

**THE BOARD OF EDUCATION OF
SOMERSET COUNTY**

FINANCIAL REPORT

JUNE 30, 2015

CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	3 - 4
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	5 - 6
MANAGEMENT'S DISCUSSION AND ANALYSIS	7 - 18
FINANCIAL STATEMENTS	19
Statement of Net Position	20
Statement of Activities	21
Balance Sheet - Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Fiduciary Net Position - Fiduciary Funds	29
NOTES TO FINANCIAL STATEMENTS	30 - 46
REQUIRED SUPPLEMENTARY INFORMATION	47
Schedule of Revenues and Expenditures - Budget and Actual - General Fund	48
Schedule of the Proportionate Share of the Net Position Liability	49
Schedule of Board Contributions - Pension Plans	50
Schedule of Funding Progress and Employer Contributions - OPEB	51
Notes to Statement of Revenue and Expenditures - Budget and Actual	52
ADDITIONAL SUPPLEMENTARY INFORMATION	53
Schedule of Appropriations and Expenditures - General Fund - Budgetary Basis	54 - 55
Schedule of Revenues, Expenditures and Changes in Fund Net Position - Proprietary Funds	56
Combining Schedule of Additions, Deductions and Changes in Due To School Activities Funds - School Activities Funds	57
Notes to Additional Supplementary Information	58



INDEPENDENT AUDITORS' REPORT

The Board of Education of Somerset County
Westover, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Somerset County, a component unit of Somerset County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Somerset County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress and employer contributions, as listed in the table of contents, 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.

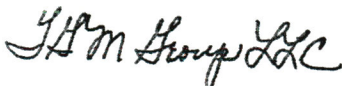
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Somerset County's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 on our consideration of The Board of Education of Somerset County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 of Education of Somerset County's internal control over financial reporting and compliance.



Salisbury, Maryland
September 30, 2015



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*

The Board of Education of Somerset County
Westover, Maryland

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Somerset County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The Board of Education of Somerset County's basic financial statements and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Board of Education of Somerset County'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 of Education of Somerset County's internal control. Accordingly, we do not express an opinion on the effectiveness of The Board of Education of Somerset County's internal control.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "YAM Group LLC". The signature is written in a cursive, somewhat stylized font.

Salisbury, Maryland
September 30, 2015

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

This section of the Board of Education of Somerset County's annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year (FY) ended June 30, 2015 include the following:

- Net position is \$45,820,795 a decrease of \$1,727,703 or -3.63% from the prior year.
- General Fund assigned fund balance equals \$1,091,405, an increase of \$699,124 from the prior year.
- Unassigned General Fund balance equals \$266,432 a decrease of \$824,973 from the prior year.
- The Food Service fund had a profit of \$78,759. Excluding depreciation, the fund showed a profit of \$111,081.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the Board's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Board, reporting the Board's operations in *more detail* than the government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the Board operates like *businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the Board acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

Government-Wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's *net position* and how they have changed. Net position, which is the difference between the Board's assets and liabilities, is one way to measure the Board's financial health or *position*.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-Wide Statements (continued)

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Board, additional non-financial factors such as changes in the condition of school buildings and other facilities must be considered.

In the government-wide financial statement the Board's activities are shown in two categories:

- *Governmental activities* – Most of the Board's basic services are included here, such as regular and special education, transportation, administration, school administration and other student services. Local, county and state aid finance most of these activities.
- *Business-Type activities* – The Board's food service operation is included here. The Board operates cafeterias at the schools where breakfast and lunch are served.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's *funds* – focusing on its most significant or “major” funds – not the Board as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g. federal and state grants).

The Board has three kinds of funds:

- *Governmental funds* – Most of the Board's basic services are included in governmental funds, which generally focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements which explain the relationship (or differences) between them.
- *Proprietary funds* – The Food Service operation is the only fund accounted for as proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- *Fiduciary funds* – The Board is the trustee, or agent, for assets that belong to others. The Student Activities Fund is accounted for as a fiduciary fund. The Board is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the Board cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net Position

The Board's *combined* net position was \$45,820,795 on June 30, 2015. This was a decrease of \$1,727,703 from the prior year.

STATEMENT OF NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	TOTAL
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and other assets	\$ 3,983,533	\$ 3,968,162	\$ (168,089)	\$ (258,595)	\$ 3,815,444	\$ 3,709,567
Capital assets	50,682,514	51,667,818	196,544	206,261	50,879,058	51,874,079
Total assets	<u>54,666,047</u>	<u>55,635,980</u>	<u>28,455</u>	<u>(52,334)</u>	<u>54,694,502</u>	<u>55,583,646</u>
Current liabilities	2,328,133	2,465,816	36,354	29,495	2,364,487	2,495,311
Long-term liabilities	6,505,308	5,531,096	3,912	8,741	6,509,220	5,539,837
Total liabilities	<u>8,833,441</u>	<u>7,996,912</u>	<u>40,266</u>	<u>38,236</u>	<u>8,873,707</u>	<u>8,035,148</u>
Investment in capital assets, net of related debt	50,682,514	51,667,818	196,544	206,261	50,879,058	51,874,079
Unrestricted	(4,849,908)	(4,028,750)	(208,355)	(296,831)	(5,058,263)	(4,325,581)
Total net position	<u>\$ 45,832,606</u>	<u>\$ 47,639,068</u>	<u>\$ (11,811)</u>	<u>\$ (90,570)</u>	<u>\$ 45,820,795</u>	<u>\$ 47,548,498</u>

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE (Continued)

Changes in Net Position

The Board's total revenues were \$47,061,670 for the year ended June 30, 2015. (See Table 2) The State and County general appropriations accounted for approximately 79% of total revenue for the year. Another 1% came from Capital Contributions from both the State and County. The remaining funds (16%) came from program revenues and investment earnings. The total cost of all programs and services was \$48,789,373. Expenditures surpassed revenues, decreasing net position \$1,727,703 from last year.

Table 2

THE BOARD OF EDUCATION OF SOMERSET COUNTY
STATEMENT OF ACTIVITIES
June 30, 2015

REVENUES						
	Governmental Activities		Business- Type Activities		Total	Total
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Program revenues						
Charges for services	\$ -	\$ -	\$ 127,262	\$ 202,504	\$ 127,262	\$ 202,504
Federal and state grants	7,316,818	6,627,440	1,713,053	1,383,766	9,029,871	8,011,206
Capital contributions	543,987	463,088	-	-	543,987	463,088
General revenues						
County appropriation	9,620,402	9,463,487	-	-	9,620,402	9,463,487
State formula aid	27,520,769	26,596,515	-	-	27,520,769	26,596,515
Other	219,276	116,707	103	117	219,379	116,824
Total revenue	<u>45,221,252</u>	<u>43,267,237</u>	<u>1,840,418</u>	<u>1,586,387</u>	<u>47,061,670</u>	<u>44,853,624</u>
EXPENSES						
Instruction and special education	26,260,037	24,555,546			26,260,037	24,555,546
Administration	1,661,661	1,358,062			1,661,661	1,358,062
Support services	1,128,755	1,049,236	1,761,659	1,658,082	2,890,414	2,707,318
Fixed Charges	8,933,526	8,853,677			8,933,526	8,853,677
Building Operations and Maintenance	3,578,257	3,518,521			3,578,257	3,518,521
Transportation	2,914,322	2,805,494			2,914,322	2,805,494
Other	2,551,156	2,615,434			2,551,156	2,615,434
Total expenses	<u>47,027,714</u>	<u>44,755,970</u>	<u>1,761,659</u>	<u>1,658,082</u>	<u>48,789,373</u>	<u>46,414,052</u>
Increase (decrease) in net position **	<u>\$ (1,806,462)</u>	<u>\$ (1,488,733)</u>	<u>\$ 78,759</u>	<u>\$ (71,695)</u>	<u>\$ (1,727,703)</u>	<u>\$ (1,560,428)</u>

** excludes transfers from other funds

Business-Type Activities

Revenues of the Board's only business-type activity, the food service operation, increased \$254,031 to \$1,840,418 and expenses increased \$103,577. (Refer to Table 2).

