

BOARD OF EDUCATION OF WICOMICO COUNTY

A Component Unit of Wicomico County, Maryland

Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2012



SUCCESS – Every Student, Every Day

**101 Long Avenue
Salisbury, Maryland 21804
www.wcboe.org**

Superintendent of Schools • John E. Fredericksen, Ph.D.

Board of Education of Wicomico County

A Component Unit of Wicomico County, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

Prepared by:

Board of Education of Wicomico County
Division of Business Support Services

Gary C. Green, CPA, MBA
Accounting Manager

E. Bruce Ford, CPA
Comptroller

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION

BOARD OF EDUCATION OF WICOMICO COUNTY



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DONALD L. FITZGERALD
KIMBERLY S. HUDSON

September 29, 2012

To the Board of Education and Citizens of Wicomico County:

The Comprehensive Annual Financial Report (CAFR) for the Board of Education of Wicomico County (Board) for the fiscal year ended June 30, 2012 is submitted herewith pursuant to the Annotated Code of the State of Maryland, section 5-109. The CAFR is a thorough and detailed presentation of the Board's financial condition, activities and balances for the fiscal year. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The responsibility for both the accuracy of the data and the completeness of the CAFR rests with the management of the Board. The Board's comprehensive framework of internal controls provides assurance of the accuracy of the information included in the CAFR. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. This report was prepared by the Division of Business Support Services and to the best of our knowledge and belief, the enclosed data is complete and accurate in all material respects and is reported in a manner to present fairly the financial position and results of operations of the Board.

The financial statements of the Board have been audited by TGM Group LLC, certified public accountants and they have issued an unqualified "clean" opinion on the Board's financial statements for the fiscal year ended June 30, 2012. The auditor's opinion is presented as the first component of the financial section of the CAFR.

The Board in compliance with OMB Circular A-133, has issued a separate Compliance Report. The report includes the Schedule of Expenditures of Federal Awards as well as the auditor's report on internal control over financial reporting and the report on the Board's compliance with requirements applicable to major Federal Awards.

Reporting Entity Profile

The Wicomico County school system was established in 1867 and is a corporate body politic. Its mission is to provide all students an educational foundation and a set of skills which will enable them to become responsible and productive citizens in our

society. The governing body of the school system is the Board of Education which is composed of seven (7) members appointed by the governor for staggered five (5) year terms. The Board of Education determines educational policy and employs a superintendent of schools for a four-year term to administer the school system.

During the 2011-2012 school year, the school system served 14,478 students (an increase of 96 students from the prior year) in seventeen (17) elementary schools, seven (7) secondary schools, one career-technology high school, one evening high school, an alternative learning program, and an early learning program. Enrollment for next school year is projected to increase modestly. The ratio of professional staff (including administrators and faculty) to students for the 2011-2012 school year was approximately one staff member to 10 students. Student demographics for the 2011-2012 school year included: 58.6% students that qualified for free/reduced meals; 12.1% students with disabilities; and 3.5% students that were English Language Learners. In June 2012, the school system graduated 943 students.

In accordance with state law the Board of Education developed in 2002 a Comprehensive Master Plan. The 2011 -2012 school year is the ninth year of implementation of that plan. The plan is organized around the school system's three (3) strategic priorities of High Student Achievement, Safe Learning Environment, and Effective and Efficient Operations. Progress is reported through annual updates of the Comprehensive Master Plan with the Maryland State Department of Education (MSDE). Such updates are available on the MSDE website.

Assessment of the School System's Economic Condition

Despite another major reduction in our county's appropriation for education in FY 2012 of \$7.0 million and the loss of \$5.5 million of federal American Recovery and Reinvestment Act (ARRA) grants, the Board implemented a financial plan established in FY 2010 to address what management expected, the loss of these revenues. Without the financial planning in FY 2010 and FY 2011, the funds would not have been available in FY 2012 to sustain operations. The plan included a combination of freezing certain expenditures and closely monitoring others in order to create a surplus of revenues over expenditures in FY 2010. The savings created over \$4.0 million of unassigned fund balance and combined with \$1.0 million from the Capital Projects fund, these fund balances were appropriated to support the FY 2012 budget. While the FY 2012 budget was reduced \$1.6 million, which marked the second straight year of budget reductions (\$8.4 million reduction in FY 2011), the reduction would have been significantly larger had not the financial plan been established in FY 2010.

Current and future revenue projections for revenue from the state and county governments remain flat, despite a FY 2013 budget which reflects an increase of \$6.6 million over FY 2012. This increase is in large part a result of using \$3.1 million in ARRA Education Job Act funds retained from FY 2011 and which expire on 9/30/2012 and a \$3.7 million increase in compensatory state aid due to the Board's significant increase in free and reduced meal eligible students. These funds have provided the Board with the necessary funding to avoid a third year of major budget reductions.

Legislation passed during the 2012 regular and special legislative sessions will have major impacts on education now and in the foreseeable future. For the first time in many years, our legislators addressed the issue of a local county's responsibility for funding education. Maryland refers to this local requirement as Maintenance of Effort (MOE). SB 848 (with amendments, by SB 1301) has created major changes to the MOE law, a law that has been on the books for years. The new law essentially authorizes a county governing body to set a tax rate that is at least the maximum amount allowable under the county's charter in order to fund MOE requirements for both FY 2013 and FY 2014. If the county fails to raise the property tax to at least the maximum amount allowable under the charter, then the required MOE level for both FY 2013 and FY 2014 shall be based on the required MOE amount for FY 2012 (for Wicomico the MOE level is \$50.1 million or an increase of almost \$14 million over FY 2012). This legislation essentially forces a county governing body to raise revenues sufficient to fund education. For FY 2013, our county raised the property tax rate seven (7) cents to the maximum amount permitted by the charter. By doing this, the county will have sufficient revenues to fund the county's MOE requirement for FY 2013. In fact, the county will fund approximately \$500,000 more than MOE for FY 2013.

Another very important component of the new MOE law involves the imposition of a penalty on the county government for failure to meet the MOE requirement in any year. In the past, such a penalty was imposed on Boards of Education. Consequently, this new legislation is a major shift in the focus of how funding for education is impacted. The penalty to be imposed represents the amount the county short funds the MOE level. The legislature authorized the Maryland Comptroller to withhold any shortfall in the MOE level from future income tax revenues collected for the county and redirect those funds to the Board of Education. Public schools in Maryland see this as a tremendous win, in terms of knowing what they can expect in terms of county funding.

Another very important piece of legislation that passed involves Maryland pushing back pension costs to local governments. SB 1301 requires Boards of Education to remit to the state set amounts for FY 2013 through FY 2016 toward state teacher pension costs, previously 100% funded by the state. The amounts are as follows: FY13 - \$2.2 million, FY14 - \$2.8 million, FY15 - \$2.7 million, FY16 - \$3.2 million. The bill also requires local county governments to appropriate to local Boards of Education, in addition to MOE, these established amounts for FY 2013 through FY 2016, so as to offset this additional cost imposed on local Boards of Education. In turn, county governments will receive additional revenues to help pay these set amounts as a result of revenue enhancements enacted in the legislation. Commencing in FY 2017, Boards of Education will be required to pay the "normal cost" of retirement for all qualifying employees based upon current salaries. Local county governments will be required to include in the minimum per pupil MOE calculation for that year, the amount of the FY 2016 established pension cost amount, which for Wicomico will be \$3.2 million.

Major School System Initiatives

Planning for the future continues to be a challenge, but in the words of Benjamin Franklin, "failing to plan, is planning to fail". To assist us in the planning process the

Board of Education of Wicomico County has adopted the Association of School Business Officials International (ASBO Int'l) criteria for budget development. FY 2012 marked the first year of adopting the criteria and our first year of submission to ASBO Int'l for review. We have recently been awarded the Meritorious Budget Award (MBA) for FY 2012. We are proud of this accomplishment, and believe that in conjunction with the CAFR, these documents and the processes used to develop them will make budgeting and financial reporting for the Board of Education of Wicomico County more closely comply with principles and standards established by the respected governing bodies, ASBO Int'l and GFOA. Also, the processes established to create these documents have assisted us in planning for the future by forcing us to look more closely at data from the past and reviewing trends in revenue and expenditures, which in turn will assist with our projections for the future.

Other major initiatives we will pursue include: 1) another voluntary retirement incentive option (VRIO). The VRIO was established for the primary purpose of offering to employees an incentive to notify us early of their intention to retire. The plan provided a budget savings for FY 2013 of approximately \$624,500 and assisted the Board in balancing the FY 2013 Operating Budget. The Superintendent is discussing with the Board another VRIO type retirement incentive for FY 2014 with the goal of providing a budget savings tool to meet another lean budget year; 2) seeking county council's reinstatement of the School Construction Savings Plan (SCSP). Established in 2007 by the Wicomico County Council, the plan has enabled the Board to set aside surplus funds from the general fund operating budget to supplement the Capital Projects budget to complete systemic renovation and major maintenance projects not funded through the County's Capital Improvement Plan (CIP). Over the years this plan and the funds generated have been used to help our County Government meet MOE (\$2.0 million in FY 2010); help fund the Board's General Fund budget (FY 2012 \$1.0 million); and, leverage state aid to complete various systemic renovation projects (\$3.0 million has leveraged \$2.4-million of state aid). Unfortunately, the County Council on June 7, 2011 passed resolution 71-2011, terminating the School Construction Savings Plan effective on June 30, 2013. Our Board considers the reinstatement of this plan as a top priority.

Budgetary Controls

The Board prepares an annual budget for the General Fund. The proposed budget is submitted to the Wicomico County Executive by March 15th of the current fiscal year. The Wicomico County Council notifies the Board of the final appropriation by late May and the Board finalizes its budget in late June. The General Fund is adopted by categories (e.g., administration, instructional salaries, special education) as prescribed in Maryland State law. Transfers between categories during the year require Wicomico County Council approval.

Annual operating budgets for Special Revenue Funds from state and federal grants must receive state of Maryland approval. The grants are also reviewed with the Board of Education. Project and program budgets are utilized in the Capital Projects Funds and certain Special Revenue Funds where appropriations remain open and carry over to succeeding years.

The Board maintains a system of budgeting and accounting controls designed to assist management in meeting its responsibilities for reporting financial information. It is designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded with management's authorization. Account managers are held responsible via this system for assuring that expenditures are planned and made in accordance with approved budgets.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Board of Education of Wicomico County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This is the second consecutive year that the Board achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International (ASBO) has awarded a Certificate of Excellence in Financial Reporting to the Board of Education of Wicomico County for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This award is the highest form of recognition in school system financial reporting issued by ASBO International and is valid for one year. This is the second consecutive year that the Board was awarded the ASBO Certificate of Excellence in Financial Reporting. We believe that our current CAFR continues to meet the Certificate of Excellence Program's requirements and are submitting it to ASBO for consideration.

In addition, the Board of Education of Wicomico County also received from ASBO the Meritorious Budget Award for its annual budget document for the year beginning July 1, 2011. This award is valid for a period of one year. We believe that our current budget continues to meet the program requirements and it has been submitted to ASBO to determine its eligibility for another certificate.

Acknowledgements

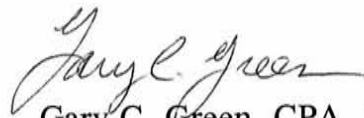
The preparation of this report could not have been accomplished without the dedicated and efficient services of the entire staff of Business Support Services and the firm of TGM Group, LLC, certified public accountants. The high standards to which this report conforms reflects the professional competence of all individuals responsible for its preparation. We wish to express our appreciation for their exemplary service.

Further appreciation is extended to each member of the School Board and the Superintendent for their interest in planning and conducting the financial operations of the School Board in a responsible manner.

Respectfully submitted,



E. Bruce Ford, CPA
Comptroller



Gary C. Green, CPA, MBA
Accounting Manager

Board of Education of Wicomico County

Appointed Officials

Ronald O. Willey, President

Tyrone A. Chase, Ph.D., Vice President

Marvin L. J. Blye

Larry W. Dodd

Carolyn J. Elmore, Ed.D.

Donald L. Fitzgerald

L. Michelle Wright

Student Members

Tara Swope, Mardela High School

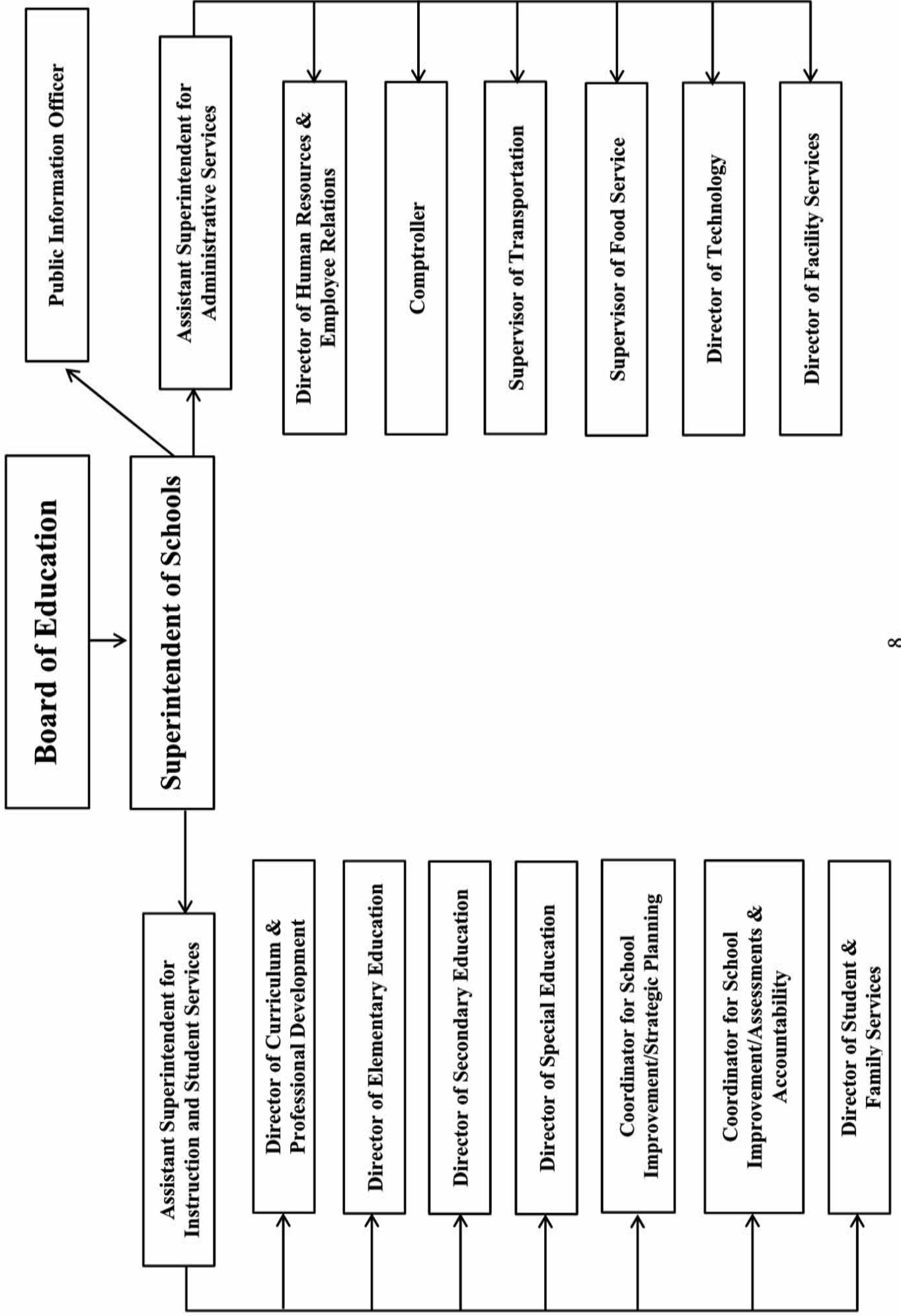
Dan Hearne, James M. Bennett High School

Anna Davis, Parkside High School

Kyle Buchanan, Wicomico High School

John E. Fredericksen, Ph.D., Superintendent of Schools

**Board of Education of Wicomico County
Organizational Chart FY 2011-12**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Board of Education
of Wicomico County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Enev

Executive Director

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Board of Education of Wicomico County

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in cursive script, reading 'Brian L. Mee', positioned above a horizontal line.

Brian L. Mee, SFO, RSBA
President

A handwritten signature in cursive script, reading 'John D. Musso', positioned above a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Board of Education of Wicomico County
Salisbury, Maryland

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 Wicomico County, a component unit of Wicomico County, Maryland, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Board of Education of Wicomico County's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Wicomico County as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated September 29, 2012 on our consideration of The Board of Education of Wicomico 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 28, schedules of funding progress and employer contributions on pages 68 through 69, and budgetary comparison information on pages 70 through 74 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Wicomico County's financial statements as a whole. The introductory section, additional supplementary information, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The additional supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Salisbury, Maryland
September 29, 2012

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis Year Ended June 30, 2012

This section of the Board of Education of Wicomico County's (Board) comprehensive annual financial report (CAFR) presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the Letter of Transmittal at the front of this report and the Board's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The Board's total net assets of \$227,471,375 represents a decrease of \$5.2 million (-2.22%) over the prior year. This decrease is attributable to the use of restricted and unrestricted net assets to help fund the operations of the school system for FY 2012. A plan was established in FY 2010 to address what management expected, and in fact did occur, a significant reduction in available FY 2012 local and federal resources to operate the school system. Without the financial planning in FY 2010, the funds would not have been available in FY 2012 to sustain operations.
- The General Fund fund balance equals \$10,013,248, a decrease of \$5.2 million over the prior year. This is attributable in large part to utilizing our fund balances to supplement other resources to sustain operations as indicated in the first bullet.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – 1) Independent Auditor's Report (opinion), 2) required supplementary information which includes the management's discussion and analysis (this section), 3) the basic financial statements, and 4) supplemental information.

Basic Financial Statements

The basic financial statements consist of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. There are two government-wide statements:

- 1) Statement of net assets - includes *all* of the Board's assets and liabilities and reflects the difference (net assets) between the assets and liabilities which is one way to measure the financial health of an entity.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis Year Ended June 30, 2012

2) Statement of activities - which reflects the current year's revenues and expenses regardless of when cash is received or paid.

- Over time, increases or decreases in the Board's net assets 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 statements the Board's activities are divided into two categories:

- *Governmental activities* - Most of the Board's basic services are included here, such as regular and special education, transportation, administration, and community education. Local county and state aid finance the majority of these activities.
- *Business-type activities* - The Board accounts for all of the Food Service activities here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds - focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law, while 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 grants).

The District has three kinds of funds:

- *Governmental funds* - Most of the district'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, we have provided additional information to explain the relationship (or differences) between them.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

- *Proprietary funds* - The Food Service operation is the only fund accounted for as a proprietary fund. Proprietary funds are reported the same way as business-type activities in the government-wide statements.
- *Fiduciary funds* - The District is the trustee, or agent, for assets that belong to others, such as the Employees Retirement Plan and the 401(a) Employer Matching Plan. The School Activities Fund is also accounted for as a fiduciary fund. The District 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. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net assets – the Board’s combined net assets were \$227,471,375 on June 30, 2012. This is a decrease of 2.22% over the prior year. (see Table 1.)

