

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION, AND
OTHER SUPPLEMENTARY INFORMATION
Year Ended June 30, 2016

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INDEPENDENT AUDITORS' 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, 2016, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board'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 Board'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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress - Other Postemployment Benefits Plan, 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.

Other information

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

The accompanying 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 fund receipts and 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 accompanying 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 fund receipts and disbursements are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016 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.

Mayer Hoffman McCann P.C.

Easton, Maryland
November 11, 2016



**INDEPENDENT AUDITORS' 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, in accordance with the 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, 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the board's basic financial statements, and have issued our report thereon dated November 11, 2016.

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 Board'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 and therefore, material weaknesses and significant may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the Schedule of Findings and Response, that we consider to be a significant deficiency (#2016-01).

To the Board Members

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and is described in the accompanying Schedule of Findings and Response (#2016-02).

Board of Education of Kent County, Maryland's Response to Findings

The Board's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Response. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

Easton, Maryland
November 11, 2016

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND RESPONSE – FINANCIAL STATEMENT AUDIT

For the Year Ended June 30, 2016

Finding #2016-01

Condition: The OPEB actuarial report dated September 21, 2016 was based on inaccurate census data.

Criteria: The actuarial firm prepares the valuation of the actuarial valuation of the Board's post-employment medical benefits (OPEB) in accordance with GASBS 45 based on the census data submitted by Kent County Public Schools.

Cause: The census data submitted to the actuary was not reviewed prior to submission resulting in certain employees being reported twice due to coverage changes, and a number of employees were omitted because the retiree list did not include dependents of the retirees.

Effect: The calculations reported in the actuarial report were incorrect.

Recommendation: Procedures should be implemented requiring a review of the census data for completeness and accuracy prior to submission to the actuarial firm.

Views of Responsible Officials: Human Resources and the Finance department need to collaborate and compare data for a Supervisor's approval before submitting census data to the actuarial firm for calculation of the other post-employment benefits liability.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND RESPONSE – FINANCIAL STATEMENT AUDIT

For the Year Ended June 30, 2016

Finding #2016-02

Condition: The fiscal year 2016 audit was not completed and filed with the Maryland State Department of Education as of, or soon after, September 30, 2016 due to the resignation of the accounting manager 2 weeks prior to the fiscal year-end.

Criteria: The Maryland State Department of Education requires all Maryland Boards of Education to file their audited financial statements with them as of September 30 each year.

Cause: The supervisor of finance assumed the accounting manager's responsibilities for the audit; however, this was in addition to the other full-time responsibilities and hiring process for a new accounting manager.

Effect: The preparation for the audit began at a later timeframe after the fiscal year-end, and could not be completed prior to September 30.

Recommendation: The Board should review the responsibilities of the Business Office staff, have plans for resignations of staff and other emergency type situations, and determine if there are nonfinancial responsibilities assigned to this department's staff that can be reassigned to other departments.

Views of Responsible Officials: Kent County Public Schools is very challenged due to the size of our district and the budgetary constraints that prevent hiring additional positions to support individual departments. The loss of a key employee within the finance department exposed our vulnerability; therefore, we must develop a plan of action should we be faced with a similar occurrence. Development of a plan of action to include cross training of staff within and outside the department will be crucial. In addition, we must identify consultants that may be able to assist as needed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

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, 2016. 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

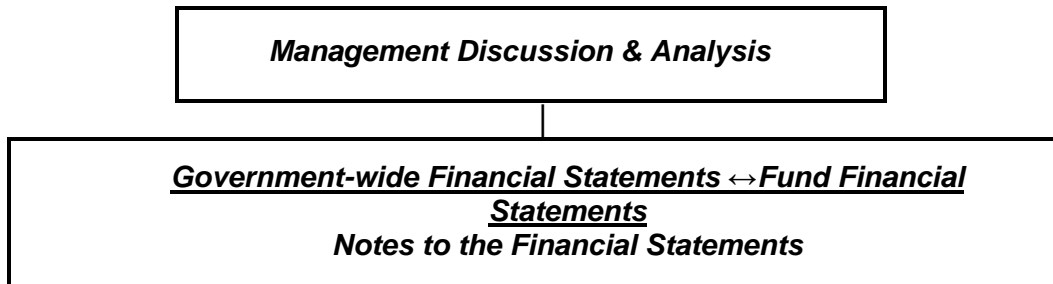
The General Fund budget was increased by \$486,193, or 1.78%, during the year from the originally adopted budget.

The General Fund fund balance increased by \$112,804 on a budgetary basis.

The General Fund revenues were more than the amended budget by \$158,624; expenditures and encumbrances were \$1,196,753, or approximately 4.30%, under the amended budget.

Details of the General Fund 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.

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.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

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, resource officer provided by Kent County, equipment provided by Town of Chestertown, 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.

This is the legal basis upon which the budget is adopted, so budget comparisons are provided. Governmental Accounting Standards (GASB) 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.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

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.

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 as a Whole

Table 1

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current and other assets	\$ 5,659,832	\$ 5,418,219
Capital assets	<u>19,340,842</u>	<u>19,356,182</u>
Total Assets	<u>25,000,674</u>	<u>24,774,401</u>
Deferred outflows of resources	<u>614,866</u>	<u>286,347</u>
Current liabilities	2,496,967	2,467,258
Long term liabilities	<u>9,498,873</u>	<u>7,881,235</u>
Total Liabilities	<u>11,995,840</u>	<u>10,348,493</u>
Deferred inflows of resources	<u>216,948</u>	<u>220,000</u>
Net position:		
Capital assets	19,340,842	19,356,182
Restricted assets	248,494	241,037
Unrestricted	<u>(6,186,584)</u>	<u>(5,104,964)</u>
TOTAL NET POSITION	<u>\$ 13,402,752</u>	<u>\$ 14,492,255</u>

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

During the fiscal year ended June 30, 2016, the Board's net position decreased by \$1,089,503. The decrease is primarily attributable to the continued increase in the OPEB obligation and allocated portion of the State's net pension 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, 2016 is \$6,186,584. 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.

Table 2

	2016	% OF	2015	% OF
	GOVERNMENTAL	TOTAL	GOVERNMENTAL	TOTAL
	ACTIVITIES		ACTIVITIES	TOTAL
Revenues				
Program revenues:				
Charges for services	\$ 288,033	0.87%	\$ 302,729	0.89%
Federal, state and local grants	7,834,239	23.76%	6,033,783	17.77%
General revenues:				
Kent County	16,899,478	51.24%	17,247,114	50.81%
State of Maryland	7,743,541	23.48%	10,016,442	29.51%
Federal	64,723	0.20%	66,047	0.19%
Other	147,922	0.45%	282,106	0.83%
Total revenues	<u>32,977,936</u>	100.00%	<u>33,948,221</u>	100.00%
Expenses				
Instruction and special education	16,713,362	49.06%	16,887,657	49.21%
Administration	1,105,012	3.24%	1,036,693	3.02%
Support services	15,012,433	44.07%	15,221,208	44.36%
Depreciation - unallocated	1,236,632	3.63%	1,170,533	3.41%
Total expenses	<u>34,067,439</u>	100.00%	<u>34,316,091</u>	100.00%
Decrease in net position	<u>(1,089,503)</u>		<u>(367,870)</u>	
Net position, beginning	14,492,255		16,812,153	
Prior period adjustment	-		<u>(1,952,028)</u>	
Net position, as restated	<u>14,492,255</u>		<u>14,860,125</u>	
Net position, ending	<u>\$ 13,402,752</u>		<u>\$ 14,492,255</u>	

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

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 95.70%. 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 QZAB funds that were used for capital outlay projects in fiscal year 2016.

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, 2016 support the explanations presented above.

	ORIGINAL BUDGET	FINAL BUDGET	TOTAL CHANGE
REVENUE			
Local	\$ 17,432,020	\$ 17,432,020	\$ -
State	8,757,534	8,757,534	-
Federal	69,000	246,915	177,915
Other sources	182,989	182,989	-
Prior year's fund balance	934,295	1,242,573	308,278
 TOTAL REVENUES	 \$ 27,375,838	 \$ 27,862,031	 \$ 486,193

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	TOTAL CHANGE
EXPENDITURES AND ENCUMBRANCES			
Administration	\$ 1,104,939	\$ 1,129,939	\$ 25,000
Mid-level administration	1,989,400	1,989,400	-
Instructional salaries	8,765,850	8,855,850	90,000
Instructional texts and supplies	184,718	274,038	89,320
Other instructional costs	847,622	847,622	-
Special education	2,837,817	2,912,817	75,000
Pupil personnel services	197,838	197,838	-
Student health services	381,500	413,861	32,361
Student transportation	2,267,264	2,234,903	(32,361)
Operation of plant	1,957,749	1,957,749	-
Maintenance of plant	684,720	694,720	10,000
Fixed charges	6,141,421	6,137,101	(4,320)
Capital outlay	15,000	216,193	201,193
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>\$ 27,375,838</u>	<u>\$ 27,862,031</u>	<u>\$ 486,193</u>

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

Recurring, but unpredictable, are the E-rate rebates received from the Federal Communications Commission amounting to \$33,351 for the year ended June 30, 2016. Our intention is to continue to budget from this source to support technology. Beginning in fiscal year 2016, certain telephones, such as cellular, were not eligible for E-rate rebates. This has reduced the annual amount the school system received in year ended June 30, 2016 by \$38,568.

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 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.

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

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 2016, revenues exceeded expenditures by \$28,032, 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.

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 \$60,000 in online parent payments; improving collections and reducing loss of cash. Plans are ongoing to improve the service to parents and improve system efficiency.

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 2016, the Board had invested \$56.8 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 \$9,498,873 in long term liabilities of which all is due after one year. This amount consists of the following:

- \$6,962,243 in net OPEB obligation
- \$2,536,630 in net pension liability

THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

Factors Bearing on the Board's Future

The most significant factor 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 2017. 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 replaced 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 2016 for the school system in the amount of \$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 County has agreed to fund non-recurring costs in 2017 in the amount of \$70,000 for additional student laptops.

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. Beginning in January 2015, all employees began to receive salary increases and in 2017 all employees will receive three consecutive steps and the teachers will also receive a 1% cost of living increase.

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, 2016

	Governmental Activities
	<u> </u>
ASSETS	
Cash	\$ 4,815,787
Due from other units of government	766,743
Other receivables	14,992
Inventory	62,310
Capital assets, nondepreciable	259,418
Capital assets, net of depreciation	19,081,424
TOTAL ASSETS	<u><u>25,000,674</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - state pension plan	<u>614,866</u>
LIABILITIES	
Accounts payable	349,018
Accrued expenses	160,900
Accrued salaries	1,628,452
Payroll deductions and withholdings	141,106
Unearned revenue	147,625
Due to other units of government	15,618
Due to agency funds	13,168
Compensated absences	41,080
Noncurrent liabilities	
Due in more than one year:	
Net OPEB obligation	6,962,243
Net pension obligation	2,536,630
TOTAL LIABILITIES	<u><u>11,995,840</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - state pension plan investment activity	<u>216,948</u>
NET POSITION	
Net investment in capital assets	19,340,842
Restricted for:	
Smith Estate fund	3,080
Food service activities	245,414
Unrestricted	(6,186,584)
TOTAL NET POSITION	<u><u>\$ 13,402,752</u></u>

See Notes to Financial Statements

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Administration	\$ 1,105,012	\$ -	\$ -	\$ (1,105,012)
Instructional services	13,152,247	46,989	4,119,468	(8,985,790)
Special education	3,561,115	-	1,182,176	(2,378,939)
Student personnel services	192,057	-	-	(192,057)
Student health services	339,776	-	-	(339,776)
Student transportation	1,883,111	-	1,552,591	(330,520)
Operation of plant	1,872,380	-	-	(1,872,380)
Maintenance of plant	416,542	23,416	-	(393,126)
Community services	80,596	-	-	(80,596)
Capital outlay	100,193	-	-	(100,193)
Food services	1,251,601	217,628	980,004	(53,969)
Fixed charges	8,876,177	-	-	(8,876,177)
Depreciation – unallocated	1,236,632	-	-	(1,236,632)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 34,067,439	\$ 288,033	\$ 7,834,239	\$ (25,945,167)
General revenues:				
				16,899,478
				6,432,633
				1,310,908
				64,723
				147,922
				<u>24,855,664</u>
				CHANGE IN NET POSITION (1,089,503)
				NET POSITION AT JULY 1, 2015 <u>14,492,255</u>
				NET POSITION AT JUNE 30, 2016 <u>\$ 13,402,752</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	<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	\$ 4,763,224	\$ -	\$ 52,563	\$ 4,815,787
Due from other governments	132,889	579,718	54,136	766,743
Due from other governmental funds	376,156	-	83,318	459,474
Other receivables	12,125	-	2,867	14,992
Inventories, at cost	-	-	62,310	62,310
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 5,284,394	\$ 579,718	\$ 255,194	\$ 6,119,306
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES				
Payroll deductions and withholdings	\$ 133,655	\$ 7,388	\$ 63	\$ 141,106
Accounts payable	294,659	53,082	1,277	349,018
Accrued salaries	1,627,625	-	827	1,628,452
Accrued expenses	160,900	-	-	160,900
Compensated absences	41,080	-	-	41,080
Due to other units of government	15,618	-	-	15,618
Due to other governmental funds	83,318	376,156	-	459,474
Due to agency funds	13,168	-	-	13,168
Unearned revenue	-	143,092	4,533	147,625
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	2,370,023	579,718	6,700	2,956,441
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES				
Nonspendable	-	-	60,857	60,857
Restricted	-	-	187,637	187,637
Committed	1,129,065	-	-	1,129,065
Assigned	799,812	-	-	799,812
Unassigned	985,494	-	-	985,494
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	2,914,371	-	248,494	3,162,865
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,284,394	\$ 579,718	\$ 255,194	\$ 6,119,306
	<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, 2016

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS \$ 3,162,865

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	56,880,774
Less: accumulated depreciation	(37,539,932)

Deferred outflows for change in assumptions in net pension liability	614,866
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Deferred inflows for investment activity in net pension liability	(216,948)
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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	(6,962,243)
Net pension liability	<u>(2,536,630)</u>

TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES \$ 13,402,752

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<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	\$ 17,474,375	\$ -	\$ 471,658	\$ 17,946,033
State of Maryland	10,709,566	460,408	569,838	11,739,812
United States Government	64,723	1,796,604	894,616	2,755,943
Other Sources:				
Sales of food	-	-	199,458	199,458
Other	318,520	-	18,170	336,690
TOTAL REVENUES	<u>28,567,184</u>	<u>2,257,012</u>	<u>2,153,740</u>	<u>32,977,936</u>
EXPENDITURES				
Current				
Administration	1,084,533	20,479	-	1,105,012
Mid-level administration	1,953,896	91,707	-	2,045,603
Instructional salaries	8,829,012	707,095	-	9,536,107
Instructional texts and supplies	235,944	92,568	-	328,512
Instructional other costs	790,462	263,722	-	1,054,184
Special education	2,867,683	693,432	-	3,561,115
Student personnel services	192,057	-	-	192,057
Student health services	339,776	-	-	339,776
Student transportation	1,858,671	24,440	-	1,883,111
Operation of plant	1,872,380	-	-	1,872,380
Maintenance of plant	581,455	-	-	581,455
Fixed charges	5,669,842	273,714	-	5,943,556
Community services	-	80,596	-	80,596
Capital outlay	297,924	-	976,684	1,274,608
Food services	-	9,259	1,169,599	1,178,858
On behalf payments	1,789,102	-	-	1,789,102
TOTAL EXPENDITURES	<u>28,362,737</u>	<u>2,257,012</u>	<u>2,146,283</u>	<u>32,766,032</u>
NET CHANGE IN FUND BALANCES	204,447	-	7,457	211,904
FUND BALANCES AT JULY 1, 2015	<u>2,709,924</u>	<u>-</u>	<u>241,037</u>	<u>2,950,961</u>
FUND BALANCES AT JUNE 30, 2016	<u>\$ 2,914,371</u>	<u>\$ -</u>	<u>\$ 248,494</u>	<u>\$ 3,162,865</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, 2016

TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	\$	211,904
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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		1,439,521
Depreciation expense		(1,454,861)

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		(1,090,937)
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Decreases in deferred inflows of resources do not use current financial resources and, therefore, are not reported as expenditures in governmental funds.		3,052
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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.		328,519
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Increases in the net pension liability do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(526,701)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(1,089,503)</u>
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BOARD OF EDUCATION OF KENT COUNTY, MARYLAND**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2016

	<u>Agency Funds</u>	<u>Retiree Health Plan Trust</u>	<u>Total</u>
ASSETS			
Cash	\$ 122,771	\$ -	\$ 122,771
Investment in OPEB trust	-	915,590	915,590
Due from other funds	13,168	-	13,168
	<u>135,939</u>	<u>-</u>	<u>135,939</u>
TOTAL ASSETS	<u>\$ 135,939</u>	<u>\$ 915,590</u>	<u>\$ 1,051,529</u>
LIABILITIES			
School activity funds payable	\$ 122,771	\$ -	\$ 122,771
Accrued expenses	13,168	-	13,168
	<u>135,939</u>	<u>-</u>	<u>135,939</u>
TOTAL LIABILITIES	135,939	-	135,939
NET POSITION			
Held in trust for OPEB	-	915,590	915,590
	<u>-</u>	<u>915,590</u>	<u>915,590</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 135,939</u>	<u>\$ 915,590</u>	<u>\$ 1,051,529</u>

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

June 30, 2016

	<u>Retiree Health Plan Trust</u>
DEDUCTIONS	
Net investment portfolio results	\$ 5,284
Administrative expenses	<u>11,172</u>
NET DECREASE	(16,456)
NET POSITION AT JULY 1, 2015	<u>932,046</u>
NET POSITION AT JUNE 30, 2016	<u><u>\$ 915,590</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).

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 the 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, 2016.

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/inflows of resources – A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Board recognizes deferred outflows for changes in actuarial assumptions that are being amortized over a five-year period and contributions made subsequent to the measurement date related to pensions. A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The Board recognizes deferred inflows for the difference between the projected and actual investment earnings related to pensions.

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.

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

(1) Summary of significant accounting policies – continued

- *Restricted* – amounts that can be spent only for specific purposes because of enabling legislation or externally imposed conditions by grantors or creditors.
- *Committed* – amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board members are the highest level of decision-making authority for the Board. Commitments may be established, modified, or rescinded only through motions approved by the Board members.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but 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.

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.

New Accounting Pronouncements – GASB has issued Statement No. 75, entitled *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Statement No. 82, entitled *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which are effective for financial statements for periods beginning after June 15, 2017 and July 1, 2016, respectively. These statements may have a material effect on the Board’s financial statements once implemented. The Board is analyzing the impact of these pronouncements on the Board’s financial statements.

(2) Deposits and investments

At June 30, 2016, the reported amount of the Board’s deposits was \$4,938,558 and the bank balance was \$5,127,984. Of the total deposits, \$4,608,297 was not covered by FDIC was collateralized by securities held by the pledging financial institution’s trust department or agent, but not in the Board’s name. The value of the pledged securities exceeded the amount of deposits in excess of coverage by the FDIC. Custodial credit risk for deposits is the risk that in the event of failure of a depository financial institution, the Board would not be able to recover collateral securities that are in the possession of the financial institution or Federal Reserve.

The components of cash on the government-wide statements are:

Carrying amount of deposits	\$ 4,938,558
Less: Amounts in fiduciary funds	<u>(122,771)</u>
TOTAL CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 4,815,787</u>

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

(3) Compensated absences

As of June 30, 2016, the value of accumulated unused sick leave 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 403(b) plans at the end of the fiscal year.

At June 30, 2016, a total of \$41,080 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) Fund balances

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.

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

(4) Fund balances – continued

As of June 30, 2016, fund balances are composed of the following:

	Unrestricted General Fund	Nonmajor Governmental Funds
Nonspendable:		
Inventory	\$ -	\$ 57,777
Permanent fund principal	-	3,080
Total nonspendable	-	60,857
Restricted:		
Fund purposes	-	187,637
Committed to:		
Budget reserve	1,129,065	-
Assigned to:		
Other purposes - encumbrances	299,812	-
Healthcare	200,000	-
Non-Public SPED	100,000	-
Contingency	200,000	-
Total assigned	799,812	-
Unassigned:	985,494	-
Total fund balances	\$ 2,914,371	\$ 248,494

(5) Interfund receivable – payables

At June 30, 2016, the interfund account balances are as follows:

Fund	Interfund Receivable	Interfund Payable
General fund	\$ 376,156	\$ 83,318
Restricted fund	-	376,156
Food service fund	83,318	-
TOTAL	\$ 459,474	\$459,474

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

(5) Interfund receivable – payables – continued

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.

(6) 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 TPS 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).

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

(6) Pension plans – continued

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 enroll in the Employees' Pension System on or after July 1, 2011.

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 become 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.

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

(6) Pension plans – continued

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.

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.

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

(6) Pension plans – continued

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.

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's required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2016 was \$682,628.

The Board is required to contribute at an actuarially determined rate. The current rate is 15.71% of annual covered payroll for teachers and 16.38% for classified employees. An additional 5.0% 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 \$242,658 for the year ended June 30, 2016. For the year ended June 30, 2016, the Board's total payroll for all employees was \$16,506,623. The total covered payroll was \$14,025,709. Covered payroll refers to all compensation paid by the Board to active employees covered under the SRPS.

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

(6) Pension plans – continued

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.

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, 2016, 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	\$ 2,536,630
State's proportionate share of the net pension liability associated with the Board	<u>18,627,177</u>
Total	<u><u>\$21,163,807</u></u>

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

(6) Pension plans – continued

The net pension liability was measured as of June 30, 2015, 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, 2015 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, 2015 the Board's portion was .0122061%.

For the year ended June 30, 2016, the Board recognized pension expense of \$437,788. The Board recognized revenue of \$1,646,554 for support provided by the state. At June 30, 2016, 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	\$ 148,784	\$ -
Net difference between projected and actual investment earnings	223,424	-
Net difference between projected and actual earnings on pension plan investments	-	165,000
Difference between actual and expected experience	-	51,948
Board contributions subsequent to the measurement date	242,658	-
Total	\$ 614,866	\$ 216,948

The \$242,658 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, 2017. 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:	
2017	\$ 23,532
2018	23,532
2019	23,531
2020	71,263

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

(6) Pension plans – continued

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70% general, 3.20% wage
Salary Increases	3.20% to 8.95%, including inflation
Investment Rate of Return	7.55%

Mortality rates were based on the RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 2010 to 2014.

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%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	<u>100%</u>	

Discount rate – A single discount rate of 7.55% 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 7.55%. 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.

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

(6) Pension plans – continued

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 7.55%, 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 (6.55%) or 1% higher (8.55%) than the current rate.

	Discount rate	District's proportionate share of the net pension liability
1% decrease	6.55%	\$3,585,147
Current discount rate	7.55%	\$2,536,630
1% increase	8.55%	\$1,667,213

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

(7) Unearned revenue

Unearned revenue consists of federal and state grants and USDA commodities that have not been expended by June 30, 2016 as noted below:

Restricted federal and Maryland grant programs	\$ 143,092
USDA commodities	4,533
TOTAL	\$ 147,625

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

(8) On-behalf payments

The Board recognized the following on-behalf payments for the fiscal year ended June 30, 2016:

Pension contribution by the State of Maryland to the state retirement system for applicable employees of the Board	\$ 1,646,554
School resource officer provided by Kent County, Maryland	42,355
Equipment at Kent County Middle School provided by the Town of Chestertown	<u>100,193</u>
TOTAL ON-BEHALF PAYMENTS	<u>\$ 1,789,102</u>

(9) 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	\$ 26,778,082
Kent County on-behalf payments	42,355
State of Maryland on-behalf payments	1,646,554
Town of Chestertown on-behalf payments	<u>100,193</u>
Modified accrual basis	<u><u>\$ 28,567,184</u></u>
EXPENDITURES	
Budgetary basis	\$ 26,665,278
Net encumbrance adjustment	(91,643)
Kent County on-behalf payments	42,355
State of Maryland on-behalf payments	1,646,554
Town of Chestertown on-behalf payments	<u>100,193</u>
Modified accrual basis	<u><u>\$ 28,362,737</u></u>

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

(9) Budget reconciliation – continued

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.

(10) Capital assets

Capital asset activity for the year ended June 30, 2016 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	107,913	1,385,600	1,381,570	111,943
Total capital assets, not being depreciated	<u>255,388</u>	<u>1,385,600</u>	<u>1,381,570</u>	<u>259,418</u>
Capital assets, being depreciated:				
Land improvements	726,079	-	-	726,079
Buildings, furniture, fixtures and equipment	54,106,623	1,406,056	-	55,512,679
Vehicles	367,163	29,435	14,000	382,598
Total capital assets, being depreciated	<u>55,199,865</u>	<u>1,435,491</u>	<u>14,000</u>	<u>56,621,356</u>
Less accumulated depreciation for:				
Land improvements	204,022	37,579	-	241,601
Buildings, furniture, fixtures and equipment	35,552,326	1,407,801	-	36,960,127
Vehicles	342,723	9,481	14,000	338,204
Total accumulated depreciation	<u>36,099,071</u>	<u>1,454,861</u>	<u>14,000</u>	<u>37,539,932</u>
Total capital assets, being depreciated, net	<u>19,100,794</u>	<u>(19,370)</u>	<u>-</u>	<u>19,081,424</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 19,356,182</u>	<u>\$ 1,366,230</u>	<u>\$ 1,381,570</u>	<u>\$19,340,842</u>

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

(10) Capital assets – continued

Depreciation expense for the year ended June 30, 2016 was charged to governmental functions as follows:

<u>Support Services</u>	
Instructional services	\$ 145,486
Food services	72,743
Unallocated	<u>1,236,632</u>
TOTAL	<u>\$ 1,454,861</u>

(11) 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.

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

(11) Other post-employment benefits – continued

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

Annual required contribution	\$ 1,821,000
Interest on net OPEB obligation	205,000
Amortization of net OPEB obligation	<u>(279,000)</u>
Annual OPEB cost (expense)	1,747,000
Benefits paid during fiscal year	<u>(656,063)</u>
Increase in net OPEB obligation	1,090,937
Net OPEB obligation—beginning of year	<u>5,871,306</u>
Net OPEB obligation—end of year	<u><u>\$ 6,962,243</u></u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 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>
6/30/2016	\$1,747,000	37.55%	\$6,962,243
6/30/2015	\$1,997,000	31.98%	\$5,871,306
6/30/2014	\$1,887,000	39.06%	\$4,512,934

Funded status and funding progress – As of July 1, 2015, the most recent actuarial valuation date, the plan was 3.48% funded. The actuarial accrued liability for benefits was \$26,298,000, and the actuarial value of assets was \$915,590, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,382,410. The covered payroll (annual payroll of active employees covered by the plan) was \$14,025,709, and the ratio of the UAAL to the covered payroll was 181.0%.

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

(11) Other post-employment benefits – continued

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

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

In the June 30, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5% 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 5.9% initially, reduced by decrements to an ultimate rate of 3.9%. All rates included a 2.3% 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, 2016, was twenty three years.

(12) 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, 2016, MABE had total fund equity of approximately \$22 million. It is believed that there are no outstanding claims in excess of the equity.

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

(12) Risk management – continued

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

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

The agreement for formation of the alliance provides that the pool will be self-sustaining through member premiums. In fiscal year 2016, 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.

(13) 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.

(14) Long-term liabilities

A summary of long-term liability activity for the year ended June 30, 2016 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	\$ 5,871,306	\$ 1,747,000	\$ 656,063	\$ 6,962,243	\$ -
Net pension liability	2,009,929	526,701	-	2,536,630	-
	<u>\$ 7,881,235</u>	<u>\$ 2,273,701</u>	<u>\$ 656,063</u>	<u>\$ 9,498,873</u>	<u>\$ -</u>

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, 2016

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Kent County	\$ 17,432,020	\$ 17,432,020	\$ 17,432,020	\$ -
State of Maryland	8,757,534	8,757,534	9,063,012	305,478
United States Government	69,000	246,915	64,723	(182,192)
Other Sources	182,989	182,989	218,327	35,338
TOTAL REVENUES	<u>26,441,543</u>	<u>26,619,458</u>	<u>26,778,082</u>	<u>158,624</u>
EXPENDITURES AND ENCUMBRANCES				
Administration	1,104,939	1,129,939	1,083,778	46,161
Mid-level administration	1,989,400	1,989,400	1,962,568	26,832
Instructional salaries	8,765,850	8,855,850	8,829,012	26,838
Instructional texts and supplies	184,718	274,038	245,857	28,181
Instructional other costs	847,622	847,622	847,622	-
Special education	2,837,817	2,912,817	2,886,433	26,384
Student personnel services	197,838	197,838	192,057	5,781
Student health services	381,500	413,861	339,776	74,085
Student transportation	2,267,264	2,234,903	1,842,624	392,279
Operation of plant	1,957,749	1,957,749	1,894,780	62,969
Maintenance of plant	684,720	694,720	694,720	-
Fixed charges	6,141,421	6,137,101	5,669,842	467,259
Food Service	-	-	-	-
Community services	-	-	-	-
Capital outlay	15,000	216,193	176,209	39,984
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>27,375,838</u>	<u>27,862,031</u>	<u>26,665,278</u>	<u>1,196,753</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES BEFORE OTHER FINANCING SOURCES	(934,295)	(1,242,573)	112,804	1,355,377
OTHER FINANCING SOURCES				
Prior year's fund balance	934,295	1,242,573	-	(1,242,573)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND ENCUMBRANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,804</u>	<u>\$ 112,804</u>

Restricted Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ -	\$ 70,090	\$ -	\$ (70,090)
387,695	458,487	460,408	1,921
1,563,922	2,351,252	1,796,604	(554,648)
-	-	-	-
<u>1,951,617</u>	<u>2,879,829</u>	<u>2,257,012</u>	<u>(622,817)</u>
31,377	47,480	20,479	27,001
25,394	117,977	91,707	26,270
800,919	851,887	707,095	144,792
135,703	120,378	92,568	27,810
69,563	331,278	263,722	67,556
449,646	831,916	693,432	138,484
-	-	-	-
-	-	-	-
33,555	55,900	24,440	31,460
-	-	-	-
-	-	-	-
333,354	425,396	273,714	151,682
-	9,259	9,259	-
68,306	88,358	80,596	7,762
3,800	-	-	-
<u>1,951,617</u>	<u>2,879,829</u>	<u>2,257,012</u>	<u>622,817</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, 2016

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2015	\$915,590	\$ 26,298,000	\$ 25,382,410	3.48%	\$ 14,025,709	181.0%
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%

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

	<u>2016</u>	<u>2015</u>
Board's proportion of the net pension liability	0.0122061%	0.0113256%
Board's proportionate share of the net pension liability	\$ 2,536,630	\$ 2,009,929
State's proportionate share of the net pension liability associated with the Board	<u>18,627,177</u>	<u>16,219,599</u>
Total	<u>\$ 21,163,807</u>	<u>\$ 18,229,528</u>
Board's covered employee payroll	\$ 14,025,709	\$ 13,696,066
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	18.085574%	14.675229%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

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

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 242,658	\$ 257,272
Contributions in relation to the contractually required contribution	<u>(242,658)</u>	<u>(257,272)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	\$ 14,025,709	\$ 13,696,066
Contributions as a percentage of covered employee payroll	1.730094%	1.878437%

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

Changes of assumptions – Amounts reported in 2016 reflect an adjustment of the investment return assumption being changed from 7.65% to 7.55%. The inflation assumption changed from 2.90% to 2.70% as well.

OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES

GENERAL FUND

For the Year Ended June 30, 2016

KENT COUNTY FUNDS

Annual appropriation	\$ 16,405,352	
Pension funding	532,542	
Capital expenditures	494,126	
On-behalf payments	42,355	
Total Kent County Funds		17,474,375

STATE OF MARYLAND FUNDS

Compensatory education	2,568,877	
State share of basic current expenses	2,466,414	
On-behalf payments	1,646,554	
Student transportation	1,552,591	
Supplemental Grant	1,003,414	
Handicapped children – formula	577,047	
QZAB	354,800	
Medical assistance	224,308	
ESL program	145,941	
SB534	86,321	
Geographic cost of ED IDX	68,497	
Out of county living	14,802	
Total State of Maryland Funds		10,709,566

UNITED STATES GOVERNMENT

64,723

OTHER SOURCES

Town of Chestertown on-behalf payments	100,193	
Miscellaneous	56,543	
Out of county living	46,989	
E-Rate reimbursement	33,351	
Sports events	23,768	
MABE grant	20,000	
WKHS	14,260	
Lease of building space	13,416	
Extended day	10,000	
Total Other Sources		318,520

TOTAL REVENUES

\$ 28,567,184

BOARD OF EDUCATION KENT COUNTY, MARYLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	<u>School Construction</u>	<u>Food Services</u>	<u>Smith Estate</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash	\$ -	\$ 49,483	\$ 3,080	\$ 52,563
Due from other governments	-	54,136	-	54,136
Accounts receivable	-	2,867	-	2,867
Due from other funds	-	83,318	-	83,318
Inventories, at cost	-	62,310	-	62,310
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 252,114</u>	<u>\$ 3,080</u>	<u>\$ 255,194</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll deductions and withholdings	\$ -	\$ 63	\$ -	\$ 63
Accounts payable	-	1,277	-	1,277
Accrued salaries	-	827	-	827
Unearned revenue	-	4,533	-	4,533
TOTAL LIABILITIES	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances:				
Nonspendable				
Inventory	-	57,777	-	57,777
Permanent fund principal	-	-	3,080	3,080
Restricted				
Fund purposes	-	187,637	-	187,637
TOTAL FUND BALANCES	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 252,114</u>	<u>\$ 3,080</u>	<u>\$ 255,194</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, 2016

	School Construction	Food Services	Smith Estate	Total Nonmajor Governmental Funds
REVENUES				
Kent County	\$ 471,658	\$ -	\$ -	\$ 471,658
State of Maryland	484,450	85,388	-	569,838
United States Government	-	894,616	-	894,616
Other Sources:				
Sales of food	-	199,458	-	199,458
Other	-	18,169	1	18,170
TOTAL REVENUES	956,108	1,197,631	1	2,153,740
EXPENDITURES				
Current:				
Capital outlay	976,684	-	-	976,684
Food services	-	1,169,599	-	1,169,599
TOTAL EXPENDITURES	976,684	1,169,599	-	2,146,283
 CHANGE IN FUND BALANCES	 (20,576)	 28,032	 1	 7,457
 FUND BALANCES, JULY 1, 2015	 20,576	 217,382	 3,079	 241,037
FUND BALANCES, JUNE 30, 2016	\$ -	\$ 245,414	\$ 3,080	\$ 248,494

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES

FOOD SERVICE FUND

For the Year Ended June 30, 2016

REVENUES

Cafeteria sales	\$	199,458	
Federal sources		894,616	
State sources		85,388	
Other miscellaneous receipts		18,169	
TOTAL REVENUES			\$ 1,197,631

EXPENDITURES

Salaries and wages		455,262	
Contracted services		62,212	
Supplies and materials		610,348	
Other charges		41,777	
TOTAL EXPENDITURES			<u>1,169,599</u>

EXCESS OF REVENUES OVER EXPENDITURES \$ 28,032

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

SCHOOL ACTIVITIES AGENCY FUND

For the Year Ended June 30, 2016

	Balance July 1, 2015	Receipts	Disbursements	Balance June 30, 2016
Kent County High School	\$ 72,988	\$ 192,943	\$ 196,989	\$ 68,942
Galena Elementary School	5,062	7,348	8,268	4,142
Garnett Elementary School	2,871	12,112	12,039	2,944
Kent County Middle School	25,722	54,651	50,475	29,898
Rock Hall Elementary School	365	12,051	11,652	764
Millington Elementary School	906	9,944	9,384	1,466
Worton Elementary School	<u>13,758</u>	<u>7,956</u>	<u>7,099</u>	<u>14,615</u>
TOTALS	<u>\$ 121,672</u>	<u>\$ 297,005</u>	<u>\$ 295,906</u>	<u>\$ 122,771</u>