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS

The financial performance of the Board as a whole is reflected in its governmental funds as well. As the Board completed the year, its governmental funds reported a *combined* fund balance of \$1,494,054, a decrease of \$8,292 from last year's ending fund balance.

GENERAL FUND

The General Fund includes the primary operations of the Board in providing educational services to students from pre-kindergarten through grade 12, including pupil transportation activities and maintenance and operations of all school facilities. See Table 3 for a summary of General Fund revenues and expenditures.

The excess of expenses over revenues increased \$1,095,198 from FY 2014 to FY 2015. The changes in both revenues and expenditures results from the following:

1. State of Maryland revenues increased by \$924,254. Funding for Compensatory Education increased by \$225,281, the Foundation Program increased by \$61,068, and Guaranteed Tax Base increased by \$97,930. State revenue based on net taxable income increased by \$177,423.
2. Mid-Level Administration costs increased in total by \$343,214 compared to the prior year. This included the addition of a Coordinator of Technology position as well as a Grants Manager position for the Curriculum and Instruction department. This also included the purchase of new equipment for several classrooms at the J.M. Tawes Technology & Career Center as well as upgrades to the Board's network and wi-fi systems.
3. Instructional Textbooks and Supplies expenditures decreased by \$105,459. There were additional software purchases in the prior year that did not occur this year.
4. Fixed Charges has steadily increased due to rising health care costs, retirement payouts and claims.
5. Instructional Salaries increased by \$819,522. This is mainly due to the annual step/grade increases in Instructional Salaries that we were able to fund this year. The Board was also able to add additional staff this year.
6. Administrative costs increased by \$337,494. This included adding several new support positions including a Senior Accountant and a Data Specialist. The cost for the new Veritime and Aesop time keeping systems are also included in this increase.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS (Continued)

8. Capital Outlay increased by \$76,656. This increase represents a portion of the cost to move 4 portable classrooms from Washington High School to Princess Anne Elementary School and Greenwood Elementary School in order to alleviate overcrowding at these schools.

9. Other Revenue increased by \$102,569. This is the result of obtaining several new grants as well as donations from the surrounding communities. Manokin Presbyterian Church donated \$25,000 to the J.M. Tawes Career & Technology Center for the purchase of classroom equipment. Stevenson University provided a \$12,089 grant to purchase Bio-Med classroom equipment and materials.

Table 3

GENERAL FUND REVENUES				
	<u>FY 2015</u>	<u>FY 2014</u>	<u>Increase (Decrease)</u>	<u>% of Incr. (Decr.)</u>
REVENUES				
Somerset County Appropriations	\$ 9,620,402	\$ 9,463,487	\$ 156,915	1.7%
State of Maryland	27,520,769	26,596,515	924,254	3.5%
State share of retirement and pension contribution	2,545,395	2,600,788	(55,393)	-2.1%
Other	219,276	116,707	102,569	87.9%
Total Revenues	<u>39,905,842</u>	<u>38,777,497</u>	<u>1,128,345</u>	2.9%
GENERAL FUND EXPENDITURES				
EXPENDITURES				
Administration	1,595,561	1,258,067	337,494	26.8%
Mid-level Administration	3,678,797	3,335,583	343,214	10.3%
Instructional salaries	13,134,605	12,315,083	819,522	6.7%
Textbooks & instructional supplies	498,714	604,173	(105,459)	-17.5%
Other instruction costs	233,936	197,741	36,195	18.3%
Special Education	3,516,455	3,392,625	123,830	3.6%
Student personnel services	688,155	670,965	17,190	2.6%
Health services	367,142	354,807	12,335	3.5%
Transportation of pupils	2,864,450	2,759,233	105,217	3.8%
Operation of plant	2,490,305	2,392,091	98,214	4.1%
Maintenance of plant	911,349	795,014	116,335	14.6%
Fixed charges	7,299,243	7,021,855	277,388	4.0%
Capital outlay	90,027	13,371	76,656	573.3%
State share of retirement and pension contribution	2,545,395	2,600,788	(55,393)	-2.1%
Total expenditures	<u>39,914,134</u>	<u>37,711,396</u>	<u>2,202,738</u>	5.8%
 Excess/(Deficiency) of revenues over expenditures	 <u>\$ (8,292)</u>	 <u>\$ 1,066,101</u>	 <u>\$ (1,074,393)</u>	 -100.8%

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS (Continued)

RESTRICTED GRANT FUNDS

These funds are used to account for grants from Federal, State and Local sources. Grants provide a major source of revenue for specific educational programs not funded by the General Fund. Programs include initiatives for Special Education students, programs for adults to earn a GED or another alternative method to obtain a high school diploma for students from families who are socially and economically depressed. Table 4 below reflects an overall increase of \$744,771 in grant funds from the prior year. The largest increase was the result of an increase in State grants. A Digital Learning grant of \$399,175 was received to allow the purchase of Kuno tablets for every student in the 10th through 12th grades. A Judy Center grant of \$277,415 was received to provide Early Childhood Learning services in Somerset County. Grant funding will vary as most are subject to availability and qualifications as well as a selection and approval process.

Table 4

RESTRICTED GRANT REVENUE

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Increase (Decrease)</u>	<u>% Incr. (Decr.)</u>
REVENUES				
Federal through State	\$ 3,751,594	\$ 3,630,134	121,460	3.35%
State of Maryland	1,019,829	382,825	637,004	166.40%
Other	-	13,693	-13,693	-100.00%
Total Revenues	<u>\$ 4,771,423</u>	<u>\$ 4,026,652</u>	<u>744,771</u>	18.50%

CAPITAL PROJECTS FUND

The Board has no legal authority to borrow funds. During FY 2015, the Board received County funding of \$512,254 and State funding of \$31,733, which is recorded on these financial statements. The County funds were used for design fees and construction matching funds for the Greenwood HVAC and roof replacement projects, the Washington High School bleacher replacement, the Crisfield High School Athletic Fields improvements, and the Crisfield High School and Marion Sarah Peyton lighting replacements. Also included were the design fees for the JM Tawes Technology & Career Center Feasibility Study and the Princess Anne Roof Replacement.

The State funding was a reimbursement for Aging Schools projects at Crisfield High School which included wall tile repairs and replacement, painting of doors and frames, and painting of lockers throughout the building.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS (Continued)

FIDUCIARY FUNDS

The following funds are accounted for as Fiduciary Funds:

- (1) Private Purpose Trust Funds: Funds received for specific purposes for the Sarah Peyton Fund and held in a trust capacity.
- (2) Agency Funds – During FY 2015 the Board's nine (9) schools collected revenues and incurred expenditures for various student activities (See Table 5). The Board contracts with an independent Certified Public Accountant to perform an audit of these agency funds on an annual basis. Please refer to the separately issued audited financial statements for the School Activities Fund and schedule for specific details.