Table 1

THE BOARD OF EDUCATION OF WICOMICO COUNTY
STATEMENT OF NET ASSETS
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Board of Ed Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2012-2011
Current and other assets	\$37.5	\$47.6	\$1.4	\$1.0	\$38.9	\$48.5	-19.8%
Capital Assets	\$211.3	\$213.0	\$0.4	\$0.4	\$211.7	\$213.4	-0.8%
TOTAL ASSETS	\$248.8	\$260.5	\$1.8	\$1.4	\$250.6	\$261.9	-4.3%
Current Liabilities	\$19.5	\$25.8	\$0.1	\$0.1	\$19.6	\$25.9	-24.5%
Long-Term Liabilities	\$3.6	\$3.3	\$0.0	\$0.0	\$3.6	\$3.4	7.4%
TOTAL LIABILITIES	\$23.1	\$29.1	\$0.1	\$0.2	\$23.2	\$29.3	-20.9%
Net Assets							
Invested in Capital Assets, Net of Related Debt	\$209.4	\$211.6	\$0.4	\$0.4	\$209.7	\$211.9	-1.0%
Restricted	\$11.6	\$12.4	\$0.0	\$0.0	\$11.6	\$12.4	-5.7%
Unrestricted	\$4.7	\$7.5	\$1.3	\$0.9	\$6.1	\$8.3	-26.9%
TOTAL NET ASSETS	\$225.7	\$231.4	\$1.7	\$1.2	\$227.5	\$232.6	-2.2%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

Changes in net assets - the District's total revenues were \$186.4 million for the year ended June 30, 2012 (See Table 2). The county appropriation and state formula aid accounted for approximately 76.8% of total revenue for the year. Another 23% came from program revenues and the remainder from other revenue sources such as investment earnings which remain significantly depressed due to current market conditions.

The total cost of all programs and services was \$191.6 million. The District's expenses are predominantly related to providing direct educational services to students (78.2%). The purely administrative activities of the District accounted for approximately 3.2% of total expenses. Total revenue was less than total expenses, thereby decreasing net assets \$5.2 million over last year.

	Governmental Activities		Business-Type Activities		Board of Ed Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2012-2011
Program revenues							
Charges for services	\$0.6	\$0.7	\$1.6	\$1.6	\$2.2	\$2.3	-7.8%
Federal and state grants	\$33.3	\$39.0	\$4.9	\$4.7	\$38.3	\$43.7	-12.4%
Capital Contributions	\$2.7	\$8.2	\$0.0	\$0.0	\$2.7	\$8.2	-66.7%
General revenues							
County Appropriation	\$36.2	\$43.2	\$0.0	\$0.0	\$36.2	\$43.2	-16.2%
State formula aid	\$106.9	\$103.0	\$0.0	\$0.0	\$106.9	\$103.0	3.8%
Other	\$0.1	\$0.2	\$0.0	\$0.0	\$0.1	\$0.2	-32.4%
TOTAL REVENUE	\$179.9	\$194.4	\$6.5	\$6.3	\$186.4	\$200.7	-7.1%
Expenses:							
Instruction & Special Ed	\$149.8	\$151.7	\$0.0	\$0.0	\$149.8	\$151.7	-1.3%
Administration	\$6.2	\$6.2	\$0.0	\$0.0	\$6.2	\$6.2	0.4%
Support Services	\$28.9	\$30.2	\$6.7	\$6.9	\$35.6	\$37.1	-4.1%
TOTAL EXPENSES	\$184.8	\$188.1	\$6.7	\$6.9	\$191.6	\$195.0	-1.8%
Transfers:	-\$0.8	-\$0.8	\$0.8	\$0.8	\$0.0	\$0.0	0.0%
Incr. (decr.) in net assets	-\$5.7	\$5.5	\$0.5	\$0.1	-\$5.2	\$5.6	-191.8%
Net assets, end of year	\$225.7	\$231.4	\$ 1.7	\$ 1.2	\$227.5	\$232.6	-2.2%

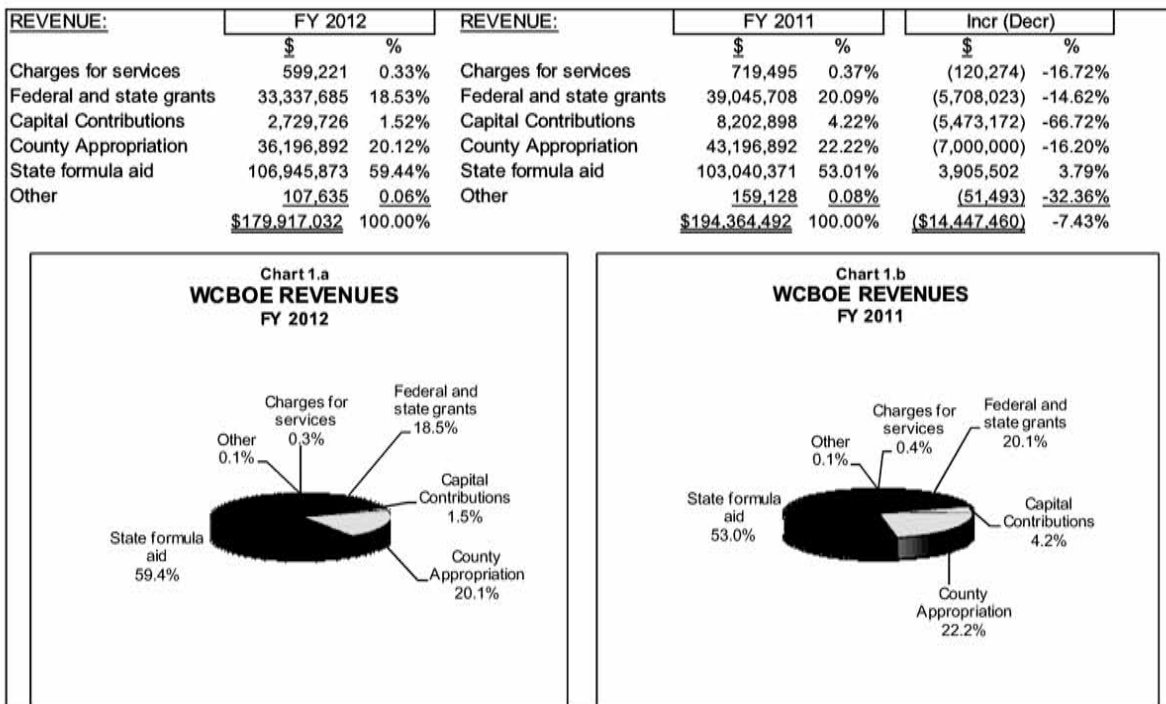
THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

Governmental Activities

- The decrease in net assets for governmental activities was \$5.7 million in FY 2012.
- Revenues decreased by \$14.5 million in FY 2012. This was attributable to the following significant reductions in revenue: \$7 million decrease in the county's appropriation for education; \$5.7 million reduction in federal aid due to American Recovery and Reinvestment Act (ARRA) being one-time aid used in FY 2011 and not available in FY 2012; \$5.5 million reduction in capital contributions from the state and the county as a result of the completion of the James M. Bennett project. These reductions were offset by an increase of \$3.8 million in state formula aid. Despite the significant reduction in county aid for education, our County Executive did not file for a waiver of the state Maintenance of Effort (MOE) requirement for FY 2012. Since the foundation formula portion of state aid was less than the prior year, there was no state revenue in jeopardy of being lost in FY 2012.

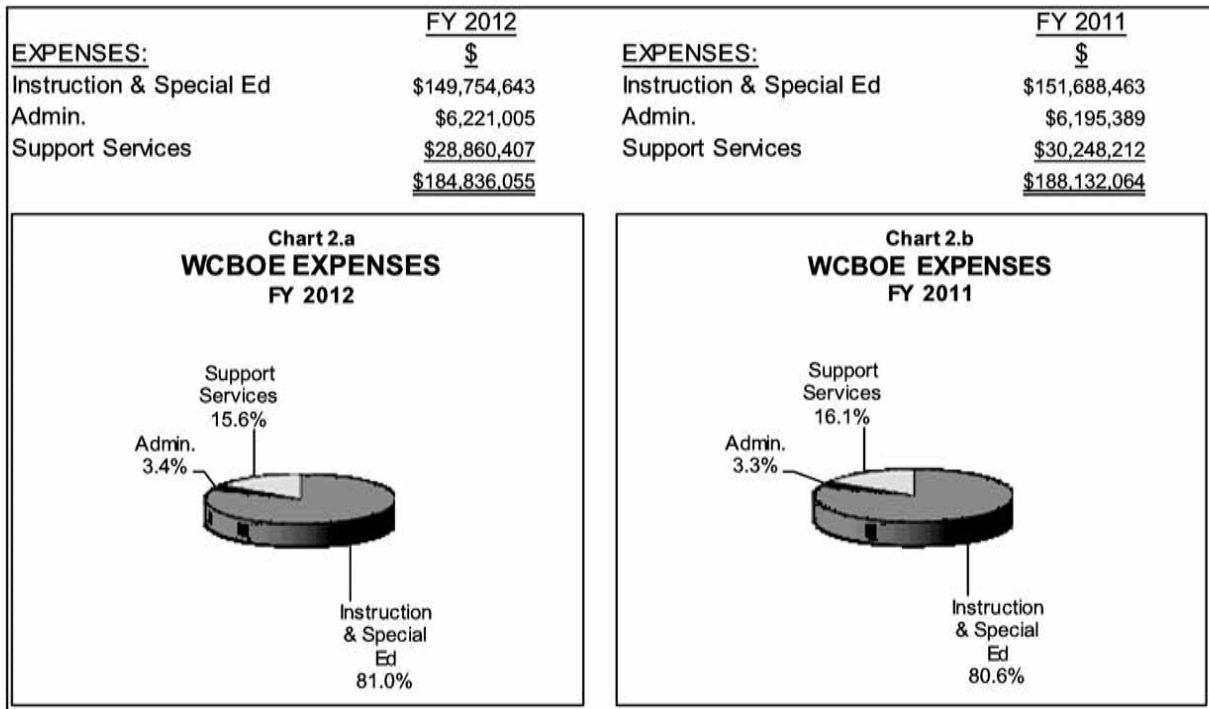
See Chart 1.a and 1.b below for a breakdown of the District's revenues as a percentage of total revenue for FY 2012 and 2011. As you can clearly see, Capital Contributions decreased significantly as a percent of total revenue over last year (66.72%). This is attributable to state and county aid no longer being needed for the major construction of the James M. Bennett School renovation project. Although the Board opened the James M. Bennett School to students in August 2010, the final phase of the total project cannot be completed until the Bennett Middle School Complex is relocated to its new location in Fruitland, MD. As it currently stands, the Bennett School project is to break ground 1st quarter 2013.



THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

Charts 2.a and 2.b disclose the breakdown of expenses for FY 2012 and 2011 for Governmental Activities. The Charts and expense disclosures reflect the decrease in Instruction and Special Education, as well as Support Services brought about by the \$7.0 million cut in the county appropriation for education. Administration remained relatively flat in large part due to year-end necessary technology upgrades to our software (firewalls) and infrastructure (servers and switches) to protect the wide variety of student, employee and financial data from cyber-attacks. The risk of cyber-attacks must be mitigated in order to maintain the security and confidentiality of this very important information which is crucial to the operation of the system.



Business-type Activities {Refer to Table 1 and 2 for details}

The District's only business-type activity, the food service operation, had an increase in net assets of \$508,287 in FY 2012. Commencing in FY 2008, the Board's General Operating Budget provided support to the food service operation in the form of an interfund transfer of \$750,000. This transfer remained a part of the FY 2012 budget and represents the Board's commitment to cover the employer's share of Health Care costs for eligible Food Service employees which for FY 2012 equaled approximately \$604,500 and other food service operational costs.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$16.4 million, a decrease of \$3.9 million over last year's ending fund balance. This decrease was as a result of utilizing assigned fund balances through a financial plan developed in FY 2010 to sustain operations in FY 2012. Assigning \$4.0 million of the FY 2010 unassigned fund balance to the FY 2012 general fund operating budget enabled the Board to sustain operations despite the loss of other resources. Revenues for the District's governmental funds were \$179.9 million, a decrease of \$14.4 million over the prior year. This decrease was a result of reduction in our county appropriation of \$7.0 million and a loss of \$5.5 million in federal grants as a result of the ARRA funds no longer being available. Total expenditures were \$186.2 million for the year, a decrease of \$10.9 million. The largest decrease coming in the form of reduced capital projects. The James M. Bennett School renovation project (1st phase) was completed and only small systemic projects were started in FY 2012. Our county government did not sell any bonds for school construction during FY 2012.

General Fund

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

Table 3

<u>GENERAL FUND REVENUES</u>				
	FY 2012	FY 2011	\$ Incr (Decr)	% Incr. (Decr.)
REVENUES				
Wicomico County Appropriations	\$ 36,196,892	\$ 43,196,892	\$ (7,000,000)	-16.2%
Other Local Revenue	591,549	733,172	(141,623)	-19.3%
State of Maryland	113,415,955	109,676,487	3,739,468	3.4%
State of Maryland Share of Retirement	13,945,688	13,893,333	52,355	0.4%
Other	371,624	478,180	(106,556)	-22.3%
TOTAL REVENUES	\$ 164,521,708	\$ 167,978,064	\$ (3,456,356)	-2.1%
<u>GENERAL FUND EXPENDITURES</u>				
	FY 2012	FY 2011	\$ Incr (Decr)	% Incr. (Decr.)
EXPENDITURES				
Administration	\$ 4,026,276	\$ 3,892,693	\$ 133,583	3.4%
School Management and Support	11,192,602	11,524,648	(332,046)	-2.9%
Instructional Salaries	62,102,169	63,080,090	(977,921)	-1.6%
Textbooks and Instructional Supplies	2,339,166	2,801,821	(462,655)	-16.5%
Other Instruction Costs	1,097,022	1,054,434	42,588	4.0%
Special Education	14,202,738	13,301,029	901,709	6.8%
Student Personnel Services	2,023,139	2,154,935	(131,796)	-6.1%
Health Services	1,366,303	1,464,812	(98,509)	-6.7%
Student Transportation	7,774,899	7,874,923	(100,024)	-1.3%
Operation of Plant and Equipment	9,667,974	10,642,708	(974,734)	-9.2%
Maintenance of Plant	2,610,900	2,555,192	55,708	2.2%
Fixed Charges	30,281,746	29,908,574	373,172	1.2%
Community Services	174,237	159,171	15,066	9.5%
Capital Outlay	5,621,444	4,086,941	1,534,503	37.5%
Debt Service - Lease Principal Pymts	1,340,070	1,542,110	(202,040)	-13.1%
Debt Service - Lease Interest Pymts	39,654	84,209	(44,555)	-52.9%
State of Maryland Share of Retirement	13,945,688	13,893,333	52,355	0.4%
TOTAL EXPENDITURES	169,806,027	170,021,623	(215,596)	-0.1%
OTHER FINANCING SOURCES (USES)				
Increase in Rate Stabilization Reserve	1,240,084	1,917,095	(677,011)	-35.3%
Capital Lease Proceeds	1,904,867	300,779	1,604,088	533.3%
Interfund Transfers - Print Shop	(413,677)	(360,673)	(53,004)	14.7%
Interfund Transfers - School Constr Fund	(1,858,952)	(777,631)	(1,081,321)	139.1%
Interfund Transfers - Other	(750,000)	(750,000)	-	0.0%
	122,322	329,570	(207,248)	-62.9%
EXCESS (DEFICIENCY) OF REVENUES AND OTHER AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES				
	\$ (5,161,997)	\$ (1,713,989)	\$ (3,448,008)	201.2%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

Revenues decreased by \$3.5 million as a result of the county cutting its appropriation for education by \$7.0 million. State aid for education increased by \$3.7 million in large part to our county's increase in the number of students eligible for free and reduced meals (FARM). Our FARM population increased by 578 students, or 8.7 %, as of October 1, 2010, the date upon which state aid is calculated for compensatory education.

Special Revenue Fund (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 and disadvantaged students. Table 4 below reflects a significant decrease in grant funds over the prior year. Federal funding accounted for the largest reduction due to the loss of ARRA supplemental funding of Title I, Special Education and one-time Capital Projects.

Table 4				
<u>RESTRICTED GRANT REVENUE</u>				
	Fiscal Year FY 2012	Fiscal Year FY 2011	Increase (Decrease)	% Incr. (Decr.)
REVENUES				
Federal Through State	\$ 11,664,252	\$ 17,211,605	\$(5,547,353)	-32.23%
State of Maryland	756,621	833,954	(77,333)	-9.27%
Other	317,870	333,017	(15,147)	-4.55%
TOTAL REVENUES	\$ 12,738,743	\$ 18,378,576	\$(5,639,833)	-30.69%

Capital Projects Fund

The Board has no legal authority to borrow funds. All funds for school construction come from either the transfer of bond proceeds from our County selling Capital Bonds or from State Aid through the Maryland Public School Construction Program (PSCP). During FY 2012, the Board recorded PSCP aid of \$1.2 million. These funds were used predominantly to pay out retainage on phase 1 of the James M. Bennett High School renovation project. The Capital Projects (School Construction) Fund expenditures exceeded revenue by only \$587,393. The sixth year of the School Construction Savings Fund (a cooperative effort with our County Government) has resulted in a transfer of \$1.9 million from the General Fund to the Capital Projects Fund. These funds have enabled the Board to leverage state dollars that would have otherwise been forfeited since our county government chose not to sell school construction bonds for FY 2012.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

Fiduciary Fund

The following funds are accounted for as Fiduciary Funds:

(1) Pension Trust Funds:

- Retirement Plan for Employees of the Board of Education of Wicomico County covers all Board employees not eligible for the State Teachers Retirement or Pension Systems. Total assets as of June 30, 2012 were approximately \$17.7 million (see footnotes 9 and 10 for more detail information).
- 401(a) Matching Plan is a self-directed defined contribution plan. All employees, 18 years and older, are eligible and Board contributions are based upon employees' contributions to the Board's 403(b) Tax Sheltered Annuity Program. Total assets as of June 30, 2012 were \$3.1 million (see footnote 9 and 10 for more detail information).
- Retiree Health Insurance Plan Trust (OPEB Trust) was established by the Board in June 2006 in order to fund the health care costs of retirees. Total assets as of June 30, 2012 were approximately \$9.7 million (see footnote 7 for more detail information).

(2) Private Purpose Trust Funds: Funds received for specific purposes such as student scholarships and awards total \$165,127 as of June 30, 2012.

(3) Agency Funds: During FY 2012 the Board's 24 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 for specific details.

Table 5				
SCHOOL ACTIVITIES FUND				
	Fiscal Year FY 2012	Fiscal Year FY 2011	Increase (Decrease)	% Incr. (Decr.)
Additions	\$ 2,432,228	\$ 2,361,455	\$ 70,773	3.00%
Deductions	2,490,006	2,319,735	170,271	7.34%
Beginning Fund Balance	489,443	447,723	41,720	9.32%
Ending Fund Balance	<u>\$ 431,665</u>	<u>\$ 489,443</u>	<u>\$ (57,778)</u>	<u>-11.80%</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis Year Ended June 30, 2012

General Fund Budgetary Highlights

The FY 2012 budget was reduced \$1.6 million, which marked the second straight year of budget reductions (\$8.4 million reduction in FY 2011). The reduction would have been significantly larger had not a plan been established in FY 2010 to address what management expected, and in fact did occur, which was a significant reduction in available FY 2012 resources to operate the school system. Without the financial planning in FY 2010, the funds would not have been available in FY 2012 to sustain operations, and in fact, we still ended up having to cut the budget by \$1.6 million. Over the course of the year, the Board revised the annual operating budget only once. This was done in conjunction with our County Sheriff's office to reinstate a School Resource Officer (SRO), which had been eliminated as part of our FY 2012 budget process. A transfer of \$28,000 came from the category School Management & Support and was posted to the category Student Personnel Services in order to fund the Board's share of the cost of the additional SRO. The County Council unanimously approved this transfer request. There were no other categorical requests, only object level requests which do not require County Council approval, only Board of Education approval. Major object level transfers included:

- \$71,000 – to fund educational services billed by the Department of Juvenile Services and Department of Human Resources as a result of a law signed in June 2011 requiring school systems to reimburse these state agencies for the educational costs of students served by the agencies
- \$35,000 – to fund long term nursing services as result of increase student needs and cost of services
- \$30,000 – to fund legal fees as a result of increased legal costs associated with various issues
- \$630,000 – year-end transfers for technology to address software (firewalls and transportation software) and infrastructure (servers, switches and desktop units) to protect the wide variety of student, employee and financial data in order to maintain the security and confidentiality of the data

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of FY 2012, the District had invested approximately \$299.3 million 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 Note 5 to the financial statements.) Total depreciation expense for the year was \$8.8 million.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

Construction - Next Five Years

Annually, the Board of Education prepares and submits to the State Inter-Agency Committee for School Construction and to the Wicomico County Executive a 5-Year Capital Improvement Program (CIP). The Board's FY 2013 CIP requested \$15.4 million from the county and \$11.5 million from the state for FY 2013 capital needs. The FY 2013 request included \$11 million from the county and \$10 million from the state for the new Bennett Middle school project. At this point, the state has approved our request of \$10 million for the project and it is expected that our county will sell the bonds necessary to fund our request for the Bennett Middle School project.

The state also approved \$808,000 for 2 small scale systemic renovation projects. The Board is matching these state funds with \$2.6 million from the Board's School Construction Saving Fund. By continuing to utilize the Board's School Construction Savings Fund, we are hoping the state will continue to contribute funds for much needed systemic renovation projects.

The FY 2013 CIP also includes requests totaling \$237.6 million from state and county sources for the next five years, FY 2014 – FY 2018, \$150.8 million from the state and \$86.8 million from the county to complete or commence renovation of the following major projects in the order listed below:

- Bennett Middle School (relocation and then construction of new facility on new site)
- Mardela Middle/High addition
- Parkside High School Mechanical Plant renovations
- West Salisbury Elementary renovation
- Wicomico Middle renovations
- Glen Ave. Elementary renovation

Long-term Liabilities

At year-end, the District had \$3.6 million for amounts due or payable after one year. This amount consisted of the following:

- \$2,581,043 of accrued compensated absences which is an obligation resulting primarily from accrued annual leave which is due and payable to employees upon termination.
- \$1,017,815 payable on capital leases (see footnote 12 for more details).

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

FACTORS BEARING ON THE DISTRICT'S FUTURE

- (1) The Board, for the third year in a row, is issuing a Comprehensive Annual Financial Report (CAFR). This report includes other statistical information not required in the basic financial statements the Board has issued in the past. As a result of two prior year submissions of the CAFR, the Board has received awards of recognition for excellence in financial reporting both in FY 2010 and FY 2011. The "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA) and the "Certificate of Excellence in Financial Reporting" from the Association of School Business Officials International have been received by the Board of Education of Wicomico County. The issuance of a CAFR has helped to create transparency in financial reporting for the Board and is posted annually to the Board's website.
- (2) Current and future projections for revenue from the state and county governments remain flat, despite a FY 2013 budget which reflects an increase of \$6.6 million over FY 2012. This increase is in large part a result of using \$3.1 million in ARRA Education Job Act funds the Board held from FY 2011 and which expires on 9/30/2012. These funds have provided the Board with necessary funding to avoid a third year of major budget reductions. It was part of the financial plan developed back in FY 2010 to address the FY 2012 and FY 2013 budgets. Years that we projected were going to require either major cuts or other sources of revenues. The strategic financial plan was successful in getting us through FY 2012 and in assisting us in creating a viable FY 2013 budget.
- (3) Legislation passed during the 2012 regular and special legislative sessions that will have major impacts on education now and in the foreseeable future. One of the most significant pieces of legislation involved the state's maintenance of effort law, SB 848 (with amendments, by SB 1301). The law essentially authorizes a county governing body to set a tax rate that is at least the maximum amount allowable under the county's charter in order to fund MOE requirements for both FY 2013 and FY 2014. If the county fails to raise the property tax to at least the maximum amount allowable under the charter, then the required MOE level for both FY 2013 and FY 2014 shall be based on the required MOE amount for FY 2012 (for Wicomico the MOE level is \$50.1 million or an increase of almost \$14 million over FY 2012). For FY 2013, our county did raise the property tax seven cents to the maximum amount permitted by the charter. By doing this they had sufficient revenues to fund our MOE level. In fact, the county funded approximately \$500,000 more than MOE for FY 2013. In future years, should a county not fund MOE, the new law imposes a penalty on the county. In the past, such a penalty was imposed on Boards of Education, therefore, this new legislation is a major shift in the focus of how funding for education is impacted. The penalty to be imposed represents the amount the county short funds the MOE level. The legislature authorized the Maryland Comptroller to withhold any shortfall in the MOE level from future income tax revenues collected for the county and redirect those funds to the Board of Education. Public schools in Maryland see this as a

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

tremendous win, in terms of knowing they can at least expect funding levels equal to MOE from their local governments. For FY 2013, our MOE level is an increase of \$206,108. As already mentioned, our county appropriated approximately \$500,000 in excess of MOE. This is significant in light of previous major reductions in county aid for education of \$7.6 million and \$7.0 million for each of the past two fiscal years.

- (4) During FY 2012, the Board instituted another voluntary retirement incentive option (VRIO). The VRIO was established for the primary purpose of offering to employees an incentive to notify us early of their intention to retire. The plan provided a budget savings for FY 2013 of approximately \$624,500 and assisted the Board in balancing the FY 2013 Operating Budget. The Superintendent is discussing with the Board another VRIO type retirement incentive for FY 2014 with the goal of providing a budget savings tool to meet another lean budget year.
- (5) Effective June 5, 2007, the Wicomico County Council enacted Resolution No. 88-2007. This resolution approved the establishment of the Board's School Construction Savings Plan. The plan established a base level unassigned fund balance of \$300,000. Any amount exceeding this base level, after completion of the Board's annual audit would be transferred to the Board's School Construction Savings Fund (SCSF) as a means to accumulate funds to complete systemic renovation and major maintenance projects not funded through the County's Capital Improvement Plan (CIP). During FY 2012 the Board transferred \$1.9 million into the SCSF. This transfer represents the sixth such transfer since the inception of the savings plan. Over the years this fund has been used to help our County Government meet MOE (\$2.0 million in FY 2010); help fund the Board's General Fund budget (FY 2012 \$1.0 million); and, leverage state aid to complete various systemic renovation projects (\$3.0 million has leveraged \$2.4 million of state aid). Unfortunately, the County Council on June 7, 2011 passed resolution 71-2011, terminating the School Construction Savings Plan effective on June 30, 2013. The Board is, however, pursuing reinstatement of the plan.
- (6) One year ago, the MD&A highlighted the issue of the state pushing back pension costs to local governments and how it was such a huge unknown. That unknown has been resolved with the passage of SB 1301 in a special legislative session this past summer. The bill requires Boards of Education to remit to the state set amounts for FY 2013 through FY 2016 toward teacher pension costs (FY13 - \$2.2 million, FY14 - \$2.8 million, FY15 - \$2.7 million, FY18 - \$3.2 million). The bill also requires local county governments to appropriate to local Boards of Education, in addition to MOE, these set amounts for FY 2013 through FY 2016. In turn, county governments will receive additional revenues to help toward paying these set amounts as a result of revenue enhancements enacted in the legislation. Commencing in FY 2017, Boards of Education will be required to pay the "normal cost" of retirement for all qualifying employees based upon current salaries. Local county governments will be required to include in the minimum per pupil MOE calculation

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2012

for that year, the amount of the FY 2016 established pension cost amount, which for Wicomico is \$3.2 million.

- (7) To assist us in planning for the future, we adopted the Association of School Business Officials International (ASBO Int'l) criteria for budget development. FY 2012 marked the first year of adopting the criteria. We also submitted our FY 2012 budget to ASBO Int'l and have recently been awarded the Meritorious Budget Award (MBA) for FY 2012. We are proud of this accomplishment and believe that in conjunction with the CAFR, these documents and the processes used to develop them, will make budgeting and financial reporting for the Board of Education of Wicomico County comply more closely with principles and standards established by respected governing bodies, ASBO Int'l and GFOA. Also, the processes established to create these documents have assisted us in planning for the future by forcing us to look more closely at data from the past and reviewing trends in revenue and expenditures, which in turn will assist with our projections for the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance office, Wicomico County Board of Education, 101 Long Ave., Salisbury, MD 21802-1538

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THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 647,306	\$ 1,330	\$ 648,636
Investments - cash equivalents	31,232,202	-	31,232,202
Accounts receivable:			
School districts and other	551,787	1,224	553,011
Accrued interest on investments	4,472	-	4,472
Due from other governmental agencies	3,761,326	195,456	3,956,782
Internal balances	(1,233,119)	1,233,119	-
Inventories	-	1,464	1,464
Prepaid expenses	2,528,597	-	2,528,597
Capital assets:			
Construction in progress	3,755,596	-	3,755,596
Land	4,079,740	-	4,079,740
Buildings and improvements	258,819,058	-	258,819,058
Furniture, fixtures, and equipment	30,590,122	2,018,308	32,608,430
Less: accumulated depreciation	(85,935,933)	(1,606,863)	(87,542,796)
Total capital assets, net of accumulated depreciation	<u>211,308,583</u>	<u>411,445</u>	<u>211,720,028</u>
TOTAL ASSETS	<u>248,801,154</u>	<u>1,844,038</u>	<u>250,645,192</u>
LIABILITIES			
Accounts payable:			
Retainage	544,249	-	544,249
Vendors	2,923,997	33,853	2,957,850
Payroll deductions and withholdings	10,167,482	-	10,167,482
Payable to external parties	556,401	-	556,401
Due to other governmental agencies	227,758	1,464	229,222
Accrued salaries	1,284,415	23,711	1,308,126
Unearned revenue	2,543,827	26,378	2,570,205
Short term portion of long term liabilities:			
Accrued compensated absences	272,994	-	272,994
Capital lease payable	932,707	35,723	968,430
Long term liabilities:			
Accrued compensated absences	2,581,043	-	2,581,043
Capital lease payable	1,017,815	-	1,017,815
TOTAL LIABILITIES	<u>23,052,688</u>	<u>121,129</u>	<u>23,173,817</u>
NET ASSETS			
Invested in capital assets, net of related debt	209,358,061	375,722	209,733,783
Restricted for:			
Rate stabilization reserve	5,288,561	-	5,288,561
Capital projects	6,359,455	-	6,359,455
Unrestricted	4,742,389	1,347,187	6,089,576
TOTAL NET ASSETS	<u>\$ 225,748,466</u>	<u>\$ 1,722,909</u>	<u>\$ 227,471,375</u>

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Current:				
Administration	\$ 6,221,005	\$ 20,945	\$ 1,113,104	\$ -
Instructional services	125,417,605	518,654	17,948,143	2,729,726
Special education	24,337,038	-	12,714,671	-
Student personnel services	2,614,709	-	182,023	-
Health services	1,892,599	-	167,820	-
Student transportation	8,291,355	-	363,994	-
Operation of plant and equipment	12,659,036	15,218	676,380	-
Maintenance of plant	3,173,492	-	166,840	-
Community services	189,562	44,404	4,710	-
Interest expense	39,654	-	-	-
Total Governmental Activities	184,836,055	599,221	33,337,685	2,729,726
Business-Type Activities				
Food Services	6,749,074	1,561,106	4,946,255	-
Total Business-Type Activities	6,749,074	1,561,106	4,946,255	-
Totals	\$ 191,585,129	\$ 2,160,327	\$ 38,283,940	\$ 2,729,726

General Revenues

Wicomico County appropriations

State of Maryland

Other revenue

Investment Earnings

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

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

Net (Expenses) Revenue
and changes in Net Assets

Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
\$ (5,086,956)	\$ -	\$ (5,086,956)
(104,221,082)	-	(104,221,082)
(11,622,367)	-	(11,622,367)
(2,432,686)	-	(2,432,686)
(1,724,779)	-	(1,724,779)
(7,927,361)	-	(7,927,361)
(11,967,438)	-	(11,967,438)
(3,006,652)	-	(3,006,652)
(140,448)	-	(140,448)
(39,654)	-	(39,654)
(148,169,423)	-	(148,169,423)
-	(241,713)	(241,713)
-	(241,713)	(241,713)
(148,169,423)	(241,713)	(148,411,136)
36,196,892	-	36,196,892
106,945,873	-	106,945,873
100,364	-	100,364
7,271	-	7,271
143,250,400	-	143,250,400
(750,000)	750,000	-
(5,669,023)	508,287	(5,160,736)
231,417,489	1,214,622	232,632,111
<u>\$ 225,748,466</u>	<u>\$ 1,722,909</u>	<u>\$ 227,471,375</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	GENERAL FUND	RESTRICTED GRANTS	CAPITAL PROJECTS	Total Governmental Funds
ASSETS				
Cash	\$ 647,306	\$ -	\$ -	\$ 647,306
Investments - cash equivalents	31,232,202	-	-	31,232,202
Accounts receivable:				
School districts and other	503,720	48,067	-	551,787
Accrued interest on investments	4,472	-	-	4,472
Due from other governmental agencies	620,504	1,552,245	1,588,577	3,761,326
Due from other funds	-	1,326,942	6,382,162	7,709,104
TOTAL ASSETS	\$ 33,008,204	\$ 2,927,254	\$ 7,970,739	\$ 43,906,197
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Retainage	\$ -	\$ -	\$ 544,249	\$ 544,249
Vendors	1,589,525	267,437	1,067,035	2,923,997
Payroll deductions and withholdings	10,167,482	-	-	10,167,482
Due to other funds	9,498,624	-	-	9,498,624
Accrued salaries and other	1,125,611	158,804	-	1,284,415
Accrued compensated absences	272,994	-	-	272,994
Deferred revenue	340,720	2,203,107	-	2,543,827
Due to other governmental agencies	-	227,758	-	227,758
TOTAL LIABILITIES	22,994,956	2,857,106	1,611,284	27,463,346
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Restricted for fund purposes	-	70,148	6,359,455	6,429,603
Committed:				
Healthcare rate stabilization reserve	3,646,226	-	-	3,646,226
Assigned to:				
Healthcare rate stabilization reserve	1,642,335	-	-	1,642,335
Subsequent year expenditures	300,000	-	-	300,000
Other purposes (encumbrances)	4,124,687	-	-	4,124,687
Unassigned	300,000	-	-	300,000
Total fund balances	10,013,248	70,148	6,359,455	16,442,851
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,008,204	\$ 2,927,254	\$ 7,970,739	\$ 43,906,197

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

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

June 30, 2012

Total Governmental Funds Balances		\$ 16,442,851
Amounts reported for governmental activities in the statement of net assets are different because:		
Pre-payment of post-retirement employment benefits		2,528,597
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements		211,308,583
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Accrued compensated absences	2,581,043	
Capital lease payable	<u>1,950,522</u>	
		<u>(4,531,565)</u>
Net Assets of Governmental Activities		<u>\$ 225,748,466</u>

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	GENERAL FUND	RESTRICTED GRANTS	CAPITAL PROJECTS	Total Governmental Funds
REVENUES				
Wicomico County appropriations	\$ 36,196,892	\$ -	\$ -	\$ 36,196,892
Other local revenue	591,549	265,813	-	857,362
State of Maryland	113,415,955	756,621	1,186,471	115,359,047
State of Maryland retirement and pension contribution	13,945,688	-	-	13,945,688
Federal through state	-	11,664,252	-	11,664,252
Other sources	371,624	52,057	1,470,108	1,893,789
TOTAL REVENUES	164,521,708	12,738,743	2,656,579	179,917,030
EXPENDITURES				
Current:				
Administration	4,026,276	764,917	-	4,791,193
School management and support	11,192,602	121,128	-	11,313,730
Instructional salaries and wages	62,102,169	4,196,329	-	66,298,498
Textbooks and instructional supplies	2,339,166	523,556	-	2,862,722
Other instructional costs	1,097,022	1,241,968	-	2,338,990
Special education	14,202,738	3,054,765	-	17,257,503
Student personnel services	2,023,139	-	-	2,023,139
Health services	1,366,303	7,109	-	1,373,412
Student transportation	7,774,899	311,203	-	8,086,102
Operation of plant and equipment	9,667,974	6,243	-	9,674,217
Maintenance of plant	2,610,900	-	-	2,610,900
Fixed charges	30,281,746	2,835,952	-	33,117,698
Community services	174,237	247	-	174,484
Capital outlay	5,621,444	61,231	3,243,972	8,926,647
Debt service				
Capital lease principal	1,340,070	-	-	1,340,070
Capital lease interest	39,654	-	-	39,654
State of Maryland share of retirement and pension contribution	13,945,688	-	-	13,945,688
TOTAL EXPENDITURES	169,806,027	13,124,648	3,243,972	186,174,647
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	(5,284,319)	(385,905)	(587,393)	(6,257,617)
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance settlement	1,240,084	-	-	1,240,084
Capital lease proceeds	1,904,867	-	-	1,904,867
Interfund transfers - restricted grants	(413,677)	413,677	-	-
Interfund transfers - capital projects	(1,858,952)	-	1,858,952	-
Interfund transfers - food services	(750,000)	-	-	(750,000)
TOTAL OTHER FINANCING SOURCES	122,322	413,677	1,858,952	2,394,951
Net change in fund balances	(5,161,997)	27,772	1,271,559	(3,862,666)
Fund balances, beginning	15,175,245	42,376	5,087,896	20,305,517
Fund balances, ending	\$ 10,013,248	\$ 70,148	\$ 6,359,455	\$ 16,442,851

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

Net change in fund balances-total Governmental Funds \$ (3,862,666)

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 as depreciation
expense. This is the amount by which depreciation
exceeded capital outlays in the current period.

Fixed asset additions	7,291,832	
Current year depreciation	<u>(8,769,382)</u>	
Total		(1,477,550)

Loss on disposal of assets (191,452)

Some expenses 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.

Decrease in long-term accrued compensated absences	202,483
Increase in pre-funded post-retirement benefits	224,959

Capital lease proceeds provide current financial resources to
governmental funds but increase long-term liabilities in the statement
of net assets. Repayment of capital lease obligations is an expenditure
in the governmental funds, but the repayment reduces long-
term liabilities in the statement of net assets. In the current year, the
net effect of capital lease borrowings and repayments was:

(564,797)

Change in net assets of Governmental Activities \$ (5,669,023)

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2012

	<u>Business-Type Activities</u>
	<u>Food Services</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,330
Due from other funds	1,233,119
Due from other governments	195,456
Accounts receivable - other	1,224
Inventories	<u>1,464</u>
Total current assets	<u>1,432,593</u>
Capital assets, net	<u>411,445</u>
TOTAL ASSETS	<u><u>1,844,038</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	57,564
Due to other governmental agencies	1,464
Unearned revenue	26,378
Short term portion of capital lease payable	<u>35,723</u>
Total current liabilities	121,129
TOTAL LIABILITIES	<u>121,129</u>
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Invested in capital assets, net of related debt	375,722
Unrestricted	<u>1,347,187</u>
TOTAL NET ASSETS	<u><u>\$ 1,722,909</u></u>

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-Type Activities
	<u>Food Services</u>
OPERATING REVENUES	
Food service sales	\$ <u>1,561,106</u>
OPERATING EXPENSES	
Salaries and wages	2,141,600
Contracted services	64,686
Supplies and materials	3,520,979
Other charges	948,825
Depreciation	72,984
TOTAL OPERATING EXPENSES	<u>6,749,074</u>
OPERATING LOSS	(5,187,968)
NON-OPERATING REVENUES (EXPENSES)	
State of Maryland:	
Reimbursement of food costs	195,261
Federal through State:	
Reimbursement of food costs	4,458,072
Donation of food commodities	292,922
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>4,946,255</u>
Change in net assets before contributions and transfers	(241,713)
TRANSFERS IN	<u>750,000</u>
Change in net assets	508,287
Net assets beginning of year	<u>1,214,622</u>
Net assets end of year	<u>\$ 1,722,909</u>

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2012

CASH FLOWS FROM OPERATIONS:	
Cash received from user charges	\$ 1,091,117
Cash payments to employees for services, fringe benefits	(2,407,709)
Cash payments for health and other insurances	(662,041)
Cash payments to suppliers for goods and services	(3,268,544)
Cash payments for facility use and maintenance	(64,686)
<u>Net cash used in operating activities</u>	<u>(5,311,863)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Nonoperating grants received	4,653,333
Interfund transfers	750,000
<u>Net cash provided by noncapital financing activities</u>	<u>5,403,333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on capital lease	(34,537)
Purchase of equipment	(56,933)
<u>Net cash used in capital and related financing activities</u>	<u>(91,470)</u>
Net change in cash	-
<u>Cash and investments, beginning of year</u>	<u>1,330</u>
<u>Cash and investments, end of year</u>	<u>\$ 1,330</u>

Reconciliation of Operating Loss to Net Cash Used In Operating Activities:

Operating Loss	\$ (5,187,968)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	72,984
Commodities used	292,922
(Increase) decrease in assets:	
Inventories	(700)
Receivables	(469,989)
(Decrease) increase in liabilities:	
Accounts payable and accrued liabilities	(26,256)
Deferred revenue and due to other governments	7,144
<u>Total adjustments</u>	<u>(123,895)</u>
<u>Net cash used in operating activities</u>	<u>\$ (5,311,863)</u>

Noncash items:

Donation of food commodities	\$ 292,922
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The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Pension and Retiree Health Plan <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	<u>AGENCY FUND</u> School Activities <u>Fund</u>
ASSETS			
Cash	\$ 1,310,566	\$ -	\$ 38,953
Accounts receivable	-	-	1,500
Due from other funds	-	162,831	393,570
Trust investments			
Government bonds	3,962,976	-	-
Commercial paper	143,090	-	-
Mortgage loans	499,529	-	-
Corporate bonds	8,204,182	-	-
Common stock	16,298,223	3,306	-
	<hr/>	<hr/>	<hr/>
Total assets	30,418,567	166,137	434,023
LIABILITIES			
Accounts payable	-	1,010	2,358
Due to school activity groups	-	-	431,665
	<hr/>	<hr/>	<hr/>
Total liabilities	-	1,010	434,023
NET ASSETS			
Held in Trust for:			
Retirement and other benefits	30,418,567	-	-
Scholarships, etc.	-	165,127	-
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 30,418,567	\$ 165,127	\$ -

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

	Pension and Retiree Health Plan <u>Trust Funds</u>		Private Purpose Trust Fund - Scholarship <u>Memorials</u>
ADDITIONS			
Contributions:			
Donations	\$ -	\$	42,476
Employer contributions	2,196,844		-
Plan member contributions	340,465		-
Total contributions	2,537,309		42,476
Investment earnings:			
Interest and dividends	842,541		126
Increase in fair value of investments	-		498
Total investment earnings	842,541		624
Total additions	3,379,850		43,100
DEDUCTIONS			
Scholarships, etc.	-		36,923
Pension benefit payments	1,146,574		-
Administrative expenses	155,153		-
Decrease in fair value of investments	666,079		-
Total deductions	1,967,806		36,923
Change in net assets	1,412,044		6,177
Net assets beginning of year	29,006,523		158,950
Net assets end of year	\$ 30,418,567	\$	165,127

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Board of Education of Wicomico County (the "Board") is empowered by Title 13A of the Code of Maryland Regulations to fulfill the elementary and secondary educational needs of students in Wicomico County, Maryland (the "County").

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow subsequent private-sector guidance. The most significant of the Board's accounting policies are described below.

B. Basis of Presentation

The Board is the basic level of government which has financial accountability and control over all activities related to public school education in Wicomico County, Maryland. The Board receives funding from local, State and Federal government sources and must comply with the requirements of these funding source entities.

The Board is a component unit of Wicomico County, Maryland and is included in the County's reporting entity. This conclusion has been reached based on the following criteria: 1) the County is responsible for approving the Board's budget and establishing spending limitations and 2) the Board cannot issue bonded debt, but the County can and does issue bonds to finance school system operations. In addition, there are no component units which are included in the Board's reporting entity.

The Board's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the Board. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. Activities between funds that are representative of lending borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds and are eliminated from the statements.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Board at year-end, excluding fiduciary funds. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board's governmental activities and for business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Board.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

C. Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's major governmental funds:

General Fund - The General Fund is the general operating fund of the Board. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Restricted Grants Fund - These funds are used to account for revenue resources that are restricted or committed to specified purposes other than debt service and capital projects, such as federal, state, and local grants. The Print Shop fund is also included as a restricted grant fund.

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Board administers the construction and repair of public schools and uses the School Construction Fund to record the revenues from the County and other governmental units and the expenditures in connection therewith.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise.

Enterprise funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Board's major enterprise funds are:

Food service fund - This fund accounts for the financial transactions related to the food service operations of the Board.

FIDUCIARY FUNDS

Agency Fund - The funds of the School Activity Fund are administered by the individual schools in a fiduciary capacity.

Private Purpose Trust Fund - These funds are held by the Board for scholarships and other student awards.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

Pension Trust Fund – The Board is the trustee for the assets held in a retirement plan for certain employees of the Board of Education and the assets held in the 401(a) matching plan.

OPEB Trust Fund – The Board is the trustee for the assets held in an other post employment benefit plan for certain employees of the Board of Education.

D. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included on the statement of net assets.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, the Board considers revenues to be available if they are collected within sixty days of the end of the current fiscal year.

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: interest, tuition, grants, fees and rentals.

Deferred revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

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 during the year between categories and those approved by the Board within categories.

G. Inventory and Prepaid Items

On government-wide financial statements and the fund financial statements of proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Food received from the USDA is included at values stated by the USDA but is offset by a deferred credit until consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of one thousand dollars. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 15 years
Vehicles	8 years

I. Compensated Absences

ACCRUED LEAVE

Compensated absences are reported as accrued in the government wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. Annual leave for eligible employees is accrued on a monthly basis and range from 10 to 25 days depending on the employee's years of service. Additionally, upon retirement, employees of the Board receive payment for unused sick leave at varying rates for the number of unused days exceeding 150 or 200 days based on the employees position and tenure.

J. 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.

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.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

L. Fund Balance

During fiscal year 2010, the Board implemented the Governmental Accounting Standards Board's Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under this standard, fund balance is reported as nonspendable (i.e. inventory or long term receivables), restricted (by external parties or legislation), committed (by the highest level of authority of the government), assigned (i.e. residual amounts in other funds) 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 balance 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. 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 could be used.

The Board's policy for assigned and unassigned fund balance is driven by legislation at the state and local government level. Enacted by the Wicomico County Council, Resolution No. 88-2007 approved the establishment of the Board's School Construction Savings Plan. The plan establishes a base level unassigned fund balance of \$300,000 for every year. Any amount exceeding this base level, after completion of the Board's annual audit, will be transferred to the Capital Projects fund into what is known as the Board's School Construction Savings Fund (SCSF). The purpose of the SCSF is to accumulate funds to complete systemic renovation and major maintenance projects not funded through the County's Capital Improvement Plan (CIP). Concerning assigned fund balance, current state law dictates that the unassigned fund balance from the previous year must be added to other estimated receipts to create the current expense revenues for the following budget under development. For example, fiscal year 2012 unassigned fund balance becomes assigned fund balance for fiscal year 2014.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this criteria are reported as nonoperating.

N. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Cash and Cash Equivalents

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the General Fund and Food Service Fund is pooled into one account in order to maximize investment opportunities.

Investments are stated at fair value.

P. Interfund Receivables and Payables and Transfers

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Transfers are fund balance amounts reserved and/or designated in the prior year that received County approval to be spent on capital projects.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Q. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as a reservation of fund balance in the governmental fund financial statements. Encumbrances outstanding at June 30, 2012 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled \$4,124,687.

Note 2. Cash and Investments

Deposits and Investments Other Than Pension Funds:

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

The Board's investment policy for its non-pension funds authorizes its comptroller to invest money in any of the following types of investments:

- a. U.S. Treasury Obligations
- b. Local Government Investment Pool
- c. Repurchase Agreements
- d. Collateralized Certificates of Deposit

The policy requires that the investments be on a short-term (less than one year) basis to reduce interest rate risk and establishes maximum portfolio percentages for investments as follows:

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations	100%
Local Government Investment Pool	100%
Repurchase Agreements (Master Repurchase Agreements Required)	30%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	10%

The policy requires collateralization for certificates of deposit and repurchase agreements. Such collateral must be at least 102% of market value of principal and accrued interest. The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local boards of education be fully collateralized. The Board's policy requires collateral to be 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 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 and Investments (continued)

At June 30, 2012, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash and cash equivalents	\$ 647,306	\$ 2,392,933

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

Insured	\$ 2,392,933
Uninsured and collateral held by pledging bank's trust department in the Board's name	-
Uninsured and collateral held by pledging bank's trust department not in the Board's name	-
	\$ 2,392,933

The Board invests in the Maryland Local Government Investment Pool (MLGIP) which was created with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poor's.

The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Investments in MLGIP totaled \$31,232,202 at June 30, 2012 with \$5,288,561 committed/assigned for health insurance rate stabilization.

Pension and Other Trust Fund Investments:

The Investment policy of the Board's Retirement Plan Trust requires that the pension funds be managed as a balanced account with approximately a 60% equity, 40% government and corporate bond mix. Cash or cash equivalents are to be less than 3% on a long-term basis. The policy also has certain restrictions on types and amounts of investments that may be included in the portfolio, e.g. foreign securities, real estate, industry groups, loans, controlling interests.

The Board's pension investments are held by State Street, Aetna Insurance Company and Janus in the Board's name. The Board's Retiree Health Plan Trust investments are held at State Street in the Board's name.

Pension and other trust funds are invested as follows:

	State Street	AETNA	Janus	State Street (GASB 45)
Cash and equivalents	\$ 677,438	\$ 44,659	\$ 117,232	\$ 471,238
Government bonds	1,879,620	133,976	162,179	1,787,201
Commercial paper (less than 1 year)	-	143,090	-	-
Mortgage loans	-	267,952	231,577	-
Corporate bonds	3,821,258	1,786,349	806,244	1,790,332
Common stock	8,898,677	-	1,777,039	5,622,507
Total	\$ 15,276,993	\$ 2,376,026	\$ 3,094,270	\$ 9,671,278

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (continued)

Corporate bonds held at June 30, 2012 are rated by Standard & Poor's as follows:

Rating	Percent of Corporate Bond Portfolio			
	State Street	AETNA	Janus	State Street (GASB 45)
AAA			14.21%	
AA+	7.85%			23.63%
AA	9.96%		17.18%	6.31%
AA-	10.45%			8.64%
A+	18.43%	26.00%		23.00%
A	32.68%		11.91%	25.92%
A-	9.78%	52.00%		7.09%
BBB+	10.85%	22.00%		5.41%
BBB			36.94%	
BB			14.78%	
B			4.98%	

State Street:

Corporate bond issues held at June 30, 2012 are as follows:

Par Value	Description	Coupon Rate	Due
\$70,000	AT&T Inc.	4.85%	02/15/14
\$95,000	Abbott Laboratories	2.70%	05/27/15
\$70,000	Baker Hughes Inc.	7.50%	11/15/18
\$30,000	Bank of America Corp.	4.88%	09/15/12
\$70,000	Becton Dickinson	1.75%	11/08/16
\$75,000	Berkshire Hathaway	4.63%	10/15/13
\$20,000	Berkshire Hathaway	5.00%	08/15/13
\$50,000	Berkshire Hathaway	3.20%	02/11/15
\$135,000	BHP Billiton Ltd.	5.50%	04/01/14
\$85,000	BP Capital Markets	3.13%	10/01/15
\$75,000	Caterpillar Inc.	7.00%	12/15/13
\$45,000	Cisco Systems Inc.	5.50%	02/22/16
\$95,000	Colgate-Palmolive Inc.	3.15%	08/05/15
\$45,000	Conoco Phillips	5.20%	05/15/18
\$85,000	Conoco Phillips	4.75%	02/01/14
\$25,000	Deere & Company	8.50%	01/09/22
\$45,000	E.I. du Pont de Nemours	6.00%	07/15/18
\$11,000	E.I. du Pont de Nemours	5.88%	01/15/14
\$25,000	GTE Corp.	6.84%	04/15/18
\$115,000	General Dynamics Corp.	5.25%	02/01/14
\$125,000	General Electric Co.	5.25%	12/06/17
\$75,000	Hewlett Packard Co.	5.50%	03/01/18
\$35,000	Hewlett Packard Co.	6.13%	03/01/14
\$90,000	Honeywell International	4.25%	03/01/13
\$120,000	IBM Corp.	5.70%	09/14/17
\$70,000	Intel Corp.	1.95%	10/01/16

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (continued)

State Street (continued):

Par Value	Description	Coupon Rate	Due
\$70,000	JP Morgan Chase & Co.	4.65%	06/01/14
\$100,000	Medtronic Inc.	4.75%	09/15/15
\$60,000	Merrill Lynch & Co	6.15%	04/25/13
\$60,000	Nucor Corp.	5.75%	12/01/17
\$70,000	PNC Funding Corp.	3.63%	02/08/15
\$75,000	PepsiCo Inc.	7.90%	11/01/18
\$60,000	Pfizer Inc.	5.35%	03/15/15
\$30,000	Pharmacia Corp.	8.70%	10/15/21
\$135,000	Pitney Bowes MTN	4.75%	05/15/18
\$75,000	Pitney Bowes Inc.	4.63%	10/01/12
\$77,000	Prudential Financial Inc.	4.50%	07/15/13
\$80,000	Schering Plough Corp.	5.30%	12/01/13
\$50,000	Charles Schwab Corp.	4.95%	06/01/14
\$80,000	Shell Int'l Finance BV	4.00%	03/21/14
\$91,000	Tele-Communications Inc.	7.88%	08/01/13
\$85,000	Texas Instruments Inc.	2.38%	05/16/16
\$95,000	The Walt Disney Company	1.35%	08/16/16
\$45,000	United Parcel Service	5.50%	01/15/18
\$50,000	United Tech Corp.	5.38%	12/15/17
\$50,000	Washington Post Co.	7.25%	02/01/19
\$80,000	Wells Fargo & Co.	5.13%	09/01/12
\$75,000	Wells Fargo & Co.	4.38%	01/31/13

AETNA:

Corporate bond issues held at June 30, 2012 are as follows:

	Percent of Holdings
Province of Quebec	25.00%
Goldman Sachs Group Inc.	21.00%
Rio Tinto Limited	19.00%
AT&T	18.00%
Morgan Stanley	17.00%

Janus:

Corporate bond issues held at June 30, 2012 are as follows:

	Percent of Holdings
Janus Balanced Fund T (JABAX) Average duration 5.24 years	100.00%

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (continued)

State Street (GASB 45):

Corporate bond issues held at June 30, 2012 are as follows:

Par Value	Description	Coupon Rate	Due
\$25,000	AT&T Inc.	4.85%	02/15/14
\$60,000	Abbott Laboratories	2.70%	05/27/15
\$60,000	BP Capital Markets	3.13%	10/01/15
\$20,000	Baker Hughes Inc.	7.50%	11/15/18
\$45,000	Becton Dickinson	1.75%	11/08/16
\$20,000	Berkshire Hathaway	4.63%	10/15/13
\$30,000	Berkshire Hathaway	5.00%	08/15/13
\$40,000	Berkshire Hathaway	3.20%	02/11/15
\$30,000	Brown-Forman Corp	5.00%	02/01/14
\$40,000	Caterpillar Inc.	7.00%	12/15/13
\$15,000	Cisco Systems Inc.	5.50%	02/22/16
\$60,000	Colgate-Palmolive Inc.	3.15%	08/05/15
\$15,000	Conoco Phillips	5.20%	05/15/18
\$35,000	Conoco Phillips	4.75%	02/01/14
\$80,000	The Walt Disney Company	1.35%	08/16/16
\$15,000	E.I. du Pont de Nemours	6.00%	07/15/18
\$4,000	E.I. du Pont de Nemours	5.88%	01/15/14
\$15,000	General Dynamics Corp.	5.25%	02/01/14
\$70,000	General Electric Co.	5.25%	12/06/17
\$55,000	GlaxoSmithKline	4.38%	04/15/14
\$20,000	Hewlett Packard Co.	5.50%	03/01/18
\$15,000	Hewlett Packard Co.	6.13%	03/01/14
\$30,000	Honeywell International	4.25%	03/01/13
\$45,000	Intel Corp.	1.95%	10/01/16
\$60,000	IBM Corp.	5.70%	09/14/17
\$60,000	JP Morgan Chase & Co.	4.65%	06/01/14
\$85,000	JP Morgan Chase Bank	5.75%	06/13/16
\$30,000	Merrill Lynch & Co.	6.15%	04/25/13
\$20,000	Nucor Corp.	5.75%	12/01/17
\$40,000	PNC Funding Corp.	3.63%	02/08/15
\$20,000	PepsiCo Inc.	7.90%	11/01/18
\$30,000	Pfizer Inc.	5.35%	03/15/15
\$35,000	Pitney Bowes MTN	4.75%	05/15/18
\$15,000	Prudential Financial Inc.	4.50%	07/15/13
\$25,000	Charles Schwab Corp.	4.95%	06/01/14
\$60,000	Texas Instruments Inc.	2.38%	05/16/16
\$15,000	United Parcel Service	5.50%	01/15/15
\$15,000	United Tech Corp.	5.38%	12/15/17
\$20,000	Washington Post Co.	7.25%	02/01/19
\$55,000	Wells Fargo & Co.	5.13%	09/01/12
\$30,000	Wells Fargo & Co.	4.38%	01/31/13

NOTES TO FINANCIAL STATEMENTS

Note 3. Interfund Receivables and Payables

At June 30, 2012, the interfund account balances are as follows:

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES:		
General Fund		
Due to Food Service Fund	\$ -	\$ 1,233,119
Due to Restricted Funds	-	1,326,942
Due to Capital Projects Fund	-	6,382,162
Due to School Activities Fund	-	393,570
Due to Trust Fund	-	162,831
Restricted Grants		
Due from General Fund	1,326,942	-
Capital Projects Fund		
Due from General Fund	6,382,162	-
BUSINESS-TYPE ACTIVITIES		
Enterprise Fund		
Due from General Fund	1,233,119	-
FIDUCIARY NET ASSETS		
Due from General Fund	556,401	-
TOTAL ALL FUNDS	\$ 9,498,624	\$ 9,498,624

Due to/from other funds represent advances of cash for operating needs. Transfers of \$750,000 from the General Fund to the Food Services Fund are to supplement wages and benefits, transfers of \$413,677 from the General Fund to the Restricted Grants Fund are for internal services provided, and transfers of \$1,858,952 from the General Fund to the Capital Projects Fund are in accordance with the school construction savings plan established by resolution between the Board and Wicomico County, Maryland.

Note 4. Due to/from Other Governmental Agencies

Due to/from other governmental agencies is as follows:

	GOVERNMENTAL ACTIVITIES				BUSINESS- TYPE ACTIVITIES
	General Fund	Restricted Grants	Capital Projects	Total	Food Services
Due from Federal	\$ -	\$ 1,432,291	\$ -	\$ 1,432,291	\$ 167,200
Due from State	620,504	107,348	655,710	1,383,562	28,256
Due from local and other	-	12,606	932,867	945,473	-
Total due from other governmental agencies	\$ 620,504	\$ 1,552,245	\$ 1,588,577	\$ 3,761,326	\$ 195,456
Due to Federal	\$ -	\$ 189,715	\$ -	\$ 189,715	\$ 1,464
Due to State	-	35,377	-	35,377	-
Due to local and other	-	2,666	-	2,666	-
Total due to other governmental agencies	\$ -	\$ 227,758	\$ -	\$ 227,758	\$ 1,464

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Governmental Activities					
Capital Assets, not being depreciated					
Land	\$ 4,079,740	\$ -	\$ -	\$ -	\$ 4,079,740
Construction in progress	5,260,789	3,679,507	-	(5,184,700)	3,755,596
Total capital assets, not being depreciated	<u>9,340,529</u>	<u>3,679,507</u>	<u>-</u>	<u>(5,184,700)</u>	<u>7,835,336</u>
Capital assets, being depreciated					
Buildings and improvements	253,565,179	372,143	(302,964)	5,184,700	258,819,058
Furniture and equipment	27,106,550	3,147,998	(1,101,035)	-	29,153,513
Vehicles	1,344,425	92,184	-	-	1,436,609
Total capital assets, being depreciated	<u>282,016,154</u>	<u>3,612,325</u>	<u>(1,403,999)</u>	<u>5,184,700</u>	<u>289,409,180</u>
Less accumulated depreciation:					
Buildings and improvements	(59,674,792)	(5,749,624)	170,600	-	(65,253,816)
Furniture and equipment	(17,708,894)	(2,915,989)	1,041,947	-	(19,582,936)
Vehicles	(995,412)	(103,769)	-	-	(1,099,181)
Total accumulated depreciation	<u>(78,379,098)</u>	<u>(8,769,382)</u>	<u>1,212,547</u>	<u>-</u>	<u>(85,935,933)</u>
Total capital assets, being depreciated, net	<u>203,637,056</u>	<u>(5,157,057)</u>	<u>(191,452)</u>	<u>5,184,700</u>	<u>203,473,247</u>
Governmental activities capital assets, net	<u>\$212,977,585</u>	<u>\$ (1,477,550)</u>	<u>\$ (191,452)</u>	<u>\$ -</u>	<u>\$211,308,583</u>
Business-type activities					
Equipment	\$ 2,108,713	\$ 56,933	\$ (147,338)	\$ -	\$ 2,018,308
Accumulated depreciation	(1,681,217)	(72,984)	147,338	-	(1,606,863)
Business-type activities capital assets, net	<u>\$ 427,496</u>	<u>\$ (16,051)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,445</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 91,489
Instructional services	7,912,667
Special Education	48,422
Student Personnel Services	1,201
Health Services	5,821
Student transportation	27,747
Operation of plant and equipment	663,874
Maintenance of plant	17,665
Community Services	496
Total depreciation expense	<u>\$ 8,769,382</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Health Insurance Reserves

The Board entered into a public entities health care consortium with the City of Salisbury and Wicomico County Council through a memorandum of understanding during fiscal year 2002. The purpose of this consortium is to reduce administrative expenses. Each entity has its premium rates adjusted based on its experience and benefits. Beginning in July 2002, each entity agreed to fund a rate stabilization reserve equal to 10% of average annual premiums. The agreement was originally effective through the period ended August 31, 2004 and is currently extended on an annual basis. Effective September 2011, each entity agreed to increase the rate stabilization reserve to 14% of average annual premiums. The Board determines how to use the amount of reserve which exceeds 14% of average annual premiums. Each year the health care provider will produce an annual settlement for all entities. If there is an experience loss, funding will come from the entities based on their individual experience. Settlement among the group will occur within four months after August 31st each year.

For the year ended June 30, 2012, the health insurance reserve had the following activity:

Balance at July 1, 2011	\$ 7,268,706
Subsidy for rate increase	(2,225,937)
Positive settlement - 2011	1,240,084
Interest earned (net of expenditures)	5,708
Other - transfer adjustment	<u>(1,000,000)</u>
Balance at June 30, 2012	<u><u>\$ 5,288,561</u></u>

The consortium's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 7% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2011, the Board's share of the consortium's settlement was a surplus of \$1,240,084, which was included as an other financing source during the year ended June 30, 2012.

Note 7. Post-Retirement Health Care Benefits

During the year ended June 30, 2007, the Board changed its method of accounting for post-employment benefits other than pensions by adopting Statement of Governmental Accounting Standards (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

Beginning in 2010, the Board funded 70% of the individual health care insurance costs for retirees who were qualified to retire on or after July 17, 2007 based on the rules of their respective pension; and who had accumulated at least 10 years of service with the Board prior to their retirement. The Board previously funded 55% of the individual health care insurance costs for eligible retirees who had accumulated at least 15 years of service with the Board prior to retirement (before July 17, 2007). Approximately 630 retirees who have worked for at least five years are eligible to participate in the post-retirement benefit program.

NOTES TO FINANCIAL STATEMENTS

Note 7. Post-Retirement Health Care Benefits (continued)

Plan Description

During the year ended June 30, 2007, Wicomico County and the Board of Education jointly set up the 'Retiree Health Insurance Plan Trust of the Board of Education of Wicomico County and Wicomico County' ("the trust"). A Board of Trustees ("the Board") oversees the trust. Effective June 29, 2009, the City of Salisbury was approved to join the trust. Separate financial statements for the trust are not issued.

The Plan is an agent multiple-employer plan with combined administrative functions for efficiency and each agent employer remains responsible for financing benefits of its own individual plan. Each agent employer also remains individually responsible for its own separate actuarial valuations, and expenses and obligations are measured like those of sole employers. The assets of the three entities are segregated within the trust. The plan provides medical, prescription, dental, and vision benefits to eligible retirees and their spouses.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to pre-fund benefits as determined annually. For the current fiscal year, the Board contributed \$4.28 million, including approximately \$2.53 million for current claim costs (approximately 70% of total premiums); an additional \$1.55 million to pre-fund benefits and an estimated retiree subsidy of \$201,000. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$188 per month for retirees-only coverage (if under 65), \$133 per month for retirees-only coverage (if 65 or older) and \$1,009 for retiree and spouse coverage. These monthly premium costs are for PPO coverage with Dental and Vision for those retirees who had more than 10 years of service with the Board.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other post-retirement 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 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	\$ 3,915,824
Interest on net OPEB obligation	(158,402)
Adjustment to annual required contribution	170,400
Annual OPEB cost (expense)	<u>3,927,822</u>
Contributions made	<u>(4,279,100)</u>
Net OPEB obligation (asset)	(351,278)
Net OPEB obligation (asset) at beginning of year	<u>(2,112,026)</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ (2,463,304)</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Post-Retirement Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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

Year Ended June 30,	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2010	\$ 3,565,450	\$ 3,746,000	105.06%	\$ (1,350,100)
2011	3,592,074	4,354,000	121.21%	(2,112,026)
2012	3,927,822	4,279,100	108.94%	(2,463,304)

Payments for the net OPEB obligation have typically been liquidated in the General Fund in prior years.

Funding Status and Funding Progress

As of July 2011, the most recent actuarial valuation date, the plan was 16.1% funded. The actuarial accrued liability for benefits was \$50,520,033 and the actuarial value of assets was \$8,153,600 resulting in an unfunded actuarial accrued liability (UAAL) of \$42,366,433. The covered payroll (annual payroll of active employees covered by the plan) was \$98,246,000 and the ratio of the UAAL to the covered payroll was 43.1%.

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

Actuarial Methods and Assumptions

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

In the July 2011 actuarial valuation study, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. Implicit in the investment return, salary scale and trend rate assumption is an underlying general rate of inflation assumption of 2.5%. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2011 was 30 years.

NOTES TO FINANCIAL STATEMENTS

Note 8. 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 has joined the Maryland Association of Boards of Education Workers' Compensation Group Insurance Fund (the "Fund"), a public entity risk pool currently providing workers compensation coverage for participating boards of education in the State of Maryland. The Board pays an annual premium to the Fund each year which is calculated based on projected payroll. The agreement for the Fund provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Fund encounter deficits in the workers compensation claims fund, this deficit may be made up from additional assessments of boards participating in the fund. The Board also joined the Maryland Association of Board of Education's Group Insurance Pool (the Pool) on July 1, 2000. The Pool is a public entity risk pool providing property and casualty insurance coverage for its participating members, who are also boards of education in the State of Maryland. The Board pays an annual premium to the Pool, based on student enrollment, vehicle inventory, insurable value of board property and insurance claims experience from previous years. The agreement for the Pool provides that it will be self sustaining through member premiums and will reinsure through commercial companies for claims that exceed coverage limits for legal liability, property, and crime exposures specified in the agreement. Should the Pool encounter deficits in either the property or casualty fund, this deficit may be made up from additional assessments of boards participating in Pool. The Board continues to carry commercial insurance for other risks, including pollution liability, retirement plan fiduciary liability, employee health and life insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years, and there have been no significant reductions in insurance coverage from the prior year.

Note 9. Pension Plans

Substantially all of the Board's employees are covered by one of three pension plans.

Teachers Retirement System and the Teachers Pension System

General Plan Policies

Teachers and related occupations are covered by the Teachers Retirement System or the Teachers Pension System of the State of Maryland, both of which are cost-sharing, multiple-employer public employee retirement systems. Except for restricted programs as described below, the State pays virtually all of the employer's annual contribution. Total contributions paid by the State to the Plan for the year ended June 30, 2012 were \$13,945,688. On-behalf payments are recognized as revenues and expenditures in the Board's general fund. For teachers and other employees whose retirement expense is reimbursed from Federal Restricted Grants, the Board remits monthly payments to the State which represent the amount of retirement expense charged to these restricted programs. The Board has no contingent liability for funding deficits in the system should such occur. The contribution and percentage of contribution for the past three years are as follows:

Year Ended June 30,	Annual Contribution	Percentage Contributed	Contribution Percentage of Salary
2010	\$ 774,377	100%	13.15%
2011	841,309	100%	14.34%
2012	798,168	100%	15.45%

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (continued)

Teachers Retirement System and the Teachers Pension System (continued)

General Plan Policies (continued)

The Teachers Retirement System of the State of Maryland was established on August 1, 1927 and is administered in accordance with Article 73B 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. Existing members of the Teachers Retirement System have the option of remaining in the Teachers Retirement System or transferring to the Teachers 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 Retirement System and the Teachers Pension System:

Teachers Retirement System

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.

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 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 allowance 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.

The State of Maryland makes virtually all of the nonemployee contributions in amounts required by State statutes.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (continued)

Teachers Retirement System and the Teachers Pension System (continued)

Significant Plan Benefits and Policies (continued)

Teachers Pension System

Retirement 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 retirement allowance. The annual retirement 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 retirement 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 Pension System 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, 2012. 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%.

The State of Maryland makes virtually all of the nonemployee contributions in amounts required by State statutes.

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2012 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 107,323,464
Payroll covered under the plans	\$ 88,922,687

Additional information and ten year historical trend information can be obtained from the separately issued State Retirement and Pension System of Maryland Annual Financial Report. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 720 East Baltimore Street, Baltimore, Maryland 21202.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (continued)

Retirement Plan for Employees of the Board of Education of Wicomico County

General Plan Policies

Employees not covered by the Teachers Retirement System or the Teachers Pension System of Maryland are covered by the Retirement Plan for Employees at the Board of Education of Wicomico County, a single-employer, defined benefit plan. Effective January 1, 1994, this plan was merged with the Wicomico County plan to become the retirement plan for employees of Wicomico County and the Board of Education of Wicomico County. Plan provisions remained relatively unchanged. Benefits and refunds of the postemployment defined benefit plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan are financed by contributions made and income earned from investments. Separate financial statements are not available.

Significant Plan Benefits and Policies

The following is a summary of significant plan benefits and policies:

- 1) Eligibility – Employees are eligible if they are at least 18 years of age.
- 2) Contributions – Each year an employee is required to contribute 2% of his earnings up to \$4,800 plus 4% of his earnings in excess of \$4,800. Interest is credited at 5% per year. The Board contributes the remaining actuarially determined amounts necessary.
- 3) Retirement:
 - a. Normal retirement is available for employees who are age 65 and over and have obtained 5 years of service.
 - b. Early retirement is available for employees with five years or more experience and who are age 55 or older and are within 10 years of normal retirement date.
- 4) Benefits at Retirement:
 - a. For normal retirement, the member will receive a benefit equal to 1 2/3% of final average earnings times the years and months of service after age 18.
 - b. Early retirement benefits are determined in the same manner as the normal retirement benefits but based on service and salary accrued or earned up to date of early retirement and reduced by the appropriate early retirement factors.
- 5) Vesting – A participant is 100% vested after five years of continuous service with the employer.

Employee's Payroll Covered Under the Plan

The employee's payroll for the year ended June 30, 2012 and payroll covered under the Plan is as follows:

Total payroll	\$107,323,464
Payroll covered under the plans	\$ 9,358,652

Plan membership at July 1, 2011, the date of the latest actuarial valuation, consisted of 311 active plan members and 157 retirees and beneficiaries.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (continued)

Retirement Plan for Employees of the Board of Education of Wicomico County (continued)

Annual Pension Cost and Net Pension Obligation

The Board's annual pension 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 27. 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 following table shows the components of the Board's annual pension cost for the year, the amount actually contributed to the plan, and changes in the Board's net pension obligation.

Annual required contribution	\$ 804,092
Interest on net pension obligation	(57,835)
Annual pension cost (expense)	746,257
Contributions made	(619,938)
Net pension obligation (asset)	126,319
Net pension obligation (asset) at beginning of year	(191,612)
Net pension obligation (asset) at end of year	\$ (65,293)

The Board's annual pension cost, annual contribution, and percentage of contribution are as follows:

Year Ended June 30,	Annual Pension Cost	Annual Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2010	\$ 516,743	\$ 591,306	114%	\$ (338,002)
2011	787,370	640,980	81%	(191,612)
2012	746,257	619,938	83%	(65,293)

Payments for the net pension obligation have typically been liquidated in the General Fund in prior years.

Funding Status and Funding Progress

As of July 2011, the most recent actuarial valuation date, the plan was 88.2% funded. The actuarial accrued liability for benefits was \$20,163,825 and the actuarial value of assets was \$17,790,677 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,373,148. The covered payroll (annual payroll of active employees covered by the plan) was \$8,985,943 and the ratio of the UAAL to the covered payroll was 26.4%.

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. 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.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (continued)

Retirement Plan for Employees of the Board of Education of Wicomico County (continued)

Funding Status and Funding Progress (continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, open basis
Remaining amortization period	30 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%

Implicit in the investment rate of return and salary scale assumptions is an underlying general rate of inflation assumption of 2.5%.

401(a) Matching Plan

Effective July 1, 2001, the Board implemented and began administering the Wicomico County Board of Education defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participant's contributions to the 403(b) plan. The Board has the right to amend the plan at any time according to the Plan document. Eligible employees must be 18 years of age and become fully vested after five years of service. During the year ended June 30, 2012, the Board did not make a matching contribution to the plan.

Note 10. Trust Plans Condensed Financial Statements

The condensed statement of fiduciary net assets for the Pension and Retiree Health Plan Trust is as follows:

CONDENSED STATEMENT OF FIDUCIARY NET ASSETS

	<u>401(A)</u> <u>Matching Fund</u>	<u>Employees</u> <u>Pension</u>	<u>Retiree Health</u> <u>Plan Trust</u>	<u>Total</u>
ASSETS				
Current assets	\$ 3,094,270	\$ 17,653,019	\$ 9,671,278	\$ 30,418,567
Total assets	3,094,270	17,653,019	9,671,278	30,418,567
NET ASSETS				
Held in trust for retirement and other benefits	\$ 3,094,270	\$ 17,653,019	\$ 9,671,278	\$ 30,418,567

NOTES TO FINANCIAL STATEMENTS

Note 10. Trust Plans Condensed Financial Statements (continued)

The condensed statement of changes in fiduciary net assets for the Pension and Retiree Health Plan Trust is as follows:

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	401(A) Matching Fund	Employees Pension	Retiree Health Plan Trust	Total
ADDITIONS				
Contributions	\$ -	\$ 985,771	\$ 1,551,538	\$ 2,537,309
Interest and dividends	107,452	522,493	212,596	842,541
Total additions	107,452	1,508,264	1,764,134	3,379,850
DEDUCTIONS				
Pension benefit payments	104,848	1,041,726	-	1,146,574
Administrative expenses	-	113,612	41,541	155,153
Decrease in fair value	55,547	405,543	204,989	666,079
Total deductions	160,395	1,560,881	246,530	1,967,806
Change in net assets	(52,943)	(52,617)	1,517,604	1,412,044
Net assets beginning of year	3,147,213	17,705,636	8,153,674	29,006,523
Net assets end of year	\$ 3,094,270	\$ 17,653,019	\$ 9,671,278	\$ 30,418,567

Note 11. Capital Leases

The Board of Education has entered into several lease agreements as lessee for financing the acquisition of computers, software, and vehicles. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of equipment currently being leased under capital leases as of June 30, 2012:

GOVERNMENTAL ACTIVITIES	Capital Assets
Vehicles	\$ 82,405
Computers:	
2009	1,566,000
2010	1,554,556
2011	300,779
2012	1,822,462
Total	<u>\$ 5,326,202</u>
BUSINESS-TYPE ACTIVITIES	
Equipment:	<u>\$ 140,077</u>

NOTES TO FINANCIAL STATEMENTS

Note 11. Capital Leases (continued)

Approximate future minimum lease commitments are as follows:

GOVERNMENTAL ACTIVITIES

Fiscal Year Ending	Computers/Vehicles			Total
	2012	2011	2010	
June 30, 2013	\$ 487,473	\$ 67,000	\$ 414,880	\$ 969,353
June 30, 2014	487,473	67,000	-	554,473
June 30, 2015	487,473	-	-	487,473
	<u>1,462,419</u>	<u>134,000</u>	<u>414,880</u>	<u>2,011,299</u>
Less: amount representing interest	<u>(45,025)</u>	<u>(4,470)</u>	<u>(11,282)</u>	<u>(60,777)</u>
Present value of future minimum lease payments	<u>\$ 1,417,394</u>	<u>\$ 129,530</u>	<u>\$ 403,598</u>	<u>\$ 1,950,522</u>

BUSINESS-TYPE ACTIVITIES

	Equipment
June 30, 2013	<u>\$ 36,500</u>
Less: amount representing interest	<u>(777)</u>
Present value of future minimum lease payments	<u>\$ 35,723</u>

Interest expense related to the above capital leases, with interest rates ranging from 1.58% to 3.38%, was approximately \$42,000 for the year ended June 30, 2012.

Note 12. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued compensated absences	\$ 3,101,068	\$ 130,982	\$ 378,013	\$ 2,854,037	\$ 272,994
Capital leases	1,385,725	1,904,867	1,340,070	1,950,522	932,707
Total	<u>\$ 4,486,793</u>	<u>\$ 2,035,849</u>	<u>\$ 1,718,083</u>	<u>\$ 4,804,559</u>	<u>\$ 1,205,701</u>

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 70,260	\$ -	\$ 34,537	\$ 35,723	\$ 35,723

The Board does not have the authority to incur bonded debt. Payments for compensated absences have typically been liquidated in the General Fund in prior years.

NOTES TO FINANCIAL STATEMENTS

Note 13. Deferred Revenue – Restricted Grants

Deferred revenue in the restricted grant fund consists of federal and state grants and other revenues that have not been expended by June 30, 2012. Deferred revenue at June 30, 2012 consists of the following:

Medical assistance provider payments	\$ 2,040,922
Various other state and federal programs	<u>162,185</u>
	<u>\$ 2,203,107</u>

Note 14. 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 has signed contracts for the renovation of Bennett Middle School in the amount of \$2,996,900. At June 30, 2012, \$1,473,640 had been expended on the renovation of Bennett Middle School.

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, 2012 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.

The Board is a defendant in various lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not have a material adverse effect on the financial position of the Board.

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WICOMICO COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
 Retiree Health Insurance Plan Trust

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
07/01/07	\$ 210,000	\$ 30,475,000	\$ 30,265,000	0.69%	\$ 104,603,000	28.93%
07/01/08	2,181,000	34,046,000	31,865,000	6.41%	109,000,000	29.23%
07/01/09	3,209,000	48,341,000	45,132,000	6.64%	109,000,000	41.41%
07/01/10	5,251,300	45,458,666	40,207,366	11.55%	101,419,000	39.64%
07/01/11	8,153,600	50,520,033	42,366,433	16.14%	98,246,000	43.12%

Schedule of Employer Contributions:

Year Ended June 30,	Employer Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed
2008	\$ 3,713,000	\$ 2,594,000	143.10%
2009	3,373,000	2,613,450	129.06%
2010	3,746,000	3,565,450	105.06%
2011	4,354,000	3,592,074	121.21%
2012	4,279,100	3,927,822	108.94%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
 Pension Plan for Employees

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
07/01/02	\$ 9,889,757	\$ 10,932,388	\$ 1,042,631	90.46%	\$ 5,677,963	18.36%
07/01/03	10,066,394	11,637,837	1,571,443	86.50%	5,951,447	26.40%
07/01/04	11,230,846	12,556,267	1,325,421	89.44%	6,353,085	20.86%
07/01/05	12,113,245	13,883,815	1,770,570	87.25%	6,708,737	26.39%
07/01/06	13,375,529	14,610,973	1,235,444	91.54%	7,034,996	17.56%
07/01/07	15,284,191	15,820,246	536,055	96.61%	7,538,827	7.11%
07/01/08	15,642,697	16,870,084	1,227,387	92.72%	8,484,889	14.47%
07/01/09	13,369,971	18,200,762	4,830,791	73.46%	9,168,811	52.69%
07/01/10	15,030,395	19,424,052	4,393,657	77.38%	9,242,654	47.54%
07/01/11	17,790,677	20,163,825	2,373,148	88.23%	8,985,943	26.41%

Schedule of Employer Contributions:

Year Ended June 30,	Employer Contributions	Annual Pension Cost	Percentage of Annual Pension Cost Contributed
2008	\$ 513,514	\$ 446,222	115%
2009	529,564	416,267	127%
2010	591,306	516,743	114%
2011	640,980	787,370	81%
2012	619,938	746,257	83%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
County appropriation	\$ 36,196,892	\$ 36,196,892	\$ 36,196,892	\$ -
Other local:				
Tuition - Delaware nonresident pupils	-	-	287,055	287,055
Tuition - other	40,000	40,000	20,981	(19,019)
Student payments/fees	8,000	8,000	18,105	10,105
Earnings on investments	32,000	32,000	7,271	(24,729)
Rental of school facilities	125,610	125,610	59,622	(65,988)
Miscellaneous	171,000	171,000	198,515	27,515
Total other local	376,610	376,610	591,549	214,939
State of Maryland revenues:				
Current expense aid	63,985,822	63,985,822	63,924,711	(61,111)
Guaranteed tax base	4,299,478	4,299,478	4,299,478	-
Special education	6,101,211	6,101,211	6,101,553	342
Transportation	4,940,040	4,940,040	4,835,966	(104,074)
Miscellaneous	15,000	15,000	3,614	(11,386)
Non-public placement	60,000	60,000	21,769	(38,231)
Aging schools	150,262	150,262	150,262	-
Limited English proficient	2,214,781	2,214,781	2,214,781	-
Compensatory education	31,940,937	31,940,937	31,940,937	-
Total State of Maryland revenues	113,707,531	113,707,531	113,493,071	(214,460)
Other sources:				
Out of county living	210,000	210,000	105,984	(104,016)
Administrative costs reimbursements	282,800	282,800	259,932	(22,868)
Total other sources	492,800	492,800	365,916	(126,884)
TOTAL REVENUES	150,773,833	150,773,833	150,647,428	(126,405)
EXPENDITURES				
Administration	3,853,959	3,853,959	3,832,346	21,613
School management and support	11,345,272	11,317,272	11,173,885	143,387
Instructional salaries	63,045,385	63,045,385	62,102,169	943,216
Textbooks and instructional supplies	2,500,755	2,500,755	2,486,202	14,553
Other instruction costs	1,735,610	1,735,610	1,734,952	658
Student personnel services	2,253,489	2,281,489	2,063,232	218,257
Health services	1,369,058	1,369,058	1,357,002	12,056
Student transportation	8,218,206	8,218,206	7,881,983	336,223
Operation of plant and equipment	11,344,815	11,344,815	10,028,002	1,316,813
Maintenance of plant	3,070,479	3,070,479	2,891,258	179,221
Fixed charges	27,099,348	27,099,348	27,099,223	125
Community services	192,087	192,087	187,954	4,133
Capital outlay	4,642,877	4,642,877	4,581,184	61,693
Special education	14,352,493	14,352,493	14,241,968	110,525
Food service	750,000	750,000	750,000	-
TOTAL EXPENDITURES	\$ 155,773,833	\$ 155,773,833	\$ 152,411,360	\$ 3,362,473

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2012
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ (5,000,000)	\$ (5,000,000)	\$ (1,763,932)	\$ 3,236,068
OTHER FINANCING SOURCES (USES)				
Appropriation from capital projects fund	1,000,000	1,000,000	(1,858,952)	2,858,952
Appropriation from June 30, 2011 fund balance	4,000,000	4,000,000	4,000,000	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000,000	5,000,000	2,141,048	2,858,952
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 377,116	\$ 377,116

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 RESTRICTED GRANTS
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES			
Federal sources	\$ 11,845,978	\$ 11,664,252	\$ (181,726)
State sources	513,987	756,621	242,634
Local and other sources	447,841	317,870	(129,971)
	<hr/>		
TOTAL REVENUES	12,807,806	12,738,743	(69,063)
<hr/>			
EXPENDITURES			
Administration	690,988	764,917	(73,929)
School management and support	32,883	121,128	(88,245)
Instructional salaries	4,477,435	4,196,329	281,106
Textbooks and instructional supplies	427,023	523,556	(96,533)
Other instruction costs	741,837	1,241,968	(500,131)
Special education	3,048,775	3,054,765	(5,990)
Student personnel services	-	-	-
Health services	4,480	7,109	(2,629)
Student transportation	225,260	311,203	(85,943)
Operation of plant and equipment	1,197	6,243	(5,046)
Fixed charges	3,157,928	2,835,952	321,976
Community services	-	247	(247)
Capital outlay	-	61,231	(61,231)
	<hr/>		
TOTAL EXPENDITURES	12,807,806	13,124,648	(316,842)
<hr/>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	(385,905)	385,905
<hr/>			
OTHER FINANCING SOURCES (USES)			
Interfund transfers	-	413,677	(413,677)
<hr/>			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 27,772	\$ (27,772)
<hr/> <hr/>			

NOTES TO BUDGETARY COMPARISON SCHEDULE

Note 1. Summary of Significant Accounting Policies

The original budget, subsequent supplements and major transfers are approved by the Wicomico County Council. Appropriations are for one year and lapse at year end. A legally adopted budget is prepared for the General Fund and Restricted Grants. Amendments to the budget can be made with approval from Wicomico County and the Board for intercategory transfers, and by approval of the Board for intracategory transfers. By law, actual expenditures for each category and for each account within categories may not exceed budgeted expenditures. The budgeted amounts presented include all budget revisions. A budget is adopted for the Food Service Fund for internal purposes only.

The Board of Education prepares its budget and accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Thus, there are two statements of revenues and expenditures for the general fund in these statements; the first is prepared in accordance with GAAP and the second is prepared on the budgetary basis in order to compare revenues and expenditures with budget. One of the differences between the two statements is that increases (decreases) in asset account balances for prepaid expenditures and inventories are accounted for as expenditure reductions or sources (increases or uses) on the GAAP basis financial statements, but not on the budgetary financial statements. In addition, the appropriation from prior year fund balance is accounted for as additional sources for budgetary purposes. Encumbrances are recorded as expenditures for budgetary purposes but as a reservation of fund balance in the GAAP basis financial statements. Finally, the State's share of the pension and retirement fund contribution is recorded as revenue and expenditures on the GAAP basis financial statements, but is not included on the budgetary financial statements.

Adjustments necessary to convert the results of operations and fund balances at the end of the year on the GAAP basis to the budgetary basis are as follows:

	Revenues	Expenditures	Other Financing Sources (Uses)
	General Fund	General Fund	General Fund
	June 30, 2012	June 30, 2012	June 30, 2012
GAAP Basis	\$ 164,521,708	\$ 169,806,027	\$ 122,322
Changes in asset account balances not accounted for on Budgetary Statement:			
Proceeds from insurance settlement	-	-	(1,240,084)
Subsidy for rate increase	-	(2,225,937)	-
Contribution to Retiree Health Plan Trust	-	(1,000,000)	-
Interest earned on health care reserve	(5,708)	-	-
Appropriation from June 30, 2011	-	-	4,000,000
Transfers to other funds recorded as budgetary expenditures	-	1,163,677	1,163,677
Encumbrances recorded as expenditures:			
Established in current year	-	4,124,687	-
Reversed from prior year	-	(3,606,539)	-
Revenues recorded based on encumbered expenditures	77,116	-	-
State share of retirement and pension contribution	(13,945,688)	(13,945,688)	-
Capital outlay funded by capital leases	-	(1,904,867)	(1,904,867)
Budgetary Basis	\$ 150,647,428	\$ 152,411,360	\$ 2,141,048

NOTES TO BUDGETARY COMPARISON SCHEDULE

Note 2. Budget Calendar

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

Approximate Date	Procedure Performed
Late October	Budget Manager distributes budget request packets to all employees having budget responsibility.
Mid-November	Board meets to review current year's budget line items and develop priorities for new year's budget process/funding submissions.
Late November	Employees with budget responsibility must turn in all budget worksheets noting new funding, reductions and/or funding realignments to Budget Manager to commence budget compilation and also to their Director for review.
Mid-December	Budget Manager meets with Directors to review/modify requests.
Late December	Directors submit modified request to the Assistant Superintendents for review.
Early January	Assistant Superintendents meet and review with the Superintendent all budget requests they would support putting forth to the Board of Education.
Mid-January	Board holds a Public Hearing to receive public input for the unrestricted operating budget.
Late January	Superintendent instructs Budget Manager regarding budget requests to compile for submission to the Board & determines with Assistant Superintendents their priority order.
February	Budget work sessions with Board, Superintendent and staff.
Early March	Board adopts the Proposed Budget at their regular scheduled meeting and submits the Proposed Budget to the Wicomico County Council.
April	Wicomico County Council has a public hearing to review their budget.
Late May	Board holds a second Public Hearing to receive additional public input for the unrestricted operating budget.
Late May	Wicomico County Council adopts their Expense Budget & notifies the Board of Education of our appropriation.
Early June	Superintendent and staff begin work to revise the proposed budget (if required) based on the actual appropriation from the Wicomico County Council.
Mid-June	Superintendent and staff submit their budget recommendations to the Board of Education for their review.
Late June	Board of Education adopts the Approved Budget at a special meeting.

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Administration:				
Salaries and wages	\$ 2,930,258	\$ 2,891,758	\$ 2,878,079	\$ 13,679
Contracted services	605,963	642,493	642,027	466
Supplies and materials	108,658	101,588	99,475	2,113
Other charges	138,304	115,204	109,948	5,256
Equipment	20,000	52,140	52,052	88
Transfers	50,776	50,776	50,765	11
Total administration	<u>3,853,959</u>	<u>3,853,959</u>	<u>3,832,346</u>	<u>21,613</u>
School management and support:				
Salaries and wages	9,969,215	9,941,215	9,798,518	142,697
Contracted services	839,210	740,308	739,886	422
Supplies and materials	129,307	131,309	131,283	26
Other charges	374,398	283,398	283,299	99
Equipment	3,840	191,740	191,699	41
Transfers	29,302	29,302	29,200	102
Total school management and support	<u>11,345,272</u>	<u>11,317,272</u>	<u>11,173,885</u>	<u>143,387</u>
Instructional salaries and wages	<u>63,045,385</u>	<u>63,045,385</u>	<u>62,102,169</u>	<u>943,216</u>
Textbooks and instructional supplies	<u>2,500,755</u>	<u>2,500,755</u>	<u>2,486,202</u>	<u>14,553</u>
Other instructional costs:				
Contracted services	776,792	550,222	549,662	560
Other charges	310,791	247,521	247,485	36
Equipment	79,295	435,435	435,387	48
Transfers	568,732	502,432	502,418	14
Total other instructional costs	<u>1,735,610</u>	<u>1,735,610</u>	<u>1,734,952</u>	<u>658</u>
Special education:				
Salaries and wages	13,577,407	13,529,407	13,436,937	92,470
Contracted services	188,280	196,280	194,453	1,827
Supplies and materials	150,108	151,108	150,292	816
Other charges	76,220	91,220	88,992	2,228
Equipment	7,815	12,915	12,854	61
Transfers	352,663	371,563	358,440	13,123
Total special education	<u>\$ 14,352,493</u>	<u>\$ 14,352,493</u>	<u>\$ 14,241,968</u>	<u>\$ 110,525</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2012
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Student personnel services:				
Salaries and wages	\$ 1,516,161	\$ 1,516,161	\$ 1,367,240	\$ 148,921
Contracted services	662,033	690,033	645,789	44,244
Supplies and materials	33,666	33,666	24,602	9,064
Other charges	26,348	26,348	16,397	9,951
Equipment	3,000	3,000	3,000	-
Transfers	12,281	12,281	6,204	6,077
Total student personnel services	2,253,489	2,281,489	2,063,232	218,257
Health services				
Salaries and wages	1,218,687	1,183,687	1,179,261	4,426
Contracted services	95,165	129,665	123,415	6,250
Supplies and materials	49,652	49,152	49,015	137
Other charges	2,223	3,223	2,922	301
Transfers	3,331	3,331	2,389	942
Total health services	1,369,058	1,369,058	1,357,002	12,056
Student transportation:				
Salaries and wages	395,729	396,530	396,530	-
Contracted services	7,634,231	7,581,315	7,269,135	312,180
Supplies and materials	27,992	80,232	80,215	17
Other charges	130,303	128,678	106,609	22,069
Equipment	27,970	27,970	27,011	959
Transfers	1,981	3,481	2,483	998
Total pupil transportation	8,218,206	8,218,206	7,881,983	336,223
Operation of plant:				
Salaries and wages	5,266,697	5,266,697	5,021,611	245,086
Contracted services	710,843	697,808	684,043	13,765
Supplies and materials	788,439	769,256	769,251	5
Other charges	4,513,851	4,503,551	3,447,466	1,056,085
Equipment	59,016	101,534	101,241	293
Transfers	5,969	5,969	4,390	1,579
Total operation of plant	11,344,815	11,344,815	10,028,002	1,316,813
Maintenance of plant:				
Salaries and wages	1,422,665	1,422,665	1,253,200	169,465
Contracted services	751,253	769,253	767,821	1,432
Supplies and materials	822,992	706,892	705,334	1,558
Other charges	10,826	10,826	4,061	6,765
Equipment	62,743	160,843	160,842	1
Total maintenance of plant	\$ 3,070,479	\$ 3,070,479	\$ 2,891,258	\$ 179,221

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2012
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fixed charges:				
Insurance and employee benefits	\$ 27,099,348	\$ 27,099,348	\$ 27,099,223	\$ 125
Community services:				
Salaries and wages	32,120	33,920	33,523	397
Contracted services	61,404	61,629	61,627	2
Supplies and materials	19,421	19,421	19,003	418
Other charges	49,416	47,391	44,200	3,191
Equipment	29,726	29,726	29,601	125
Total community services	192,087	192,087	187,954	4,133
Capital outlay:				
Salaries and wages	497,834	483,834	430,601	53,233
Contracted services	1,113,931	1,113,931	1,111,748	2,183
Supplies and materials	172,004	172,004	170,819	1,185
Equipment	2,859,108	2,873,108	2,868,016	5,092
Total capital outlay	4,642,877	4,642,877	4,581,184	61,693
Food service:				
Transfers	750,000	750,000	750,000	-
 TOTAL APPROPRIATIONS AND EXPENDITURES	 \$ 155,773,833	 \$ 155,773,833	 \$ 152,411,360	 \$ 3,362,473

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
FOOD SERVICES FUND - BUDGETARY BASIS

Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
REVENUES			
Local sources	\$ 1,758,314	\$ 1,561,106	\$ (197,208)
State sources	203,249	195,261	(7,988)
Federal sources	4,116,854	4,750,994	634,140
	<hr/>		
TOTAL REVENUES	6,078,417	6,507,361	428,944
<hr/>			
EXPENDITURES			
Salaries and wages	2,231,987	2,141,600	90,387
Contracted services	73,400	64,439	8,961
Supplies and materials	3,404,830	3,520,848	(116,018)
Other charges	1,041,700	947,073	94,627
Capital outlay	76,500	72,826	3,674
	<hr/>		
TOTAL EXPENSES	6,828,417	6,746,786	81,631
<hr/>			
OPERATING LOSS	(750,000)	(239,425)	510,575
OTHER RESOURCES			
Interfund Transfer	750,000	750,000	-
	<hr/>		
TOTAL OTHER RESOURCES	750,000	750,000	-
<hr/>			
EXCESS OF REVENUES AND OTHER RESOURCES OVER EXPENDITURES	\$ -	\$ 510,575	\$ 510,575
	<hr/> <hr/>		

THE BOARD OF EDUCATION OF WICOMICO COUNTY
 COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
 PENSION AND RETIREE HEALTH PLAN TRUST FUNDS
 June 30, 2012

	<u>401(A) Matching Fund</u>	<u>Employees Pension</u>	<u>Retiree Health Plan Trust</u>	<u>Total Pension and Retiree Health Plan Trust Funds</u>
ASSETS				
Cash	\$ 117,232	\$ 722,097	\$ 471,238	\$ 1,310,566
Trust investments				
Government bonds	162,179	2,013,596	1,787,201	3,962,976
Commercial paper	-	143,090	-	143,090
Mortgage loans	231,577	267,952	-	499,529
Corporate bonds	806,244	5,607,607	1,790,332	8,204,182
Common stock	1,777,039	8,898,677	5,622,507	16,298,223
	<hr/>			
Total assets	3,094,270	17,653,019	9,671,278	30,418,567
	<hr/>			
NET ASSETS				
Held in Trust for:				
Retirement and other benefits	3,094,270	17,653,019	9,671,278	30,418,567
	<hr/>			
Total net assets	\$ 3,094,270	\$ 17,653,019	\$ 9,671,278	\$ 30,418,567
	<hr/>			

THE BOARD OF EDUCATION OF WICOMICO COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND RETIREE HEALTH PLAN TRUST FUNDS

Year Ended June 30, 2012

	401(A) Matching Fund	Employees Pension	Retiree Health Plan Trust	Total Pension and Retiree Health Plan Trust Funds
ADDITIONS				
Contributions:				
Employer contributions	\$ -	\$ 645,306	\$ 1,551,538	\$ 2,196,844
Plan member contributions	-	340,465	-	340,465
Total contributions	-	985,771	1,551,538	2,537,309
Investment earnings:				
Interest and dividends	107,452	522,493	212,596	842,541
Total additions	107,452	1,508,264	1,764,134	3,379,850
DEDUCTIONS				
Pension benefit payments	104,848	1,041,726	-	1,146,574
Administrative expenses	-	113,612	41,541	155,153
Decrease in fair value of investments	55,547	405,543	204,989	666,079
Total deductions	160,395	1,560,881	246,530	1,967,806
Change in net assets	(52,943)	(52,617)	1,517,604	1,412,044
Net assets beginning of year	3,147,213	17,705,636	8,153,674	29,006,523
Net assets end of year	\$ 3,094,270	\$ 17,653,019	\$ 9,671,278	\$ 30,418,567

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash	\$ 41,204	\$ 2,485,452	\$ 2,487,703	\$ 38,953
Accounts receivable	2,513	1,500	2,513	1,500
Due from other funds	445,781	-	52,211	393,570
	<hr/>			
Total assets	489,498	2,486,952	2,542,427	434,023
<hr/>				
LIABILITIES				
Accounts payable	55	2,358	55	2,358
Due to school activity groups	489,443	2,484,594	2,542,372	431,665
	<hr/>			
Total liabilities	\$ 489,498	\$ 2,486,952	\$ 2,542,427	\$ 434,023
	<hr/>			

STATISTICAL SECTION

STATISTICAL SECTION

This section of the Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.

