

BOARD OF EDUCATION OF WICOMICO COUNTY

A Component Unit of Wicomico County, Maryland

Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2014



SUCCESS – Every Student, Every Day

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

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

Board of Education of Wicomico County

A Component Unit of Wicomico County, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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, 2014

TABLE OF CONTENTS

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1 - 7
List of Appointed Officials	8
Organizational Chart	9
Certificate of Achievement - Government Finance Officers Association (GFOA)	10
Certificate of Excellence - Association of School Business Officials (ASBO)	11
FINANCIAL SECTION	
Independent Auditors' Report on the Financial Statements	13 - 15
Management's Discussion and Analysis	16 - 27
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	28
Statement of Activities	29 - 30
Fund Financial Statements:	
Balance Sheet - Governmental Funds	31
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	32
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	33
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities - Governmental Funds	34
Statement of Net Position - Proprietary Funds	35
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	36
Statement of Cash Flows - Proprietary Funds	37
Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	39
Notes to the Financial Statements	40 - 64

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)

Required Supplementary Information:

Schedule of Funding Progress and Employer Contributions - Retiree Health Insurance Plan Trust	66
Schedule of Funding Progress and Employer Contributions - Pension Plan for Employees	67
Budgetary Comparison Schedule - General Fund	68 - 69
Budgetary Comparison Schedule - Special Revenue	70
Notes to Budgetary Comparison Schedule	71 - 72

Additional Supplementary Information:

Schedule of Appropriations and Expenditures - General Fund - Budgetary Basis	74 - 76
Schedule of Revenues and Expenditures - Budget and Actual - Capital Projects Fund - Budgetary Basis	77
Schedule of Revenues and Expenditures - Budget and Actual - Food Service Fund - Budgetary Basis	78
Combining Schedule of Fiduciary Net Position - Pension and Retiree Health Plan Trust Funds	79
Combining Schedule of Changes in Fiduciary Net Position - Pension and Retiree Health Plan Trust Funds	80
Schedule of Changes in Assets and Liabilities - Agency Fund	81

STATISTICAL SECTION

Contents	83
Net Position by Component - Last Ten Fiscal Years (Accrual Basis of Accounting)	84
Changes in Net Position - Last Ten Fiscal Years (Accrual Basis of Accounting)	85 - 86
Fund Balances of Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	87
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	88 - 89

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

(continued)

STATISTICAL SECTION (continued)

Approved Operating Budgets - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	90 - 91
Retiree Health Plan Trust (GASB No. 45) - Since Inception	92
Retirement Plan for Employees - Last Ten Fiscal Years	93
Ratios of Outstanding Debt - Last Ten Fiscal Years	94
Enrollment by School - Last Ten Years	95
Enrollment by Grade - Last Ten Years	96
Budgeted Full Time Equivalent Positions by Function - Last Ten Fiscal Years	97
Demographic and Economic Statistics - Last Ten Years	98
Operating Information - Last Ten Fiscal Years	99 - 100
Where the Money Comes From	101
Facilities Inventory	102
Capital Asset Statistics by Function	103
Insurance Summary	104

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

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, 2014

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, 2014 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, 2014. 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.