Table 5

	SCHOOL ACTIVITIES FUNDS			
	<u>FY 2015</u>	<u>FY 2014</u>	<u>Increase (Decrease)</u>	<u>% Incr. (Decr.)</u>
Additions	\$ 536,229	\$ 609,512	\$ (73,283)	-12.02%
Deductions	(550,903)	(567,542)	16,639	-2.93%
Beginning balance due to school activities funds	<u>295,984</u>	<u>254,014</u>	<u>41,970</u>	16.52%
Ending Balance due to School Activities Fund	<u>\$ 281,310</u>	<u>\$ 295,984</u>	<u>\$ (14,674)</u>	-4.96%

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the annual operating and capital budgets. These budget amendments, which received both Board and County Commissioner approval for all categorical changes were made to avoid budget overruns. During the year the following amendments were approved to the budget:

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS, continued

	<u>Original Approved FY 2015 Budget</u>	<u>Category Increases</u>	<u>Category Transfers</u>	<u>Final Amended FY 2015 Budget</u>
REVENUES				
Somerset County	\$ 9,646,844	\$ -	\$ -	\$ 9,646,844
State of Maryland	27,753,669	-	-	27,753,669
Other	113,500	-	-	113,500
Prior Year's Fund Balance	392,281	-	-	392,281
Total Revenues	<u>37,906,294</u>	<u>-</u>	<u>-</u>	<u>37,906,294</u>
EXPENDITURES				
Administration	1,517,822	80,000	-	1,597,822
Mid-level Administration	3,536,280	150,000	-	3,686,280
Instructional Salaries and Wages	13,082,017	60,000	-	13,142,017
Instructional Textbooks and Supplies	531,057	-	-	531,057
Other Instructional Costs	191,432	50,000	-	241,432
Student Personnel Services	709,138	-	-	709,138
Health Services	370,097	-	-	370,097
Fixed Charges	8,555,722	-	(970,000)	7,585,722
Student Transportation	2,885,856	-	-	2,885,856
Operation of Plant	2,458,157	50,000	-	2,508,157
Maintenance of Plant	871,925	80,000	-	951,925
Special Education	3,166,791	350,000	-	3,516,791
Capital Outlay	30,000	150,000	-	180,000
Total Expenditures	<u>\$ 37,906,294</u>	<u>\$ 970,000</u>	<u>\$ (970,000)</u>	<u>\$ 37,906,294</u>

After these revisions, the actual General Fund and Capital expenditures matched the budget. Actual expenditures and encumbrances were under budget by \$419,998. Actual expenditures exceeded revenues by \$125,849. The Board utilized the FY 2013 fund balance designated for FY 2015 (excess of revenues over expenditures) in the amount of \$392,281. This leaves an unreserved, undesignated fund balance of \$266,432 to be carried forward to FY 2017. The excess fund balance from FY 2015 is primarily attributed to over budgeting for Fixed Charges.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the Board has invested \$50,879,058 in a broad range of capital assets, including land, school buildings, athletic facilities, furniture and equipment. (More detailed information about capital assets can be found in subsequent note to the financial statements.) Total depreciation expense for the year was \$1,799,880 in governmental and business-type activities.

Construction – Next Five Years

Periodically, the Board of Education prepares and submits to the State InterAgency Committee for School Construction and the local county government a 5-year capital improvement program. As a part of the ongoing improvement of our facilities several capital projects will be initiated or continued in the 2015-2016 school year.

Over the next five years, these projects are under consideration: Replacement of the Princess Anne Elementary School Roof, replacement of the JM Tawes Technology & Career Center, and renovations and additions to the Crisfield Academy & High School to accommodate local early childhood programs.

Long-Term Liabilities

- At year-end, the Board had \$6,384,163 in amounts due or payable after one year. This amount consists of accrued compensated absences (\$701,076) which is an obligation resulting from accrued annual leave which is due and payable to employees upon retirement. Also included in this amount is the Other Post Employment Benefit (OPEB) liability (\$4,576,297) for future health insurance costs for retirees in compliance with GASB 45 and an amount for the net pension liability required under GASB 68 (\$1,106,790).

FACTORS BEARING ON THE BOARD'S FUTURE

The Government Accounting Standard Board (GASB) issued GASB 45, Accounting for Post Employment Benefits. This standard required major changes to governmental accounting and financial statements. It required governments to change from a pay as you go system to full accrual accounting for post employment medical, dental and life insurance. Compliance with this standard began in FY 2009. Under the new rules, governments will be required to recognize the expense of post employment benefits earned that will be paid after the employee's retirement, as well as the related liability of amounts not funded. Considering the limited funding available, the Board has opted to not fund any potential liability, instead focusing its funds on instruction. Management plans a continued cooperative effort between the Board and the County Government to fund these benefits in the future. This is particularly critical when considering the economic hardships faced by governments during the current downturn.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY
WESTOVER, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

FACTORS BEARING ON THE BOARD'S FUTURE (continued)

In FY 2015 the State contributed \$2,545,395 for teacher retirement which is disclosed as an on behalf payment on the Board's financial statements. In addition, the Somerset County Commissioners provided pension funding of \$495,932. The State of Maryland previously funded most of the employee share of retirement costs for employees enrolled in the Teachers Retirement and Pension Systems. Retirement costs for education continue to escalate at the State level primarily due to the salary increases realized during the implementation of the *Bridge to Excellence (Thornton) Funding*.

The Food Service Fund has experienced its first profitable year in many years. Beginning in FY 2015 Somerset County Public Schools is participating in the State of Maryland's Community Eligibility Provision (CEP) to provide students at all schools in the district with free breakfast and lunch. The school district qualified for this program based on the high percentage of directly certified students already receiving Free and Reduced meals. Claim reimbursements submitted to the State for meals served will be approximately 92% at the free rate and 8% at the paid rate. Advantages of participating in the program include providing free breakfast and lunch to all students, improving nutrition to students at risk, reduction of paperwork at the school district level, simplification of meal counting and claims, and increases in meal participation. As a result, our Food Service department served 105,743 more meals in FY 2015.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, Somerset County Board of Education, 7982-A Tawes Campus Drive, Westover, Maryland 21871.

AUDITED FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,062,362	\$ 259,779	\$ 2,322,141
Due from other governmental agencies	1,199,094	117,475	1,316,569
Inventory	-	15,388	15,388
Internal balances	560,731	(560,731)	-
Land	493,252	-	493,252
Construction in progress	513,923	-	513,923
Depreciable assets, net of accumulated depreciation	49,675,339	196,544	49,871,883
TOTAL ASSETS	54,504,701	28,455	54,533,156
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 8)	161,346	-	161,346
LIABILITIES			
Accounts payable:			
Vendors	633,043	33,228	666,271
Payroll deductions and withholdings	1,447,999	723	1,448,722
Due to other governments	50,844	-	50,844
Accrued salaries	155,009	-	155,009
Unearned revenue	41,238	2,403	43,641
Long-term liabilities:			
Due within one year	12,000	-	12,000
Due in more than one year	6,372,163	3,912	6,376,075
TOTAL LIABILITIES	8,712,296	40,266	8,752,562
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 8)	121,145	-	121,145
NET POSITION			
Net investment in capital assets	50,682,514	196,544	50,879,058
Unrestricted	(4,849,908)	(208,355)	(5,058,263)
TOTAL NET POSITION	\$ 45,832,606	\$ (11,811)	\$ 45,820,795

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Administration	\$ 1,661,661	\$ -	\$ 38,159	\$ -
Mid-level administration	3,811,177	-	132,380	-
Instructional services	18,342,754	-	3,044,307	-
Special education	4,106,106	-	589,651	-
Student personnel services	750,660	-	62,505	-
Health services	378,095	-	10,953	-
Student transportation	2,914,322	-	68,883	-
Operation of plant and equipment	2,692,348	-	3,168	-
Maintenance of plant	885,909	-	-	-
Fixed charges	8,933,526	-	821,417	-
Community services	-	-	-	-
Capital outlay	5,761	-	-	543,987
State of Maryland share of retirement and pension contribution	2,545,395	-	2,545,395	-
Total Governmental Activities	47,027,714	-	7,316,818	543,987
Business-Type Activities				
Food services	1,761,659	127,262	1,713,053	-
Totals	\$ 48,789,373	\$ 127,262	\$ 9,029,871	\$ 543,987

General Revenues

State Of Maryland
 Somerset County appropriation
 Other revenue
 Unrestricted investment earnings

Total General Revenues

Change in Net Position

Net Position Beginning of Year, as restated (see Note 13)

Net Position End of Year

The Notes to Financial Statements are an integral part of this statement.

Net (Expenses) Revenue
and changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,623,502)	\$ -	\$ (1,623,502)
(3,678,797.00)	-	(3,678,797.00)
(15,298,447)	-	(15,298,447)
(3,516,455)	-	(3,516,455)
(688,155)	-	(688,155)
(367,142)	-	(367,142)
(2,845,439)	-	(2,845,439)
(2,689,180)	-	(2,689,180)
(885,909)	-	(885,909)
(8,112,109)	-	(8,112,109)
-	-	-
538,226	-	538,226
-	-	-
(39,166,909)	-	(39,166,909)
-	78,656	78,656
(39,166,909)	78,656	(39,088,253)
27,520,769	-	27,520,769
9,620,402	-	9,620,402
48,663	-	48,663
170,613	103	170,716
37,360,447	103	37,360,550
(1,806,462)	78,759	(1,727,703)
47,639,068	(90,570)	47,548,498
\$ 45,832,606	\$ (11,811)	\$ 45,820,795

THE BOARD OF EDUCATION OF SOMERSET COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General	Restricted Grants	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,062,362	\$ -	\$ -	\$ 2,062,362
Due from other governmental agencies	360,455	567,648	270,991	1,199,094
Due from other funds	1,093,989	-	-	1,093,989
TOTAL ASSETS	\$ 3,516,806	\$ 567,648	\$ 270,991	\$ 4,355,445
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable:				
Vendors	\$ 386,191	\$ 8,869	237,983	\$ 633,043
Payroll deductions and withholdings	1,447,999	-	-	1,447,999
Due to other funds	-	500,250	33,008	533,258
Due to other government	50,844	-	-	50,844
Accrued salaries	104,391	50,618	-	155,009
Deferred revenue	33,327	7,911	-	41,238
TOTAL LIABILITIES	2,022,752	567,648	270,991	2,861,391
FUND BALANCES				
Assigned to:				
Subsequent year expenditures	1,091,405	-	-	1,091,405
Other purposes (encumbrances)	136,217	-	-	136,217
Unassigned	266,432	-	-	266,432
TOTAL FUND BALANCES	1,494,054	-	-	1,494,054
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,516,806	\$ 567,648	\$ 270,991	\$ 4,355,445

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

June 30, 2015

Total fund balances, governmental funds		\$	1,494,054
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 are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.			50,682,514
Deferred outflow of resources - pensions (see Note 6)			161,346
Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:			
Accrued compensated absences	(701,076)		
Net pension liability	(1,106,790)		
Post-employment benefits	<u>(4,576,297)</u>		
			(6,384,163)
Deferred inflow of resources - pensions (see Note 6)			<u>(121,145)</u>
Total			
Net assets of governmental activities in the Statement of Net Position		\$	<u>45,832,606</u>

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Restricted Grants	Capital Projects	Total Governmental Funds
REVENUES				
Somerset County	\$ 9,620,402	\$ -	\$ 512,254	\$ 10,132,656
Federal government	-	3,751,594	-	3,751,594
State Of Maryland	27,520,769	1,019,829	31,733	28,572,331
State Of Maryland on-behalf payments	2,545,395	-	-	2,545,395
Interest income and other	170,613	-	-	170,613
ROTC reimbursements	48,663	-	-	48,663
TOTAL REVENUES	39,905,842	4,771,423	543,987	45,221,252
EXPENDITURES				
Administration	1,595,561	38,159	-	1,633,720
Mid-level administration	3,678,797	132,380	-	3,811,177
Instructional salaries and wages	13,134,605	1,820,165	-	14,954,770
Textbooks and instructional supplies	498,714	332,921	-	831,635
Other instructional costs	233,936	891,221	-	1,125,157
Student personnel services	688,155	62,505	-	750,660
Health services	367,142	10,953	-	378,095
Student transportation	2,864,450	68,883	-	2,933,333
Operation of plant and equipment	2,490,305	3,168	-	2,493,473
Maintenance of plant	911,349	-	-	911,349
Special education	3,516,455	589,651	-	4,106,106
Fringe benefits on-behalf payments	2,545,395	-	-	2,545,395
Fixed charges	7,299,243	821,417	-	8,120,660
Capital outlay	90,027	-	543,987	634,014
TOTAL EXPENDITURES	39,914,134	4,771,423	543,987	45,229,544
EXCESS OF REVENUES OVER EXPENDITURES	(8,292)	-	-	(8,292)
NET CHANGE IN FUND BALANCES	(8,292)	-	-	(8,292)
Fund balances, beginning	1,502,346	-	-	1,502,346
Fund balances, ending	\$ 1,494,054	\$ -	\$ -	\$ 1,494,054

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in fund balances, governmental funds \$ (8,292)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	782,254	
Depreciation expense	<u>(1,767,558)</u>	
Excess of depreciation expense over capital outlay		(985,304)

Some items 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. These activities consist of:

Increase in OPEB liability	(806,837)	
Decrease in pension expense	8,317	
Increase in accrued compensated absences	<u>(14,346)</u>	
Total		<u>(812,866)</u>

Change in net position of governmental activities \$ (1,806,462)

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF FUND NET POSITION
 PROPRIETARY FUNDS

June 30, 2015

	<u>Enterprise Fund Food Services</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 259,779
Due from other governments	117,475
Inventory of food, at cost	<u>15,388</u>
Total current assets	<u>392,642</u>
Noncurrent assets:	
Equipment	1,318,736
Less: accumulated depreciation	<u>(1,122,192)</u>
Total noncurrent assets	<u>196,544</u>
TOTAL ASSETS	<u>589,186</u>
LIABILITIES	
Current liabilities:	
Accounts payable	33,228
Due to general fund	560,731
Accrued payroll	723
Unearned revenue	<u>2,403</u>
Total current liabilities	597,085
Long-term liabilities:	
Accrued compensated absences	<u>3,912</u>
TOTAL LIABILITIES	<u>600,997</u>
NET POSITION	
Invested in capital assets	196,544
Unrestricted (deficit)	<u>(208,355)</u>
TOTAL NET POSITION	<u>\$ (11,811)</u>

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Fund Food Services
OPERATING REVENUES	
Food Service Sales	<u>\$ 127,262</u>
OPERATING EXPENSES	
Operation Of Plant	2,551
Fixed Charges	181,175
Salaries And Wages	534,354
Contracted Services	5,262
Food and Food Related Supplies	1,003,105
Other Charges	2,890
Depreciation	<u>32,322</u>
TOTAL OPERATING EXPENSES	<u>1,761,659</u>
OPERATING LOSS	<u>(1,634,397)</u>
NONOPERATING REVENUES	
Interest Income	<u>103</u>
State Of Maryland:	
Reimbursement Of Food Costs	<u>43,637</u>
Federal Through State:	
Reimbursement Of Food Costs	1,586,747
Donation Of Food Commodities	<u>82,669</u>
Total Federal Through State	<u>1,669,416</u>
TOTAL NONOPERATING REVENUES	<u>1,713,156</u>
Change in net position	78,759
Net position beginning of year	<u>(90,570)</u>
Net position end of year	<u>\$ (11,811)</u>

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2015

	<u>Enterprise Fund Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 123,806
Cash payments to employees for services and fringe benefits	(538,460)
Cash payments to suppliers for goods and services	(1,092,528)
Cash payments for other operating expenses	(10,703)
Net cash used for operating activities	<u>(1,517,885)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Non-operating grants received	1,587,531
Received from other funds (net of repayments)	12,327
Net cash provided by noncapital financing activities	<u>1,599,858</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of equipment	(22,605)
Interest on investments	103
Net cash used for investing activities	<u>(22,502)</u>
Net change in cash and cash equivalents	59,471
Cash and equivalents, beginning of year	<u>200,308</u>
Cash and equivalents, end of year	<u>\$ 259,779</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	\$ (1,634,397)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	32,322
Donated commodities used	82,669
Changes in operating assets and liabilities:	
Inventory of food, at cost	(509)
Unearned revenue	(3,456)
Accounts payable and accrued liabilities	5,486
Net cash used for operating activities	<u>\$ (1,517,885)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES	
During the year the board received food commodities from the U.S. Department of Agriculture	<u>\$ 82,669</u>

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	<u>Agency Funds</u> <u>School Activities Funds</u>
ASSETS	
Cash	\$ 259,153
Certificates of deposit	<u>22,422</u>
TOTAL ASSETS	<u><u>\$ 281,575</u></u>
LIABILITIES	
Accounts payable	\$ 265
Due to school activity funds	<u>281,310</u>
TOTAL LIABILITES	<u><u>\$ 281,575</u></u>

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Education of Somerset County is a component unit of Somerset County, Maryland. These separate financial statements are also included within the basic financial statements of Somerset County.

The Board is the basic level of government which has financial accountability and control over all activities related to public school education in Somerset County, Maryland. The Board of Education receives substantial appropriations from and is subject to the indirect control of Somerset County, although the Board has its own separate governing board.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the Board. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to recipients who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Grants and other revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, unless labeled otherwise.

C. 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Board reports the following major governmental funds:

General Fund

All financial resources appropriated for current operating expenditures, exclusive of certain restricted funds, are accounted for in the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies - continued

C. Measurement Focus, Basis Of Accounting and Financial Statement Presentation – continued

Restricted Funds

These funds are used to account for revenue sources that are legally restricted to expenditure for a specific purpose, such as federal, state and local grants.

Capital Projects Fund

This fund accounts for financial resources that are restricted to construction of new buildings, additions and alterations and acquisitions of equipment. Revenue is recognized from other governmental entities.

The Board reports the following major proprietary fund:

Food Service Fund

This fund accounts for the activity of the Board's Food Service operation which operates cafeterias in the Board's schools.

The Board also reports the following fiduciary fund:

Agency Fund

School Activities Funds are administered by the individual schools in a fiduciary capacity.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board are charges for lunch, breakfast and catered meals. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The budget is prepared on the budgetary basis of accounting. The budget establishes a limit on the amounts that the Board may appropriate and sets annual limits as to the amount of expenditures at a level of control selected by the Board. The legal level of control has been established by the Board at the category level within each fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted. The amounts reported in the final budgeted amounts reflect amendments approved by the County government between categories and those approved by the Board within categories.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies - continued

E. Inventories

Inventories of the Food Service Fund are stated at cost, determined on a FIFO basis. Food received from the USDA is included at values stated by the USDA but is offset by a deferred credit until consumed.

Inventories of material and supplies are charged to expenditures when consumed, rather than when purchased or donated.

F. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Board is depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	20
Buildings and improvements	7 - 50
Equipment	5 - 15
Library materials	5
Vehicles	8

G. Accrued Compensated Absences

The Board of Education accrues a liability for certain compensated absences (primarily vacation pay) that employees have earned but have not yet been paid. Expenditures in the statement of revenues and expenditures for such items are the amounts paid during the year with expendable available financial resources. All accrued compensated absences are recorded in the government-wide financial statement.

H. Unearned Revenue

Unearned revenue consists of federal and state grants and other revenues that have not been expended by the end of the fiscal year.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies - continued

I. Accrued Liabilities and Long-Term Obligations – continued

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

J. Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund, the Board considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

K. Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Board has one item that qualifies for reporting in this category. The Board recognizes a deferred outflow of resources related to its pension obligation (Note 8) for changes in assumptions and contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item that qualifies for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension obligation (Note 8) for the net difference between projected and actual investment earnings on pension plan investments. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

The deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies - continued

M. Fund Balance

Fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable (i.e. inventory or long term receivables), restricted (by external parties or legislation), committed (by resolution of the Board of Education), assigned (by management approval for specific purposes) and unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board. Assigned fund balances is a limitation imposed by a designee of the Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Proprietary fund equity is classified the same as in the government-wide statements.

N. Encumbrance Accounting

In the fund financial statements, reservations for fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Assigned for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Board but not completed as of the close of the fiscal year. Encumbrances outstanding at June 30, 2015 totaled \$136,217.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Cash, Cash Equivalents and Investments

A. Deposits and Investments

The Board is authorized to invest monies for which it has custody or control. The types of investments are in accordance with Section 6-222 of the Maryland State Finance and Procurement Article.

B. Custodial Risk

The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local boards of education be collateralized. Collateral for repurchase agreements must be at least 102% of market value of principal and accrued interest. The Board's collateral is held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland and acceptable collateral is as specified under Section 6-202 of the same document.

These collateralization requirements are established to reduce custodial risk which is the risk that in the event of a bank failure, the Board's deposits may not be returned to it.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments - continued

B. Custodial Risk - continued

At June 30, 2015, the Board's funds were invested as follows:

	Governmental Activities	Business-Type Activities
Demand deposits	\$ 1,764,756	\$ 259,779
Sweep	-	-
Savings deposits	297,606	-
TOTAL	\$ 2,062,362	\$ 259,779
CARRYING VALUE	\$ 2,062,362	\$ 259,779

The bank balances were exposed to custodial credit risk as follows: .

	Governmental Activities	Business-Type Activities
Insured	\$ 250,000	\$ -
Uninsured and collateral held by pledging Bank's trust department in the Board's name	2,177,221	259,779
TOTAL	\$ 2,427,221	\$ 259,779

C. Credit Risk

The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and are thus precluded from having to sell or liquidate below original cost.

Note 3. Accounts Receivable

As of June 30, 2015, the Board also has amounts due from governmental agencies of \$1,199,094 and \$117,475 for governmental and business-type activities, respectively. These receivables are due primarily from the Maryland State Department of Education, from Somerset County and from nonprofit agencies located on the Eastern Shore.

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Receivables - Payables

At June 30, 2015, the interfund account balances, prior to eliminations on the statement of net position - government-wide financial statements, are as follows:

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES		
General fund		
Due from food services fund	\$ 560,731	\$ -
Due from restricted funds	500,250	-
Due from capital projects fund	33,008	
Restricted grants		
Due to general fund	-	500,250
Capital projects		
Due to general fund	-	33,008
BUSINESS-TYPE ACTIVITIES		
Enterprise fund - food service		
Due to general fund	-	560,731
TOTAL ALL FUNDS		
	\$ 1,093,989	\$ 1,093,989

Note 5. Changes in Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES					
Other Post Employment Benefits	\$ 3,769,460	\$ 806,837	\$ -	\$ 4,576,297	\$ -
Net pension liability	1,218,137	-	111,347	1,106,790	-
Accrued Compensated					
Absences	686,730	78,999	64,653	701,076	12,000
Total	\$ 5,674,327	\$ 885,836	\$ 176,000	\$ 6,384,163	\$ 12,000
BUSINESS-TYPE ACTIVITIES					
Accrued Compensated					
Absences	\$ 8,741	\$ -	\$ 4,829	\$ 3,912	\$ -

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 493,252	\$ -	\$ -	\$ 493,252
Construction in progress	22,295	513,923	(22,295)	513,923
Total capital assets not being depreciated	515,547	513,923	(22,295)	1,007,175
Capital assets being depreciated:				
Buildings	70,606,294	30,733	22,295	70,659,322
Land improvements	3,180,012	83,597	-	3,263,609
Furniture, fixtures and equipment	2,615,470	69,288	(877,917)	1,806,841
Library materials	2,763,693	-	-	2,763,693
Vehicles	179,693	84,713	(130,906)	133,500
Total capital assets being depreciated	79,345,162	268,331	(986,528)	78,626,965
Less accumulated depreciation:				
Buildings	(20,148,522)	(1,674,025)	-	(21,822,547)
Land improvements	(2,822,710)	(916)	-	(2,823,626)
Furniture, fixtures and equipment	(2,337,790)	(44,011)	877,917	(1,503,884)
Library materials	(2,730,688)	(33,005)	-	(2,763,693)
Vehicles	(153,181)	(15,601)	130,906	(37,876)
Total accumulated depreciation	(28,192,891)	(1,767,558) *	1,008,823	(28,951,626)
Total capital assets being depreciated, net of accumulated depreciation	51,152,271	(1,499,227)	22,295	49,675,339
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION				
	\$ 51,667,818	\$ (985,304)	\$ -	\$ 50,682,514
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Equipment	\$ 1,296,131	\$ 22,605	\$ -	\$ 1,318,736
Less accumulated depreciation:				
Equipment	(1,089,870)	(32,322)	-	(1,122,192)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION				
	\$ 206,261	\$ (9,717)	\$ -	\$ 196,544

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets - continued

*Depreciation for governmental activities is allocated as follows:

Administration	\$ 53,203
Operation of plant	283,163
Instruction	<u>1,431,192</u>
TOTAL	<u>\$ 1,767,558</u>

Note 7. Risk Management

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 Board's of Education Group Insurance Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for fourteen of the twenty-four Boards of Education. The Pool was formed in 1986 when several boards of education through Maryland joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in 2000.

The Board pays an annual premium to the Pools for its property and casualty insurance coverage. It is intended for the Pool to be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims which exceed coverage limits as specified in the agreement.

Should the Pool(s) encounter deficits in its casualty and/or property funds, the deficit(s) may be made up from additional assessments of Boards' participating in the deficit pool year in an amount equal to the ratio of the Board's annual premium to the total annual premium contributed by all Boards in the year in which the deficit occurred.

The Board continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Other than the legal settlement discussed in prior audits, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In 2004, the Board joined the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 16% as a recommended conservative reserve. As of December 31, 2014 the Boards' funds held by ESMEC exceeded the recommended conservative reserve by \$1,557,381. All funds held by ESMEC are restricted to being used only for health care expenses.

Note 8. Pension Plans

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. Responsibility for the System's administration and operation is vested in a 15 member Board of Trustees. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (continued)

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring 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 System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally, all regular employees of the Board participate in the Employees' Retirement and Pension Systems (Employee's Systems). Teachers employed by the Board generally participate in the Teachers' Retirement and Pensions Systems (Teachers' Systems). Both the Employees' Systems and the Teachers' Systems (collectively the Systems) are cost sharing multiple-employer defined benefit pension plans.

Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems

General Plan Policies

The Teachers' Retirement System of the State of Maryland was established on August 1, 1927 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. In this regard, teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Until December 31, 2004, existing members of the Teachers' Retirement System had the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System 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 Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. Until December 31, 2004, existing members of the Employees' Retirement System had the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System.

Significant Plan Benefits and Policies

The following is a general description of the significant plan benefits and related contribution requirements for the Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems:

Teachers' and Employees' Retirement Systems

Retirement Benefits:

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service, regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e. average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (continued)

Teachers' and Employees' Retirement Systems

Vested Allowance:

A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions. Members terminating employment before attaining retirement age and before completing 5 years of creditable service are refunded their accumulated contributions plus earned interest.

Employee and Employer Contributions:

Members of the Teachers' and Employees' Retirement System are required to contribute to the systems a fixed percentage of their regular salaries and wages (e.g. 7% or 5%, depending on the COLA option selected). The contributions are deducted from each member's salary and wage payment and are remitted to the systems on a regular, periodic basis.

Teachers' and Employees' Pension System

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

A member terminating employment before attaining retirement age, but after completing 5 years of eligibility service, becomes eligible for a vested pension allowance provided the member lives to age 62. Members terminating employment before attaining retirement age and before completing 5 years of eligibility service are refunded their accumulated contributions plus earned interest.

Employee and Employer Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2015. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

For members enrolled on and after July 1, 2011, the employee contribution is 7%; vesting requires ten years of eligible service; service retirement is at age 65 with ten years of eligibility service or based on the Rule of 90 (age and service must equal 90); early service retirement is age 60 with 15 years of eligibility service; average final compensation is a five year average; and the benefit multiplier per year is 1.5%.

For the year ended June 30, 2015 the Board's total payroll for all employees was \$25,842,745. Total covered payroll was \$23,159,421. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (continued)

Teachers' and Employees' Pension System

Employee and Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the Board will be paying 100% of the normal cost for each teacher. The related payment for fiscal year ending 2015 was \$495,932. In addition, the State of Maryland contributed \$2,545,395 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Because the State of Maryland pays the unfunded liability for the Teachers' Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. The Board is required to record a liability for the Employees' Systems.

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

	2015
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 1,106,790
State's proportionate share of the net pension liability (Teachers' Systems)	19,938,634
	19,938,634
Total	\$ 21,045,424

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Boards proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. At June 30, 2014, the Board's proportion was approximately .00623658752%.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (continued)

For the year ended June 30, 2015, the Board recognized pension expense for the employees system of \$137,028 in the government wide financial statements and \$145,335 in the fund financial statements. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 16,011	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	121,145
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	-
Board contributions subsequent to measurement date	145,335	-
 Total	 \$ 161,346	 \$ 121,145

The \$161,346 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources will be amortized over a five year period.

Actuarial Assumptions

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.90% general, 3.40% wage
Salary increases	3.40% to 11.90%, including inflation
Discount rate	7.65%
Investment rate of return	7.65%
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (continued)

Investments

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 weighing 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 of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

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

Discount rate

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

Sensitivity of the Boards Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	6.65%	\$ 1,595,024
Current discount rate	7.65%	\$ 1,106,790
1% increase	8.65%	\$ 697,833

NOTES TO FINANCIAL STATEMENTS

Note 9. Budget Calendar

The following calendar reflects the anticipated general sequence of events for the preparation and adoption of the operating budget of The Board of Education of Somerset County:

Approximate Date	Procedures Performed
November	Budget packets are sent to A&S staff. Parent, community and staff input is received.
December	Public input session (BOE meeting) School and central office budget conferences begin.
January	School and central office budget conferences continue. Superintendent presents proposed budget to BOE. BOE conducts open budget work sessions.
February	BOE conducts open budget work sessions. BOE adopts budget.
March	Budget submitted to County Commissioners. Non-recurring cost deadline

Note 10. Post-Employment Health Care Benefits

Plan Description

The Board of Education of Somerset County administers a single-employer defined benefit healthcare plan (“the Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the Board’s group health insurance plan, which covers both active and retired members. Benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers’ pension system, which are 15 years of service up to age 55 or 10 years of service at age 60. As of June 30, 2015, the date of the last actuarial valuation, approximately 217 retirees were receiving benefits, and an estimated 376 active employees are potentially eligible to receive future benefits.

Funding Policy

The Board pays retiree healthcare premiums up to the greater of \$250 per month or 50% of the total premium. For fiscal year 2015, the Board contributed \$811,712 to the plan for 189 eligible retirees.

Annual OPEB Cost and Net OPEB Obligation

The Board’s annual other post-employment 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 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 30 years. The Board pays post retirement benefits (normal cost) from the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 10. Post-Employment Health Care Benefits - continued

The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation.

