land improvements	166,443	37,579	-	204,022
Buildings, furniture, fixtures and equipment	34,247,377	1,319,669	14,720	35,552,326
Vehicles	322,873	19,850	-	342,723
Total accumulated depreciation	<u>34,736,693</u>	<u>1,377,098</u>	<u>14,720</u>	<u>36,099,071</u>
Total capital assets, being depreciated, net	<u>18,938,598</u>	<u>162,196</u>	<u>-</u>	<u>19,100,794</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 19,167,370</u>	<u>\$ 1,563,009</u>	<u>\$ 1,374,197</u>	<u>\$19,356,182</u>

Depreciation expense for the year ended June 30, 2015 was charged to governmental functions as follows:

<u>Support Services</u>	
Instructional services	\$ 137,710
Food services	68,855
Unallocated	<u>1,170,533</u>
TOTAL	<u>\$ 1,377,098</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.

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	\$ 2,035,000
Interest on net OPEB obligation	178,000
Amortization of net OPEB obligation	<u>(216,000)</u>
Annual OPEB cost (expense)	1,997,000
Benefits paid during fiscal year	<u>(638,628)</u>
Increase in net OPEB obligation	1,358,372
Net OPEB obligation—beginning of year	<u>4,512,934</u>
Net OPEB obligation—end of year	<u><u>\$ 5,871,306</u></u>

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

(10) Other post employment benefits – continued

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 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>
6/30/2015	\$1,997,000	31.98%	\$5,871,306
6/30/2014	\$1,887,000	39.06%	\$4,512,934
6/30/2013	\$1,751,000	46.43%	\$3,362,934

Funded status and funding progress – As of July 1, 2014, the most recent actuarial valuation date, the plan was 3.77% funded. The actuarial accrued liability for benefits was \$24,696,000, and the actuarial value of assets was \$932,046, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,763,954. The covered payroll (annual payroll of active employees covered by the plan) was \$13,696,066, and the ratio of the UAAL to the covered payroll was 173.5%.

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, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% 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% per year, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.3%. All rates included a 2.8% 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, 2015, was twenty four years.

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

(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, 2015, MABE had total fund equity of approximately \$20 million. It is believed that there are no outstanding claims in excess of the equity.

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 2015, 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 entered into a contract with Joseph M. Zimmer, Inc. in March 2015 for the replacement of six roof top HVAC units at the schools. The bid was awarded for \$968,900. The funding for this project will be provided through the state of Maryland and Kent County Government in fiscal year 2016. The project began and was completed in fiscal year 2016.

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, 2015 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	\$ 4,512,934	\$ 1,997,000	\$ 638,628	\$ 5,871,306	\$ -
Net pension liability	2,215,956	-	206,027	2,009,929	-
	<u>\$ 6,728,890</u>	<u>\$ 1,997,000</u>	<u>\$ 844,655</u>	<u>\$ 7,881,235</u>	<u>\$ -</u>

(14) New GASB Standard

In March 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective July 1, 2014.

In addition, the Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

(15) Restatement

The Board adopted GASB 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the beginning net position balance for governmental activities of \$16,812,153 has been decreased by \$1,952,028 to \$14,860,125. See Note 5 for further information.

REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL – GENERAL FUND AND RESTRICTED FUND

Year Ended June 30, 2015

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Kent County	\$ 17,191,672	\$ 17,191,672	\$ 17,208,277	\$ 16,605
State of Maryland	8,656,069	8,897,451	9,070,259	172,808
United States Government	69,000	379,500	66,047	(313,453)
Other Sources	181,000	181,000	343,984	162,984
TOTAL REVENUES	<u>26,097,741</u>	<u>26,649,623</u>	<u>26,688,567</u>	<u>38,944</u>
EXPENDITURES AND ENCUMBRANCES				
Administration	1,102,801	1,102,801	976,943	125,858
Mid-level administration	1,902,010	1,962,320	1,907,614	54,706
Instructional salaries	8,997,984	8,923,550	8,758,280	165,270
Instructional texts and supplies	414,718	414,718	330,822	83,896
Instructional other costs	665,796	745,578	744,920	658
Special education	2,419,044	2,749,283	2,709,194	40,089
Student personnel services	239,560	193,684	186,829	6,855
Student health services	365,800	346,018	307,973	38,045
Student transportation	2,261,174	2,193,346	1,878,478	314,868
Operation of plant	2,109,385	1,966,926	1,916,632	50,294
Maintenance of plant	710,980	780,810	745,559	35,251
Fixed charges	5,693,489	5,693,489	5,246,767	446,722
Food Service	-	-	-	-
Community services	-	-	-	-
Capital outlay	15,000	377,100	211,098	166,002
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>26,897,741</u>	<u>27,449,623</u>	<u>25,921,109</u>	<u>1,528,514</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES BEFORE OTHER FINANCING SOURCES	(800,000)	(800,000)	767,458	1,567,458
OTHER FINANCING SOURCES				
Prior year's fund balance	800,000	800,000	-	(800,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND ENCUMBRANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 767,458</u>	<u>\$ 767,458</u>