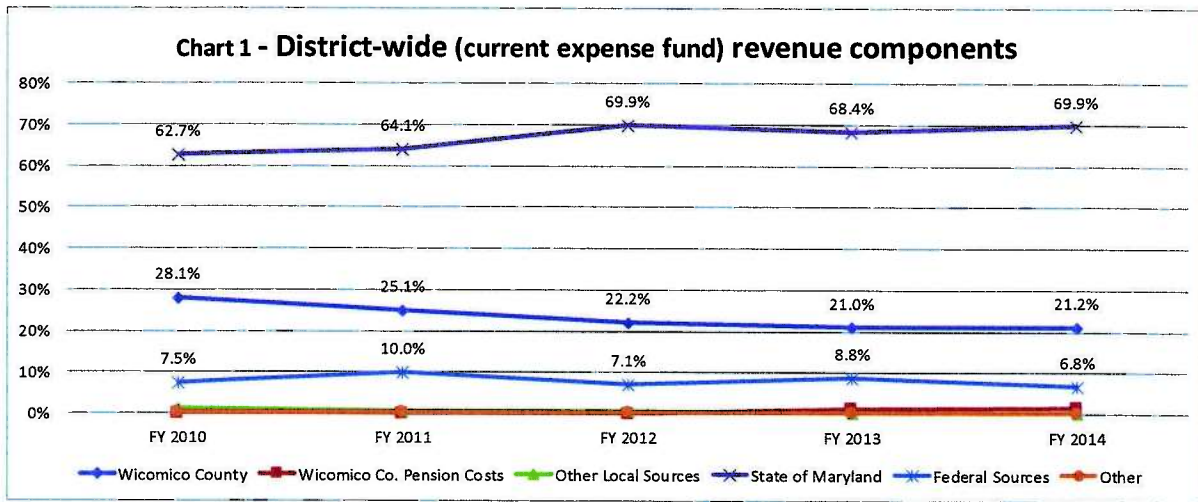
Reporting Entity Profile

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, 2013. 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 2013-2014 school year, the school system served 14,431 students (a decrease of 58 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, teacher, counselors and therapists) to students for the 2013-2014 school year was approximately one staff member to 11 students. Student demographics for the 2013-2014 school year included: 60.0% students that qualified for free/reduced meals; 12.2% students with disabilities; and 4.2% students that were English Language Learners. In June 2014, the school system graduated 863 students.

In accordance with state law the Board of Education developed in 2002 a Comprehensive Master Plan. The 2013-2014 school year marked the eleventh 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 2014 the Board received 21.2% of its district-wide revenues for operations (current expense) from Wicomico County compared to 69.9% from the State of Maryland. Chart 1 reveals the five (5) year history of district-wide revenues, comparing the sources of funds.



	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014		Change FY 2010 to FY 2014	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	% Change
Wicomico Co. - for Operations	\$50,781,711	28.1%	\$43,196,892	25.1%	\$36,196,892	22.2%	\$37,000,000	21.0%	\$37,765,374	21.2%	(\$13,016,337)	-25.6%
Wicomico Co. - for Pension	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$2,173,593	1.2%	\$2,755,091	1.5%	\$2,755,091	-
Other Local Sources	\$2,367,826	1.3%	\$1,047,033	0.6%	\$857,362	0.5%	\$536,623	0.3%	\$600,630	0.3%	(\$1,767,196)	-74.6%
State of Maryland	\$113,424,856	62.7%	\$110,403,814	64.1%	\$114,249,692	69.9%	\$120,326,814	68.4%	\$124,220,505	69.9%	\$10,795,649	9.5%
Federal Sources	\$13,556,335	7.5%	\$17,211,605	10.0%	\$11,664,252	7.1%	\$15,467,667	8.8%	\$12,069,052	6.8%	(\$1,487,283)	-11.0%
Other	\$863,207	0.5%	\$485,988	0.3%	\$417,973	0.3%	\$384,467	0.2%	\$399,399	0.2%	(\$463,808)	-53.7%
Total	\$180,993,935	100.0%	\$172,345,332	100.0%	\$163,386,171	100.0%	\$175,889,164	100.0%	\$177,810,051	100.0%	(\$3,183,884)	-1.8%

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 34 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. Currently under construction is a replacement building for Bennett Middle School which will provide approximately 161,000 square feet and is expected to be completed for the beginning of the 2015 – 2016 school year.

Assessment of the School System's Economic Condition

Wicomico County has yet to recover from the traumatic effects of the 2008 recession. Recently, the Wicomico County Executive put it this way, “our county has stabilized but not recovered”. Two economic indicators watched very closely are – job growth and sales and use tax receipts. While sales and use tax receipts have improved continuously from 2011, job growth has declined for 12 consecutive months through December 2013. These divergent results cause us to take a very cautious approach to the future. Thanks to a very conservative approach to budgeting on the part of our county government, a significant unassigned fund balance has been accumulated (\$28.6 million) as of June 30, 2013. This is in addition to the County’s Rainy Day fund balance of \$6.4 million, which represents approximately 5% of the FY 2015 operating budget. The county executive’s and county council’s view of the large fund balance has been to utilize a portion to fund one-time capital expenditures versus funding on-going operating costs. In fact,

such a position resulted in Wicomico County Public Schools receiving \$2.8 million in one-time capital funding in FY 2014 to address security initiatives and technology in our schools. This significant influx of capital dollars helped the Board to better secure our school facilities and provide greater access to technology for our students. However, for FY 2015, WCPS will only receive \$90,000 in one-time capital funding, specifically for I-pad technology carts for classrooms. While this is a significant decline in one-time funding in comparison to last fiscal year, the Board of Education is grateful to receive this technology funding.