Annual required contribution	\$ 1,584,696
Interest on net OPEB obligation	226,168
Adjustment to annual required contribution	<u>(192,315)</u>
Annual OPEB cost (expense)	1,618,549
Contributions made	<u>(811,712)</u>
Net OPEB obligation	806,837
Net OPEB obligation at beginning of year	<u>3,769,460</u>
 Net OPEB obligation at end of year	 <u>\$ 4,576,297</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 1,618,549	50.15%	\$ 4,576,297
6/30/2014	\$ 1,326,783	51.44%	\$ 3,769,460
6/30/2013	\$ 1,326,783	49.19%	\$ 3,125,231
6/30/2012	\$ 1,370,523	57.37%	\$ 2,451,055
6/30/2011	\$ 1,370,523	46.77%	\$ 1,866,779

Funding Status and Funding Progress

As of June 30, 2015 the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$19,634,899, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$23,159,421, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 85 percent.

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.

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.

NOTES TO FINANCIAL STATEMENTS

Note 10. Post-Employment Health Care Benefits - continued

Funding Status and Funding Progress - continued

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 6.0 percent investment rate of return (net of administrative expenses) based on the Board's own investments; an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent by 2021. The UAAL is being amortized on a level of percentage of payroll basis over a 30 year period. The remaining amortization period at June 30, 2015 was 24 years.

Note 11. Operating Leases

The Board leased computer equipment through September 2014. Total lease payments for 2015 were approximately \$15,000.

Note 12. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board receives a substantial amount of its support from Federal, State, and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds, of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 13. Prior Period Restatement

The Board has determined to restate its Statement of Net Position and Statement of Activities as of June 30, 2014. The determination was made to restate these financial statements in connection with the fiscal year 2015 implementation of the Governmental Accounting Standards Board's Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement's objective is to improve the accounting and financial reporting for pensions as well as to improve the information provided by employers about financial support for pensions that are provided by other entities (see Note 6).

The following table is a summary of the effects of these changes on net position and change in net position as of June 30, 2015.

As previously reported	\$ 48,713,974	\$ (1,560,428)
Adjustment to deferred financing outflow for contributions	143,231	143,231
Adjustment to net pension liability	(1,218,137)	(1,218,137)
As restated	\$ 47,639,068	\$ (2,635,334)

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF SOMERSET COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015

	Budget		Actual	Variance With
	Original	Final		Final Budget Favorable (Unfavorable)
REVENUES				
Somerset County	\$ 9,646,844	\$ 9,646,844	\$ 9,620,402	\$ (26,442)
State Of Maryland:				
Current expense	12,974,047	12,974,047	12,974,047	-
Special education	1,657,449	1,657,449	1,657,449	-
Transportation	1,823,109	1,823,109	1,823,109	-
Transportation - boat	35,000	35,000	35,000	-
High road schools	-	-	39,091	39,091
Nonpublic placement	470,179	470,179	25,187	(444,992)
Compensatory education	8,906,534	8,906,534	8,906,534	-
Limited english proficiency	465,256	465,256	465,256	-
Other state revenues	278,446	278,446	451,447	173,001
Guaranteed tax base	1,143,649	1,143,649	1,143,649	-
Total State Of Maryland	27,753,669	27,753,669	27,520,769	(232,900)
Interest income and other	50,000	50,000	170,613	120,613
ROTC reimbursement	63,500	63,500	48,663	(14,837)
TOTAL REVENUES	37,514,013	37,514,013	37,360,447	(153,566)
EXPENDITURES				
Administration	1,517,822	1,597,822	1,595,561	2,261
Mid-level administration	3,536,280	3,686,280	3,678,797	7,483
Instructional salaries and wages	13,082,017	13,142,017	13,134,605	7,412
Textbooks and instructional supplies	531,057	531,057	501,799	29,258
Other instructional costs	191,432	241,432	234,255	7,177
Student personnel services	709,138	709,138	688,155	20,983
Health services	370,097	370,097	367,142	2,955
Student transportation	2,885,856	2,885,856	2,864,450	21,406
Operation of plant and equipment	2,458,157	2,508,157	2,506,506	1,651
Maintenance of plant	871,925	951,925	938,353	13,572
Special education	3,166,791	3,516,791	3,516,455	336
Fixed charges	8,555,722	7,585,722	7,299,243	286,479
Capital outlay	30,000	180,000	160,975	19,025
TOTAL EXPENDITURES	37,906,294	37,906,294	37,486,296	419,998
DEFICIENCY OF REVENUES OVER EXPENDITURES	(392,281)	(392,281)	(125,849)	266,432
OTHER FINANCING SOURCES				
Designated from June 30, 2013 for June 30, 2015 Expenditures	392,281	392,281	392,281	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	\$ -	\$ -	\$ 266,432	\$ 266,432

THE BOARD OF EDUCATION OF SOMERSET COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

PENSION PLANS

Schedule of the Proportionate Share of the Net Pension Liability

	2015
Board's proportion of the net pension liability	0.006237%
Board's proportionate share of the net pension liability	\$ 1,106,790
State's proportionate share of the net pension liability	<u>19,938,634</u>
Total	<u>\$ 21,045,424</u>
Board's covered-employee payroll	\$ 23,159,421
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.78%

THE BOARD OF EDUCATION OF SOMERSET COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

PENSION PLANS
Schedule of Board Contributions

	2015
Contractually required contributions	\$ 641,267
Contributions in relation to the contractually required contribution	<u>641,267</u>
Contribution deficiency (excess)	<u>\$ -</u>
Board's covered-employee payroll	\$ 23,159,421
Contributions as a percentage of covered-employee payroll	2.77%

THE BOARD OF EDUCATION OF SOMERSET COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2011	\$ -	\$ 14,626,357	\$ 14,626,357	0.00%	\$ 19,896,000	73.51%
June 30, 2013	\$ -	\$ 16,871,130	\$ 16,871,130	0.00%	\$ 19,689,000	85.69%
June 30, 2015	\$ -	\$ 19,634,899	\$ 19,634,899	0.00%	\$ 23,159,421	84.78%

Year Ended June 30	Annual Required Contributions	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,370,523	46.77%	\$ 1,866,779
2012	1,370,523	57.37%	2,451,055
2013	1,326,783	49.19%	3,125,231
2014	1,326,783	51.44%	3,769,460
2015	1,618,549	50.15%	4,576,297

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL

Note 1. Budget

The original budget, subsequent supplements and major transfers are approved by the Somerset County Council. Appropriations are for one year and lapse at year end.

A legally adopted budget is prepared for the General Fund only. Amendments to the budget can be made with approval from Somerset County and the Board for intercategory transfers, and by approval of the Board for intracategory transfers. By law, actual expenditures for each category may not materially exceed budgeted expenditures. The budgeted amounts presented on page 48 include all budget revisions.

	Revenues	Expenditures	Fund
	General	General	Balances
	June 30, 2015	June 30, 2015	General
	June 30, 2015	June 30, 2015	June 30, 2015
GAAP basis	\$ 39,905,842	\$ 39,914,134	\$ 1,494,054
On-behalf payments	(2,545,395)	(2,545,395)	-
June 30, 2015 fund balance designated for June 30, 2016 expenditures	-	-	(1,091,405)
Expenditures of amounts encumbered during year ended June 30, 2014	-	(18,660)	-
Amounts encumbered and reserved (GAAP) at June 30, 2015 but recognized as expenditures for budgetary purposes	-	136,217	(136,217)
Budgetary basis	<u>\$ 37,360,447</u>	<u>\$ 37,486,296</u>	<u>\$ 266,432</u>

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF SOMERSET COUNTY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
ADMINISTRATION				
Salaries and wages	\$ 1,106,472	1,155,472	\$ 1,175,726	\$ (20,254)
Contracted services	189,800	221,033	206,268	14,765
Materials and supplies	95,250	109,250	95,766	13,484
Other charges	101,300	87,067	91,774	(4,707)
Capital outlay	25,000	25,000	26,027	(1,027)
TOTAL ADMINISTRATION	1,517,822	1,597,822	1,595,561	2,261
MID-LEVEL ADMINISTRATION				
Salaries and wages	2,933,304	2,933,304	2,948,745	(15,441)
Contracted services	35,000	126,486	87,995	38,491
Materials and supplies	41,900	41,900	35,687	6,213
Other charges	125,486	34,000	26,501	7,499
Capital outlay	400,590	550,590	579,869	(29,279)
TOTAL MID-LEVEL ADMINISTRATION	3,536,280	3,686,280	3,678,797	7,483
INSTRUCTIONAL SALARIES AND WAGES	13,082,017	13,142,017	13,134,605	7,412
INSTRUCTIONAL TEXTBOOKS AND SUPPLIES	531,057	531,057	501,799	29,258
OTHER INSTRUCTIONAL COSTS				
Salaries and wages	-	-	1,788	(1,788)
Contracted services	15,000	57,358	47,927	9,431
Other charges	133,247	140,889	141,517	(628)
Capital outlay	43,185	43,185	43,023	162
TOTAL OTHER INSTRUCTIONAL COSTS	191,432	241,432	234,255	7,177
STUDENT PERSONNEL SERVICES				
Salaries and wages	687,638	687,638	674,733	12,905
Contracted services	8,000	8,000	7,327	673
Materials and supplies	4,000	4,000	1,350	2,650
Other charges	9,500	9,500	4,745	4,755
TOTAL STUDENT PERSONNEL SERVICES	709,138	709,138	688,155	20,983
HEALTH SERVICES				
Salaries and wages	357,697	357,697	354,604	3,093
Contracted services	60	1,070	1,111	(41)
Materials and supplies	4,500	4,580	4,309	271
Other charges	3,340	2,250	3,022	(772)
Capital outlay	4,500	4,500	4,096	404
TOTAL HEALTH SERVICES	370,097	370,097	367,142	2,955
FIXED CHARGES				
Insurance And Employee Benefits	8,555,722	7,585,722	7,299,243	286,479

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES (CONTINUED)
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
STUDENT TRANSPORTATION				
Salaries and wages	\$ 196,956	\$ 196,956	\$ 246,040	\$ (49,084)
Contracted services	2,457,150	2,457,150	2,394,670	62,480
Materials and supplies	5,650	5,650	6,995	(1,345)
Other charges	191,100	191,100	190,281	819
Capital outlay	35,000	35,000	26,464	8,536
TOTAL STUDENT TRANSPORTATION	2,885,856	2,885,856	2,864,450	21,406
OPERATION OF PLANT				
Salaries and wages	975,057	975,057	934,448	40,609
Contracted services	227,000	270,000	322,091	(52,091)
Materials and supplies	107,500	114,500	89,491	25,009
Other charges	1,113,600	1,113,600	1,054,660	58,940
Capital outlay	35,000	35,000	105,816	(70,816)
TOTAL OPERATION OF PLANT	2,458,157	2,508,157	2,506,506	1,651
MAINTENANCE OF PLANT				
Salaries and wages	410,250	392,250	384,344	7,906
Contracted services	287,175	385,175	393,256	(8,081)
Materials and supplies	136,500	136,500	112,969	23,531
Other charges	3,000	3,000	5,962	(2,962)
Capital outlay	35,000	35,000	41,822	(6,822)
TOTAL MAINTENANCE OF PLANT	871,925	951,925	938,353	13,572
SPECIAL EDUCATION				
Salaries and wages	2,695,541	2,695,541	2,738,736	(43,195)
Contracted services	346,500	696,500	665,510	30,990
Materials and supplies	11,250	10,850	16,413	(5,563)
Other charges	13,500	113,500	95,456	18,044
Capital outlay	-	400	340	60
Outgoing transfers	100,000	-	-	-
TOTAL SPECIAL EDUCATION	3,166,791	3,516,791	3,516,455	336
TOTAL CAPITAL OUTLAY	30,000	180,000	160,975	19,025
TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES	\$ 37,906,294	\$ 37,906,294	\$ 37,486,296	\$ 419,998

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS-BUDGETARY BASIS
 Year Ended June 30, 2015

	<u>Enterprise Fund Food Services</u>
OPERATING REVENUES	
Food service sales	<u>\$ 127,262</u>
OPERATING EXPENSES	
Operation of plant	2,551
Fixed charges	181,175
Salaries and wages	539,183
Contracted services	5,262
Food and food related supplies	993,657
Other charges	2,890
Capital outlay	32,054
TOTAL OPERATING EXPENSES	<u>1,756,772</u>
OPERATING LOSS	<u>(1,629,510)</u>
NONOPERATING REVENUES	
Interest income	103
State Of Maryland:	
Reimbursement of food costs	<u>43,637</u>
Federal through state:	
Reimbursement of food costs	1,586,747
Donation of food commodities	82,669
Total federal through state	<u>1,669,416</u>
TOTAL NONOPERATING REVENUES	<u>1,713,156</u>
CHANGE IN NET POSITION	<u>\$ 83,646</u>

THE BOARD OF EDUCATION OF SOMERSET COUNTY, MARYLAND
SCHOOL ACTIVITIES FUNDS

COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS
AND CHANGES IN DUE TO SCHOOL ACTIVITIES FUNDS
Year Ended June 30, 2015

	Due to School Activities Funds Balance				Due to School Activities Funds Balance
	June 30, 2014	Additions	Deductions	Transfers	June 30, 2015
ELEMENTARY SCHOOLS					
Deal Island (Pre-K To 5th Grades)	\$ 6,026	\$ 9,346	\$ 10,356	\$ -	\$ 5,016
Woodson (Pre-K To 5th Grades)	15,006	78,628	74,886	-	18,748
Princess Anne (Pre-K To 5th Grades)	7,697	25,052	21,099	-	11,650
Greenwood (Pre-K To 5th Grades)	12,671	63,424	59,559	-	16,536
TOTAL ELEMENTARY SCHOOLS	41,400	176,450	165,900	-	51,950
INTERMEDIATE SCHOOLS - 6TH TO 7TH GRADES					
Somerset 6/7 Intermediate	16,316	52,624	51,856	-	17,084
HIGH SCHOOLS - 8TH TO 12 GRADES					
Crisfield	51,348	93,825	98,898	-	46,275
Washington	118,483	141,597	171,140	-	88,940
TOTAL HIGH SCHOOLS	169,831	235,422	270,038	-	135,215
SPECIALIZED SCHOOLS					
Ewell Elementary Middle School (Pre-K To 7th grade)	295	3,188	2,626	-	857
J. Millard Tawes Technology And Career Center	68,142	68,545	60,483	-	76,204
TOTAL SPECIALIZED SCHOOLS	68,437	71,733	63,109	-	77,061
TOTAL SCHOOL ACTIVITY	\$ 295,984	\$ 536,229	\$ 550,903	\$ -	\$ 281,310

NOTES TO ADDITIONAL SUPPLEMENTARY INFORMATION

Note 1. Budget

A budget is adopted for the Food Service Fund for internal purposes only.

	Revenues	Expenditures	Fund Balances
	Proprietary	Proprietary	Proprietary
	June 30, 2015	June 30, 2015	June 30, 2015
GAAP basis	\$ 1,840,418	\$ 1,761,659	\$ (11,811)
Depreciation	-	(32,322)	-
Capitalized costs	-	22,605	-
Effect of accrued compensated absences and other	-	4,830	3,912
Amounts reserved (GAAP) at June 30, 2015	-	-	(196,544)
Budgetary basis	\$ 1,840,418	\$ 1,756,772	\$ (204,443)