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Fund Balances of Governmental Funds	88
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Approved Operating Budgets	91 - 92

Debt Capacity

This schedule presents information to help the reader assess the affordability of the Board's current level of outstanding debt. The Board has no authority to issue bond debt. Wicomico County, Maryland may incur bond debt on behalf of the Board to fund capital improvements.

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.

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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services it provides and activities it performs.

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Schedule 1

The Board of Education of Wicomico County
 Net Assets by Component, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 105,902,691	\$ 105,640,672	\$ 115,008,125	\$ 123,226,436	\$ 136,743,977	\$ 144,045,972	\$ 181,162,869	\$ 206,066,048	\$ 211,591,860	\$ 209,338,061
Restricted for rate stabilization reserve	353,389	332,055	1,861,694	4,298,571	5,365,692	5,854,309	7,769,336	8,072,947	7,268,706	5,288,561
Restricted for capital projects	355,895	492,453	362,608	468,089	1,597,173	3,153,550	5,112,284	4,547,767	5,087,896	6,359,455
Unrestricted	677,622	270,677	1,122,038	1,628,533	3,866,009	2,799,516	2,769,565	7,248,299	7,469,027	4,742,389
Total governmental activities net assets	\$ 107,289,597	\$ 106,735,857	\$ 118,354,465	\$ 129,621,629	\$ 147,572,851	\$ 155,853,347	\$ 196,814,054	\$ 225,935,061	\$ 231,417,489	\$ 225,748,466
Business-type activities										
Invested in capital assets, net of related debt	\$ 254,526	\$ 232,542	\$ 226,739	\$ 298,456	\$ 327,040	\$ 295,680	\$ 280,752	\$ 493,125	\$ 357,236	\$ 375,722
Restricted for food service activities	639,963	591,889	537,220	387,316	129,736	566,153	658,520	583,363	857,386	1,347,187
Total business-type activities net assets	\$ 894,489	\$ 824,431	\$ 763,959	\$ 685,772	\$ 456,776	\$ 861,833	\$ 939,272	\$ 1,076,488	\$ 1,214,622	\$ 1,722,909
Primary government										
Invested in capital assets, net of related debt	\$ 106,157,217	\$ 105,873,214	\$ 115,234,864	\$ 123,524,892	\$ 137,071,017	\$ 144,341,652	\$ 181,443,621	\$ 206,559,173	\$ 211,949,096	\$ 209,733,783
Restricted	1,349,247	1,416,397	2,761,522	5,153,976	7,092,601	9,574,012	13,540,140	13,204,077	13,213,988	12,995,203
Unrestricted	677,622	270,677	1,122,038	1,628,533	3,866,009	2,799,516	2,769,565	7,248,299	7,469,027	4,742,389
Total primary government net assets	\$ 108,184,086	\$ 107,560,288	\$ 119,118,424	\$ 130,307,401	\$ 148,029,627	\$ 156,715,180	\$ 197,753,326	\$ 227,011,549	\$ 232,632,111	\$ 227,471,375

Source: The Board of Education of Wicomico County records.

Schedule 2

The Board of Education of Wilcomico County
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
Administration	\$ 3,312,326	\$ 3,740,656	\$ 4,065,040	\$ 5,167,384	\$ 5,141,270	\$ 5,931,980	\$ 5,880,904	\$ 6,116,697	\$ 6,196,448	\$ 6,221,419
Instructional services	83,059,688	90,090,631	92,425,615	99,245,781	110,288,438	122,072,051	126,106,246	132,065,219	127,363,776	125,453,385
Special education	14,638,087	15,764,296	16,535,110	17,638,722	19,767,456	21,990,580	22,825,693	24,784,670	24,400,267	24,337,257
Student personnel services	892,773	926,969	1,183,137	1,344,148	1,892,281	2,251,338	2,409,881	2,773,204	2,746,181	2,614,714
Health services	1,067,657	1,145,130	1,198,424	1,325,911	1,499,688	1,601,456	1,773,931	1,967,103	2,018,850	1,892,625
Student transportation	5,532,349	5,864,271	6,178,553	6,675,840	7,116,149	8,260,409	8,387,408	8,304,572	8,401,564	8,291,480
Operation of plant and equipment	7,816,401	8,421,122	9,465,971	10,127,074	11,301,209	13,031,357	13,692,942	13,796,567	13,718,195	12,662,038
Maintenance of plant	1,922,460	2,066,341	2,048,876	2,127,087	2,366,685	2,901,076	3,243,012	3,214,936	3,113,756	3,173,572
Food service	30,367	14,912	19,075	19,075	-	-	-	-	-	-
Community services	143,427	107,227	115,434	167,997	111,493	247,113	244,869	200,977	173,027	189,565
Total governmental activities expenses	118,415,534	128,141,553	133,233,234	143,839,021	159,484,668	178,287,359	184,564,885	193,223,945	188,132,064	184,836,055
Business-type activities:										
Food services	\$ 4,198,408	\$ 4,728,085	\$ 4,999,434	\$ 5,496,468	\$ 5,940,165	\$ 6,112,423	\$ 6,606,955	\$ 6,775,915	\$ 6,898,766	\$ 6,749,074
Total business-type activities expenses	4,198,408	4,728,085	4,999,434	5,496,468	5,940,165	6,112,423	6,606,955	6,775,915	6,898,766	6,749,074
Total primary government expenses	\$ 122,613,942	\$ 132,869,638	\$ 138,232,668	\$ 149,335,489	\$ 165,424,833	\$ 184,399,782	\$ 191,171,840	\$ 199,999,860	\$ 195,030,830	\$ 191,585,129
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 941,721	\$ 895,861	\$ 1,184,213	\$ 833,467	\$ 1,398,601	\$ 1,014,472	\$ 2,182,980	\$ 1,938,036	\$ 623,603	\$ 20,945
Instructional services	68,083	50,400	58,309	35,966	67,481	84,759	94,019	57,072	51,488	15,218
Operation of plant and equipment	47,800	47,800	47,800	47,800	47,800	44,404	44,404	44,404	44,404	44,404
Community services	658,705	590,456	560,884	641,546	710,442	1,150,719	1,140,928	1,261,966	1,309,717	1,113,104
Operating grants and contributions	15,614,029	13,662,712	12,618,222	12,828,773	13,562,319	14,863,777	15,835,981	18,128,206	21,933,669	17,948,143
Administration	5,215,888	6,346,795	7,379,034	8,063,913	9,309,779	11,121,652	11,262,398	13,648,449	14,208,723	12,714,671
Instructional services	86,142	91,265	91,516	102,868	108,231	124,776	132,563	169,790	189,101	182,023
Special education	116,715	89,613	91,028	97,280	121,326	126,822	133,715	150,005	178,180	167,820
Student personnel services	2,987,159	3,634,597	3,726,489	3,967,670	4,132,788	397,323	394,968	273,704	368,789	363,994
Health services	438,268	449,770	457,748	479,754	509,308	603,010	646,365	571,504	683,368	676,380
Student transportation	87,782	86,599	100,257	92,480	100,154	120,026	128,784	143,650	169,993	166,840
Operation of plant and equipment	39,644	5,936	12,226	13,705	6,118	8,847	707	3,301	4,168	4,710
Community services	10,456,009	4,592,194	12,814,953	12,475,654	17,082,630	10,646,255	41,990,294	29,996,468	8,202,898	2,729,726
Maintenance of plant										
Capital grants and contributions										
Total governmental activities program revenues	\$ 36,757,946	\$ 30,543,997	\$ 39,142,680	\$ 39,680,875	\$ 47,156,977	\$ 40,306,843	\$ 73,988,106	\$ 66,386,555	\$ 47,968,101	\$ 36,666,632

Schedule 2

**The Board of Education of Wicomico County
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues (continued)										
Business-type activities:										
Charges for services	\$ 1,787,712	\$ 1,845,057	\$ 1,891,737	\$ 2,017,530	\$ 1,997,126	\$ 1,925,846	\$ 1,829,434	\$ 1,701,204	\$ 1,622,832	\$ 1,561,106
Operating grants and contributions	2,587,035	2,812,513	3,042,108	3,338,523	3,648,575	3,841,634	4,104,960	4,356,223	4,664,068	4,946,255
Total business-type activities program revenues	4,374,747	4,657,570	4,933,845	5,356,053	5,645,701	5,767,480	5,934,394	6,057,427	6,286,900	6,507,361
Total primary government program revenues	\$ 41,132,693	\$ 35,201,567	\$ 44,076,525	\$ 45,036,928	\$ 52,802,678	\$ 46,074,323	\$ 79,922,500	\$ 72,443,982	\$ 54,255,001	\$ 43,173,993
Net (Expense)/Revenue										
Governmental activities	\$ (81,657,588)	\$ (97,597,556)	\$ (94,090,554)	\$ (104,158,146)	\$ (112,327,691)	\$ (137,980,516)	\$ (110,576,779)	\$ (126,837,390)	\$ (140,163,963)	\$ (148,169,423)
Business-type activities	176,339	(70,515)	(65,589)	(140,415)	(294,464)	(344,943)	(672,561)	(718,488)	(611,866)	(241,713)
Total primary government net expense	\$ (81,481,249)	\$ (97,668,071)	\$ (94,156,143)	\$ (104,298,561)	\$ (112,622,155)	\$ (138,325,459)	\$ (111,249,340)	\$ (127,555,878)	\$ (140,775,829)	\$ (148,411,136)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
State of Maryland	\$ 42,779,495	\$ 50,977,607	\$ 58,968,938	\$ 68,052,447	\$ 80,408,857	\$ 96,633,962	\$ 101,713,302	\$ 105,808,156	\$ 103,040,371	\$ 106,945,873
Wicomico County appropriation	44,665,088	45,679,815	46,131,073	46,925,458	48,329,815	49,443,053	50,204,655	50,781,711	43,196,892	36,196,892
Other revenue	436,897	262,713	336,423	339,652	597,026	74,303	91,273	203,870	131,922	100,364
Loss on disposal of assets	-	-	-	(511,311)	-	-	-	-	-	-
Investment earnings	161,511	123,681	272,728	676,947	1,006,215	859,694	278,256	20,364	27,206	7,271
Transfers	-	-	-	(57,883)	(63,000)	(750,000)	(750,000)	(855,704)	(750,000)	(750,000)
Total governmental activities	88,042,991	97,043,816	105,709,162	115,425,310	130,278,913	146,261,012	151,537,486	155,958,397	145,646,391	142,500,400
Business-type activities:										
Investment earnings	\$ 1,055	\$ 457	\$ 5,117	\$ 4,345	\$ 2,468	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	57,883	63,000	750,000	750,000	855,704	750,000	750,000
Total business-type activities	1,055	457	5,117	62,228	65,468	750,000	750,000	855,704	750,000	750,000
Total primary government	\$ 88,044,046	\$ 97,044,273	\$ 105,714,279	\$ 115,487,538	\$ 130,344,381	\$ 147,011,012	\$ 152,287,486	\$ 156,814,101	\$ 146,396,391	\$ 143,250,400
Change in Net Assets										
Governmental activities	\$ 6,385,403	\$ (553,740)	\$ 11,618,608	\$ 11,267,164	\$ 17,951,222	\$ 8,280,496	\$ 40,960,707	\$ 29,121,007	\$ 5,482,428	\$ (5,669,023)
Business-type activities	177,394	(70,058)	(60,472)	(78,187)	(228,996)	405,057	77,439	137,216	138,134	508,287
Total primary government	\$ 6,562,797	\$ (623,798)	\$ 11,558,136	\$ 11,188,977	\$ 17,722,226	\$ 8,685,553	\$ 41,038,146	\$ 29,258,223	\$ 5,620,562	\$ (5,160,736)

Source: The Board of Education of Wicomico County records.

Schedule 3

The Board of Education of Wicomico County
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Committed:										
Healthcare rate stabilization reserve	\$ 152,089	\$ 234,132	\$ 801,222	\$ 1,849,987	\$ 2,309,247	\$ 2,519,534	\$ 3,343,709	\$ 2,429,000	\$ 2,602,354	\$ 3,646,226
Assigned to:										
Healthcare rate stabilization reserve	201,300	309,889	1,060,472	2,448,584	3,056,445	3,334,775	4,425,627	5,643,947	4,666,352	1,642,335
Other purposes (encumbrances)	1,004,278	955,881	1,338,318	2,376,370	3,805,446	2,948,280	3,099,255	4,516,287	3,606,539	4,124,687
Subsequent year expenditures	1,011,399	11,527	610,020	376,647	2,047,232	800,000	800,000	300,000	4,000,000	300,000
Unassigned	11,527	310,020	496,647	547,232	300,000	300,000	300,000	4,000,000	300,000	300,000
Total General Fund	\$ 2,380,593	\$ 1,821,449	\$ 4,306,679	\$ 7,598,820	\$ 11,518,370	\$ 9,902,589	\$ 11,968,591	\$ 16,889,234	\$ 15,175,245	\$ 10,013,248
All Other Governmental Funds										
Restricted for fund purposes:										
Restricted grants	\$ 38,466	\$ 59,055	\$ 51,987	\$ 32,730	\$ 28,738	\$ 43,205	\$ 58,598	\$ 69,098	\$ 42,376	\$ 70,148
Capital projects	355,895	492,453	362,608	468,089	1,597,173	3,153,550	5,112,284	4,547,767	5,087,896	6,359,455
Total all other governmental funds	\$ 394,361	\$ 551,508	\$ 414,595	\$ 500,819	\$ 1,625,911	\$ 3,196,755	\$ 5,170,882	\$ 4,616,865	\$ 5,130,272	\$ 6,429,603
Total Governmental Funds	\$ 2,774,954	\$ 2,372,957	\$ 4,721,274	\$ 8,099,639	\$ 13,144,281	\$ 13,099,344	\$ 17,139,473	\$ 21,506,099	\$ 20,305,517	\$ 16,442,851

During fiscal year 2010, the Board implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions

Schedule 4

The Board of Education of Wicomico County
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Wicomico County appropriations	\$ 44,665,088	\$ 45,679,815	\$ 46,131,073	\$ 46,925,458	\$ 48,329,815	\$ 49,443,053	\$ 50,204,655	\$ 50,781,711	\$ 43,196,892	\$ 36,196,892
Other local revenue	1,096,528	1,011,540	1,539,214	1,421,971	2,418,267	2,171,015	2,821,160	2,367,826	1,047,033	857,362
State of Maryland	56,339,908	59,553,240	71,068,248	80,503,974	98,070,438	104,449,544	130,213,841	126,488,229	118,060,864	115,359,047
State of Maryland share of retirement and pension contribution	5,915,912	6,194,533	6,468,103	6,782,478	7,477,982	9,495,371	10,390,453	12,316,880	13,893,333	13,945,688
Federal through State	9,561,708	10,236,035	10,693,101	11,121,115	11,029,854	10,797,952	11,028,683	13,556,335	17,211,605	11,664,252
Transfer of bond proceeds from Wicomico County	5,625,507	3,800,499	7,914,233	7,749,005	8,742,346	9,846,137	20,495,958	16,713,698	209,865	1,220,677
Other	1,596,286	1,112,151	1,038,072	1,171,376	1,430,189	1,114,783	1,120,842	975,977	744,900	673,112
Total revenues	124,800,937	127,587,813	144,852,044	155,675,377	177,498,891	187,317,855	226,275,592	223,200,656	194,364,492	179,917,030
Expenditures										
Administration	2,514,593	2,843,968	3,162,009	4,020,634	3,840,529	4,592,010	4,619,335	4,789,056	4,669,570	4,791,193
School management and support	8,350,612	9,138,193	9,214,007	10,029,634	10,589,576	11,091,829	11,668,634	11,800,112	11,566,404	11,313,730
Instructional salaries	49,052,634	51,722,387	53,875,201	57,629,455	63,072,206	66,784,095	70,340,938	71,132,386	67,556,984	66,298,498
Textbooks and instructional supplies	2,156,027	3,477,174	3,219,608	3,602,972	4,273,226	4,457,826	4,073,265	4,322,106	3,967,562	2,862,722
Other instructional costs	2,065,609	1,731,744	1,797,745	1,791,788	1,966,141	2,869,544	2,213,619	2,609,102	2,307,420	2,338,990
Special education	11,112,379	11,784,642	12,556,596	13,454,837	14,895,106	16,332,931	16,979,678	18,321,340	17,647,287	17,257,503
Student personnel services	661,155	665,390	921,878	1,066,349	1,568,721	1,875,961	2,024,214	2,192,603	2,155,087	2,023,139
Health services	836,039	883,551	937,165	1,048,112	1,176,128	1,223,954	1,385,540	1,448,994	1,468,207	1,373,412
Student transportation	5,300,731	5,602,692	5,917,294	6,398,041	6,792,589	7,883,977	7,996,481	8,109,729	8,186,749	8,086,102
Operation of plant and equipment	6,195,353	6,609,444	7,621,036	8,429,392	9,322,114	10,300,491	10,824,322	10,649,631	10,662,885	9,674,217
Maintenance of plant	1,896,907	1,890,957	1,817,382	1,849,288	2,043,125	2,509,984	2,840,098	2,682,147	2,555,564	2,610,900
Fixed charges	17,221,093	19,873,596	21,288,787	23,104,824	25,334,145	29,372,737	29,654,508	30,425,611	32,816,938	33,117,698
Food service	30,367	14,912	19,075	19,075	-	-	-	-	-	-
Community services	143,427	107,227	115,434	167,997	111,492	246,618	244,373	188,790	159,171	174,484
Capital outlay	11,186,838	5,949,891	14,614,735	15,946,320	21,631,477	19,079,079	47,623,941	34,884,052	15,793,468	8,926,647
Debt service										
Capital lease principal	206,065	254,325	622,843	866,369	1,226,399	1,671,072	1,898,132	1,958,968	1,542,110	1,340,070
Capital lease interest	12,060	14,884	36,451	50,703	71,773	84,308	130,239	110,690	84,209	39,654
State of Maryland share of retirement and pension contribution	5,915,912	6,194,533	6,468,103	6,782,478	7,477,982	9,495,371	10,390,453	12,316,880	13,893,333	13,945,688
Total expenditures	124,857,801	128,759,510	144,205,349	156,258,268	175,392,729	189,871,787	224,907,770	217,942,197	197,032,948	186,174,647
Excess of revenues over (under) expenditures	(56,864)	(1,171,697)	646,695	(582,891)	2,106,162	(2,553,932)	1,367,822	5,258,459	(2,668,456)	(6,257,617)

Schedule 4 (continued)

The Board of Education of Wilcomico County
 Changes in Fund Balances, Governmental Funds,
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2003	2004	2005	2006	Fiscal Year	2008	2009	2010	2011	2012
Other Financing Sources (Uses)					2007					
Capital lease proceeds	427,845	769,700	383,950	1,582,263	1,934,359	2,770,378	1,566,000	1,554,556	300,779	1,904,867
Rate stabilization adjustment	-	-	1,317,672	2,436,876	1,067,121	488,617	1,856,307	303,611	1,917,095	1,240,084
Transfers to other funds	-	-	-	(57,883)	(63,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
Transfer of savings plan funds to Wilcomico County	-	-	-	-	-	-	-	(2,000,000)	-	-
Total other financing sources (uses)	427,845	769,700	1,701,622	3,961,256	2,938,480	2,508,995	2,672,307	(891,833)	1,467,874	2,394,951
Net change in fund balances	\$ 370,981	\$ (401,997)	\$ 2,348,317	\$ 3,378,365	\$ 5,044,642	\$ (44,937)	\$ 4,040,129	\$ 4,366,626	\$ (1,200,582)	\$ (3,862,666)
Debt service as a percentage of noncapital expenditures	0.2%	0.2%	0.5%	0.7%	0.9%	1.0%	1.2%	1.1%	0.9%	0.8%

Schedule 5

The Board of Education of Wicomico County

General Fund (Unrestricted Current Expense)

Approved Operating Budgets

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Administration	School Management and Support	Instructional Salaries and Wages	Textbooks and Instructional Supplies	Other Instructional Costs	Special Education	Student Personnel	Student Health Services
2003	1,959,503	8,120,259	42,418,062	1,851,623	634,412	8,411,824	655,032	787,230
2004	2,280,755	8,975,664	47,519,555	2,392,015	865,934	8,616,660	695,697	838,072
2005	2,861,533	9,022,129	49,836,560	2,583,378	950,835	9,386,651	911,344	896,624
2006	3,345,900	10,054,218	54,252,635	3,006,113	1,188,978	10,497,171	894,675	968,912
2007	3,607,043	10,478,756	59,678,297	3,684,836	1,320,144	12,048,647	1,652,042	1,150,826
2008	3,897,300	11,091,778	63,356,841	3,962,227	2,753,638	13,281,561	1,868,045	1,179,171
2009	4,151,663	11,777,792	65,373,614	3,502,555	1,796,680	14,471,643	1,999,685	1,340,535
2010	4,256,832	11,854,495	67,331,217	3,517,604	1,861,023	14,170,792	2,281,787	1,488,602
2011	4,115,795	11,545,115	63,904,626	3,003,242	1,530,325	13,810,212	2,230,039	1,538,817
2012	3,853,959	11,345,272	63,045,385	2,500,755	1,735,610	14,352,493	2,253,489	1,369,058

Source: The Board of Education of Wicomico County records.

Schedule 5
The Board of Education of Wicomico County
General Fund (Unrestricted Current Expense)
Approved Operating Budgets (continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Student Transportation	Operation of Plant	Maintenance of Plant	Fixed Charges	Food Services	Community Services	Capital Outlay	Total
5,279,655	6,333,996	1,812,987	14,045,640	15,000	97,012	931,319	93,353,554
5,507,055	6,721,956	1,824,567	17,042,599	15,000	97,262	1,046,542	104,439,333
5,761,542	7,525,163	1,760,281	19,029,238	19,075	149,762	2,324,380	113,018,495
6,116,014	8,296,250	1,985,829	20,753,180	19,075	151,762	3,339,172	124,869,884
6,587,581	10,112,643	2,228,370	22,894,756	30,000	208,162	4,285,077	139,967,180
7,135,738	10,553,085	2,542,557	27,186,357	112,000	216,162	7,175,751	156,312,211
8,750,349	11,179,932	2,949,929	27,148,830	750,000	216,933	6,448,431	161,858,571
8,238,009	11,333,964	3,037,970	28,643,620	750,000	217,361	6,823,277	165,806,553
8,009,947	11,594,795	2,819,892	27,176,925	750,000	207,361	5,150,473	157,387,564
8,218,206	11,344,815	3,070,479	27,099,348	750,000	192,087	4,642,877	155,773,833

Schedule 6

The Board of Education of Wicomico County
 Ratios of Outstanding Debt
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business Activities	Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	Capital Leases	Capital Leases			
2003	563,951	-	563,951	0.02%	6.36
2004	1,079,326	-	1,079,326	0.04%	11.93
2005	840,433	-	840,433	0.03%	9.11
2006	1,556,334	-	1,556,334	0.05%	16.67
2007	2,264,294	-	2,264,294	0.07%	24.12
2008	3,363,600	-	3,363,600	0.10%	35.70
2009	3,031,468	-	3,031,468	0.09%	30.70
2010	2,627,056	103,577	2,730,633	N/A	27.53
2011	1,385,725	70,260	1,455,985	N/A	N/A
2012	1,950,522	35,723	1,986,245	N/A	N/A

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

N/A - Not available

Schedule 7

The Board of Education of Wicomico County
Enrollment by School Last Ten Years
as of June 30,

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Elementary Schools										
Beaver Run	498	522	533	534	514	523	570	610	612	640
Chipman	399	400	406	422	422	429	432	436	426	399
Delmar	984	987	952	910	948	945	975	974	831	827
East Salisbury	362	346	379	381	354	361	357	363	370	403
Fruitland Intermediate	381	376	363	368	385	408	396	371	392	379
Fruitland Primary	408	432	439	467	493	485	477	474	485	506
Glen Avenue	322	307	297	280	309	314	285	285	273	334
North Salisbury	552	428	422	423	469	473	522	545	514	501
Northwestern	278	292	280	271	268	260	257	287	289	286
Pemberton	563	594	595	613	623	621	637	654	608	600
Pinehurst	481	421	383	404	395	422	415	438	462	491
Pittsville	420	233	209	210	219	212	231	236	211	220
Prince Street	447	441	422	482	447	472	548	561	581	493
West Salisbury	238	254	304	307	305	316	299	295	303	295
Westside Intermediate	448	412	464	440	434	448	451	474	465	496
Westside Primary	261	256	255	267	281	272	268	261	269	245
Wicomico Early Learning	-	-	-	-	-	-	-	-	-	-
Willards	112	285	290	302	281	299	287	276	291	303
Total Elementary Schools	7,154	6,986	6,993	7,081	7,147	7,260	7,407	7,540	7,382	7,418
Middle Schools										
Bennett	1,012	977	998	983	905	843	868	886	923	930
Mardela	315	323	312	301	292	267	281	269	282	292
Pittsville	250	252	272	246	236	216	209	231	236	260
Salisbury	837	907	913	959	924	883	879	848	849	925
Wicomico	777	769	771	762	723	693	683	713	708	639
Total Middle Schools	3,191	3,228	3,266	3,251	3,080	2,902	2,920	2,947	2,998	3,046
High Schools										
Bennett	1,370	1,358	1,388	1,381	1,303	1,346	1,313	1,282	1,307	1,374
Mardela	339	374	389	405	412	424	415	380	370	363
Parkside	1,102	1,116	1,140	1,149	1,223	1,214	1,256	1,217	1,137	1,125
Wicomico	1,182	1,201	1,142	1,139	1,179	1,182	1,209	1,188	1,126	1,087
Wicomico County Evening	57	138	69	85	83	71	70	65	62	65
Total High Schools	4,050	4,187	4,128	4,159	4,200	4,237	4,263	4,132	4,002	4,014
Total All Schools	14,395	14,401	14,387	14,491	14,427	14,399	14,590	14,619	14,382	14,478

Schedule 8

The Board of Education of Wicomico County
Enrollment by Grade Last Ten Years
as of June 30,

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Elementary School										
Pre-Kindergarten	532	480	493	478	439	458	457	567	572	612
Kindergarten	993	961	1,032	1,119	1,137	1,133	1,191	1,151	1,174	1,150
Grade 1	1,138	1,198	1,116	1,124	1,164	1,144	1,152	1,204	1,165	1,164
2	992	1,014	1,103	1,081	1,085	1,147	1,143	1,130	1,154	1,150
3	1,112	1,006	1,043	1,127	1,100	1,131	1,178	1,154	1,138	1,183
4	1,166	1,134	1,043	1,068	1,148	1,105	1,146	1,171	1,165	1,161
5	1,221	1,193	1,163	1,084	1,074	1,142	1,140	1,163	1,014	998
Special Education	-	-	-	-	-	-	-	-	-	-
Total Elementary School	7,154	6,986	6,993	7,081	7,147	7,260	7,407	7,540	7,382	7,418
Middle School										
Grade 6	1,045	1,105	1,073	1,039	938	934	1,017	998	1,012	1,027
7	1,074	1,072	1,127	1,096	1,037	958	955	1,015	980	1,042
8	1,053	1,051	1,066	1,116	1,105	1,010	948	934	1,006	977
Special Education	19	-	-	-	-	-	-	-	-	-
Total Middle School	3,191	3,228	3,266	3,251	3,080	2,902	2,920	2,947	2,998	3,046
High School										
Grade 9	1,177	1,199	1,208	1,177	1,242	1,239	1,167	1,057	1,043	1,127
10	987	1,061	1,053	1,047	1,050	1,085	1,086	1,065	962	963
11	918	979	1,000	1,001	972	976	1,038	1,032	1,029	901
12	892	948	867	934	936	937	972	978	968	1,023
Special Education	76	-	-	-	-	-	-	-	-	-
Total High School	4,050	4,187	4,128	4,159	4,200	4,237	4,263	4,132	4,002	4,014
Total enrollment	14,395	14,401	14,387	14,491	14,427	14,399	14,590	14,619	14,382	14,478
Number of teachers	1,016	1,020	1,027	1,048	1,079	1,076	1,083	1,087	1,072	1,078
Ratio of students to teachers	14:1	14:1	14:1	14:1	13:1	13:1	13:1	13:1	13:1	13:1

Source: The Board of Education of Wicomico County records.

Schedule 9

The Board of Education of Wicomico County
Full-Time Equivalent Positions by Function
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30										Percentage Change 2003-2012
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
General Fund:											
Administration	32.55	38.55	42.55	46.30	48.55	49.55	50.55	53.30	54.80	51.80	59.14%
School management and support	155.41	165.16	163.09	189.34	191.49	191.49	197.14	192.60	189.20	184.20	18.53%
Instructional salaries	965.25	1,064.88	1,088.68	1,120.18	1,152.79	1,153.13	1,161.28	1,184.49	1,163.86	1,161.01	20.28%
Special education	212.18	215.54	224.42	252.67	283.57	287.57	320.27	320.35	317.05	317.05	49.43%
Student personnel services	10.95	11.95	20.95	15.70	17.70	20.70	21.70	23.70	24.20	25.20	130.14%
Health services	26.00	27.00	28.00	29.00	30.00	32.00	34.00	34.00	35.00	33.00	26.92%
Student transportation	10.00	10.00	11.00	11.00	7.41	9.41	9.41	8.91	8.91	7.00	-30.00%
Operation of plant and equipment	123.60	118.50	137.50	143.50	149.50	150.50	152.50	153.50	154.50	154.50	25.00%
Maintenance of plant	24.25	24.25	24.25	25.25	26.25	26.25	26.25	26.25	27.25	27.25	12.37%
Food service	-	-	0.50	0.50	-	-	-	-	-	-	0.00%
Community services	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.00%
Capital outlay	6.75	6.75	7.75	7.75	7.75	8.75	8.75	7.75	6.75	6.75	0.00%
Total	1,567.44	1,683.08	1,749.19	1,841.69	1,915.51	1,929.85	1,982.35	2,005.35	1,982.02	1,968.26	25.57%
Restricted Funds	266.29	223.00	230.65	224.81	217.65	210.56	203.49	206.62	203.07	202.87	100.00%
Total all funds	1,833.73	1,906.08	1,979.84	2,066.50	2,133.16	2,140.41	2,185.84	2,211.97	2,185.09	2,171.13	18.40%

Source: The Board of Education of Wicomico County records.

Schedule 10

The Board of Education of Wicomico County

Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population (1)	Personal Income (2) <i>(thousands of dollars)</i>	Per Capita Personal Income (2)	Civilian Labor Force (3)	Unemployment Rate (3)		
2003	87,346	2,404,704	27,531	48,362	4.8%		
2004	88,665	2,615,071	29,494	50,021	4.4%		
2005	90,489	2,800,695	30,951	52,096	4.2%		
2006	92,224	2,936,136	31,837	52,951	4.0%		
2007	93,343	3,103,288	33,246	52,458	3.9%	+	+
2008	93,859	3,226,603	34,377	53,166	5.2%	+	+
2009	94,222	3,278,842	34,799	52,437	8.8%	+	+
2010	98,733	3,374,513	34,145	53,248	9.5%	+	+
2011	99,190	N/A	N/A	53,239	9.0%	+	+
2012	N/A	N/A	N/A	52,911	8.9%	*	*

Sources:

- (1) Population Estimates are from the U.S. Census Bureau and represent estimates as of July 1st of each year.
- (2) Bureau of Economic Analysis, U.S. Department of Commerce. (Income data for 2011 and 2012 is not currently available.)
- (3) Bureau of Labor Statistics, U.S. Department of Labor.

+ Reflects revised inputs, re-estimation, and controlling to new statewide totals as reflected on (3) database in August 2012.

* Civilian Labor Force and Unemployment Rate for 2012 are based on information through July 1, 2012.

N/A - Not Available

Schedule 11
The Board of Education of Wicomico County
Operating Information
Last Ten Fiscal Years

Fiscal Year	Per Pupil Expenditures		Number of School Bus Riders	Food Services	
	Dollars	State Rank *		Breakfasts Served	Lunches Served
2003	\$8,299	12	10,930	467,206	1,068,727
2004	\$8,659	14	10,667	500,247	1,116,938
2005	\$8,998	15	10,622	576,652	1,189,711
2006	\$9,692	15	10,600	578,540	1,252,107
2007	\$10,611	13	12,548	606,973	1,268,481
2008	\$11,754	10	12,698	644,090	1,274,807
2009	\$12,054	13	12,458	679,238	1,291,867
2010	\$12,457	11	12,481	692,746	1,280,451
2011	N/A	N/A	12,493	720,920	1,295,622
2012	N/A	N/A	12,596	733,074	1,329,555

Source: Maryland State Department of Education. (FY 2012 Number of School Bus Riders provided by WCBOE Transportation Dept.)

* Ranking of the State's 24 School Systems.
N/A - Not Available

Schedule 12**The Board of Education of Wicomico County****Facilities Inventory**

	Year Constructed	Acreage	Sq Ft. area
<u>SCHOOLS:</u>			
BEAVER RUN ELEMENTARY	1958	16.14	58,893
CHIPMAN ELEMENTARY	1986	6.5	40,752
DELMAR ELEMENTARY	1978	10.2	80,810
EAST SALISBURY ELEMENTARY	1942	12.1	61,889
FRUITLAND INTERMEDIATE	1937	10	43,712
FRUITLAND PRIMARY	1955	18	56,308
GLEN AVENUE ELEMENTARY	1964	15	55,068
NORTH SALISBURY ELEMENTARY	2006	8	76,999
NORTHWESTERN ELEMENTARY	1966	10.4	26,800
PEMBERTON ELEMENTARY	2002	18.78	73,917
PINEHURST ELEMENTARY	1937	8.9	76,224
PRINCE STREET ELEMENTARY	2008	14.8	73,830
WEST SALISBURY ELEMENTARY	1964	15.35	25,919
WESTSIDE INTERMEDIATE	1999	10.5	54,797
WESTSIDE PRIMARY	1956	18	20,569
WILLARDS ELEMENTARY	2003	42	51,247
BENNETT MIDDLE	1966	24.3	129,335
PITTSVILLE ELEM./MIDDLE	1956	13.46	79,335
WICOMICO MIDDLE	1931	16	135,750
SALISBURY MIDDLE SCHOOL	1999	75.68	143,519
J.M. BENNETT HIGH	2010	34.46	247,202
MARDELA MIDDLE/HIGH	1958	39.79	87,633
PARKSIDE HIGH SCHOOL	1974	50.02	164,178
WICOMICO HIGH	1951	60	195,941
<u>CENTRAL OFFICES:</u>			
Jersey Road	various		37,629
Morris Street	various		9,537
Mt Hermon and Long Avenue Site-MIS	various		4,416
Mt Hermon and Long Avenue Site-Annex 2-4	various		21,109
Mt Hermon and Long Avenue Site-Central	various		15,486
Mt Hermon and Long Avenue Site-Facility	various		20,019
Mt Hermon and Long Avenue Site-Maintenance	various		4,704
Mt Hermon and Long Avenue Site-Warehouse	various		8,640
Civic Avenue-County Stadium	various		4,000
Schumaker Drive-Instructional Resource Center	various		2,012
<u>OTHER SCHOOLS:</u>			
Adventist Drive-Choices Facility	various		29,152
Beaglin Park Drive-Tech Ed.	1997		113,546
Northwood Drive- Infant/Toddler	Leased		
Roberts Street-Early Learning Center	various		11,321

Source: The Board of Education of Wicomico County records.

Schedule 13

The Board of Education of Wicomico County

Insurance Summary

7/1/11 - 6/30/12 policy dates

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers' Compensation	MABE Workers' Compensation Group Self-Insurance Fund	N/A	7/01/11-6/30/12	Statutory up to \$400,000 - the self insured limit
Excess Workers' Compensation	Safety National	SP4044576	7/01/11-6/30/12	Statutory above the SIR
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal & Advertising Injury Liability	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Employee Benefit Plan Fiduciary Liability	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$100,000 each claim with \$250,000 annual maximum
Automobile Liability	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$100,000 combined single limit \$1 million combined single limit for contracted buses
Personal Injury Protection - MD	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$2,500 per covered person for any one accident
Maryland Uninsured Motorist	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$50,000 per accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	actual cash value
Garage Keepers liability	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Fund	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$500,000 per occurrence
Property, Boiler, and Machinery Reinsurance	PEPIP	PPROP1112	7/01/11-6/30/12	\$1 billion per occurrence excess of \$500,000
Crime	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$10,000 per occurrence
Crime - Excess	Travelers Casualty	103910757	7/01/11-6/30/12	\$2,500,000 per loss in excess of \$10,000
Crime - Excess	Axis, Inc.	MON719382012011	7/01/11-6/30/12	\$5,000,000 per loss in excess of \$2,500,000
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/01/11-6/30/12	\$250,000 per claim
School Board Legal Liability Reinsurance	United Educators	RCN2011043071	7/01/11-6/30/12	\$4,750,000 per occurrence excess of \$250,000
Catastrophic Student Accident	AIG	SRG 0009100979	7/01/11-6/30/12	\$5,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Fiduciary Responsibility Liability	Travelers	104341178	8/1/11-8/1/12	\$3,000,000 per occurrence
Pollution Liability - Mardela WWTP	Endurance Insurance	EIL101008462-00	7/11/09-7/11/12	\$1,000,000 per accident
Pollution Liability - above ground storage tanks	Zurich Insurance	USC 3508566-09	6/30/10-6/30/13	\$1,000,000 per claim \$2,000,000 Total for all

Source: The Board of Education of Wicomico County records.



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