Wicomico County Public Schools has no taxing authority and is totally dependent on contributions from the county and state along with grant funding awarded from the state and federal governments for its operating revenue. Capital projects are reflected in the planned spending of county and state funds detailed in our 5-year Capital Improvement Plan (CIP) and must be submitted annually to the county and state for their approval before any funding commitments. The Capital Projects Fund projections recognize the reality of the economic situation facing our state and county. While our 5-year CIP presents our school system's needs, the 3-year budget projections reflect the reality of what we can expect.

Long-term Financial Planning

With the advent of the new state Maintenance of Effort (MOE) law in 2012 and its stiff penalty, county governments are trending toward funding only the required MOE level. With this new approach to funding education by restricting their exposure to future funding levels, county governments are effectively limiting education funding to just MOE levels. This was in fact the case in Wicomico County for FY 2015. Since the MOE calculation is based upon a prior years student count and does not factor in the impact of inflation, county funding for education is flawed and must be addressed in order for our school system to ever hope to address even the basic level of ongoing costs of doing business.

Future projections for revenue remain tempered. State aid is projected to increase, by approximately 2%, 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 2015 we are projecting consolidated revenues to increase by only \$3.2 million, while on-going-costs of doing business (fixed costs) are projected to increase \$4.5 million. Consequently, the school system will be forced to cut \$1.3 million in programs and budget line items in order to balance the FY 2015 budget. Since FY 2010, our school system will have cut over \$22.4 million in operating costs from our General Fund 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 continue to inform the community of the consequences of persistently balancing the General Fund budget by cutting administrative, student support services, operations, maintenance, and capital costs while attempting to avoid cuts to direct student instruction. Unfortunately, until our local economy starts to show some improvement, hopes for significant increases in education funding remain tempered.

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 (FY14 - \$2.6 million, FY15 - \$3.5 million, FY16 - \$4.1 million) that the Board must remit to the state toward state teacher pension costs, previously 100% funded by the state. The bill also required local county governments to appropriate to local Boards of Education, in addition to MOE, established amounts as follows (FY14 - \$2.8 million, FY15 - \$2.7 million, FY16 - \$3.2 million), 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 this point, early projections indicate the Board's pension cost for FY 2017 to be approximately \$5.0 million. Local county governments, on the other hand, will only be required to include in the minimum per pupil MOE calculation for FY 2017, \$3.2 million, which represents their FY 2016 pension contribution to the Board. Therefore, the additional funding requirement for pension costs in FY 2017 will have to come from other sources, once again restricting the school system's ability to fund classroom initiatives.

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 2014 marks the fourth year of utilizing the ASBO Int'l criteria and the second 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 initiatives to be pursued include: 1) educating the community about, and implementing the recommendations of the Facilities Task Force (FTF - long range planning report was issued in July, 2014 and is an inclusive approach to assessing and prioritizing the on-going facility needs of the Board, 2) seeking funds to implement the recommendations in the FTF report, 3) implementing a comprehensive zero-based budget development process to include site based administrators, with the ultimate goal to push-down the decision making for large portions of the General Fund Operating Budget to the grassroots level, the classroom.

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 15th 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, 2013. This is the fourth 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, 2013. 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 fourth 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.

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, 2013. This is the third consecutive year that the Board has received the MBA from ASBO International.

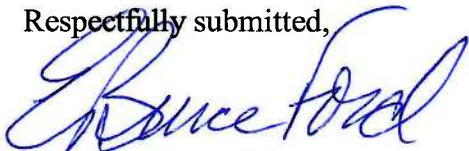
In addition, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to the Board of Education of Wicomico County recognizing its annual budget document for the year beginning July 1, 2013. This was the first year that our budget document was submitted to GFOA for consideration of this prestigious award.

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

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

Student Members

Emily Creasy, James M. Bennett High School

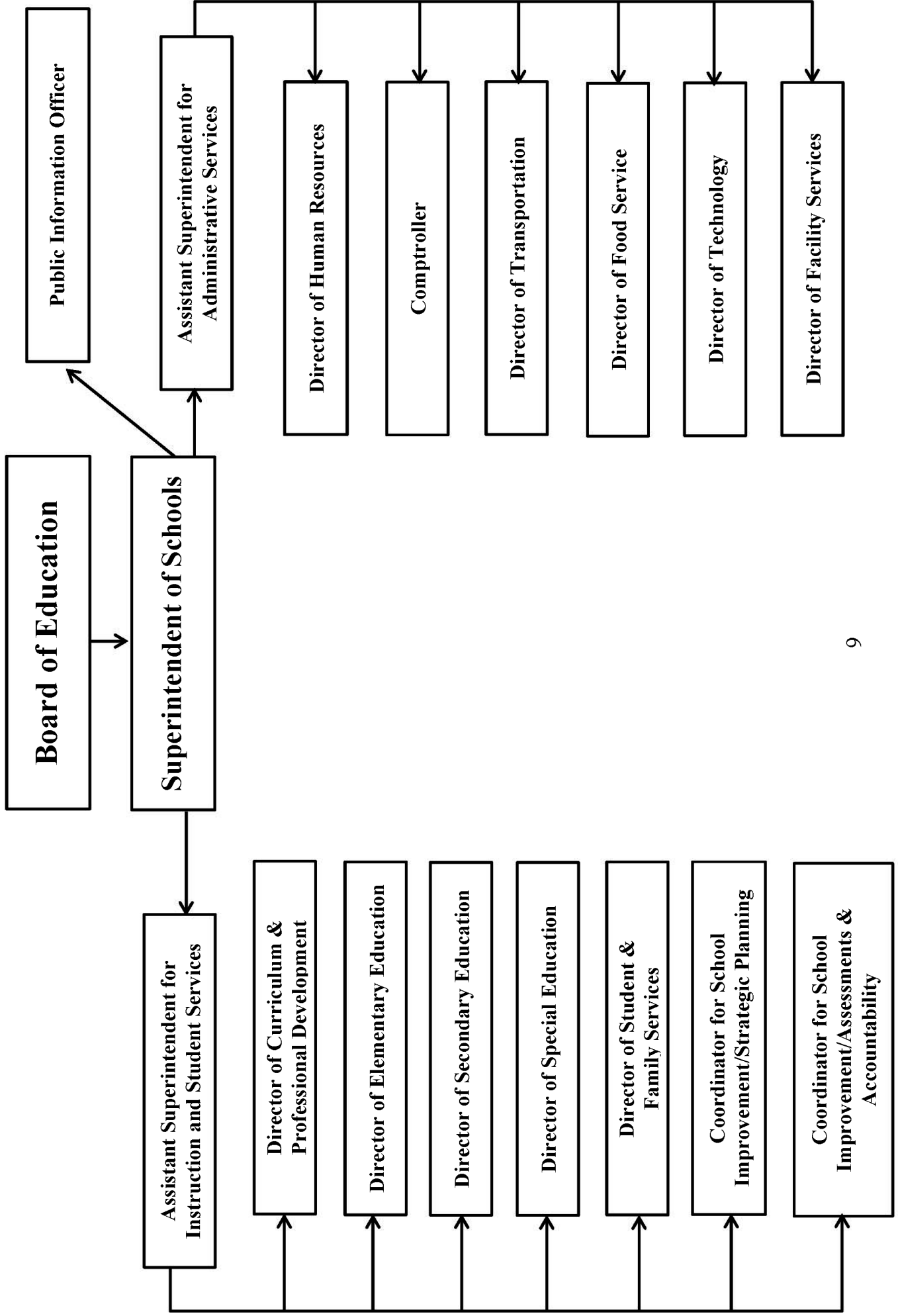
Casey Pilchard, Mardela High School

James Willey, Parkside High School

Keshaun Hinmon, Wicomico High School

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

Board of Education of Wicomico County Organizational Chart FY 2013-14





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, 2013

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, 2013*

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



Handwritten signature of Terrie S. Simmons in black ink.

Terrie S. Simmons, RSBA, CSBO
President

Handwritten signature of John D. Musso in black ink.

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, 2014, 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 from material misstatement.

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

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

We believe 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 27, schedules of funding progress and employer contributions on pages 66 through 67, and budgetary comparison information on pages 68 through 72 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 sections, 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, 2014 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, 2014

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2014

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, 2014. 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 2014 as total net position increased by \$36.4 million, or 15.8%.
 - Overall revenues were \$237.1 million and expenses \$200.7 million
 - Net investment in capital assets of the Board account for \$36.1 million of the increase in net position as the Board continues to invest in updating older school facilities including the replacement of the Bennett Middle School
- The Board’s total net position is \$266.8 million. Of this total, \$7.1 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 \$17.0 million, an increase of only \$480,177.
- The unassigned fund balance in the General fund equals \$1.9 million. This represents the first year after the Wicomico County Council terminated the Board’s School Construction Savings Plan (SCSF). Last fiscal year’s unassigned fund balance was \$300,000 since the Board was able to transfer \$1.6 million to the SCSF to assist with much needed deferred capital projects and maintenance. No such transfer can be made this fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

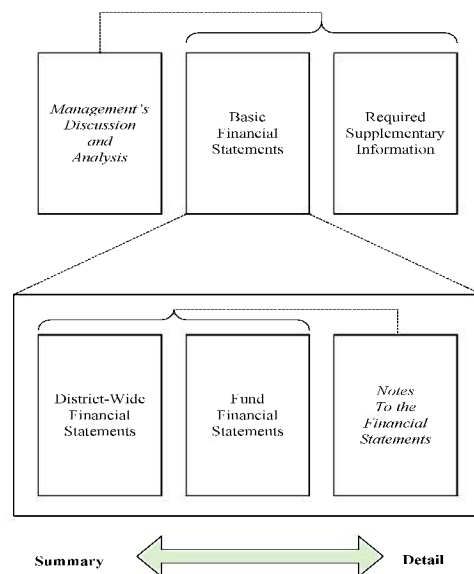
In addition to the MD&A, this section of the CAFR contains the financial statements which consist of the parts as noted in Table 1.

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, 2014

- 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 position is 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 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.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2014

- *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 \$266.8 million on June 30, 2014. This is an increase of \$36.4 million, or 15.8%, over the prior year. (see 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 2014 - 2013	
	2014	2013	2014	2013	2014	2013	\$	%
Current and other assets	\$47.6	\$38.2	\$1.6	\$1.6	\$49.2	\$39.8	\$9.5	23.8%
Capital Assets	\$250.9	\$214.5	\$0.3	\$0.4	\$251.3	\$214.8	\$36.4	17.0%
TOTAL ASSETS	\$298.6	\$252.7	\$1.9	\$1.9	\$300.5	\$254.6	\$45.9	18.0%
Current Liabilities	\$29.6	\$20.2	\$0.1	\$0.1	\$29.8	\$20.3	\$9.5	46.7%
Long-Term Liabilities	\$3.9	\$3.9	\$0.0	\$0.0	\$3.9	\$3.9	\$0.0	0.4%
TOTAL LIABILITIES	\$33.6	\$24.1	\$0.1	\$0.1	\$33.7	\$24.2	\$9.5	39.2%
Net Position								
Net Investment in Capital Assets	\$248.3	\$212.2	\$0.3	\$0.4	\$248.7	\$212.6	\$36.1	17.0%
Restricted	\$11.1	\$11.7	\$0.0	\$0.0	\$11.1	\$11.7	-\$0.6	-5.1%
Unrestricted	\$5.6	\$4.7	\$1.5	\$1.4	\$7.1	\$6.1	\$0.9	15.5%
TOTAL NET POSITION	\$265.0	\$228.6	\$1.8	\$1.8	\$266.8	\$230.4	\$36.4	15.8%

Changes in net position - the District’s total revenues were \$237.1 million for the year ended June 30, 2014 (See Table 3). The county appropriation and state formula aid accounted for approximately 66.1% of total revenue for the year. Another 33.9% came from program revenues which consist of federal and state grants and capital contributions.

The total cost of all programs and services was \$200.7 million. The District’s expenses are predominantly related to providing direct educational services to students, 76.9%, while support services for students composes another 19.9%. The purely administrative activities of the District accounted for approximately 3.2%, down from 3.3% in the prior year. Total revenue

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2014

exceeded total expenses by \$36.4 million. The lion share of this increase was as a result of the large increase in capital contributions, \$34.6 million, attributable to the Bennett Middle School replacement project and other major construction projects in process.

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
	2014	2013	2014	2013	2014	2013	2014-2013
Program revenues							
Charges for services	\$0.4	\$0.3	\$1.3	\$1.4	\$1.7	\$1.7	0.0%
Federal and state grants	\$32.0	\$34.1	\$5.2	\$5.2	\$37.2	\$39.3	-5.3%
Capital Contributions	\$41.5	\$6.9	\$0.0	\$0.0	\$41.5	\$6.9	501.4%
General revenues							
County Appro. for operations	\$37.8	\$37.0	\$0.0	\$0.0	\$37.8	\$37.0	2.2%
County Appro. for pension	\$2.8	\$2.2	\$0.0	\$0.0	\$2.8	\$2.2	27.3%
State formula aid	\$116.1	\$112.0	\$0.0	\$0.0	\$116.1	\$112.0	3.7%
Other	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	-100.0%
TOTAL REVENUE	\$230.6	\$192.6	\$6.5	\$6.6	\$237.1	\$199.2	19.0%
Expenses:							
Instruction & Special Ed	\$154.4	\$152.1	\$0.0	\$0.0	\$154.4	\$152.1	1.5%
Administration	\$6.5	\$6.4	\$0.0	\$0.0	\$6.5	\$6.4	1.6%
Support Services	\$32.6	\$30.5	\$7.2	\$7.3	\$39.8	\$37.8	5.3%
TOTAL EXPENSES	\$193.5	\$189.1	\$7.2	\$7.4	\$200.7	\$196.3	2.2%
Excess(deficiency) before contributions, special & extraordinary items and transfers	\$37.1	\$3.5	(\$0.7)	(\$0.8)	\$36.4	\$2.9	1155.2%
Transfers:	(\$0.7)	(\$0.7)	\$0.7	\$0.7	\$0.0	\$0.0	0.0%
Incr. (decr.) in net position	\$36.4	\$2.8	\$0.0	(\$0.1)	\$36.4	\$2.9	1155.2%
Net Position - beginning of year	\$228.6	\$225.8	\$1.8	\$1.7	\$230.4	\$227.5	1.3%
Net Position - end of year	\$265.0	\$228.6	\$1.8	\$1.6	\$266.8	\$230.4	15.8%

Governmental Activities

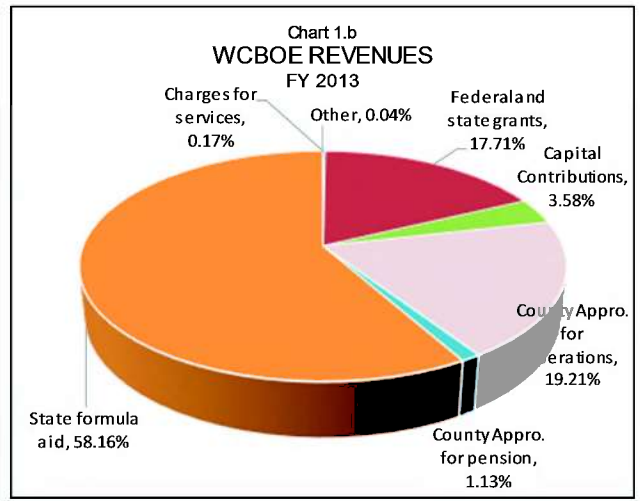
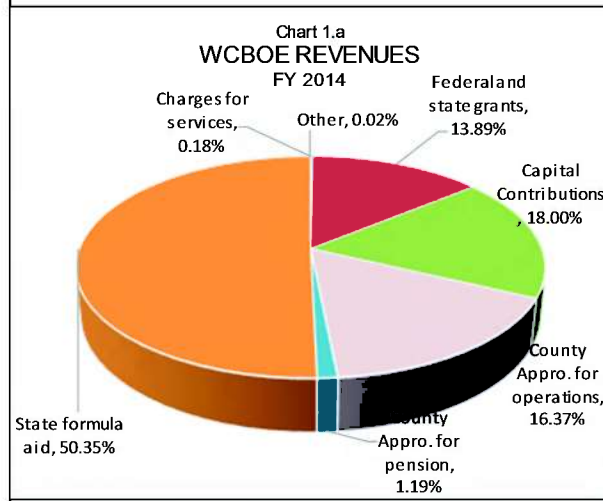
- Net position increased \$36.4 million in FY 2014
- Revenues increased by \$37.9 million, attributable to:
 - capital contributions from state and county sources increased \$34.6 million
 - state formula aid for operations increased \$4.1 million
 - reduction in federal aid of \$2.1 million largely as a result of the loss of Education Jobs Funds which the Board had used to help balance the FY 2013 budget

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2014

See Chart 1.a and 1.b below for a breakdown of the District’s revenues as a percentage of total revenue for FY 2014 and 2013.

GOVERNMENTAL ACTIVITIES - REVENUES						
	FY 2014			FY 2013		Incr (Decr)
REVENUE:	\$	%	REVENUE:	\$	%	\$ %
Charges for services	426,067	0.18%	Charges for services	333,920	0.17%	92,147 27.60%
Federal and state grants	32,032,400	13.89%	Federal and state grants	34,109,723	17.71%	(2,077,323) -6.09%
Capital Contributions	41,509,582	18.00%	Capital Contributions	6,888,005	3.58%	34,621,577 502.64%
County Appro. for operations	37,765,374	16.37%	County Appro. for operations	37,000,000	19.21%	765,374 2.07%
County Appro. for pension	2,755,091	1.19%	County Appro. for pension	2,173,593	1.13%	581,498 26.75%
State formula aid	116,133,233	50.35%	State formula aid	111,997,661	58.16%	4,135,572 3.69%
Other	48,771	0.02%	Other	70,851	0.04%	(22,080) -31.16%
	<u>\$230,670,518</u>	<u>100.00%</u>		<u>\$192,573,753</u>	<u>100.00%</u>	<u>\$38,096,765</u> <u>19.78%</u>



Charts 2.a and 2.b disclose the breakdown of expenses for FY 2014 and 2013 for Governmental Activities. The Charts and line items disclose what percentage each major component of expenditures is to the total for each year. Instruction and Special Education costs make up approximately 80% of total expenses, while support services, which includes expenses associated with student personnel services, student health services, facility operations and maintenance and student transportation compose another 17% of all costs. Administration remained relatively flat at 3.3% in FY 2014. The Board continues to closely monitor administrative costs despite the increasing demand on administrative support services. The many technological initiatives brought about by the ongoing risks of cyber-attacks and the need to be prepared for the Partnership for Assessment of Readiness for College and Careers (PARCC) testing associated with Maryland’s College and Career Ready Standards place great demands on limited budgets. Large chunks of spending for administrative technology to mitigate risks of cyber-attacks and preparing for the FY 2015 PARCC testing have been required.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2014

GOVERNMENTAL ACTIVITIES - EXPENSES					
EXPENSES:	FY 2014		EXPENSES:	FY 2013	
	\$	%		\$	%
Instruction & Special Ed	\$154,436,105	79.79%	Instruction & Special Ed	\$152,144,106	80.46%
Admin.	\$6,491,538	3.35%	Admin.	\$6,396,885	3.38%
Support Services	\$32,635,162	16.86%	Support Services	\$30,545,923	16.16%
	<u>\$193,562,805</u>	<u>100.00%</u>		<u>\$189,086,914</u>	<u>100.00%</u>

Chart 2.a
WCBOE EXPENSES
FY 2014

Category	Percentage
Instruction & Special Ed	79.8%
Support Services	16.9%
Admin.	3.3%

Chart 2.b
WCBOE EXPENSES
FY 2013

Category	Percentage
Instruction & Special Ed	80.4%
Support Services	16.2%
Admin.	3.4%

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

The District’s only business-type activity, the food service operation, had a small decrease in net position of \$11,096 in FY 2014. Since FY 2008, the Board’s General Fund Budget has provided support to the food service operation in the form of an inter-fund transfer. In FY 2014 the transfer was \$675,000. 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 2014 equaled approximately \$ 657,479.

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 \$17.0 million, an increase of only \$480,177 over last year’s ending fund balance. This increase was due to the modest increase in the Board’s Healthcare Rate Stabilization Reserve which was established in conjunction with the Board’s self-insured healthcare program administered by Carefirst. Revenues for the District’s governmental funds were \$230 million, an increase of \$37.4 million over the prior year. This increase was due in large part to state and county capital contributions for school construction projects, \$34.2 million; state formula aid for operations, \$4.8 million, and county funding for operations and pension costs, \$1.3 million. Total expenditures were \$232.1 million for the year, an increase of \$37.2 million. The largest increase coming in the form of capital project costs associated with the Bennett Middle School project and other major renovation projects, including Pittsville Elementary and Middle school.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2014

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.

Table 4				
GENERAL FUND REVENUES AND EXPENDITURES				
	FY 2014	FY 2013	\$ Incr (Decr)	% Incr. (Decr.)
REVENUES				
Wicomico County Appropriations				
For Operations	\$ 37,765,374	\$ 37,000,000	\$ 765,374	2.1%
For Pension	2,755,091	2,173,593	581,498	26.8%
Other Local Revenue	393,578	325,554	68,024	20.9%
State of Maryland	123,708,952	118,903,368	4,805,584	4.0%
State of Maryland Share of Retirement	11,446,078	10,331,627	1,114,451	10.8%
Other	364,731	343,179	21,552	6.3%
TOTAL REVENUES	\$ 176,433,804	\$ 169,077,321	\$ 7,356,483	4.4%
	FY 2014	FY 2013	\$ Incr (Decr)	% Incr. (Decr.)
EXPENDITURES				
Administration	\$ 4,185,127	\$ 4,015,004	\$ 170,123	4.2%
School Management and Support	11,796,194	11,486,015	310,179	2.7%
Instructional Salaries	64,471,014	63,157,734	1,313,280	2.1%
Textbooks and Instructional Supplies	2,273,305	2,721,598	(448,293)	-16.5%
Other Instruction Costs	1,437,749	1,803,858	(366,109)	-20.3%
Special Education	14,867,534	14,295,444	572,090	4.0%
Student Personnel Services	2,148,849	2,125,597	23,252	1.1%
Health Services	1,452,692	1,379,357	73,335	5.3%
Student Transportation	8,461,082	7,990,825	470,257	5.9%
Operation of Plant and Equipment	11,481,567	9,695,910	1,785,657	18.4%
Maintenance of Plant	3,381,811	2,940,630	441,181	15.0%
Fixed Charges	33,473,542	30,938,445	2,535,097	8.2%
Community Services	185,739	178,327	7,412	4.2%
Capital Outlay	4,504,136	5,162,895	(658,759)	-12.8%
Debt Service - Lease Principal Pymts	1,380,687	1,343,707	36,980	2.8%
Debt Service - Lease Interest Pymts	31,034	36,646	(5,612)	-15.3%
State of Maryland Share of Retirement	11,446,078	10,331,627	1,114,451	10.8%
TOTAL EXPENDITURES	176,978,140	169,603,619	7,374,521	4.3%
OTHER FINANCING SOURCES (USES)				
Increase in Rate Stabilization Reserve	1,571,621	1,455,335	116,286	8.0%
Capital Lease Proceeds	1,759,663	1,614,911	144,752	9.0%
Interfund Transfers - Print Shop	(402,719)	(372,622)	(30,097)	8.1%
Interfund Transfers - School Constr Fund	-	(1,636,111)	1,636,111	-100.0%
Interfund Transfers - