

# **BOARD OF EDUCATION OF WICOMICO COUNTY**

---

**A Component Unit of Wicomico County, Maryland**

## **Comprehensive ANNUAL FINANCIAL REPORT**

*For the fiscal year ended June 30, 2013*



**SUCCESS – Every Student, Every Day**

**101 Long Avenue  
Salisbury, Maryland 21804  
[www.wcboe.org](http://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, 2013

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, 2013

TABLE OF CONTENTS

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1 - 8
List of Appointed Officials	9
Organizational Chart	10
Certificate of Achievement - Government Finance Officers Association (GFOA)	11
Certificate of Excellence - Association of School Business Officials (ASBO)	12
FINANCIAL SECTION	
Independent Auditors' Report on the Financial Statements	14 - 16
Management's Discussion and Analysis	17 - 33
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	34
Statement of Activities	35 - 36
Fund Financial Statements:	
Balance Sheet - Governmental Funds	37
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	38
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	39
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities	40
Statement of Net Position - Proprietary Funds	41
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	42
Statement of Cash Flows - Proprietary Funds	43
Statement of Fiduciary Net Position	44
Statement of Changes in Fiduciary Net Position	45
Notes to the Financial Statements	46 - 70

# THE BOARD OF EDUCATION OF WICOMICO COUNTY

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013

### TABLE OF CONTENTS (continued)

#### FINANCIAL SECTION (continued)

##### Required Supplementary Information:

Schedule of Funding Progress and Employer Contributions - Retiree Health Insurance Plan Trust	72
Schedule of Funding Progress and Employer Contributions - Pension Plan for Employees	73
Budgetary Comparison Schedule - General Fund	74 - 75
Budgetary Comparison Schedule - Special Revenue	76
Notes to Budgetary Comparison Schedule	77 - 78

##### Additional Supplementary Information:

Schedule of Appropriations and Expenditures - General Fund - Budgetary Basis	80 - 82
Schedule of Revenues and Expenditures - Budget and Actual - Food Service Fund - Budgetary Basis	83
Combining Schedule of Fiduciary Net Position - Pension and Retiree Health Plan Trust Funds	84
Combining Schedule of Changes in Fiduciary Net Position - Pension and Retiree Health Plan Trust Funds	85
Schedule of Changes in Assets and Liabilities - Agency Fund	86

#### STATISTICAL SECTION

Contents	88
Net Position by Component - Last Ten Fiscal Years (Accrual Basis of Accounting)	89
Changes in Net Position - Last Ten Fiscal Years (Accrual Basis of Accounting)	90 - 91
Fund Balances of Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	92
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	93 - 94
Approved Operating Budgets - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	95 - 96

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS  
(continued)

STATISTICAL SECTION (continued)

Ratios of Outstanding Debt - Last Ten Fiscal Years	97
Enrollment by School - Last Ten Years	98
Enrollment by Grade - Last Ten Years	99
Budgeted Full Time Equivalent Positions by Function - Last Ten Fiscal Years	100
Demographic and Economic Statistics - Last Ten Years	101
Operating Information - Last Ten Fiscal Years	102 - 103
Where the Money Comes From	104
Facilities Inventory	105
Capital Asset Statistics by Function	106
Insurance Summary	107

## INTRODUCTORY SECTION

# BOARD OF EDUCATION OF WICOMICO COUNTY



JOHN E. FREDERICKSEN, PH.D.  
SUPERINTENDENT OF SCHOOLS

101 LONG AVENUE  
P.O. BOX 1538  
SALISBURY, MD 21802-1538

410-677-4400  
FAX 410-677-4444  
[www.wcboe.org](http://www.wcboe.org)

*SUCCESS - EVERY STUDENT, EVERY DAY*

RONALD O. WILLEY  
*PRESIDENT*

DONALD L. FITZGERALD  
*VICE PRESIDENT*

MARVIN L. J. BLYE

TYRONE A. CHASE, PH.D.

LARRY W. DODD

CAROLYN J. ELMORE, ED.D.

KIMBERLY S. HUDSON

September 30, 2013

To the Board of Education and Citizens of Wicomico County:

The Board of Education of Wicomico County's (Board) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013 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 position, activities and balances for the fiscal year ended.

This letter of transmittal, prepared by management, should be read in conjunction with MD&A and is intended to introduce the Board's CAFR. 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 which presents 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 unmodified "clean" opinion on the Board's financial statements for the fiscal year ended June 30, 2013. 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**

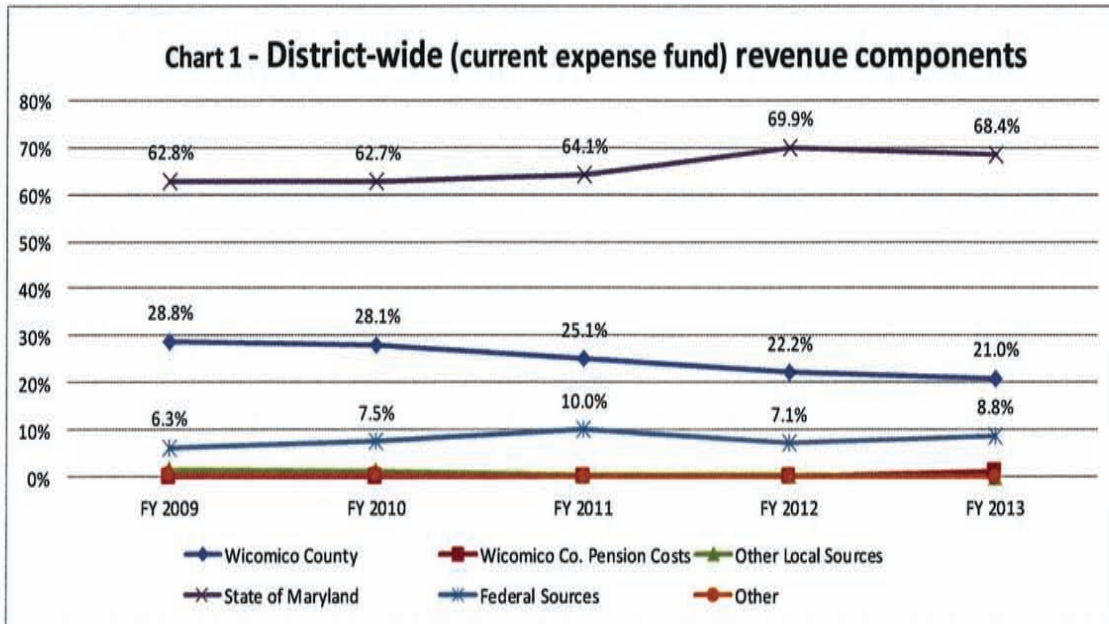
The Board of Education of Wicomico County is one of twenty-four (24) school systems established by law in the state of Maryland. The school systems consist of the twenty-three (23) counties and the City of Baltimore. Each county board of education is a body politic and corporate. The Board of Education of Wicomico County (Board) was established in 1867 and is ranked 15th in Maryland according to student enrollment as of September 30, 2012. 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 2012-2013 school year, the school system served 14,489 students (a decrease of 31 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 2012-2013 school year was approximately one staff member to 11 students. Student demographics for the 2012-2013 school year included: 59.2% students that qualified for free/reduced meals; 12.1% students with disabilities; and 3.8% students that were English Language Learners. In June 2013, the school system graduated 846 students.

In accordance with state law the Board of Education developed in 2002 a Comprehensive Master Plan. The 2012-2013 school year marked the tenth year of implementation of the strategic 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.

The Board is a component unit of Wicomico County, Maryland, and is fiscally dependent on Wicomico County and the State of Maryland to appropriate funding for its operations. The Board has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the Board is impacted by the financial condition of these funding authorities. During FY 2013 the Board received 21.0% of its district-wide revenues for operations (current expense) from Wicomico County compared to 68.4% from the State of Maryland. Chart 1 reveals the five (5) year history of district-wide revenues, comparing the sources of funds.





	FY 2009		FY 2010		FY 2011		FY 2012		FY 2013		Change FY 2009 to FY 2013	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	% Change
Wicomico Co. - for Operations	\$50,204,655	28.8%	\$50,781,711	28.1%	\$43,196,892	25.1%	\$36,196,892	22.2%	\$37,000,000	21.0%	(\$13,204,655)	-26.3%
Wicomico Co. - for Pension	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$2,173,593	1.2%	\$2,173,593	-
Other Local Sources	\$2,821,160	1.6%	\$2,367,826	1.3%	\$1,047,033	0.6%	\$857,362	0.5%	\$536,622	0.3%	(\$2,284,538)	-81.0%
State of Maryland	\$109,369,266	62.8%	\$113,424,856	62.7%	\$110,403,814	64.1%	\$114,249,692	69.9%	\$120,324,844	68.4%	\$10,955,578	10.0%
Federal Sources	\$11,028,683	6.3%	\$13,556,335	7.5%	\$17,211,605	10.0%	\$11,664,252	7.1%	\$15,467,667	8.8%	\$4,438,984	40.2%
Other	\$664,978	0.4%	\$863,207	0.5%	\$485,988	0.3%	\$417,973	0.3%	\$386,438	0.2%	(\$278,540)	-41.9%
<b>Total</b>	<b>\$174,088,742</b>	<b>100.0%</b>	<b>\$180,993,935</b>	<b>100.0%</b>	<b>\$172,345,332</b>	<b>100.0%</b>	<b>\$163,386,171</b>	<b>100.0%</b>	<b>\$175,889,164</b>	<b>100.0%</b>	<b>\$1,800,422</b>	<b>1.0%</b>

Approximately 2.3 million square feet of building space is maintained by the Board. Of the 27 school buildings in our inventory, 60 % of them have aged more than 25 years since either their original or last major renovation. The average age of our inventory is 33 years. The oldest building in use is East Salisbury Elementary built in 1942. The newest facility in use was completed in 2010, James M Bennett High School. Our school buildings are multi-purpose facilities, serving many community groups and organizations for meetings and recreational use when school is not in session.

**Assessment of the School System’s Economic Condition**

Wicomico County continues to struggle economically, while overall our state’s economy has improved slightly. Since Wicomico County is predominantly a rural county and physically removed from the Baltimore/Washington/Philadelphia economic corridor, our county has not experienced any real job growth, or any significant turn-around in the housing market. Because of this stagnation, our county government has limited resources and has adopted a very

conservative approach to budgeting. This approach resulted in a marginal increase, \$803,108, in local aid for education in FY 2013. This followed two (2) consecutive years of draconian cuts in local education funding, \$7.6 million in FY 2011 and \$7.0 million in FY 2012. Since FY 2009 local aid to education has been reduced by \$13.2 million, a decrease of 26.3%.

On the other hand, because state aid is based upon a county's wealth and since Wicomico's wealth has decreased significantly in comparison with other counties in Maryland, we have experienced a dramatic increase in state aid for education. State aid grew by over \$6.1 million, or 5.3% in FY 2013. Since FY 2009, state aid has increased by \$11.0 million, or 10.0%.

Federal aid for education has been instrumental in assisting Wicomico with balancing the loss of local funding. This has been made possible by the flexibility permitted with the Education Jobs Act funds. In FY 2011, our Board made a conscious decision to hold and not spend \$3.1 million of Education Jobs Act Funds. The ability to hold the funds till September 30, 2012 and use the dollars to fund school-based salaries and benefits in FY 2013 enabled Wicomico to avoid a budget disaster. This budgeting strategy resulted in FY 2013 ending strong, with revenues exceeding expenditures by \$2.1 million, of which \$1.6 million was transferred at June 30, 2013 to the Capital Projects Fund, School Construction Savings Fund (SCSF); some good news in light of the continued poor economic environment. Overall, FY 2013 General Fund revenues increased 5.7% over the prior year, while expenditures grew by only 3.1%.

### **Long-term Financial Planning**

Future projections for revenue remain tempered. State aid is projected to increase, by approximately 2%-3%, over the next three (3) years, while county aid is expected to only grow at the maintenance of effort (MOE) level, 1%-2%. MOE is the minimum level of local funding required by state law in order to receive any additional state aid allocated to a county in the ensuing year.

During FY 2014 we are projecting consolidated revenues to increase by only \$2.1 million, while on-going-costs of doing business (fixed costs) are projected to increase \$5.97 million. Consequently, the school system will cut an additional \$3.54 million in existing budget line items in order to balance the FY 2014 budget. Since FY 2010, our school system will have cut over \$21.9 million in operating costs from our operating budget. This process of cutting existing budget line items, since adequate revenues are not available, in order to meet on-going-costs of doing business (fixed costs) causes the Board great concern. Efforts are ongoing to inform the community of the consequences of continuing to balance the General Fund budget by cutting administrative, student support services, operations, maintenance, and capital costs while attempting to avoid cuts to direct student instruction. Eventually, the individual classroom will be negatively impacted since there will come a point when the support framework for instructional delivery will be inadequate and thus instruction will suffer.

Legislation that passed in 2012 substantially changed the MOE law. The new law required a county, if they had failed to meet the FY 2012 MOE level of funding, to set the county income tax rate at the highest level permitted by current law, 3.2%, and set the county property tax rate at the maximum amount allowable under the county's charter. In exchange for these actions, the state permitted a county to re-base the MOE calculation using the lower funding level from the previous year. Because Wicomico County did not meet MOE for FY 2012, this law was applicable to Wicomico County for FY 2013 and FY 2014. In an effort to avoid having to fund education at the FY 2012 MOE level as required by this new law, which was \$50.1 million, our County Council voted to comply with this new law for both FY 2013 and FY 2014. For FY 2013, because of a decrease in property assessments, our county had to raise the property tax rate seven (7) cents to raise the maximum revenue amount permitted by the charter. Likewise, for FY 2014, because of continued falling property assessments, the County Council has raised the property tax rate another 6.8 cents in order to comply with the law. By doing this, the county has raised sufficient funds to meet the MOE required levels of funding. In fact, FY 2013 county funding exceeded the MOE level by \$597,000 and FY 2014 funding is projected to exceed MOE by \$629,000. Since this new MOE law sunsets at the end of FY 2014, we are unsure what our County Council may do in FY 2015 and beyond. At best, we are hoping for at least MOE level funding.

As indicated in last year's CAFR, a very significant piece of legislation that passed in 2012 involved the state legislature pushing back pension costs to local governments. That legislation set in law the following amounts (FY13 - \$2.2 million, FY14 - \$2.8 million, FY15 - \$2.7 million, FY18 - \$3.2 million) that the Board must remit to the state toward state teacher pension costs, previously 100% funded by the state. 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 at least partially offset the additional costs imposed on local Boards of Education. In turn, county governments are to 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. At that same time, 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**

To assist us in the planning process, the Board of Education of Wicomico County has adopted criteria for budget development established by the Association of School Business Officials International (ASBO Int'l) and the Government and Finance Officers Association (GFOA). FY 2013 marks the third year of utilizing the ASBO Int'l criteria and the first year using the GFOA criteria. We believe that in conjunction with the CAFR, these budgeting and reporting processes will make budgeting and financial reporting for the Board of Education of Wicomico County more closely comply with principles and standards established by the National Advisory Council on State and Local Budgeting. Also, the processes established to create these documents continue to assist us in planning for the future by forcing management to look at data from a more analytical perspective and ask tough questions of budget managers. It will

also enable the Board to consider its return on the investment of public funds for education in Wicomico County.

Other major budget initiatives to be pursued include: 1) voluntary retirement incentive option (VRIO). The VRIO was established for the primary purpose of offering to employees an incentive to retire. The VRIO plan provided a budget savings for FY 2014 of approximately \$646,000 in salary and enabled the Board to cut 7 additional positions, saving an additional \$359,000, without having to lay-off a single employee; 2) seeking state and county funding to complete the Bennett Middle School replacement project and much needed systemic renovation projects as a result of deferred maintenance brought about by continued budget reductions and limited capital funding.

A very unfortunate event that we believe will have unintended consequences in the future is our County Council's termination of the School Construction Savings Plan (SCSP). Established in 2007 by the Wicomico County Council, the plan enabled the Board to set aside, or transfer surplus funds, over a base amount of \$300,000, from the General Fund Operating budget to the Capital Projects budget to complete systemic renovation and major maintenance projects not funded through the County's Capital Improvement Plan (CIP). June 30, 2013 will mark the last of such set asides (transfers) from the Board's General Fund to the Capital Projects Fund for the SCSP. Over the years this plan and the funds generated have been used: 1) to help our County Government fund MOE for the school system (\$2.0 million in FY 2010), 2) to help our County fund the Board's General Fund budget (FY 2012 \$1.0 million), 3) to 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. Despite numerous discussions with county representatives, the reinstatement of this plan is not anticipated. We are concerned that the loss of this funding vehicle will significantly reduce the Board's ability to fund future major maintenance projects and leverage future state dollars for systemic renovations.

### **Budgetary Controls**

The Board maintains a system of budgeting and accounting controls designed to assist management in meeting its responsibilities for reporting financial information. These controls 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.

The Board prepares an annual Consolidated Current Expense Budget in accordance with Maryland law. The budget document provides budgets for the Governmental Funds and Proprietary Funds of the Board. The Governmental Funds consist of the General Fund (unrestricted current expense), the Special Revenue Fund (restricted current expense) and the Capital Projects Fund. The Proprietary Fund consists of the Board's Food Service operation.

The proposed budget is required to be submitted to the Wicomico County Executive by March 15<sup>th</sup> of each year. The Wicomico County Council provides final approval and notifies the Board of its appropriation by late May, or early June. The Board finalizes and approves its budget in late June. The General Fund (unrestricted current expense) 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 (restricted current expense) from state and federal grants must receive grantor approval. For over 95% of our grants, the state of Maryland serves as the grantor agency. The grants are also reviewed with the Board of Education upon award. Budget amendments to grants require grantor approval.

The Capital Projects Fund budget is developed after the County approves their annual Capital Improvement Plan (CIP), usually in early March, and after the state adopts their annual capital budget in early April. This budget accounts for appropriations specifically earmarked for new construction, renovations and major systemic maintenance projects in accordance with state law.

The lone proprietary budget, the Food Service Fund, is prepared and approved through a separate review process involving the Division of Food Services, the Division of Business Support Services and the Board of Education. This collaborative effort ensures compliance with all applicable federal and state laws involving accounting for USDA commodities, USDA funding for free and reduced eligible meals and local student payments.

### 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, 2012. This is the third 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, 2012. 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 third 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 (MBA) for its annual budget document for the year beginning July 1, 2012. This is the second consecutive year that the Board has received the MBA from ASBO International.

**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

Kimberly S. Hudson

### Student Members

Hannah Weaver, James M. Bennett High School

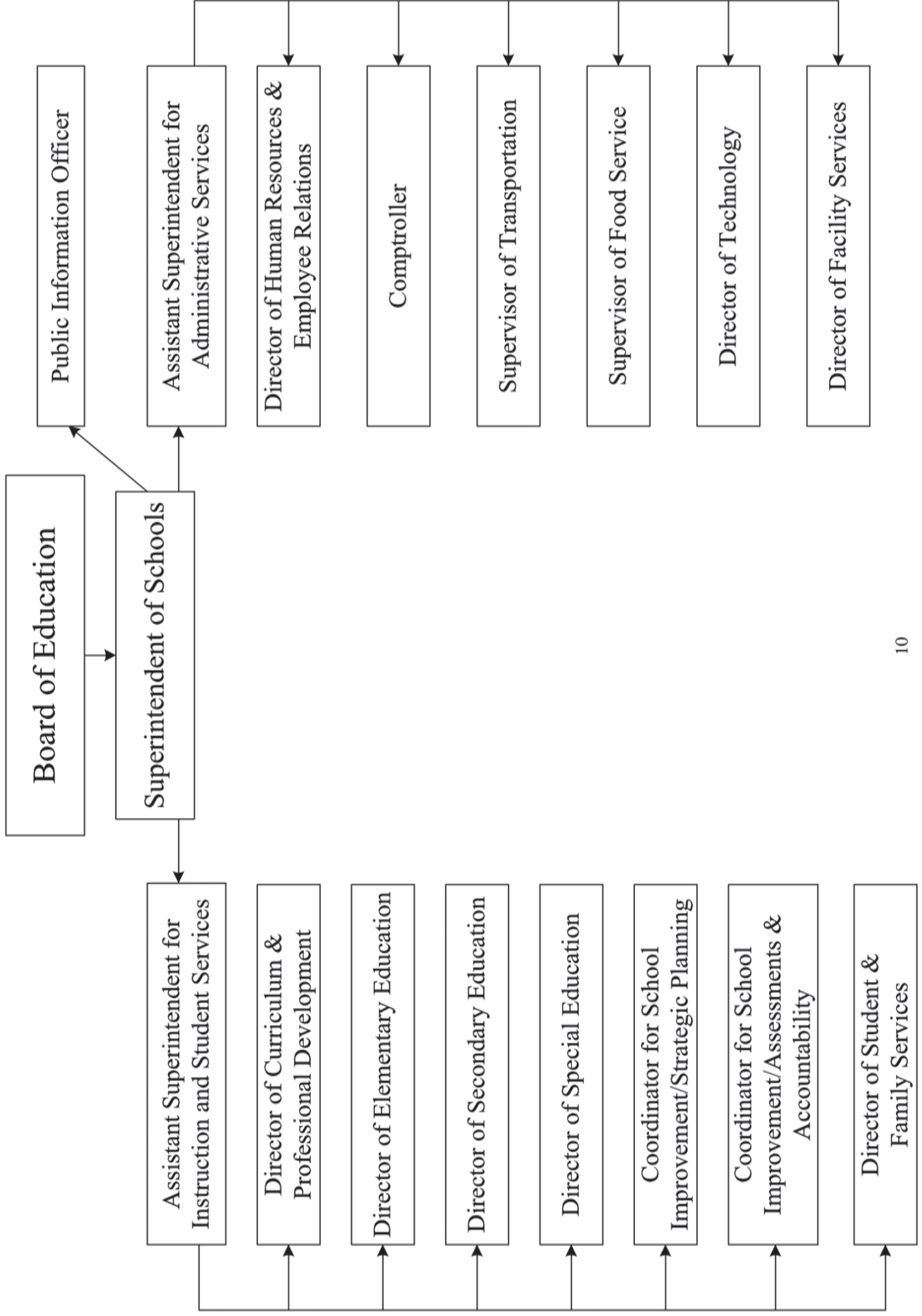
Brandon Bond, Mardela High School

Matthew Jones, Parkside High School

Gwyneth Hazel, Wicomico High School

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

# Board of Education of Wicomico County Organizational Chart FY 2012-13







Government Finance Officers Association

**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, 2012**

Executive Director/CEO

# 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, 2012*

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



A handwritten signature in black ink, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO  
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

The Board of Education of Wicomico County  
Salisbury, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Wicomico County, a component unit of Wicomico County, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Wicomico County as of June 30, 2013, 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.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 33, schedules of funding progress and employer contributions on pages 72 through 73, and budgetary comparison information on pages 74 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Wicomico County's basic financial statements. 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 basic financial statements.

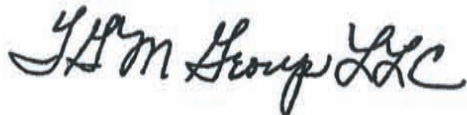
The additional supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated in all material respects in relation to the basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated September 30, 2013 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* in considering The Board of Education of Wicomico County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "YHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
September 30, 2013

# THE BOARD OF EDUCATION OF WICOMICO COUNTY

## Management's Discussion and Analysis Year Ended June 30, 2013

This section of the Board of Education of Wicomico County's (Board) comprehensive annual financial report (CAFR) provides management's narrative, overview and analysis of the financial performance of the Board for the fiscal year that ended on June 30, 2013. Please read this analysis in conjunction with the Letter of Transmittal located in the introduction of this report and the Board's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The Board's financial status improved during FY 2013 as total net position increased by \$2.9 million, or 1.3%.
  - Overall revenues were \$199.2 million and expenses were \$196.3 million.
  - Net investment in capital assets of the Board account for the increase in net position as the Board continues to invest in updating older school facilities.
- The Board's total net position is \$230.4 million. Of this total, \$6.1 is unrestricted and available to meet the Board's ongoing obligations.
- At the end of the current fiscal year, the Board's governmental funds reported combined fund balances of \$16.5 million, an increase of only \$78,589.
- The unassigned fund balance in the General fund equals \$300,000, the same amount as the prior year, in conformance with the guidelines established by the County Council for the Board's School Construction Savings Fund (SCSF). Unfortunately, this marks the final year of the SCSF which was terminated by the county council effective at the end of FY 2013.

### OVERVIEW OF THE FINANCIAL STATEMENTS

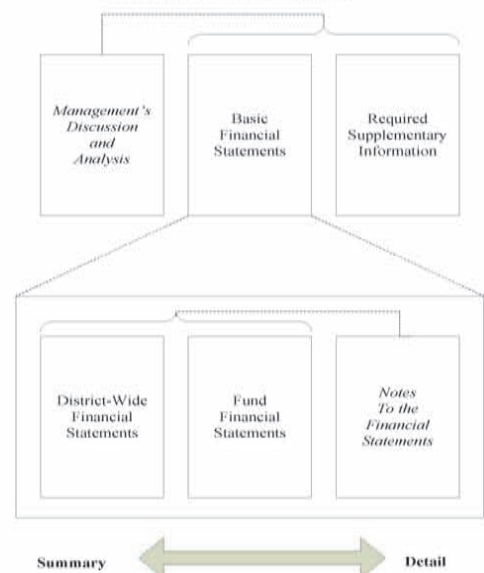
In addition to the MD&A, this section of the CAFR contains the financial statements which consist of the parts as noted in Table 1.

The basic financial statements consist of two types of statements: district-wide financial statements and fund financial statements.

#### District-wide financial statements

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

Table 1. Required Components of Board's Annual Financial Report



## THE BOARD OF EDUCATION OF WICOMICO COUNTY

### Management's Discussion and Analysis Year Ended June 30, 2013

- 1) Statement of net position - includes *all* of the Board's assets and liabilities and reflects the difference (net position) between the assets and liabilities which is one way to measure the financial health of an entity.
- 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 district-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, operations, maintenance, and community services. 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 BOARD OF EDUCATION OF WICOMICO COUNTY

## Management's Discussion and Analysis Year Ended June 30, 2013

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.
- *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 position** – the Board's combined net position was \$230.4 million on June 30, 2013. This is an increase of 2.9 million, or 1.3%, over the prior year. (see Table 2.)

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

**Table 2**

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

	Governmental Activities		Business-Type Activities		Board of Ed Total		Change 2013 - 2012	
	2013	2012	2013	2012	2013	2012	\$	%
Current and other assets	\$38.2	\$37.5	\$1.6	\$1.4	\$39.8	\$38.9	\$0.8	2.1%
Capital Assets	\$214.5	\$211.3	\$0.4	\$0.4	\$214.8	\$211.7	\$3.1	1.5%
<b>TOTAL ASSETS</b>	<b>\$252.7</b>	<b>\$248.8</b>	<b>\$1.9</b>	<b>\$1.8</b>	<b>\$254.6</b>	<b>\$250.6</b>	<b>\$3.9</b>	<b>1.6%</b>
Current Liabilities	\$20.2	\$19.5	\$0.1	\$0.1	\$20.3	\$19.6	\$0.7	3.6%
Long-Term Liabilities	\$3.9	\$3.6	\$0.0	\$0.0	\$3.9	\$3.6	\$0.3	9.2%
<b>TOTAL LIABILITIES</b>	<b>\$24.1</b>	<b>\$23.1</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$24.2</b>	<b>\$23.2</b>	<b>\$1.0</b>	<b>4.5%</b>
<b>Net Position</b>								
Net Investment in Capital Assets	\$212.2	\$209.4	\$0.4	\$0.4	\$212.6	\$209.7	\$2.9	1.4%
Restricted	\$11.7	\$11.6	\$0.0	\$0.0	\$11.7	\$11.6	\$0.0	0.0%
Unrestricted	\$4.7	\$4.7	\$1.4	\$1.3	\$6.1	\$6.1	\$0.0	0.3%
<b>TOTAL NET POSITION</b>	<b>\$228.6</b>	<b>\$225.7</b>	<b>\$1.8</b>	<b>\$1.7</b>	<b>\$230.4</b>	<b>\$227.5</b>	<b>\$2.9</b>	<b>1.3%</b>

**Changes in net position** - the District's total revenues were \$199.2 million for the year ended June 30, 2013 (See Table 3). The county appropriation and state formula aid accounted for approximately 75.9% of total revenue for the year. Another 24.1% came from program revenues and 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 \$196.3 million. The District's expenses are predominantly related to providing direct educational services to students, 77.5%. The purely administrative activities of the District accounted for approximately 3.3% of total expenses. Total revenue exceeded total expenses by \$2.9 million, thereby increasing net position \$2.9 million over the prior year.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

**Table 3**

**THE BOARD OF EDUCATION OF WICOMICO COUNTY  
CHANGES IN NET POSITION  
(in millions of dollars)**

	Governmental Activities		Business-Type Activities		Board of Ed Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2013-2012
<b>Program revenues</b>							
Charges for services	\$0.3	\$0.6	\$1.4	\$1.6	\$1.8	\$2.2	-19.0%
Federal and state grants	\$34.1	\$33.3	\$5.2	\$4.9	\$39.3	\$38.3	2.8%
Capital Contributions	\$6.9	\$2.7	\$0.0	\$0.0	\$6.9	\$2.7	152.3%
<b>General revenues</b>							
County Appro. for operations	\$37.0	\$36.2	\$0.0	\$0.0	\$37.0	\$36.2	2.2%
County Appro. for pension	\$2.2	\$0.0	\$0.0	\$0.0	\$2.2	\$0.0	-
State formula aid	\$112.0	\$106.9	\$0.0	\$0.0	\$112.0	\$106.9	4.7%
Other	\$0.1	\$0.1	\$0.0	\$0.0	\$0.1	\$0.1	-34.2%
<b>TOTAL REVENUE</b>	<b>\$192.6</b>	<b>\$179.9</b>	<b>\$6.6</b>	<b>\$6.5</b>	<b>\$199.2</b>	<b>\$186.4</b>	<b>6.9%</b>
<b>Expenses:</b>							
Instruction & Special Ed	\$152.1	\$149.8	\$0.0	\$0.0	\$152.1	\$149.8	1.6%
Administration	\$6.4	\$6.2	\$0.0	\$0.0	\$6.4	\$6.2	2.8%
Support Services	\$30.5	\$28.9	\$7.2	\$6.7	\$37.8	\$35.6	6.1%
<b>TOTAL EXPENSES</b>	<b>\$189.1</b>	<b>\$184.8</b>	<b>\$7.2</b>	<b>\$6.7</b>	<b>\$196.3</b>	<b>\$191.6</b>	<b>2.5%</b>
Excess(deficiency) before contributions, special & extraordinary items and transfers	\$3.5	-\$4.9	-\$0.6	-\$0.2	\$2.9	-\$5.2	-156.0%
Transfers:	-\$0.7	-\$0.8	\$0.7	\$0.8	\$0.0	\$0.0	0.0%
Incr. (decr.) in net position	\$2.8	-\$5.7	\$0.1	\$0.5	\$2.9	-\$5.2	-156.0%

*Governmental Activities*

- Net position increased \$2.8 million in FY 2013.
- Revenues increased by \$12.7 million, attributable to:
  - state formula aid for operations increased \$5.1 million
  - capital contributions from state and county sources increased \$4.2 million
  - county funding for pension costs as required by state law for the first time in FY 2013 amounted to \$2.2 million of the \$3.0 million increase in county appropriations

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

See Chart 1.a and 1.b below for a breakdown of the District's revenues as a percentage of total revenue for FY 2013 and 2012.

REVENUE:	FY 2013		REVENUE:	FY 2012		Incr (Decr)	
	\$	%		\$	%	\$	%
Charges for services	333,920	0.17%	Charges for services	599,221	0.33%	(265,301)	-44.27%
Federal and state grants	34,109,723	17.71%	Federal and state grants	33,337,885	18.53%	772,038	2.32%
Capital Contributions	6,888,004	3.58%	Capital Contributions	2,729,726	1.52%	4,158,278	152.33%
County Appro. for operations	37,000,000	19.21%	County Appro. for operations	36,196,892	20.12%	803,108	2.22%
County Appro. for pension	2,173,593	1.13%	County Appro. for pension	0	0.00%	2,173,593	-
State formula aid	111,997,661	58.16%	State formula aid	106,945,873	59.44%	5,051,788	4.72%
Other	70,852	0.04%	Other	107,635	0.06%	(36,783)	-34.17%
	<u>\$192,573,753</u>	100.00%		<u>\$179,917,032</u>	100.00%	<u>\$12,656,721</u>	7.03%

**Chart 1.a  
WCMBOE REVENUES  
FY 2013**

Category	Percentage
State formula aid	58.2%
County Appro. for operations	19.2%
Federal and state grants	17.7%
Capital Contributions	3.6%
County Appro. for pension	1.1%
Charges for services	0.2%

**Chart 1.b  
WCMBOE REVENUES  
FY 2012**

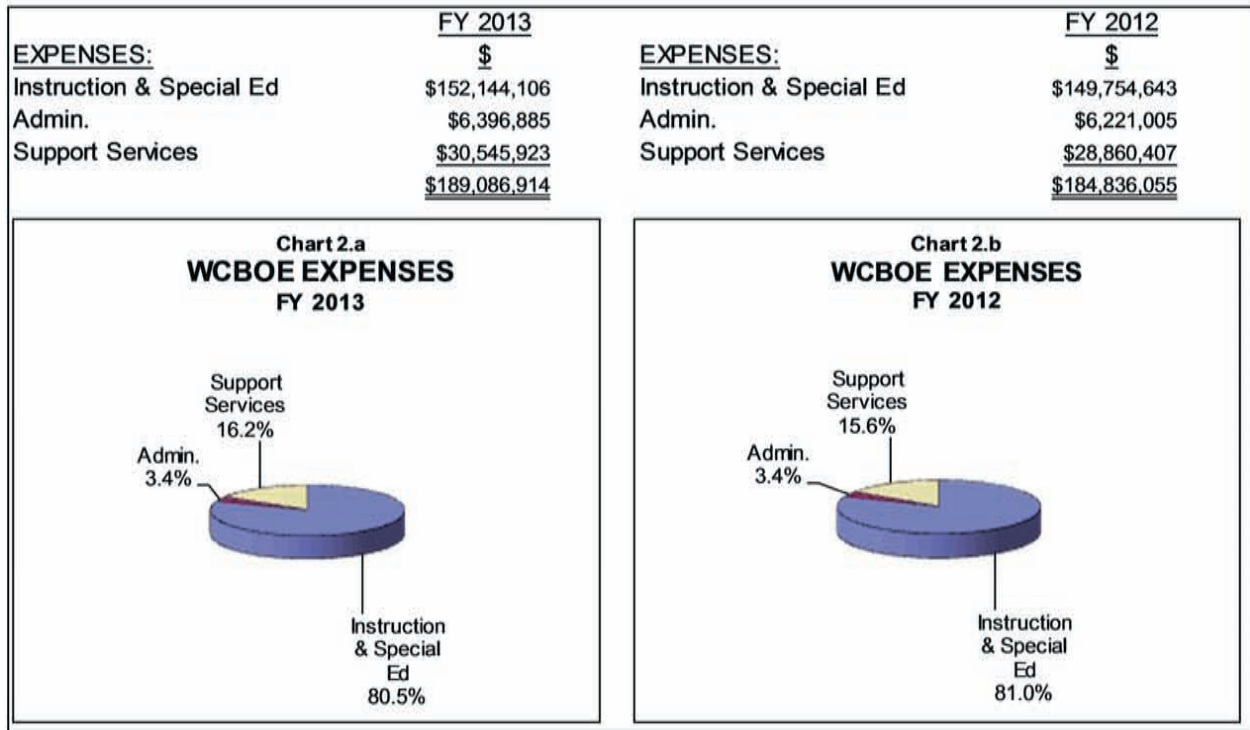
Category	Percentage
State formula aid	59.4%
County Appro. for operations	20.1%
Federal and state grants	18.5%
Capital Contributions	1.5%
Other	0.1%
Charges for services	0.3%

Charts 2.a and 2.b disclose the breakdown of expenses for FY 2013 and 2012 for Governmental Activities. The Charts and expense disclose what percentage each major component of expenditures is to the total for each year. Instruction and Special Education costs make up the lion share of expenditures at around 81%. Support Services, which includes expenses associated with student support services, student health services, facility operations and maintenance and student transportation costs, rose .6% as a result of increase in utility costs and efforts to increase maintenance of our facilities. Administration remained relatively flat coming in once again at 3.4% of total expenditures. This has been made possible by continued efforts to shave administrative costs despite rising costs associated with technology. The Board continues to invest in our technology infrastructure in order to upgrade 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. Also, the need to be prepared for the Partnership for Assessment of Readiness for College and Careers (PARCC) testing associated with the common core curriculum will continue to place a burden on

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

administrative spending well into FY 2015, which represents the first year that the PARCC testing is to be rolled out to all students in tested grades.