Restricted Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ -	\$ 67,869	\$ -	\$ (67,869)
394,195	556,893	594,615	37,722
1,533,972	2,778,110	2,110,030	(668,080)
-	-	-	-
<u>1,928,167</u>	<u>3,402,872</u>	<u>2,704,645</u>	<u>(698,227)</u>
31,377	83,733	66,090	17,643
25,394	101,893	79,345	22,548
730,919	1,111,060	874,271	236,789
84,748	242,732	187,665	55,067
68,696	514,773	434,391	80,382
548,018	760,843	635,436	125,407
-	-	-	-
-	-	-	-
33,555	53,600	22,616	30,984
-	500	500	-
-	-	-	-
333,354	429,404	323,764	105,640
68,306	15,692	6,062	9,630
-	88,642	74,505	14,137
3,800	-	-	-
<u>1,928,167</u>	<u>3,402,872</u>	<u>2,704,645</u>	<u>698,227</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS – OPEB
FOR THE KENT COUNTY PUBLIC SCHOOLS RETIREE HEALTH PLAN
Year Ended June 30, 2015

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2014	\$932,046	\$ 24,696,000	\$ 23,763,954	3.77%	\$ 13,696,066	173.5%
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%

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Employees' Pension Plan

	2015
Board's proportion of the net pension liability	0.0113256%
Board's proportionate share of the net pension liability	\$ 2,009,929
State's proportionate share of the net pension liability associated with the Board	<u>16,219,599</u>
Total	<u><u>\$ 18,229,528</u></u>
Board's covered employee payroll	\$ 13,696,066
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	14.675229%
Plan fiduciary net position as a percentage of the total pension liability	71.87%

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHEDULE OF BOARD CONTRIBUTIONS
Employees' Pension Plan

	2015
Contractually required contribution	\$ 257,272
Contributions in relation to the contractually required contribution	(257,272)
Contributions deficiency (excess)	\$ -
 Board's covered employee payroll	 \$ 13,696,066
 Contributions as a percentage of covered employee payroll	 1.878437%

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of assumptions – Amounts reported in 2015 reflect an adjustment of the investment return assumption being changed from 7.70% to 7.65%. The inflation assumption changed from 2.95% to 2.90% as well.

OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES

GENERAL FUND

For the Year Ended June 30, 2015

KENT COUNTY FUNDS

Annual appropriation	\$ 16,613,542	
Pension funding	445,130	
Capital expenditures	149,605	
On-behalf payments	38,837	
Total Kent County Funds		17,247,114

STATE OF MARYLAND FUNDS

State share of basic current expenses	2,414,592	
Compensatory education	2,648,292	
Student transportation	1,517,184	
Handicapped children – formula	660,595	
Supplemental Grant	1,003,414	
ESL program	176,592	
SB534	128,952	
Medical assistance	199,836	
Geographic cost of ED IDX	136,857	
Aging schools program	35,100	
QZAB	137,400	
Out of county living	11,445	
On-behalf payments	1,872,558	
Total State of Maryland Funds		10,942,817

UNITED STATES GOVERNMENT

66,047

OTHER SOURCES

E-Rate reimbursement	71,919	
Out of county living	36,009	
WKHS	14,014	
MABE grant	20,000	
Sports events	18,896	
Extended day	10,000	
Lease of building space	15,869	
Aramark refund	100,000	
Miscellaneous	57,277	
Total Other Sources		343,984

TOTAL REVENUES

\$ 28,599,962

BOARD OF EDUCATION KENT COUNTY, MARYLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	<u>School Construction</u>	<u>Food Services</u>	<u>Smith Estate</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash	\$ -	\$ 63,107	\$ 3,079	\$ 66,186
Due from other governments	28,949	54,756	-	83,705
Accounts receivable	-	18,700	-	18,700
Due from other funds	1,636	36,717	-	38,353
Inventories, at cost	-	56,257	-	56,257
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 30,585</u>	<u>\$ 229,537</u>	<u>\$ 3,079</u>	<u>\$ 263,201</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll deductions and withholdings	\$ -	\$ 151	\$ -	\$ 151
Accounts payable	10,009	3,413	-	13,422
Accrued salaries	-	1,968	-	1,968
Unearned revenue	-	6,623	-	6,623
TOTAL LIABILITIES	<hr/> 10,009	<hr/> 12,155	<hr/> -	<hr/> 22,164
Fund balances:				
Nonspendable				
Inventory	-	49,634	-	49,634
Permanent fund principal	-	-	3,079	3,079
Restricted				
Fund purposes	16,596	147,755	-	164,351
Assigned to				
Other purposes - encumbrances	3,980	19,993	-	23,973
TOTAL FUND BALANCES	<hr/> 20,576	<hr/> 217,382	<hr/> 3,079	<hr/> 241,037
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30,585</u>	<u>\$ 229,537</u>	<u>\$ 3,079</u>	<u>\$ 263,201</u>

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, 2015

	School Construction	Food Services	Smith Estate	Total Nonmajor Governmental Funds
REVENUES				
Kent County	\$ 764,165	\$ -	\$ -	\$ 764,165
State of Maryland	663,831	97,761	-	761,592
United States Government	-	877,006	-	877,006
Other Sources:				
Sales of food	-	224,513	-	224,513
Other	-	16,338	-	16,338
TOTAL REVENUES	1,427,996	1,215,618	-	2,643,614
EXPENDITURES				
Current:				
Capital outlay	1,405,842	-	-	1,405,842
Food services	-	1,204,149	-	1,204,149
TOTAL EXPENDITURES	1,405,842	1,204,149	-	2,609,991
 CHANGE IN FUND BALANCES	 22,154	 11,469	 -	 33,623
 FUND BALANCES, JULY 1, 2014	 (1,578)	 205,913	 3,079	 207,414
 FUND BALANCES, JUNE 30, 2015	 \$ 20,576	 \$ 217,382	 \$ 3,079	 \$ 241,037

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES

FOOD SERVICE FUND

For the Year Ended June 30, 2015

REVENUES

Cafeteria sales	\$ 224,513	
Federal sources	877,006	
State sources	97,761	
Other miscellaneous receipts	<u>16,338</u>	
TOTAL REVENUES		\$ 1,215,618

EXPENDITURES

Salaries and wages	462,727	
Contracted services	53,239	
Supplies and materials	640,128	
Other charges	45,611	
Equipment	<u>2,444</u>	
TOTAL EXPENDITURES		<u>1,204,149</u>
EXCESS OF EXPENDITURES OVER REVENUE		<u>\$ 11,469</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF RECEIPTS AND EXPENDITURES

SCHOOL ACTIVITIES AGENCY FUND

For the Year Ended June 30, 2015

	Balance July 1, 2014	Receipts	Expenditures	Balance June 30, 2015
Kent County High School	\$ 60,487	\$ 169,925	\$ 157,424	\$ 72,988
Galena Elementary School	6,912	10,845	12,695	5,062
Garnett Elementary School	3,714	13,985	14,828	2,871
Kent County Middle School	16,240	47,527	38,045	25,722
Rock Hall Elementary School	635	12,076	12,346	365
Millington Elementary School	1,925	9,295	10,314	906
Worton Elementary School	<u>10,341</u>	<u>9,708</u>	<u>6,291</u>	<u>13,758</u>
TOTALS	<u>\$ 100,254</u>	<u>\$ 273,361</u>	<u>\$ 251,943</u>	<u>\$ 121,672</u>