*Business-type Activities* {Refer to Table 2 and 3 for details}

The District's only business-type activity, the food service operation, had an increase in net position of \$78,193 in FY 2013. Commencing in FY 2008, the Board's General Fund Budget provided support to the food service operation in the form of an interfund transfer of \$750,000. This transfer was reduced to \$675,000 in FY 2013 due to General Fund budget constraints. This amount represents the Board's commitment to cover the employer's share of Health Care costs for eligible Food Service employees, which for FY 2013 equaled approximately \$644,612, and for other food service operational costs.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

**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 \$16.5 million, an increase of only \$78,589 over last year's ending fund balance. This increase was a result of decreases in the general fund and special revenue fund balances of \$139,785 and \$30,676, respectively, netted against an increase of \$249,050 in the capital projects fund balance. Revenues for the District's governmental funds were \$192.6 million, an increase of \$12.7 million over the prior year. This increase was due in large part to state formula aid for operations increasing \$5.1 million, capital contributions from state and county sources increasing \$4.2 million and county funding for pension costs (newly required in FY 2013 by Senate Bill 1301) of \$2.2 million.

Total expenditures were \$194.9 million for the year, an increase of \$8.7 million. The largest increase coming in the form of capital project costs associated with the commencement of the Bennett Middle School project and other systemic renovation projects started in FY 2013.

**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 4 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, 2013

**Table 4**

<b><u>GENERAL FUND REVENUES</u></b>				
	FY 2013	FY 2012	\$ Incr (Decr)	% Incr. (Decr.)
<b>REVENUES</b>				
Wicomico County Appropriations				
For Operations	\$ 37,000,000	\$ 36,196,892	\$ 803,108	2.2%
For Pension	2,173,593	-	2,173,593	-
Other Local Revenue	325,554	591,549	(265,995)	-45.0%
State of Maryland	118,903,368	113,415,955	5,487,413	4.8%
State of Maryland Share of Retirement	10,331,627	13,945,688	(3,614,061)	-25.9%
Other	343,179	371,624	(28,445)	-7.7%
<b>TOTAL REVENUES</b>	<b>\$ 169,077,321</b>	<b>\$ 164,521,708</b>	<b>\$ 4,555,613</b>	<b>2.8%</b>
<b><u>GENERAL FUND EXPENDITURES</u></b>				
	FY 2013	FY 2012	\$ Incr (Decr)	% Incr. (Decr.)
<b>EXPENDITURES</b>				
Administration	\$ 4,015,004	\$ 4,026,276	\$ (11,272)	-0.3%
School Management and Support	11,486,015	11,192,602	293,413	2.6%
Instructional Salaries	63,157,734	62,102,169	1,055,565	1.7%
Textbooks and Instructional Supplies	2,721,598	2,339,166	382,432	16.3%
Other Instruction Costs	1,803,858	1,097,022	706,836	64.4%
Special Education	14,295,444	14,202,738	92,706	0.7%
Student Personnel Services	2,125,597	2,023,139	102,458	5.1%
Health Services	1,379,357	1,366,303	13,054	1.0%
Student Transportation	7,990,825	7,774,899	215,926	2.8%
Operation of Plant and Equipment	9,696,261	9,667,974	28,287	0.3%
Maintenance of Plant	2,940,630	2,610,900	329,730	12.6%
Fixed Charges	30,938,445	30,281,746	656,699	2.2%
Community Services	177,976	174,237	3,739	2.1%
Capital Outlay	5,162,895	5,621,444	(458,549)	-8.2%
Debt Service - Lease Principal Pymts	1,343,707	1,340,070	3,637	0.3%
Debt Service - Lease Interest Pymts	36,646	39,654	(3,008)	-7.6%
State of Maryland Share of Retirement	10,331,627	13,945,688	(3,614,061)	-25.9%
<b>TOTAL EXPENDITURES</b>	<b>169,603,619</b>	<b>169,806,027</b>	<b>(202,408)</b>	<b>-0.1%</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Increase in Rate Stabilization Reserve	1,455,335	1,240,084	215,251	17.4%
Capital Lease Proceeds	1,614,911	1,904,867	(289,956)	-15.2%
Interfund Transfers - Print Shop	(372,622)	(413,677)	41,055	-9.9%
Interfund Transfers - School Constr Fund	(1,636,111)	(1,858,952)	222,841	-12.0%
Interfund Transfers - Other	(675,000)	(750,000)	75,000	-10.0%
	386,513	122,322	264,191	216.0%
<b>EXCESS (DEFICIENCY) of Revenues &amp; Other</b>				
Financing Sources (Uses) over Expenditures	<b>\$ (139,785)</b>	<b>\$ (5,161,997)</b>	<b>\$ 5,022,212</b>	<b>-97.3%</b>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

Revenues increased by \$4.5 million as a result of the significant increase in state aid of \$5.5 million. This increase was in large part due to our county's increase in the number of students eligible for free and reduced meals (FARM). Our FARM population increased by 736 students, or 10.2%, as of October 1, 2011, the date upon which FY 2013 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 5 below reflects a significant increase in grant funds over the prior year. Federal funding accounted for the increase as a result of the Board holding ARRA Education Job Act funds to assist with balancing the FY 2013 general fund budget. The Education Job Act funds grant totaled \$3.1 million. These funds paid for school based salaries and benefits in FY 2013; costs that were typically paid for from general fund revenues. The Board's strategic budget plan from FY 2011 called for the retention of these federal funds until FY 2013 to help plug the anticipated FY 2013 general fund budget shortfall.

**Table 5**

<b>SPECIAL REVENUE FUND</b>				
	Fiscal Year	Fiscal Year	\$	%
	FY 2013	FY 2012	Increase (Decrease)	Incr. (Decr.)
<b>REVENUES</b>				
Federal Through State	\$ 15,467,667	\$ 11,664,252	\$ 3,803,415	32.61%
State of Maryland	959,923	756,621	203,302	26.87%
Other	257,954	317,870	(59,916)	-18.85%
<b>TOTAL REVENUES</b>	<b>\$ 16,685,544</b>	<b>\$ 12,738,743</b>	<b>\$ 3,946,801</b>	<b>30.98%</b>

**Capital Projects Fund**

The Board has no legal authority to issue bonded indebtedness or 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 2013, the Board recorded PSCP aid of \$4.3 million. These funds were used predominantly to commence the long awaited Bennett Middle School project. The Capital Projects (School Construction) Fund revenue exceeded expenditures by only \$249,050. The final year of the School Construction Savings Fund (a cooperative effort with our County Government) has resulted in a transfer of \$1.6 million from the General Fund to the Capital Projects Fund. These funds have enabled the Board to leverage state



# THE BOARD OF EDUCATION OF WICOMICO COUNTY

## Management's Discussion and Analysis Year Ended June 30, 2013

dollars that would have otherwise been forfeited since our county government has not been able to sell sufficient school construction bonds to match the available PSCP funds available.

### **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, 2013 were approximately \$19.2 million (see notes 9 and 10 to the financial statements 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, 2013 were \$3.4 million (see notes 9 and 10 to the financial statements 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, 2013 were approximately \$11.7 million (see notes 7 and 10 to the financial statements for more detail information).

(2) Private Purpose Trust Funds: Assets are held and managed by the Board as a result of funds received from various sources for specific purposes such as student scholarships and awards. Total assets equaled \$176,522 as of June 30, 2013.

(3) Agency Funds: During FY 2013 the Board's 24 schools collected revenues and incurred expenditures for various student activities (see Table 6). 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 and results of the audit.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

**Table 6**

<b><u>SCHOOL ACTIVITIES FUND</u></b>				
	Fiscal Year	Fiscal Year	\$	%
	FY 2013	FY 2012	Increase (Decrease)	Incr. (Decr.)
Additions	\$ 2,475,319	\$ 2,432,228	\$ 43,091	1.77%
Deductions	2,434,115	2,490,006	(55,891)	-2.24%
Due to school activity groups - beginning	431,665	489,443	(57,778)	-11.80%
Due to school activity groups - ending	<u>\$ 472,869</u>	<u>\$ 431,665</u>	<u>\$ 41,204</u>	<u>9.55%</u>

**General Fund Budgetary Highlights**

Original Budget Compared to Final Budget

The FY 2013 General Fund budget increased \$6.7 million. This increase followed two (2) straight years of budget decreases (\$1.6 million in FY 2012 and \$8.4 million in FY 2011). The increase was in large part made possible by \$5.3 million in additional state aid. Despite the revenue increase, the Board was forced to eliminate an additional \$2.5 million of budget line items in order to offset on-going costs of doing business which exceeded \$9.2 million.

The Board did not have to revise the General Fund budget at any time during the year through categorical transfers, which would require County Council approval. The only transfers approved involved object level transfers which only require Board of Education approval. Major object level transfers included:

- \$442,000 – to fund the purchase of five (5) Board owned school buses
- \$188,796 – to fund Out-of-State tuition owed to the state of Delaware
- \$101,300 – to fund legal fees as a result of increased legal costs associated with various issues
- \$ 93,000 – year-end transfers for technology equipment and infrastructure to address the new Teacher/Principal online evaluation system and the new PARCC online student assessment initiative

Final Budget Compared to Actual Results

Revenue estimates for budgetary purposes were very close to actual. The total variance was only \$141,344, or .08%, of budget.

# THE BOARD OF EDUCATION OF WICOMICO COUNTY

## Management's Discussion and Analysis Year Ended June 30, 2013

Expenditure budget estimates exceeded actuals by \$2.3 million, or 1.4%. This excess was due in large part to actual salaries, wages and employee benefits under budget by \$1.6 million and operational costs for plant and equipment less than budget by \$.4 million.

Each year, estimates for salaries, wages and fringe benefits are based upon staff employed at the time budgets are developed. The reality of budgeting for over 3,000 employees (2,400 salaried, 600 hourly) so far in advance of the actual expenditures is extremely difficult. This is in great part due to a volume of turnover. For example, turnover amongst our approximately 1,250 teacher positions occur over the summer and during the school year and can result in as many as 100 new teacher hires. This can cause a significant budget variance, which was the case in FY 2013. To help mitigate this situation, we have recently implemented two new software modules for our Enterprise Resource Planning (ERP) system, Position Control and Position Budgeting. We believe these new modules will assist us greatly in providing better budget estimates in the future. The variance in the category of operation of plant and equipment was a result of utility costs falling below estimates due to a relatively mild winter.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of FY 2013, the District had invested approximately \$311.1 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 \$9.0 million.

#### **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 2014 CIP, submitted in October 2012, requested \$20.6 million from the county and \$17.6 million from the state for FY 2014 capital needs. The FY 2014 requests that were approved by the state and county are as follows:

- Bennett Middle replacement project - \$13.5 million from the county and \$10.3 million from the state. Project started in April 2013 and is slated for completion in March 2016. Total project cost for the new facility is expected to be \$71.3 million.
- Parkside High School renovation - \$1.4 million from the county for A&E to commence development of documents to perform limited renovation including HVAC replacement and other mechanical plant. Total project cost is expected to be \$45.7 million and be complete in 2018.

# THE BOARD OF EDUCATION OF WICOMICO COUNTY

## Management's Discussion and Analysis Year Ended June 30, 2013

- Systemic Renovation Projects - \$1.3 million from the state and \$818,900 from the county to fund various roofing, HVAC, and lighting projects on various schools.
- West Salisbury Renovation Project - \$200,000 from the county to fund A&E fees to commence Education Specifications so as to seek Planning approval from the state.

### **Long-term Liabilities**

At year-end, the District had \$3.9 million for amounts due or payable after one year. This amount consisted of the following:

- \$2.6 million of accrued compensated absences which is an obligation resulting primarily from accrued annual leave which is due and payable to employees upon termination.
- \$1.3 million payable on capital leases (see note 12 to the financial statements for more details).

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

- (1) As reported last year, legislation that passed during 2012 involves the state's maintenance of effort law, SB 848 (with amendments, by SB 1301). The law essentially requires 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. As indicated last year, the Wicomico County Council complied with this law and raised the property tax to the maximum amount allowable under the charter. By doing so, they were able to re-base their MOE calculation and avoid the MOE level stipulated in the law for FY 2013 which was \$50.1 million or an increase of almost \$14 million over the FY 2012 appropriation. For FY 2014, our county council once again complied with the MOE law and raised the property tax rate an additional \$.0682 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 \$629,000 more than MOE for FY 2014. In future years, the requirement to raise a county's tax rate to at least the maximum amount allowable under the county's charter is no longer mandatory. Only time will tell how much Education Funding our county council will supply when not forced, by state law, to raise sufficient revenues to do so. The good news is that SB 848 does impose a stiff penalty on the county for failure to meet MOE. In the past, such a penalty was imposed on Boards of Education and consequently had little impact on the County. However, SB 848 shifts the focus of the penalty to the county governing authority. The penalty to be imposed represents the amount the county short funds the MOE level, should they do so. The legislature authorized the Maryland

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

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 they can at least expect funding levels equal to MOE from their local governments.

- (2) During FY 2013, 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. Approximately 30 staff took advantage of the VRIO and retired effective June 30, 2013. This enabled the Board to eliminate seven (7) full time positions through attrition, thereby saving the Board \$359,158 and helping to balance the FY 2014 Operating Budget. VRIO also created ongoing salary savings of \$646,037 in FY 2014 and beyond.
- (3) 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 2013, the Board transferred \$1.6 million into the SCSF. This transfer represents the final transfer to the SCSF since the County Council on June 7, 2011 passed resolution 71-2011, terminating the School Construction Savings Plan effective on June 30, 2013.
- (4) With the passage of SB 1301 in a special legislative session during the summer of 2012, the state now 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 - \$2.6 million, FY15 - \$3.5 million, FY16 - \$4.1 million**

The bill also requires local county governments to appropriate to local Boards of Education, in addition to MOE, set amounts to assist in funding these new costs:

**FY13 - \$2.2 million, FY14 - \$2.6 million, FY15 - \$2.7 million, FY16 - \$3.2 million**

Since the county appropriations do not completely cover the costs in FY15 and FY16, the legislature authorized school systems in FY15 and FY16 to retain amounts previously submitted to the Maryland State Retirement System to assist with offsetting the shortfall. The amounts are projected to be \$ .8 million in both fiscal years. Commencing in FY 2017, Boards of Education will be required to pay the

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

“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 is \$3.2 million.

- (5) Future funding for education is dependent upon many variables. While overall, the state of Maryland has shown some economic improvement, Wicomico County lags behind. Two of the most visible economic indicators that would reveal growth are flat in Wicomico – job growth and the housing market. Since we are farther removed from the Baltimore/Washington/ Philadelphia corridor our county is not seeing an influx of new business or the creation of any significant number of new jobs. Consequently, our economic recovery lags behind the rest of the state. Because of this projection of no-growth, we are hoping to at least see MOE levels of county funding for the foreseeable future:

**FY14 base county funding - \$37.8 million appropriated**

**Projected MOE levels of funding - FY15 \$38.3M, FY16 - \$38.5M, FY17 - \$41.9M**

As for state education aid, we are projecting only modest growth of 2%, through FY17 based upon current economic conditions. Federal aid will most likely be impacted by the Federal government's sequestration. However, we have been told not to expect reductions until FY15, with anticipated reductions in Title I and Special Education of 5%. Overall, we are projecting budget shortfalls in our General Fund budget as follows:

**FY15 - (\$735,388), FY16 - (\$1,747,958), FY17 - (\$4,021,608)**

These projected budget shortfalls do not include any projected salary increases for staff. While such a budget plan is possible, it is not likely that the Board will be able to negotiate no salary increases for three years in a row with the 3 bargaining units. Therefore, our Board of Education will once again be faced with serious budget reduction decisions if county appropriations do not exceed MOE and state aid doesn't exceed 2% respectively.

- (6) Our lone proprietary fund accounts for our food service operation. It, likewise, is projecting budget shortfalls for the foreseeable future. In FY14 the budget calls for utilizing \$375,000 of accumulated fund balance and in FY15 projections indicate an additional \$567,000 will be needed to balance the budget. At that rate of utilization, the fund balance is projected to be liquidated by FY 2016. In an attempt to avoid this downward spiral, the food service operation is reviewing options for

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis  
Year Ended June 30, 2013

sustainability including meals-per-labor-hour statistics by school to determine inefficiencies and hopefully identifying areas within which to cut labor costs. Also, the expansion of the USDA dinner program is being contemplated; a program the Board believes can benefit the food service's bottom line.

**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, Maryland 21802-1538.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 221,773	\$ 1,330	\$ 223,103
Investments - cash equivalents	29,988,659	-	29,988,659
Accounts receivable:			
School districts and other	492,256	746	493,002
Accrued interest on investments	2,414	-	2,414
Due from other governmental agencies	6,399,095	202,815	6,601,910
Internal balances	(1,337,914)	1,337,914	-
Inventories	-	11,255	11,255
Prepaid expenses	2,436,472	-	2,436,472
Capital assets:			
Construction in progress	7,959,317	-	7,959,317
Land	4,079,740	-	4,079,740
Buildings and improvements	262,683,506	-	262,683,506
Furniture, fixtures, and equipment	34,350,755	2,023,858	36,374,613
Less: accumulated depreciation	(94,607,916)	(1,668,796)	(96,276,712)
Total capital assets, net of accumulated depreciation	<u>214,465,402</u>	<u>355,062</u>	<u>214,820,464</u>
<b>TOTAL ASSETS</b>	<u>252,668,157</u>	<u>1,909,122</u>	<u>254,577,279</u>
<b>LIABILITIES</b>			
Accounts payable:			
Retainage	317,978	-	317,978
Vendors	3,622,069	48,894	3,670,963
Payroll deductions and withholdings	10,418,861	-	10,418,861
Payable to external parties	610,560	-	610,560
Due to other governmental agencies	173,416	11,255	184,671
Accrued salaries	1,212,425	21,031	1,233,456
Unearned revenue	2,595,259	26,840	2,622,099
Short term portion of long term liabilities:			
Accrued compensated absences	294,275	-	294,275
Capital lease payable	934,438	-	934,438
Long term liabilities:			
Accrued compensated absences	2,641,283	-	2,641,283
Capital lease payable	1,287,288	-	1,287,288
<b>TOTAL LIABILITIES</b>	<u>24,107,852</u>	<u>108,020</u>	<u>24,215,872</u>
<b>NET POSITION</b>			
Net investment in capital assets	212,243,676	355,062	212,598,738
Restricted for:			
Rate stabilization reserve	5,045,300	-	5,045,300
Capital projects	6,608,505	-	6,608,505
Unrestricted	4,662,824	1,446,040	6,108,864
<b>TOTAL NET POSITION</b>	<u>\$ 228,560,305</u>	<u>\$ 1,801,102</u>	<u>\$ 230,361,407</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, 2013

	<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>
<b>Governmental Activities</b>				
Current:				
Administration	\$ 6,396,885	\$ 19,929	\$ 1,204,957	\$ -
Instructional services	127,631,747	227,821	16,743,347	6,888,005
Special education	24,512,359	-	13,256,070	-
Student personnel services	2,741,544	-	168,667	-
Health services	1,931,135	-	138,869	-
Student transportation	8,465,480	-	300,212	-
Operation of plant and equipment	13,361,681	41,736	1,773,778	-
Maintenance of plant	3,756,713	-	461,233	-
Community services	252,724	44,434	62,590	-
Interest expense	36,646	-	-	-
<b>Total Governmental Activities</b>	<b>189,086,914</b>	<b>333,920</b>	<b>34,109,723</b>	<b>6,888,005</b>
<b>Business-Type Activities</b>				
Food Services	7,241,209	1,416,122	5,228,280	-
<b>Total Business-Type Activities</b>	<b>7,241,209</b>	<b>1,416,122</b>	<b>5,228,280</b>	<b>-</b>
<b>Totals</b>	<b>\$ 196,328,123</b>	<b>\$ 1,750,042</b>	<b>\$ 39,338,003</b>	<b>\$ 6,888,005</b>

**General Revenues**

Wicomico County appropriations

State of Maryland

Other revenue

Investment Earnings

Total General Revenues

Transfers

Change in Net Position

Net Position - beginning of year

Net Position - end of year

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

Net (Expenses) Revenue  
and changes in Net Position

Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
\$ (5,171,999)	\$ -	\$ (5,171,999)
(103,772,574)	-	(103,772,574)
(11,256,289)	-	(11,256,289)
(2,572,877)	-	(2,572,877)
(1,792,266)	-	(1,792,266)
(8,165,268)	-	(8,165,268)
(11,546,167)	-	(11,546,167)
(3,295,480)	-	(3,295,480)
(145,700)	-	(145,700)
(36,646)	-	(36,646)
<hr/>		
(147,755,266)	-	(147,755,266)
<hr/>		
-	(596,807)	(596,807)
<hr/>		
-	(596,807)	(596,807)
<hr/>		
(147,755,266)	(596,807)	(148,352,073)
<hr/>		
39,173,593	-	39,173,593
111,997,661	-	111,997,661
60,150	-	60,150
10,701	-	10,701
<hr/>		
151,242,105	-	151,242,105
<hr/>		
(675,000)	675,000	-
<hr/>		
2,811,839	78,193	2,890,032
<hr/>		
225,748,466	1,722,909	227,471,375
<hr/>		
\$ 228,560,305	\$ 1,801,102	\$ 230,361,407

THE BOARD OF EDUCATION OF WICOMICO COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 221,773	\$ -	\$ -	\$ 221,773
Investments - cash equivalents	29,988,659	-	-	29,988,659
Accounts receivable:				
School districts and other	492,256	-	-	492,256
Accrued interest on investments	2,414	-	-	2,414
Due from other governmental agencies	87,339	2,739,960	3,571,796	6,399,095
Due from other funds	-	416,693	5,487,212	5,903,905
<b>TOTAL ASSETS</b>	<b>\$ 30,792,441</b>	<b>\$ 3,156,653</b>	<b>\$ 9,059,008</b>	<b>\$ 43,008,102</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable:				
Retainage	\$ -	\$ -	\$ 317,978	\$ 317,978
Vendors	1,295,541	194,003	2,132,525	3,622,069
Payroll deductions and withholdings	10,418,861	-	-	10,418,861
Due to other funds	7,852,379	-	-	7,852,379
Accrued salaries and other	1,027,741	184,684	-	1,212,425
Accrued compensated absences	294,275	-	-	294,275
Deferred revenue	7,142	2,588,117	-	2,595,259
Due to other governmental agencies	23,039	150,377	-	173,416
<b>TOTAL LIABILITIES</b>	<b>20,918,978</b>	<b>3,117,181</b>	<b>2,450,503</b>	<b>26,486,662</b>
<b>FUND BALANCES</b>				
Restricted for fund purposes	-	39,472	6,608,505	6,647,977
Committed:				
Healthcare rate stabilization reserve	3,751,594	-	-	3,751,594
Assigned to:				
Healthcare rate stabilization reserve	1,293,706	-	-	1,293,706
Subsequent year expenditures	300,000	-	-	300,000
Other purposes (encumbrances)	4,228,163	-	-	4,228,163
Unassigned	300,000	-	-	300,000
<b>Total fund balances</b>	<b>9,873,463</b>	<b>39,472</b>	<b>6,608,505</b>	<b>16,521,440</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 30,792,441</b>	<b>\$ 3,156,653</b>	<b>\$ 9,059,008</b>	<b>\$ 43,008,102</b>

*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 POSITION  
GOVERNMENTAL FUNDS

June 30, 2013

<b>Total Governmental Funds Balances</b>			\$ 16,521,440
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>			
Pre-payment of post-retirement employment benefits			2,436,472
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements			214,465,402
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds			
Accrued compensated absences		2,641,283	
Capital lease payable		2,221,726	
		<u>                    </u>	<u>(4,863,009)</u>
<b>Net Position of Governmental Activities</b>			<u><u>\$ 228,560,305</u></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, 2013

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
<b>REVENUES</b>				
Wicomico County appropriations				
Operations	\$ 37,000,000	\$ -	\$ -	\$ 37,000,000
Local share of State pension	2,173,593	-	-	2,173,593
Other local revenue	325,554	211,069	-	536,623
State of Maryland	118,903,368	959,923	4,340,212	124,203,503
State of Maryland retirement and pension contribution	10,331,627	-	-	10,331,627
Federal through state	-	15,467,667	-	15,467,667
Other sources	343,179	46,885	2,470,676	2,860,740
<b>TOTAL REVENUES</b>	<b>169,077,321</b>	<b>16,685,544</b>	<b>6,810,888</b>	<b>192,573,753</b>
<b>EXPENDITURES</b>				
Current:				
Administration	4,015,004	951,016	-	4,966,020
School management and support	11,486,015	133,637	-	11,619,652
Instructional salaries and wages	63,157,734	4,491,954	-	67,649,688
Textbooks and instructional supplies	2,721,598	685,692	-	3,407,290
Other instructional costs	1,803,858	1,715,200	-	3,519,058
Special education	14,295,444	3,324,414	-	17,619,858
Student personnel services	2,125,597	19,847	-	2,145,444
Health services	1,379,357	9,309	-	1,388,666
Student transportation	7,990,825	258,642	-	8,249,467
Operation of plant and equipment	9,695,910	861,865	-	10,557,775
Maintenance of plant	2,940,630	223,808	-	3,164,438
Fixed charges	30,938,445	4,340,157	-	35,278,602
Community services	178,327	50,804	-	229,131
Capital outlay	5,162,895	22,497	8,197,949	13,383,341
Debt service				
Capital lease principal	1,343,707	-	-	1,343,707
Capital lease interest	36,646	-	-	36,646
State of Maryland share of retirement and pension contribution	10,331,627	-	-	10,331,627
<b>TOTAL EXPENDITURES</b>	<b>169,603,619</b>	<b>17,088,842</b>	<b>8,197,949</b>	<b>194,890,410</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER EXPENDITURES</b>	<b>(526,298)</b>	<b>(403,298)</b>	<b>(1,387,061)</b>	<b>(2,316,657)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from insurance settlement	1,455,335	-	-	1,455,335
Capital lease proceeds	1,614,911	-	-	1,614,911
Interfund transfers - special revenue	(372,622)	372,622	-	-
Interfund transfers - capital projects	(1,636,111)	-	1,636,111	-
Interfund transfers - food services	(675,000)	-	-	(675,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>386,513</b>	<b>372,622</b>	<b>1,636,111</b>	<b>2,395,246</b>
Net change in fund balances	(139,785)	(30,676)	249,050	78,589
Fund balances - beginning of year	10,013,248	70,148	6,359,455	16,442,851
Fund balances - end of year	\$ 9,873,463	\$ 39,472	\$ 6,608,505	\$ 16,521,440

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, 2013

Net change in fund balances-total Governmental Funds \$ 78,589

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 capital outlays  
exceeded depreciation in the current period.

Fixed asset additions	12,091,209	
Current year depreciation	(8,928,441)	
Total		3,162,768

Loss on disposal of assets (5,949)

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.

Increase in long-term accrued compensated absences	(60,240)
Decrease in pre-funded post-retirement benefits	(92,125)

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

(271,204)

Change in net position of Governmental Activities \$ 2,811,839

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF FUND NET POSITION  
 PROPRIETARY FUNDS  
 June 30, 2013

	<u>Business-Type Activities</u>
	<u>Food Services</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,330
Due from other funds	1,337,914
Due from other governments	202,815
Accounts receivable - other	746
Inventories	<u>11,255</u>
Total current assets	<u>1,554,060</u>
Capital assets, net	<u>355,062</u>
<b>TOTAL ASSETS</b>	<u>1,909,122</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	69,925
Due to other governmental agencies	11,255
Unearned revenue	<u>26,840</u>
Total current liabilities	108,020
<b>TOTAL LIABILITIES</b>	<u>108,020</u>
<b>NET POSITION</b>	
Net investment in capital assets	355,062
Unrestricted	<u>1,446,040</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,801,102</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 POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Business-Type Activities
	<u>Food Services</u>
OPERATING REVENUES	
Food service sales	\$ 1,416,122
OPERATING EXPENSES	
Salaries and wages	2,309,707
Contracted services	55,880
Supplies and materials	3,781,428
Other charges	1,023,540
Depreciation	70,654
TOTAL OPERATING EXPENSES	<u>7,241,209</u>
OPERATING LOSS	(5,825,087)
NON-OPERATING REVENUES (EXPENSES)	
State of Maryland:	
Reimbursement of food costs	153,847
Federal through State:	
Reimbursement of food costs	4,749,584
Donation of food commodities	324,849
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,228,280</u>
Change in net position before contributions and transfers	(596,807)
TRANSFERS IN	<u>675,000</u>
Change in net position	78,193
Net position - beginning of year	<u>1,722,909</u>
Net position - end of year	<u>\$ 1,801,102</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, 2013

<b>CASH FLOWS FROM OPERATIONS:</b>	
Cash received from user charges	\$ 1,304,446
Cash payments to employees for services, fringe benefits	(2,611,673)
Cash payments for health and other insurances	(724,254)
Cash payments to suppliers for goods and services	(3,441,076)
Cash payments for facility use and maintenance	(55,880)
Net cash used in operating activities	(5,528,437)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Nonoperating grants received	4,903,431
Interfund transfers	675,000
Net cash provided by noncapital financing activities	5,578,431
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal payments on capital lease	(35,723)
Purchase of equipment	(14,271)
Net cash used in capital and related financing activities	(49,994)
Net change in cash	-
Cash and investments - beginning of year	1,330
Cash and investments - end of year	\$ 1,330

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

Operating Loss	\$ (5,825,087)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	70,654
Commodities used	324,849
(Increase) decrease in assets:	
Inventories	(9,791)
Receivables	(111,676)
(Decrease) increase in liabilities:	
Accounts payable and accrued liabilities	12,361
Deferred revenue and due to other governments	10,253
Total adjustments	296,650
Net cash used in operating activities	\$ (5,528,437)

**Noncash items:**

Donation of food commodities	\$ 324,849
------------------------------	------------

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Pension and Retiree Health Plan <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	<u>AGENCY FUND</u> School Activities <u>Fund</u>
<b>ASSETS</b>			
Cash	\$ 4,779,972	\$ -	\$ 39,079
Due from other funds	-	172,762	437,798
Trust investments			
Government bonds	2,514,048	-	-
Commercial paper	155,503	-	-
Mortgage loans	556,718	-	-
Corporate bonds	8,164,398	-	-
Common stock	17,997,038	3,760	-
Other	131,924	-	-
	<hr/>	<hr/>	<hr/>
Total assets	34,299,601	176,522	476,877
<b>LIABILITIES</b>			
Accounts payable	-	907	4,008
Due to school activity groups	-	-	472,869
	<hr/>	<hr/>	<hr/>
Total liabilities	-	907	476,877
<b>NET POSITION</b>			
Held in Trust for:			
Retirement and other benefits	34,299,601	-	-
Scholarships, etc.	-	175,615	-
	<hr/>	<hr/>	<hr/>
Total net position	\$ 34,299,601	\$ 175,615	\$ -

*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 POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2013

	Pension and Retiree Health Plan <u>Trust Funds</u>	Private Purpose Trust Fund - Scholarship <u>Memorials</u>
<b>ADDITIONS</b>		
Contributions:		
Donations	\$ -	\$ 53,839
Employer contributions	1,740,263	-
Plan member contributions	389,275	-
Total contributions	<u>2,129,538</u>	<u>53,839</u>
Investment earnings:		
Interest and dividends	938,214	207
Increase in fair value of investments	2,243,434	451
Total investment earnings	<u>3,181,648</u>	<u>658</u>
Total additions	<u>5,311,186</u>	<u>54,497</u>
<b>DEDUCTIONS</b>		
Scholarships, etc.	-	44,009
Pension benefit payments	1,286,106	-
Administrative expenses	144,046	-
Total deductions	<u>1,430,152</u>	<u>44,009</u>
Change in net position	3,881,034	10,488
Net position - beginning of year	<u>30,418,567</u>	<u>165,127</u>
Net position - end of year	<u>\$ 34,299,601</u>	<u>\$ 175,615</u>

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

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. Summary of Significant Accounting Policies**

#### **A. 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 position 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 position 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 or 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 position 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.

Special Revenue 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 special revenue 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 position, 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 Activities 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.

Retiree Health Plan (OPEB) Trust Fund – The Board is the trustee for the assets held in an other post employment benefit plan for health insurance 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 position.

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 and fiduciary 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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 position 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 position 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 Position

During fiscal year 2013, the Board implemented the Governmental Accounting Standards Board's Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides a standardized presentation for deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. Net position represents the difference between assets plus deferred inflows of resources and liabilities plus deferred outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions 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 (the highest level of authority). Such limitations could only be imposed with formal action of the Board of Education in the form of a vote at a regular or special Board meeting that either establishes, modifies or rescinds the limitation imposed. Assigned fund balance is a limitation imposed by a designee of the Board in accordance with Board of Education policy. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as restricted or committed. 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. Fund balance assigned to subsequent years expenditures is governed by current state law that dictates that the unassigned fund balance from the previous year must be added to other estimated receipts to create the source of current expense revenues for the following budget year. For example, fiscal year 2013 unassigned fund balance becomes assigned fund balance for fiscal year 2015. Enacted by Resolution No. 88-2007, the Wicomico County Council approved the establishment of the Board's School Construction Savings Plan. FY 2013 represents the final year of this legislation, since the county council voted to terminate this arrangement in FY 2013. The plan established a base level unassigned fund balance of \$300,000 for every fiscal year. Any amount exceeding this base level, after completion of the Board's annual audit, would 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 was to accumulate funds to complete systemic renovation and major maintenance projects not funded through the County's Capital Improvement Plan (CIP).

#### 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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.

Q. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. Encumbrances outstanding at June 30, 2013 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 \$4,228,163.

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:

Diversification by Instrument	Maximum Percent of Portfolio
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, 2013, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash	\$ 223,103	\$ (1,240,686)
Investments - cash equivalents	29,988,659	33,238,659

At June 30, 2013, the Board's bank balance was in a \$1,240,686 deficit position (pending a June 28, 2013 deposit in transit of \$3,250,000) with a carrying value of \$223,103. The June 30, 2013 deficit balance required no insurance or collateralization. The Board is party to a security and custodial agreement with its bank wherein deposits exceeding the amounts insured by the Federal Deposit Insurance Corporation (FDIC) are collateralized by pledged securities held in the Board's name at The Bank of New York Mellon.

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 \$29,988,659 at June 30, 2013 with \$5,045,300 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:

	Pension Trust		401(a)	GASB 45	Total
	State Street	AETNA	Janus	State Street	
Cash and equivalents	\$ 2,417,453	\$ 77,187	\$ 135,277	\$ 2,150,055	\$ 4,779,972
Government bonds	1,041,223	115,780	335,950	1,021,095	2,514,048
Commercial paper (less than 1 year)	-	155,503	-	-	155,503
Mortgage loans	-	212,263	344,455	-	556,718
Corporate bonds	3,857,917	1,524,438	671,191	2,110,852	8,164,398
Common stock	9,759,160	-	1,781,323	6,456,555	17,997,038
Other	-	-	131,924	-	131,924
Total	\$ 17,075,753	\$ 2,085,171	\$ 3,400,120	\$ 11,738,557	\$ 34,299,601

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Investments (continued)

Corporate bonds held at June 30, 2013 are rated by Standard & Poor's as follows:

Rating	Percent of Corporate Bond Portfolio			
	Pension Trust		401(a)	GASB 45
	State Street	AETNA	Janus	State Street
AAA			23.94%	
AA+	3.69%			3.80%
AA	14.92%		21.88%	16.45%
AA-	8.79%			9.31%
A+	17.69%	18.18%		17.22%
A	35.57%	19.32%	8.95%	39.82%
A-	13.22%	21.59%		9.79%
BBB+	0.95%	23.86%		0.75%
BBB	5.17%		27.99%	2.86%
BB			11.73%	
B			1.31%	
Not Rated		17.05%	4.20%	

#### PENSION TRUST:

State Street:

Corporate bond issues held at June 30, 2013 are as follows:

Par Value	Description	Coupon Rate	Due
\$150,000	Anheuser-Busch	4.13%	01/15/15
\$70,000	Baker Hughes Inc.	7.50%	11/15/18
\$70,000	Becton Dickinson	1.75%	11/08/16
\$50,000	Berkshire Hathaway	3.20%	02/11/15
\$80,000	Berkshire Hathaway	1.60%	05/15/17
\$20,000	Berkshire Hathaway	5.00%	08/15/13
\$75,000	Berkshire Hathaway	4.63%	10/15/13
\$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	Coca-Cola Co.	1.50%	11/15/15
\$95,000	Colgate-Palmolive	3.15%	08/05/15
\$23,000	ConocoPhillips Corp.	4.75%	02/01/14
\$45,000	ConocoPhillips Corp.	5.20%	05/15/18
\$170,000	Costco Wholesale Corp.	1.13%	12/15/17
\$25,000	Deere & Co.	8.50%	01/09/22
\$160,000	Deere Capital Corp.	2.00%	01/13/17
\$11,000	Dupont EI De Nemours	5.88%	01/15/14
\$45,000	Dupont EI De Nemours	6.00%	07/15/18
\$125,000	General Electric Co.	5.25%	12/06/17
\$125,000	GTE Corp	6.84%	04/15/18
\$35,000	Hewlett-Packard Co.	6.13%	03/01/14
\$70,000	Intel Corp.	1.95%	10/01/16
\$120,000	IBM Corp.	5.70%	09/14/17
\$70,000	JPMorgan Chase & Co.	4.65%	06/01/14

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Investments (continued)

#### PENSION TRUST (continued):

##### State Street (continued):

Corporate bond issues held at June 30, 2013 are as follows (continued):

Par Value	Description	Coupon Rate	Due
\$100,000	Medtronic Inc.	4.75%	09/15/15
\$60,000	Nucor Corp.	5.75%	12/01/17
\$170,000	Occidental Petroleum	1.75%	02/15/17
\$150,000	PepsiCo Inc.	7.90%	11/01/18
\$130,000	Pfizer Inc.	5.35%	03/15/15
\$30,000	Pharmacia Corp.	8.70%	10/15/21
\$135,000	Pitney Bowes Inc.	4.75%	05/15/18
\$70,000	PNC Funding Corp.	3.63%	02/08/15
\$77,000	Prudential Financial Inc.	4.50%	07/15/13
\$80,000	Schering-Plough Corp.	5.30%	12/01/13
\$80,000	Shell Int'l Finance	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 Technologies Corp.	5.38%	12/15/17
\$50,000	Washington Post Co.	7.25%	02/01/19

#### AETNA:

Corporate bond issues held at June 30, 2013 are as follows:

	<u>Percent of Holdings</u>
Goldman Sachs Group Inc.	23.86%
Rio Tinto Limited	21.59%
Anheuser-Busch	19.32%
Province of Quebec	18.18%
Republic of Italy	17.05%

#### 401(a):

##### Janus:

Corporate bond issues held at June 30, 2013 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX)	100.00%
Average duration 4.30 years	

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Investments (continued)

GASB 45:

State Street:

Corporate bond issues held at June 30, 2013 are as follows:

Par Value	Description	Coupon Rate	Due
\$100,000	Anheuser-Busch	4.13%	01/15/15
\$20,000	Baker Hughes Inc.	7.50%	11/15/18
\$45,000	Becton Dickinson	1.75%	11/08/16
\$40,000	Berkshire Hathaway	3.20%	02/11/15
\$55,000	Berkshire Hathaway	1.60%	05/15/17
\$20,000	Berkshire Hathaway Inc.	4.63%	10/15/13
\$30,000	Berkshire Hathaway Inc.	5.00%	08/15/13
\$50,000	BHP Billiton Ltd.	5.50%	04/01/14
\$60,000	BP Capital Markets	3.13%	10/01/15
\$40,000	Caterpillar Inc.	7.00%	12/15/13
\$15,000	Cisco Systems Inc.	5.50%	02/22/16
\$60,000	Coca-Cola Co.	1.50%	11/15/15
\$60,000	Colgate-Palmolive	3.15%	08/05/15
\$15,000	Conoco Phillips Corp.	5.20%	05/15/18
\$110,000	Costco Wholesale Corp.	1.13%	12/15/17
\$125,000	Deere Capital Corp.	2.00%	01/13/17
\$15,000	Dupont EI De Nemours	6.00%	07/15/18
\$4,000	Dupont EI De Nemours	5.88%	01/15/14
\$70,000	General Electric Co.	5.25%	12/06/17
\$55,000	GlaxoSmithKline PLC	4.38%	04/15/14
\$50,000	GTE Corp.	6.84%	04/15/18
\$15,000	Hewlett-Packard Co.	6.13%	03/01/14
\$60,000	IBM Corp.	5.70%	09/14/17
\$45,000	Intel Corp.	1.95%	10/01/16
\$60,000	JPMorgan Chase & Co.	4.65%	06/01/14
\$85,000	JPMorgan Chase Bank NA	5.75%	06/13/16
\$20,000	Nucor Corp.	5.75%	12/01/17
\$110,000	Occidental Petroleum	1.75%	02/15/17
\$80,000	PepsiCo Inc.	7.90%	11/01/18
\$110,000	Pfizer Inc.	5.35%	03/15/15
\$35,000	Pitney Bowes Inc.	4.75%	05/15/18
\$40,000	PNC Funding Corp.	3.63%	02/08/15
\$15,000	Prudential Financial Inc.	4.50%	07/15/13
\$75,000	Shell Int'l Finance	4.00%	03/21/14
\$60,000	Texas Instruments Inc.	2.38%	05/16/16
\$60,000	The Walt Disney Company	1.35%	08/16/16
\$15,000	United Parcel Service	5.50%	01/15/18
\$15,000	United Technologies Corp.	5.38%	12/15/17
\$20,000	Washington Post Co.	7.25%	02/01/19

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Interfund Receivables and Payables**

At June 30, 2013, the interfund account balances are as follows:

	Due From Other Funds	Due To Other Funds
<b>GOVERNMENTAL ACTIVITIES:</b>		
General Fund		
Due to Food Service Fund	\$ -	\$ 1,337,914
Due to Special Revenue Fund	-	416,693
Due to Capital Projects Fund	-	5,487,212
Due to School Activities Fund	-	437,798
Due to Trust Fund	-	172,762
Special Revenue Fund		
Due from General Fund	416,693	-
Capital Projects Fund		
Due from General Fund	5,487,212	-
<b>BUSINESS-TYPE ACTIVITIES</b>		
Enterprise Fund		
Due from General Fund	1,337,914	-
<b>FIDUCIARY NET ASSETS</b>		
Due from General Fund	610,560	-
<b>TOTAL ALL FUNDS</b>	<b>\$ 7,852,379</b>	<b>\$ 7,852,379</b>

Due to/from other funds represent advances of cash for operating needs. Transfers of \$675,000 from the General Fund to the Food Services Fund are to supplement wages and benefits, transfers of \$372,622 from the General Fund to the Special Revenue Fund are for internal services provided, and transfers of \$1,636,111 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	Special Revenue	Capital Projects	Total	Food Services
Due from Federal	\$ -	\$ 2,534,649	\$ -	\$ 2,534,649	\$ 183,767
Due from State	87,339	197,452	3,472,272	3,757,063	19,048
Due from local and other	-	7,859	99,524	107,383	-
Total due from other governmental agencies	\$ 87,339	\$ 2,739,960	\$ 3,571,796	\$ 6,399,095	\$ 202,815
Due to Federal	\$ -	\$ 108,953	\$ -	\$ 108,953	\$ 11,255
Due to State	23,039	40,338	-	63,377	-
Due to local and other	-	1,086	-	1,086	-
Total due to other governmental agencies	\$ 23,039	\$ 150,377	\$ -	\$ 173,416	\$ 11,255

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deductions	Transfers	Balance June 30, 2013
<b>Governmental Activities</b>					
<b>Capital Assets, not being depreciated</b>					
Land	\$ 4,079,740	\$ -	\$ -	\$ -	\$ 4,079,740
Construction in progress	3,755,596	7,970,047	-	(3,766,326)	7,959,317
Total capital assets, not being depreciated	7,835,336	7,970,047	-	(3,766,326)	12,039,057
<b>Capital assets, being depreciated</b>					
Buildings and improvements	258,819,058	98,122	-	3,766,326	262,683,506
Furniture and equipment	29,153,513	3,902,538	(167,983)	-	32,888,068
Vehicles	1,436,609	120,502	(94,424)	-	1,462,687
Total capital assets, being depreciated	289,409,180	4,121,162	(262,407)	3,766,326	297,034,261
Less accumulated depreciation:					
Buildings and improvements	(65,253,816)	(5,952,087)	-	-	(71,205,903)
Furniture and equipment	(19,582,936)	(2,858,709)	162,034	-	(22,279,611)
Vehicles	(1,099,181)	(117,645)	94,424	-	(1,122,402)
Total accumulated depreciation	(85,935,933)	(8,928,441)	256,458	-	(94,607,916)
Total capital assets, being depreciated, net	203,473,247	(4,807,279)	(5,949)	3,766,326	202,426,345
Governmental activities capital assets, net	\$211,308,583	\$ 3,162,768	\$ (5,949)	\$ -	\$214,465,402
<b>Business-type activities</b>					
Equipment	\$ 2,018,308	\$ 14,271	\$ (8,721)	\$ -	\$ 2,023,858
Accumulated depreciation	(1,606,863)	(70,654)	8,721	-	(1,668,796)
Business-type activities capital assets, net	\$ 411,445	\$ (56,383)	\$ -	\$ -	\$ 355,062

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 153,351
Instructional services	8,080,133
Special Education	48,359
Student Personnel Services	1,154
Health Services	6,291
Student transportation	33,006
Operation of plant and equipment	571,369
Maintenance of plant	31,802
Community Services	2,976
Total governmental depreciation expense	8,928,441

Depreciation expense was charged to business-type functions as follows:

Food service	70,654
Total business-type depreciation expense	70,654
Total depreciation expense	\$ 8,999,095



## NOTES TO FINANCIAL STATEMENTS

### Note 6. Health Insurance Reserves

The Board entered into a public entities health care consortium with the City of Salisbury (COS) 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 31<sup>st</sup> each year.

For the year ended June 30, 2013, the health insurance reserve had the following activity:

Balance at July 1, 2012	\$ 5,288,561
Subsidy for rate increase	(1,351,891)
Positive settlement - 2012 and COS repayments	1,455,335
Interest earned	5,597
Consulting and other expenditures	(22,302)
Wellness program funding	(30,000)
Other - transfer adjustment	<u>(300,000)</u>
Balance at June 30, 2013	<u>\$ 5,045,300</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 1<sup>st</sup> through August 31<sup>st</sup>. For the period ended August 31, 2012, the Board's share of the consortium's settlement was a surplus of \$1,187,096. Additionally, the City of Salisbury repaid \$268,239 to the Board for previous deficits (experienced losses) of the City, owed to and shared by the Board and County Council. These amounts were included as other financing sources during the year ended June 30, 2013.

### 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 690 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 \$3.98 million, including approximately \$2.72 million for current claim costs (approximately 70% of total premiums); an additional \$1.05 million to pre-fund benefits and an estimated retiree subsidy of \$216,000. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$190 per month for retirees-only coverage (if under 65), \$134 per month for retirees-only coverage (if 65 or older) and \$1,022 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		\$ 4,129,061
Interest on net OPEB obligation		(184,748)
Adjustment to annual required contribution		198,700
Annual OPEB cost (expense)		4,143,013
Contributions made:		
Premium equivalency & retiree subsidy payments from General Fund	(2,931,981)	
Prefunding contribution	(1,052,019)	
Total contributions made		(3,984,000)
Net OPEB obligation (asset)		159,013
Net OPEB obligation (asset) - beginning of year		(2,463,304)
Net OPEB obligation (asset) - end of year		\$ (2,304,291)

## 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, annual contribution, 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)
2011	\$ 3,592,074	\$ 4,354,000	121.21%	\$ (2,112,026)
2012	3,927,822	4,279,100	108.94%	(2,463,304)
2013	4,143,013	3,984,000	96.16%	(2,304,291)

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 2012, the most recent actuarial valuation date, the plan was 18.0% funded. The actuarial accrued liability for benefits was \$53,619,644 and the actuarial value of assets was \$9,671,300 resulting in an unfunded actuarial accrued liability (UAAL) of \$43,948,344. The covered payroll (annual payroll of active employees covered by the plan) was \$103,261,000 and the ratio of the UAAL to the covered payroll was 42.6%.

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 2012 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, 2012 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, 2013 were \$10,331,627. 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
2011	\$ 841,309	100%	14.34%
2012	798,168	100%	15.45%
2013	739,283	100%	13.29%

In addition to the above contribution, beginning in fiscal year 2013, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board contributed \$2,173,593 to the plan.

## 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 contributed \$10,331,627 on behalf of the Board while the Board contributed \$2,173,593 during fiscal year 2013 as a direct result of Maryland Senate Bill 1301.

## 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, 2013. 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 contributed \$10,331,627 on behalf of the Board while the Board contributed \$2,173,593 during fiscal year 2013 as a direct result of Maryland Senate Bill 1301.

##### **Employer's Payroll Covered Under the Plan**

The employer's payroll for the year ended June 30, 2013 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 110,940,512
Payroll covered under the plan	\$ 91,478,082

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, 2013 and payroll covered under the Plan is as follows:

Total payroll	\$110,940,512
Payroll covered under the plan	\$ 9,723,988

Plan membership at July 1, 2012, the date of the latest actuarial valuation, consisted of 312 active plan members and 160 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	\$ 626,908
Interest on net pension obligation	(45,091)
Annual pension cost (expense)	581,817
Contributions made	(648,705)
Net pension obligation (asset)	(66,888)
Net pension obligation (asset) - beginning of year	(65,293)
 Net pension obligation (asset) - end of year	 \$ (132,181)

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)
2011	\$ 787,370	\$ 640,980	81%	\$ (191,612)
2012	746,257	619,938	83%	(65,293)
2013	581,817	648,705	111%	(132,181)

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 2012, the most recent actuarial valuation date, the plan was 84.8% funded. The actuarial accrued liability for benefits was \$20,925,849 and the actuarial value of assets was \$17,740,383 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,185,466. The covered payroll (annual payroll of active employees covered by the plan) was \$8,767,602 and the ratio of the UAAL to the covered payroll was 36.3%.

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, 2012
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, 2013, the Board did not make a matching contribution to the plan.

### Note 10. Trust Plans Condensed Financial Statements

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

#### CONDENSED STATEMENT OF FIDUCIARY NET POSITION

	<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>
<b>ASSETS</b>				
Current assets	\$ 3,400,120	\$ 19,160,924	\$ 11,738,557	\$ 34,299,601
Total assets	3,400,120	19,160,924	11,738,557	34,299,601
<b>NET POSITION</b>				
Held in trust for retirement and other benefits	\$ 3,400,120	\$ 19,160,924	\$ 11,738,557	\$ 34,299,601

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Trust Plans Condensed Financial Statements (continued)

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

#### CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	401(a) Matching Fund	Employees Pension	Retiree Health Plan Trust	Total
<b>ADDITIONS</b>				
Contributions	\$ -	\$ 1,077,519	\$ 1,052,019	\$ 2,129,538
Interest and dividends	175,332	514,117	248,765	938,214
Increase in fair value	287,916	1,150,728	804,790	2,243,434
Total additions	<u>463,248</u>	<u>2,742,364</u>	<u>2,105,574</u>	<u>5,311,186</u>
<b>DEDUCTIONS</b>				
Pension benefit payments	157,398	1,128,708	-	1,286,106
Administrative expenses	-	105,751	38,295	144,046
Total deductions	<u>157,398</u>	<u>1,234,459</u>	<u>38,295</u>	<u>1,430,152</u>
Change in net position	305,850	1,507,905	2,067,279	3,881,034
Net position - beginning of year	<u>3,094,270</u>	<u>17,653,019</u>	<u>9,671,278</u>	<u>30,418,567</u>
Net position - end of year	<u>\$ 3,400,120</u>	<u>\$ 19,160,924</u>	<u>\$ 11,738,557</u>	<u>\$ 34,299,601</u>

### 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, 2013:

GOVERNMENTAL ACTIVITIES	Capital Assets
Vehicles	\$ 82,405
Computers:	
2010	1,554,556
2011	300,779
2012	1,822,462
2013	<u>1,614,911</u>
Total	<u>\$ 5,375,113</u>
<b>BUSINESS-TYPE ACTIVITIES</b>	
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
	2013	2012	2011	
June 30, 2014	\$ 411,000	\$ 487,473	\$ 67,000	\$ 965,473
June 30, 2015	411,000	487,473	-	898,473
June 30, 2016	411,000	-	-	411,000
	<u>1,233,000</u>	<u>974,946</u>	<u>67,000</u>	<u>2,274,946</u>
Less: amount representing interest	(29,089)	(22,630)	(1,501)	(53,220)
Present value of future minimum lease payments	<u>\$ 1,203,911</u>	<u>\$ 952,316</u>	<u>\$ 65,499</u>	<u>\$ 2,221,726</u>

Interest expense related to the above capital leases, with interest rates ranging from 1.20% to 2.75%, was approximately \$37,000 for the year ended June 30, 2013.

**Note 12. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2013 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long Term Portion
Accrued compensated absences	\$ 2,854,037	\$ 256,389	\$ 174,868	\$ 2,935,558	\$ 294,275	\$ 2,641,283
Capital leases	1,950,522	1,614,911	1,343,707	2,221,726	934,438	1,287,288
Total	<u>\$ 4,804,559</u>	<u>\$ 1,871,300</u>	<u>\$ 1,518,575</u>	<u>\$ 5,157,284</u>	<u>\$ 1,228,713</u>	<u>\$ 3,928,571</u>

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long Term Portion
Capital leases	\$ 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.

**Note 13. Deferred Revenue – Special Revenue**

Deferred revenue in the special revenue fund consists of federal and state grants and other revenues that have not been expended by June 30, 2013. Deferred revenue at June 30, 2013 consists of the following:

Medical assistance provider payments	\$ 2,344,338
Various other state and federal programs	<u>243,779</u>
	<u>\$ 2,588,117</u>

## NOTES TO FINANCIAL STATEMENTS

### **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 \$58,442,000. At June 30, 2013, \$6,021,300 had been expended on the renovation of Bennett Middle School related to these contracts.

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, 2013 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 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
07/01/08	\$ 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%
07/01/12	9,671,300	53,619,644	43,948,344	18.04%	103,261,000	42.56%

**Schedule of Employer Contributions:**

Year Ended June 30,	Employer Contributions	Annual Required Contribution	Annual OPEB Cost	Percentage of Annual Required Contribution Contributed	Percentage of Annual OPEB Cost Contributed
2009	\$ 3,373,000	\$ 2,601,000	\$ 2,613,450	129.68%	129.06%
2010	3,746,000	3,553,000	3,565,450	105.43%	105.06%
2011	4,354,000	3,584,337	3,592,074	121.47%	121.21%
2012	4,279,100	3,915,824	3,927,822	109.28%	108.94%
2013	3,984,000	4,129,061	4,143,013	96.49%	96.16%

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
07/01/03	\$ 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%
07/01/12	17,740,383	20,925,849	3,185,466	84.78%	8,767,602	36.33%

**Schedule of Employer Contributions:**

Year Ended June 30,	Employer Contributions	Annual Required Contribution	Annual Pension Cost	Percentage of Annual Required Contribution Contributed	Percentage of Annual Pension Cost Contributed
2009	\$ 529,564	\$ 446,207	\$ 416,267	118.68%	127.22%
2010	591,306	553,910	516,743	106.75%	114.43%
2011	640,980	848,391	787,370	75.55%	81.41%
2012	619,938	804,092	746,257	77.10%	83.07%
2013	648,705	626,908	581,817	103.48%	111.50%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Wicomico County appropriation				
Operations	\$ 37,000,000	\$ 37,000,000	\$ 37,000,000	\$ -
Local share of State pension	2,173,593	2,173,593	2,173,593	-
Total Wicomico County appropriation	<u>39,173,593</u>	<u>39,173,593</u>	<u>39,173,593</u>	<u>-</u>
Other local:				
Tuition - nonresident pupils	-	-	29,760	29,760
Tuition - other	40,000	40,000	22,139	(17,861)
Student payments/fees	8,000	8,000	14,120	6,120
Earnings on investments	8,000	8,000	10,701	2,701
Rental of school facilities	96,500	96,500	86,170	(10,330)
Miscellaneous	209,500	209,500	162,664	(46,836)
Total other local	<u>362,000</u>	<u>362,000</u>	<u>325,554</u>	<u>(36,446)</u>
State of Maryland revenues:				
Current expense aid	65,493,931	65,493,931	65,490,232	(3,699)
Guaranteed tax base	2,423,992	2,423,992	2,423,992	-
Special education	6,463,244	6,463,244	6,463,226	(18)
Transportation	5,021,257	5,021,257	5,352,056	330,799
Miscellaneous	15,000	15,000	1,970	(13,030)
Non-public placement	60,000	60,000	80,395	20,395
Aging schools	542,980	542,980	540,639	(2,341)
Limited English proficient	2,722,386	2,722,386	2,722,386	-
Compensatory education	36,301,093	36,301,093	36,291,995	(9,098)
Total State of Maryland revenues	<u>119,043,883</u>	<u>119,043,883</u>	<u>119,366,891</u>	<u>323,008</u>
Other sources:				
Out of county living	200,000	200,000	77,248	(122,752)
Administrative costs reimbursements	282,800	282,800	260,334	(22,466)
Total other sources	<u>482,800</u>	<u>482,800</u>	<u>337,582</u>	<u>(145,218)</u>
<b>TOTAL UNRESTRICTED REVENUES</b>	<u>159,062,276</u>	<u>159,062,276</u>	<u>159,203,620</u>	<u>141,344</u>
<b>FEDERAL RESTRICTED REVENUES:</b>				
Education Jobs Fund <sup>1</sup>	3,102,581	3,102,581	-	(3,102,581)
<b>TOTAL REVENUES</b>	<u>162,164,857</u>	<u>162,164,857</u>	<u>159,203,620</u>	<u>(2,961,237)</u>
<b>EXPENDITURES</b>				
Administration	3,956,231	3,956,231	3,949,049	7,182
School management and support	11,486,944	11,486,944	11,469,500	17,444
Instructional salaries	64,209,138	64,209,138	63,157,734	1,051,404
Textbooks and instructional supplies	2,593,469	2,593,469	2,562,276	31,193
Other instruction costs	1,727,293	1,727,293	1,722,906	4,387
Student personnel services	2,186,141	2,186,141	2,093,852	92,289
Health services	1,453,079	1,453,079	1,391,216	61,863
Student transportation	8,318,945	8,318,945	8,312,739	6,206



THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 Year Ended June 30, 2013  
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (continued)				
Operation of plant and equipment	\$ 10,513,992	\$ 10,513,992	\$ 10,104,384	\$ 409,608
Maintenance of plant	2,959,050	2,959,050	2,928,861	30,189
Fixed charges	29,668,548	29,668,548	29,135,838	532,710
Community services	200,219	200,219	195,763	4,456
Capital outlay	5,082,487	5,082,487	5,077,033	5,454
Special education	14,331,740	14,331,740	14,327,835	3,905
Food service	675,000	675,000	675,000	-
<b>TOTAL UNRESTRICTED EXPENDITURES</b>	<b>159,362,276</b>	<b>159,362,276</b>	<b>157,103,986</b>	<b>2,258,290</b>
FEDERAL RESTRICTED EXPENDITURES:				
Education Jobs Fund <sup>1</sup>	3,102,581	3,102,581	-	3,102,581
<b>TOTAL EXPENDITURES</b>	<b>162,464,857</b>	<b>162,464,857</b>	<b>157,103,986</b>	<b>5,360,871</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(300,000)	(300,000)	2,099,634	2,399,634
OTHER FINANCING SOURCES (USES)				
Appropriation from capital projects fund	-	-	(1,636,111)	1,636,111
Appropriation from June 30, 2012 fund balance	300,000	300,000	300,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>300,000</b>	<b>300,000</b>	<b>(1,336,111)</b>	<b>1,636,111</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 763,523	\$ 763,523

<sup>1</sup> Education Jobs Fund - represents one-time Federal funding restricted for school-level salaries and benefits, budgeted in the General Fund, and recorded in the Special Revenue Fund (refer to page 76). These salaries and benefits have historically been funded from the General Fund.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 SPECIAL REVENUE  
 Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Federal sources	\$ 11,804,886	\$ 15,467,667	\$ 3,662,781
State sources	715,801	959,923	244,122
Local and other sources	482,141	257,954	(224,187)
	<hr/>		
TOTAL REVENUES	13,002,828	16,685,544	3,682,716
<hr/>			
<b>EXPENDITURES</b>			
Administration	706,009	951,016	(245,007)
School management and support	104,893	133,637	(28,744)
Instructional salaries	3,989,798	4,491,954	(502,156)
Textbooks and instructional supplies	711,957	685,692	26,265
Other instruction costs	1,001,733	1,715,200	(713,467)
Special education	3,114,105	3,324,414	(210,309)
Student personnel services	-	19,847	(19,847)
Health services	3,726	9,309	(5,583)
Student transportation	573,960	258,642	315,318
Operation of plant and equipment	1,311	861,865	(860,554)
Maintenance of plant	-	223,808	(223,808)
Fixed charges	2,795,336	4,340,157	(1,544,821)
Community services	-	50,804	(50,804)
Capital outlay	-	22,497	(22,497)
	<hr/>		
TOTAL EXPENDITURES	13,002,828	17,088,842	(4,086,014)
<hr/>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	(403,298)	403,298
<hr/>			
OTHER FINANCING SOURCES (USES)			
Interfund transfers	-	372,622	(372,622)
<hr/>			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USE	\$ -	\$ (30,676)	\$ 30,676
<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 Special Revenue Fund. Amendments to the budget can be made with approval from Wicomico County and the Board for inter-category transfers, and by approval of the Board for intra-category 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:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
	<u>General Fund</u>	<u>General Fund</u>	<u>General Fund</u>
	<u>June 30, 2013</u>	<u>June 30, 2013</u>	<u>June 30, 2013</u>
GAAP Basis	\$ 169,077,321	\$ 169,603,619	\$ 386,513
Changes in asset account balances not accounted for on Budgetary Statement:			
Health insurance rate stabilization reserve activity:			
Proceeds from insurance settlement	-	-	(1,455,335)
Subsidy for rate increase	-	(1,351,891)	-
Contribution to Retiree Health Plan Trust	-	(300,000)	-
Interest earned on health care reserve	(5,597)	-	-
Other expenditures		(52,302)	
Appropriation from June 30, 2012	-	-	300,000
Transfers to other funds recorded as budgetary expenditures	-	1,047,622	1,047,622
Encumbrances recorded as expenditures:			
Established in current year	-	4,228,163	-
Reversed from prior year	-	(4,124,687)	-
Revenues recorded based on encumbered expenditures:			
Established in current year	540,639	-	-
Reversed from prior year	(77,116)	-	-
State share of retirement and pension contribution	(10,331,627)	(10,331,627)	-
Capital outlay funded by capital leases	-	(1,614,911)	(1,614,911)
<b>Budgetary Basis</b>	<b><u>\$ 159,203,620</u></b>	<b><u>\$ 157,103,986</u></b>	<b><u>\$ (1,336,111)</u></b>

## 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 September	Budget Manager distributes budget request packets to all employees having budget responsibility.
October	Board meets to review current year's budget line items and develop priorities for new year's budget process/funding submissions.
Early 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-November	Budget Manager meets with Directors to review/modify requests.
Late November	Superintendent and Budget Team begin meetings to review/modify all budget submissions.
Late December	Comptroller reviews with Superintendent preliminary ongoing "Cost of Doing Business" submissions.
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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>UNRESTRICTED:</b>				
<b>Administration:</b>				
Salaries and wages	\$ 3,051,644	\$ 3,013,044	\$ 3,012,990	\$ 54
Contracted services	590,983	647,498	643,506	3,992
Supplies and materials	112,427	101,612	99,813	1,799
Other charges	129,475	125,875	124,841	1,034
Equipment	20,000	20,000	19,959	41
Transfers	51,702	48,202	47,940	262
Total administration	<u>3,956,231</u>	<u>3,956,231</u>	<u>3,949,049</u>	<u>7,182</u>
<b>School management and support:</b>				
Salaries and wages	10,178,832	10,203,395	10,201,273	2,122
Contracted services	830,010	787,280	776,557	10,723
Supplies and materials	126,577	181,550	180,035	1,515
Other charges	318,642	272,836	270,668	2,168
Equipment	3,500	12,500	12,182	318
Transfers	29,383	29,383	28,785	598
Total school management and support	<u>11,486,944</u>	<u>11,486,944</u>	<u>11,469,500</u>	<u>17,444</u>
Instructional salaries and wages	<u>64,209,138</u>	<u>64,209,138</u>	<u>63,157,734</u>	<u>1,051,404</u>
Textbooks and instructional supplies	<u>2,593,469</u>	<u>2,593,469</u>	<u>2,562,276</u>	<u>31,193</u>
<b>Other instructional costs:</b>				
Contracted services	775,263	593,395	592,970	425
Other charges	253,538	252,740	251,711	1,029
Equipment	68,285	51,455	51,223	232
Transfers	630,207	829,703	827,002	2,701
Total other instructional costs	<u>1,727,293</u>	<u>1,727,293</u>	<u>1,722,906</u>	<u>4,387</u>
<b>Special education:</b>				
Salaries and wages	13,542,096	13,548,096	13,548,096	-
Contracted services	84,280	137,580	137,580	-
Supplies and materials	148,858	100,858	100,104	754
Other charges	96,860	97,860	95,215	2,645
Equipment	7,815	5,315	4,835	480
Transfers	451,831	442,031	442,005	26
Total special education	<u>\$ 14,331,740</u>	<u>\$ 14,331,740</u>	<u>\$ 14,327,835</u>	<u>\$ 3,905</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY  
 SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL FUND - BUDGETARY BASIS  
 Year Ended June 30, 2013  
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Student personnel services:				
Salaries and wages	\$ 1,423,426	\$ 1,442,426	\$ 1,431,536	\$ 10,890
Contracted services	693,920	663,920	587,176	76,744
Supplies and materials	28,110	39,560	38,185	1,375
Other charges	25,348	16,398	15,418	980
Equipment	3,000	18,000	17,510	490
Transfers	12,337	5,837	4,027	1,810
Total student personnel services	2,186,141	2,186,141	2,093,852	92,289
Health services				
Salaries and wages	1,359,025	1,352,025	1,297,062	54,963
Contracted services	37,000	28,550	25,098	3,452
Supplies and materials	49,650	48,500	48,164	336
Other charges	4,017	4,017	2,291	1,726
Equipment	-	16,600	16,534	66
Transfers	3,387	3,387	2,067	1,320
Total health services	1,453,079	1,453,079	1,391,216	61,863
Student transportation:				
Salaries and wages	420,102	433,202	433,131	71
Contracted services	7,703,018	7,257,918	7,253,671	4,247
Supplies and materials	25,660	21,660	21,615	45
Other charges	138,658	132,658	132,267	391
Equipment	27,970	469,970	468,533	1,437
Transfers	3,537	3,537	3,522	15
Total pupil transportation	8,318,945	8,318,945	8,312,739	6,206
Operation of plant:				
Salaries and wages	4,536,342	4,436,342	4,356,683	79,659
Contracted services	745,734	572,734	549,581	23,153
Supplies and materials	838,373	1,354,373	1,223,485	130,888
Other charges	4,325,946	4,027,946	3,854,302	173,644
Equipment	61,516	116,516	115,834	682
Transfers	6,081	6,081	4,499	1,582
Total operation of plant	10,513,992	10,513,992	10,104,384	409,608
Maintenance of plant:				
Salaries and wages	1,135,514	1,138,514	1,130,949	7,565
Contracted services	898,252	1,099,252	1,089,645	9,607
Supplies and materials	848,715	619,715	618,523	1,192
Other charges	10,826	10,826	4,690	6,136
Equipment	65,743	90,743	85,054	5,689
Total maintenance of plant	\$ 2,959,050	\$ 2,959,050	\$ 2,928,861	\$ 30,189

THE BOARD OF EDUCATION OF WICOMICO COUNTY  
 SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL FUND - BUDGETARY BASIS  
 Year Ended June 30, 2013  
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fixed charges:				
Insurance and employee benefits	\$ 29,668,548	\$ 29,668,548	\$ 29,135,838	\$ 532,710
Community services:				
Salaries and wages	34,252	36,852	35,382	1,470
Contracted services	61,904	59,304	59,155	149
Supplies and materials	17,921	17,521	16,049	1,472
Other charges	43,416	43,816	43,815	1
Equipment	42,726	42,726	41,362	1,364
Total community services	200,219	200,219	195,763	4,456
Capital outlay:				
Salaries and wages	592,619	474,619	474,513	106
Contracted services	1,089,431	1,274,431	1,273,658	773
Supplies and materials	172,004	162,004	159,974	2,030
Equipment	3,228,433	3,171,433	3,168,888	2,545
Total capital outlay	5,082,487	5,082,487	5,077,033	5,454
Food service:				
Transfers	675,000	675,000	675,000	-
TOTAL UNRESTRICTED EXPENDITURES	159,362,276	159,362,276	157,103,986	2,258,290
FEDERAL RESTRICTED EXPENDITURES:				
Education Jobs Fund <sup>1</sup>	3,102,581	3,102,581	-	3,102,581
TOTAL APPROPRIATIONS AND EXPENDITURES	\$ 162,464,857	\$ 162,464,857	\$ 157,103,986	\$ 5,360,871

<sup>1</sup> Education Jobs Fund - represents one-time Federal funding restricted for school-level salaries and benefits, budgeted in the General Fund, and recorded in the Special Revenue Fund (refer to page 76). These salaries and benefits have historically been funded from the General Fund.



THE BOARD OF EDUCATION OF WICOMICO COUNTY

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

Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Local sources	\$ 1,554,898	\$ 1,416,122	\$ (138,776)
State sources	173,658	153,847	(19,811)
Federal sources	4,756,116	5,074,433	318,317
<b>TOTAL REVENUES</b>	<b>6,484,672</b>	<b>6,644,402</b>	<b>159,730</b>
<b>EXPENDITURES</b>			
Salaries and wages	2,300,000	2,309,707	(9,707)
Contracted services	73,400	55,880	17,520
Supplies and materials	3,624,444	3,781,428	(156,984)
Other charges	1,082,328	1,022,974	59,354
Capital outlay	79,500	78,131	1,369
<b>TOTAL EXPENDITURES</b>	<b>7,159,672</b>	<b>7,248,120</b>	<b>(88,448)</b>
<b>OPERATING LOSS</b>	<b>(675,000)</b>	<b>(603,718)</b>	<b>71,282</b>
<b>OTHER RESOURCES</b>			
Interfund Transfer	675,000	675,000	-
<b>TOTAL OTHER RESOURCES</b>	<b>675,000</b>	<b>675,000</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER RESOURCES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 71,282</b>	<b>\$ 71,282</b>

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Resources</u>
GAAP Basis	\$ 6,644,402	\$ 7,241,209	\$ 675,000
Encumbrances established in current year	-	27,571	-
Principal portion of capital lease payment	-	35,723	-
Depreciation of capital assets	-	(70,654)	-
Capital asset current year additions	-	14,271	-
<b>Budgetary Basis</b>	<b>\$ 6,644,402</b>	<b>\$ 7,248,120</b>	<b>\$ 675,000</b>

THE BOARD OF EDUCATION OF WICOMICO COUNTY  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PENSION AND RETIREE HEALTH PLAN TRUST FUNDS  
 June 30, 2013

	401(a) Matching <u>Fund</u>	Employees <u>Pension</u>	Retiree Health <u>Plan Trust</u>	Total Pension and Retiree Health Plan <u>Trust Funds</u>
<b>ASSETS</b>				
Cash	\$ 135,277	\$ 2,494,640	\$ 2,150,055	\$ 4,779,972
Trust investments				
Government bonds	335,950	1,157,003	1,021,095	2,514,048
Commercial paper	-	155,503	-	155,503
Mortgage loans	344,455	212,263	-	556,718
Corporate bonds	671,191	5,382,355	2,110,852	8,164,398
Common stock	1,781,323	9,759,160	6,456,555	17,997,038
Other	131,924	-	-	131,924
	<hr/>			
Total assets	3,400,120	19,160,924	11,738,557	34,299,601
	<hr/>			
<b>NET POSITION</b>				
Held in Trust for:				
Retirement and other benefits	3,400,120	19,160,924	11,738,557	34,299,601
	<hr/>			
Total net position	\$ 3,400,120	\$ 19,160,924	\$ 11,738,557	\$ 34,299,601
	<hr/>			

THE BOARD OF EDUCATION OF WICOMICO COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION AND RETIREE HEALTH PLAN TRUST FUNDS  
 Year Ended June 30, 2013

	401(a) Matching <u>Fund</u>	Employees <u>Pension</u>	Retiree Health <u>Plan Trust</u>	Total Pension and Retiree Health Plan <u>Trust Funds</u>
<b>ADDITIONS</b>				
Contributions:				
Employer contributions	\$ -	\$ 688,244	\$ 1,052,019	\$ 1,740,263
Plan member contributions	-	389,275	-	389,275
Total contributions	-	1,077,519	1,052,019	2,129,538
Investment earnings:				
Interest and dividends	175,332	514,117	248,765	938,214
Increase in fair value of investments	287,916	1,150,728	804,790	2,243,434
Total investment earnings	463,248	1,664,845	1,053,555	3,181,648
Total additions	463,248	2,742,364	2,105,574	5,311,186
<b>DEDUCTIONS</b>				
Pension benefit payments	157,398	1,128,708	-	1,286,106
Administrative expenses	-	105,751	38,295	144,046
Total deductions	157,398	1,234,459	38,295	1,430,152
Change in net position	305,850	1,507,905	2,067,279	3,881,034
Net position - beginning of year	3,094,270	17,653,019	9,671,278	30,418,567
Net position - end of year	\$ 3,400,120	\$ 19,160,924	\$ 11,738,557	\$ 34,299,601

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND  
Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>ASSETS</b>				
Cash	\$ 38,953	\$ 2,432,591	\$ 2,432,465	\$ 39,079
Accounts receivable	1,500	-	1,500	-
Due from other funds	393,570	44,228	-	437,798
	<hr/>			
Total assets	434,023	2,476,819	2,433,965	476,877
	<hr/>			
<b>LIABILITIES</b>				
Accounts payable	2,358	4,008	2,358	4,008
Due to school activity groups	431,665	2,472,811	2,431,607	472,869
	<hr/>			
Total liabilities	\$ 434,023	\$ 2,476,819	\$ 2,433,965	\$ 476,877
	<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.

### CONTENTS

### Page

#### 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.

Net Position by Component	89
Changes in Net Position	90 - 91
Fund Balances of Governmental Funds	92
Changes in Fund Balances of Governmental Funds	93 - 94
Approved Operating Budgets	95 - 96

#### 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.

Ratios of Outstanding Debt	97
----------------------------	----

#### 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.

Enrollment by School Level	98
Enrollment by Grade	99
Budgeted Full Time Equivalent Positions by Function	100
Demographic and Economic Statistics	101
Operating Information	102 - 103
Where the Money Comes From	104

#### 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.

Facilities Inventory	105
Capital Asset Statistics by Function	106
Insurance Summary	107

Schedule 1

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net investment in capital assets	\$ 105,640,672	\$ 115,008,125	\$ 123,226,436	\$ 136,743,977	\$ 144,045,972	\$ 181,162,869	\$ 206,066,048	\$ 211,591,860	\$ 209,358,061	\$ 212,243,676
Restricted for rate stabilization reserve	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	5,045,300
Restricted for capital projects	492,453	362,608	468,089	1,597,173	3,153,550	5,112,284	4,547,767	5,087,896	6,359,455	6,608,505
Unrestricted	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	4,662,824
<b>Total governmental activities net position</b>	<b>\$ 106,735,857</b>	<b>\$ 118,354,465</b>	<b>\$ 129,621,629</b>	<b>\$ 147,572,851</b>	<b>\$ 155,853,347</b>	<b>\$ 196,814,054</b>	<b>\$ 225,935,061</b>	<b>\$ 231,417,489</b>	<b>\$ 225,748,466</b>	<b>\$ 228,560,305</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 232,542	\$ 226,739	\$ 298,456	\$ 327,040	\$ 295,680	\$ 280,752	\$ 493,125	\$ 357,236	\$ 375,722	\$ 355,062
Restricted for food service activities	591,889	537,220	387,316	129,736	566,153	658,520	583,363	857,386	1,347,187	1,446,040
<b>Total business-type activities net position</b>	<b>\$ 824,431</b>	<b>\$ 763,959</b>	<b>\$ 685,772</b>	<b>\$ 456,776</b>	<b>\$ 861,833</b>	<b>\$ 939,272</b>	<b>\$ 1,076,488</b>	<b>\$ 1,214,622</b>	<b>\$ 1,722,909</b>	<b>\$ 1,801,102</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 212,598,738
Restricted	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	13,099,845
Unrestricted	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	4,662,824
<b>Total primary government net position</b>	<b>\$ 107,560,288</b>	<b>\$ 119,118,424</b>	<b>\$ 130,307,401</b>	<b>\$ 148,029,627</b>	<b>\$ 156,715,180</b>	<b>\$ 197,753,326</b>	<b>\$ 227,011,549</b>	<b>\$ 232,632,111</b>	<b>\$ 227,471,375</b>	<b>\$ 230,361,407</b>

Source: The Board of Education of Wicomico County records.

During fiscal year 2013, the Board implemented GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Schedule 2

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 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	\$ 6,397,514
Instructional services	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	127,664,912
Special education	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	24,512,557
Student personnel services	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	2,741,549
Health services	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	1,931,161
Student transportation	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	8,465,615
Operation of plant and equipment	8,421,122	9,463,971	10,127,074	11,301,209	13,031,357	13,692,942	13,796,567	13,718,195	12,662,038	13,364,026
Maintenance of plant	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	3,756,844
Food service	14,912	19,075	19,075	-	-	-	-	-	-	-
Community services	107,227	115,434	167,997	111,493	247,113	244,869	200,977	173,027	189,565	252,736
<b>Total governmental activities expenses</b>	<b>128,141,553</b>	<b>133,233,234</b>	<b>143,839,021</b>	<b>159,484,668</b>	<b>178,287,359</b>	<b>184,564,885</b>	<b>193,223,945</b>	<b>188,132,064</b>	<b>184,836,055</b>	<b>189,086,914</b>
Business-type activities:										
Food services	\$ 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	\$ 7,241,209
<b>Total business-type activities expenses</b>	<b>4,728,085</b>	<b>4,999,434</b>	<b>5,496,468</b>	<b>5,940,165</b>	<b>6,112,423</b>	<b>6,606,955</b>	<b>6,775,915</b>	<b>6,898,766</b>	<b>6,749,074</b>	<b>7,241,209</b>
<b>Total primary government expenses</b>	<b>\$ 132,869,638</b>	<b>\$ 138,232,668</b>	<b>\$ 149,335,489</b>	<b>\$ 165,424,833</b>	<b>\$ 184,399,782</b>	<b>\$ 191,171,840</b>	<b>\$ 199,999,860</b>	<b>\$ 195,030,830</b>	<b>\$ 191,585,129</b>	<b>\$ 196,328,123</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Instructional services	895,861	1,184,213	833,467	1,398,601	1,014,472	2,182,980	1,938,036	623,603	518,654	227,821
Operation of plant and equipment	50,400	58,309	35,966	67,481	84,739	94,019	57,072	51,488	15,218	41,736
Community services	47,800	47,800	47,800	47,800	44,404	44,404	44,404	44,404	44,404	44,434
Operating grants and contributions										
Administration	590,456	560,884	641,546	710,442	1,150,719	1,140,928	1,261,966	1,309,717	1,113,104	1,204,957
Instructional services	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	16,743,347
Special education	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	13,256,070
Student personnel services	91,265	91,516	102,868	108,231	124,776	132,563	169,790	189,101	182,023	168,667
Health services	89,613	91,028	97,280	121,326	126,822	133,715	150,005	178,180	167,820	138,869
Student transportation	3,634,597	3,726,489	3,967,670	4,132,788	397,323	394,968	273,704	368,789	363,994	300,212
Operation of plant and equipment	449,770	457,748	479,754	509,308	603,010	646,365	571,504	683,368	676,380	1,773,778
Maintenance of plant	86,599	100,257	92,480	100,154	120,026	128,784	143,650	169,993	166,840	461,233
Community services	5,936	12,226	13,705	6,118	8,847	707	3,301	4,168	4,710	62,590
Capital grants and contributions	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	6,888,005
<b>Total governmental activities program revenues</b>	<b>\$ 30,543,997</b>	<b>\$ 39,142,680</b>	<b>\$ 39,680,875</b>	<b>\$ 47,156,977</b>	<b>\$ 40,306,843</b>	<b>\$ 73,988,106</b>	<b>\$ 66,386,555</b>	<b>\$ 47,968,101</b>	<b>\$ 36,666,632</b>	<b>\$ 41,331,648</b>



Schedule 2 (continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenues (continued)</b>										
Business-type activities:										
Charges for services	\$ 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	\$ 1,416,122
Operating grants and contributions	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	5,228,280
Total business-type activities program revenues	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	6,644,402
Total primary government program revenues	\$ 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	\$ 47,976,050
<b>Net (Expense)/Revenue</b>										
Governmental activities:										
State of Maryland	\$ (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)	\$ (147,755,266)
Wicomico County appropriation	(70,515)	(65,589)	(140,415)	(294,464)	(344,943)	(672,561)	(718,488)	(611,866)	(241,713)	(596,807)
Other revenue	(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)	(148,352,073)
Total primary government net expense										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
State of Maryland	\$ 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	\$ 111,997,661
Wicomico County appropriation	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	39,173,593
Other revenue	262,713	336,423	339,652	597,026	74,303	91,273	203,870	131,922	100,364	60,150
Loss on disposal of assets	-	-	(511,311)	-	-	-	-	-	-	-
Investment earnings	123,681	272,728	676,947	1,006,215	859,694	278,256	20,364	27,206	7,271	10,701
Transfers	-	-	(57,883)	(63,000)	(750,000)	(750,000)	(855,704)	(750,000)	(750,000)	(675,000)
Total governmental activities	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	150,567,105
Business-type activities:										
Investment earnings	\$ 457	\$ 5,117	\$ 4,345	\$ 2,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	57,883	63,000	750,000	750,000	855,704	750,000	750,000	675,000
Total business-type activities	457	5,117	62,228	65,468	750,000	750,000	855,704	750,000	750,000	675,000
Total primary government	\$ 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	\$ 151,242,105
<b>Change in Net Position</b>										
Governmental activities	\$ (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)	\$ 2,811,839
Business-type activities	(70,058)	(60,472)	(78,187)	(228,996)	405,057	77,439	137,216	138,134	508,287	78,193
Total primary government	\$ (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)	\$ 2,890,032

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)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Committed:										
Healthcare rate stabilization reserve	\$ 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	\$ 3,751,594
Assigned to:										
Healthcare rate stabilization reserve	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	1,293,706
Other purposes (encumbrances)	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	4,228,163
Subsequent year expenditures	11,527	610,020	376,647	2,047,232	800,000	800,000	300,000	4,000,000	300,000	300,000
Unassigned	310,020	496,647	547,232	300,000	300,000	300,000	4,000,000	300,000	300,000	300,000
Total General Fund	\$ 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	\$ 9,873,463
All Other Governmental Funds										
Restricted for fund purposes:										
Special revenue	\$ 59,055	\$ 51,987	\$ 32,730	\$ 28,738	\$ 43,205	\$ 58,598	\$ 69,098	\$ 42,376	\$ 70,148	\$ 39,472
Capital projects	492,453	362,608	468,089	1,597,173	3,153,550	5,112,284	4,547,767	5,087,896	6,359,455	6,608,505
Total all other governmental funds	\$ 551,508	\$ 414,595	\$ 500,819	\$ 1,625,911	\$ 3,196,755	\$ 5,170,882	\$ 4,616,865	\$ 5,130,272	\$ 6,429,603	\$ 6,647,977
Total Governmental Funds	\$ 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	\$ 16,521,440

During fiscal year 2010, the Board implemented GASB No. 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)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Wicomico County appropriations										
Operations	\$ 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	\$ 37,000,000
Pension	-	-	-	-	-	-	-	-	-	2,173,593
Other local revenue	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	536,623
State of Maryland	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	124,203,503
State of Maryland share of retirement and pension contribution	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	10,331,627
Federal through State	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	15,467,667
Transfer of bond proceeds from										
Wicomico County	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	2,288,891
Other	1,112,151	1,038,072	1,171,376	1,430,189	1,114,783	1,120,842	975,977	744,900	673,112	571,849
Total revenues	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	192,573,753
<b>Expenditures</b>										
Administration	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	4,966,020
School management and support	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	11,619,652
Instructional salaries	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	67,649,688
Textbooks and instructional supplies	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	3,407,290
Other instructional costs	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	3,519,058
Special education	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	17,619,858
Student personnel services	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	2,145,444
Health services	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	1,388,666
Student transportation	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	8,249,467
Operation of plant and equipment	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	10,558,126
Maintenance of plant	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	3,164,438
Fixed charges	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	35,278,602
Food service	14,912	19,075	19,075	-	-	-	-	-	-	-
Community services	107,227	115,434	167,997	111,492	246,618	244,373	188,790	159,171	174,484	228,780
Capital outlay	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	13,383,341
Debt service										
Capital lease principal	254,325	622,843	866,369	1,226,399	1,671,072	1,898,132	1,958,968	1,542,110	1,340,070	1,343,707
Capital lease interest	14,884	36,451	50,703	71,773	84,308	130,239	110,690	84,209	39,654	36,646
State of Maryland share of retirement and pension contribution	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	10,331,627
Total expenditures	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	194,890,410
Excess of revenues over (under) expenditures	(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)	(2,316,657)

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)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Other Financing Sources (Uses)</b>										
Capital lease proceeds	769,700	383,950	1,582,263	1,934,359	2,770,378	1,566,000	1,554,556	300,779	1,904,867	1,614,911
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	1,455,335
Transfers to other funds	-	-	(57,883)	(63,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(675,000)
Transfer of savings plan funds to Wilcomico County	-	-	-	-	-	-	(2,000,000)	-	-	-
Total other financing sources (uses)	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	2,395,246
Net change in fund balances	\$ (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)	\$ 78,589
Debt service as a percentage of noncapital expenditures	0.2%	0.5%	0.7%	0.9%	1.0%	1.2%	1.1%	0.9%	0.8%	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
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
2013*	3,956,231	11,488,743	64,577,521	2,593,469	1,727,293	14,334,501	2,186,141	1,459,768

Source: The Board of Education of Wicomico County records.

\* Includes allocation of Education Jobs Fund (one-time Federal funding) across functions.

Schedule 5 (continued)  
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)

Fiscal Year	Student Transportation	Operation of Plant	Maintenance of Plant	Fixed Charges	Food Services	Community Services	Capital Outlay	Total
2004	5,507,055	6,721,956	1,824,567	17,042,599	15,000	97,262	1,046,542	104,439,333
2005	5,761,542	7,525,163	1,760,281	19,029,238	19,075	149,762	2,324,380	113,018,495
2006	6,116,014	8,296,250	1,985,829	20,753,180	19,075	151,762	3,339,172	124,869,884
2007	6,587,581	10,112,643	2,228,370	22,894,756	30,000	208,162	4,285,077	139,967,180
2008	7,135,738	10,553,085	2,542,557	27,186,357	112,000	216,162	7,175,751	156,312,211
2009	8,750,349	11,179,932	2,949,929	27,148,830	750,000	216,933	6,448,431	161,858,571
2010	8,238,009	11,333,964	3,037,970	28,643,620	750,000	217,361	6,823,277	165,806,553
2011	8,009,947	11,594,795	2,819,892	27,176,925	750,000	207,361	5,150,473	157,387,564
2012	8,218,206	11,344,815	3,070,479	27,099,348	750,000	192,087	4,642,877	155,773,833
2013*	8,318,945	11,299,827	3,163,038	31,401,674	675,000	200,219	5,082,487	162,464,857

Source: The Board of Education of Wicomico County records.

\* Includes allocation of Education Jobs Fund (one-time Federal funding) across functions.

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			
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	0.08%	27.53
2011	1,385,725	70,260	1,455,985	N/A	14.47
2012	1,950,522	35,723	1,986,245	N/A	N/A
2013	2,221,726	-	2,221,726	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 September 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Elementary Schools</b>										
Beaver Run	522	533	534	514	523	570	610	612	666	722
Chipman	400	406	422	422	429	432	436	426	399	373
Delmar	987	952	910	948	945	975	974	831	827	826
East Salisbury	346	379	381	354	361	357	363	370	403	387
Fruitland Intermediate	376	363	368	385	408	396	371	392	379	382
Fruitland Primary	432	439	467	493	485	477	474	485	506	533
Glen Avenue	307	297	280	309	314	285	285	273	334	317
North Salisbury	428	422	423	469	473	522	545	514	501	440
Northwestern	292	280	271	268	260	257	287	289	286	307
Pemberton	594	595	613	623	621	637	654	608	616	636
Pinehurst	421	383	404	395	422	415	438	462	491	496
Pittsville	233	209	210	219	212	231	236	211	220	217
Prince Street	441	422	482	447	472	548	561	581	493	544
West Salisbury	254	304	307	305	316	299	295	303	295	310
Westside Intermediate	412	464	440	434	448	451	474	465	496	484
Westside Primary	256	255	267	281	272	268	261	269	245	256
Wicomico Early Learning	-	-	-	-	-	-	-	-	-	-
Willards	285	290	302	281	299	287	276	291	303	292
Total Elementary Schools	6,986	6,993	7,081	7,147	7,260	7,407	7,540	7,382	7,460	7,522
<b>Middle Schools</b>										
Bennett	977	998	983	905	843	868	886	923	930	908
Mardela	323	312	301	292	267	281	269	282	292	294
Pittsville	252	272	246	236	216	209	231	236	260	247
Salisbury	907	913	959	924	883	879	848	849	925	927
Wicomico	769	771	762	723	693	683	713	708	639	655
Total Middle Schools	3,228	3,266	3,251	3,080	2,902	2,920	2,947	2,998	3,046	3,031
<b>High Schools</b>										
Bennett	1,358	1,388	1,381	1,303	1,346	1,313	1,282	1,307	1,374	1,406
Mardela	374	389	405	412	424	415	380	370	363	351
Parkside	1,116	1,140	1,149	1,223	1,214	1,256	1,217	1,137	1,125	1,095
Wicomico	1,202	1,142	1,139	1,179	1,182	1,209	1,188	1,126	1,087	1,036
Wicomico County Evening	138	69	85	83	71	70	65	62	65	48
Total High Schools	4,188	4,128	4,159	4,200	4,237	4,263	4,132	4,002	4,014	3,936
Total All Schools	14,402	14,387	14,491	14,427	14,399	14,590	14,619	14,382	14,520	14,489



Schedule 8

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Elementary School</b>										
Pre-Kindergarten	480	493	478	439	458	457	567	572	654	611
Kindergarten	961	1,032	1,119	1,137	1,133	1,191	1,151	1,174	1,150	1,331
Grade 1	1,198	1,116	1,124	1,164	1,144	1,152	1,204	1,165	1,164	1,144
2	1,014	1,103	1,081	1,085	1,147	1,143	1,130	1,154	1,150	1,150
3	1,006	1,043	1,127	1,100	1,131	1,178	1,154	1,138	1,183	1,148
4	1,134	1,043	1,068	1,148	1,105	1,146	1,171	1,165	1,161	1,150
5	1,193	1,163	1,084	1,074	1,142	1,140	1,163	1,014	998	988
Total Elementary School	6,986	6,993	7,081	7,147	7,260	7,407	7,540	7,382	7,460	7,522
<b>Middle School</b>										
Grade 6	1,105	1,073	1,039	938	934	1,017	998	1,012	1,027	1,006
7	1,072	1,127	1,096	1,037	958	955	1,015	980	1,042	996
8	1,051	1,066	1,116	1,105	1,010	948	934	1,006	977	1,029
Total Middle School	3,228	3,266	3,251	3,080	2,902	2,920	2,947	2,998	3,046	3,031
<b>High School</b>										
Grade 9	1,199	1,208	1,177	1,242	1,239	1,167	1,057	1,043	1,127	1,081
10	1,063	1,053	1,047	1,050	1,085	1,086	1,065	962	963	1,016
11	978	1,000	1,001	972	976	1,038	1,032	1,029	901	926
12	948	867	934	936	937	972	978	968	1,023	913
Total High School	4,188	4,128	4,159	4,200	4,237	4,263	4,132	4,002	4,014	3,936
Total enrollment	14,402	14,387	14,491	14,427	14,399	14,590	14,619	14,382	14,520	14,489
Number of teachers <sup>1</sup>	1,020	1,027	1,048	1,079	1,076	1,083	1,087	1,072	1,078	1,084
Ratio of students to teachers	14:1	14:1	14:1	13:1	13:1	13:1	13:1	13:1	13:1	13:1

Source: The Board of Education of Wicomico County records.

<sup>1</sup> - Maryland State Department of Education

Schedule 9

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

	Budgeted Full-time Equivalent Employees as of June 30										Percentage Change 2004-2013	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
<b>General Fund:</b>												
Administration	38.55	42.55	46.30	48.55	49.55	50.55	53.30	54.80	51.80	51.80	51.80	34.37%
School management and support	165.16	163.09	189.34	191.49	191.49	197.14	192.60	189.20	184.20	184.20	184.70	11.83%
Instructional salaries	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	1,161.01	1,170.45	9.91%
Special education	215.54	224.42	252.67	283.57	287.57	320.27	320.35	317.05	317.05	317.05	326.30	51.39%
Student personnel services	11.95	20.95	15.70	17.70	20.70	21.70	23.70	24.20	25.20	25.20	25.50	113.39%
Health services	27.00	28.00	29.00	30.00	32.00	34.00	34.00	35.00	33.00	33.00	34.00	25.93%
Student transportation	10.00	11.00	11.00	7.41	9.41	9.41	8.91	8.91	7.00	7.00	7.00	-30.00%
Operation of plant and equipment	118.50	137.50	143.50	149.50	150.50	152.50	153.50	154.50	154.50	154.50	153.50	29.54%
Maintenance of plant	24.25	24.25	25.25	26.25	26.25	26.25	26.25	27.25	27.25	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	0.50	0.00%
Capital outlay	6.75	7.75	7.75	7.75	8.75	8.75	7.75	6.75	6.75	6.75	7.75	14.81%
<b>Total</b>	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	1,968.26	1,988.75	18.16%
<b>Special Revenue Funds</b>	223.00	230.65	224.81	217.65	210.56	203.49	206.62	203.07	202.87	202.87	168.55	-24.42%
<b>Total all funds</b>	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	2,171.13	2,157.30	13.18%

Source: The Board of Education of Wicomico County records.

Schedule 10

The Board of Education of Wicomico County

Demographic and Economic Statistics

Last Ten Years

Year	Population (1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Civilian Labor Force (3)		Unemployment Rate (3)	
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	53,102	+	5.2%	
2009	94,222	3,278,842	34,799	52,577	+	8.8%	
2010	98,733	3,374,513	34,145	53,502	+	9.5%	
2011	99,190	3,470,201	34,985	53,221	◇	9.3%	◇
2012	100,647	N/A	N/A	53,135	◇	8.6%	◇
2013	N/A	N/A	N/A	51,945	*	8.8%	*

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 2012 and 2013 is not currently available.)

(3) Bureau of Labor Statistics, U.S. Department of Labor.

+ Reflects adjustments to new state controls.

◇ Reflects revised inputs, reestimation, and adjustment to new state control totals.

\* Civilian Labor Force and Unemployment Rate for 2013 are preliminary based on information through June 30, 2013.

N/A Not Available

**Schedule 11**

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

Fiscal Year	Per Pupil Expenditures			Education Effort*			
	Dollars	State Average	State Rank *	Local Appropriation	Local Wealth	Education Effort (EE)	State EE Average
2004	\$8,659	\$9,062	14	45,679,815	5,766,578,401	0.0171	0.0172
2005	\$8,998	\$9,661	15	46,131,073	2,940,449,146	0.0157	0.0162
2006	\$9,692	\$10,371	15	46,479,989	3,268,716,504	0.0142	0.0146
2007	\$10,611	\$11,398	13	48,329,815	3,570,979,940	0.0135	0.0150
2008	\$11,754	\$12,509	10	49,443,053	3,941,396,385	0.0130	0.0140
2009	\$12,054	\$13,013	13	50,204,655	4,325,142,980	0.0120	0.0130
2010	\$12,457	\$13,297	11	50,781,711	4,416,144,536	0.0110	0.0130
2011	\$12,577	\$13,453	13	43,196,892	4,319,315,727	0.0100	0.0130
2012	N/A	N/A	N/A	36,196,892	4,101,088,530	0.0090	0.0130
2013	N/A	N/A	N/A	37,000,000	4,004,514,022	0.0092	N/A

\* Education effort is calculated by dividing local education appropriation by local wealth and indexing to State average.

\* Ranking of the State's 24 School Systems.

N/A - Not Available

Schedule 11 (continued)

The Board of Education of Wicomico County  
 Operating Information (continued)  
 Last Ten Fiscal Years

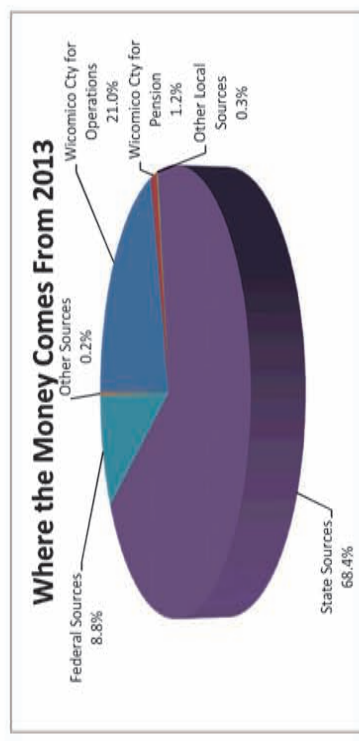
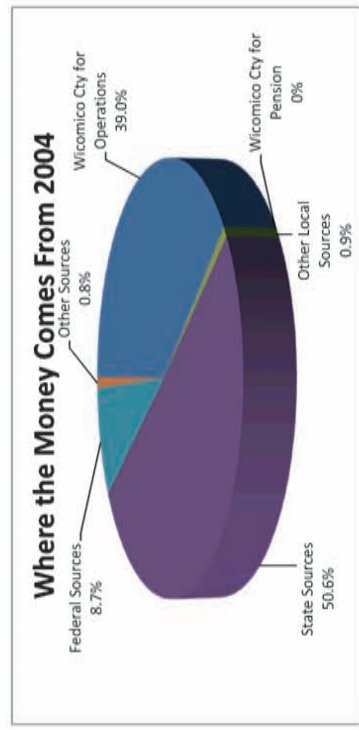
Fiscal Year	Transportation				Food Services					
	Total Miles Traveled	Number of School Bus Riders	Per Pupil Cost	State Average Per Pupil Cost	Breakfast		% Free & Reduced		Lunches	
					# Served	% Paid	% Free & Reduced	# Served	% Paid	% Free & Reduced
2004	N/A	10,667	N/A	N/A	500,247	22%	78%	1,116,938	28%	72%
2005	1,872,184	10,622	N/A	N/A	576,652	26%	74%	1,189,711	29%	71%
2006	1,926,540	10,600	568	751	578,540	26%	74%	1,252,107	30%	70%
2007	1,893,780	12,548	516	822	606,973	26%	74%	1,268,481	29%	71%
2008	2,020,500	12,698	544	867	644,090	24%	76%	1,274,807	26%	74%
2009	1,971,720	12,458	640	951	679,238	23%	77%	1,291,867	23%	77%
2010	2,010,312	12,481	653	951	692,746	23%	77%	1,280,451	21%	79%
2011	1,978,053	12,493	593	747	720,920	20%	80%	1,295,622	20%	80%
2012	1,936,980	12,596	589	773	733,074	18%	82%	1,329,555	17%	83%
2013	1,885,320	12,687	N/A	N/A	731,148	14%	86%	1,268,374	14%	86%

Source: Maryland State Department of Education. (FY 2013 Number of School Bus Riders provided by WCBOE Transportation Dept. and FY2013 Food Service numbers provided by WCBOE Food Service Dept.)

N/A - Not Available

Schedule 12  
 The Board of Education of Wisconsin County  
 Where the Money Comes From - General Fund & Special Revenue Fund (Current Expense Fund)  
 as of June 30,  
*(budgetary basis of accounting)*

	Fiscal Years											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
Wisconsin County Appropriations	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	37,000,000	21.0%	21.0%
Operations	-	-	-	-	-	-	-	-	-	-	0.0%	0.0%
Pension	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	2,175,593	1.2%	1.2%
Other Local Sources	59,308,427	73,090,693	83,176,760	90,332,735	104,190,544	109,569,266	113,424,856	110,403,814	114,249,692	120,324,844	68.4%	68.4%
State Sources	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	15,467,667	8.8%	8.8%
Federal Sources	920,269	938,010	878,669	1,158,883	720,686	664,978	863,207	485,988	417,973	386,438	0.3%	0.3%
Other Sources	117,156,086	132,392,091	143,523,973	153,269,554	167,323,260	174,088,742	180,993,935	172,345,332	163,386,171	175,889,164	100.0%	100.0%
Total												



---

**Schedule 13****The Board of Education of Wicomico County  
Facilities Inventory**

	Year		
	Constructed	Acreage	Sq Ft. area
<b><u>SCHOOLS:</u></b>			
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	1990 *	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	1988 *	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	1957 *	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	1996 *	60	195,941
<b><u>CENTRAL OFFICES:</u></b>			
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
<b><u>OTHER SCHOOLS:</u></b>			
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.

\*Year constructed has been adjusted to year of last major renovation.

Schedule 14

The Board of Education of Wicomico County  
Capital Asset Statistics by Function

	Fiscal Year										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
<b>Instructional Buildings</b>											
Elementary Schools <sup>1</sup>	17	17	17	17	17	17	17	17	17	17	17
Middle Schools	3	3	3	3	3	3	3	3	3	3	3
High Schools <sup>2</sup>	4	4	4	4	4	4	4	4	4	4	4
Alternative Education Center/Choices	1	1	1	1	1	1	1	1	1	1	1
Career and Technology Center	1	1	1	1	1	1	1	1	1	1	1
Early Learning Center	1	1	1	1	1	1	1	1	1	1	1
Total	27	27	27	27	27	27	27	27	27	27	27
<b>Support Buildings</b>											
Central Administration & Annex Buildings	8	8	8	8	8	8	8	8	8	8	8
Facilities/Warehouses	4	4	4	4	4	4	4	4	4	4	4
Food Services/Transportation Facility	1	1	1	1	1	1	1	1	1	1	1
Instructional Resource Center	1	1	1	1	1	1	1	1	1	1	1
County Stadium	1	1	1	1	1	1	1	1	1	1	1
Total	15	15	15	15	15	15	15	15	15	15	15

<sup>1</sup>Pittsville Elementary/Middle School is a joint building and is reflected in only the Elementary School count.

<sup>2</sup>Mardela Middle and High School is a joint building and is reflected in only the High School count.



Schedule 15

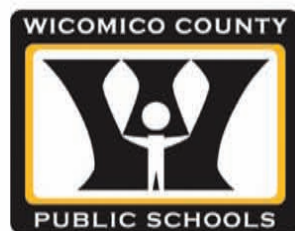
The Board of Education of Wicomico County

Insurance Summary

7/1/12 - 6/30/13 policy dates

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers' Compensation	MABE Workers' Compensation Group Self-Insurance Fund	N/A	7/01/12-6/30/13	Workers Compensation - Statutory Benefits; Employers Liability - \$1,000,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal & Advertising Injury Liability	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Employee Benefit Plan Fiduciary Liability	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$100,000 each claim with \$250,000 annual maximum
Automobile Liability	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$100,000 combined single limit \$1 million combined single limit for contracted buses
Personal Injury Protection - MD	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$2,500 per covered person for any one accident
Maryland Uninsured Motorist	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$50,000 per accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	actual cash value
Garage Keepers liability	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Fund	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$50,000 per covered person; \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$1 billion per occurrence in excess of \$2,500 deductible
Crime	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$2,500,000 per loss in excess of \$1,000 deductible
Crime - Excess	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$2,500,000 per loss in excess of \$2,500,000 primary
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/01/12-6/30/13	\$5,000,000 per claim in excess of \$5,000 deductible
Catastrophic Student Accident	AIG	SRG 0009100887	7/01/12-6/30/13	\$5,000,000 Medical Expense; \$1,000,000 Catastrophic Cash
Fiduciary Responsibility Liability	Travelers	104341178	8/1/12-8/1/13	\$3,000,000 per claim
Pollution Liability - Mardela WWTP	Endurance Insurance	EIL101008462-01	7/11/12-7/11/15	\$1,000,000 per accident
Pollution Liability - above ground storage tanks	Endurance Insurance	EIL1010108170	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.



SUCCESS – Every Student, Every Day

**Board of Education of Wicomico County**  
101 Long Avenue • Salisbury, Maryland 21804  
[www.wcboe.org](http://www.wcboe.org)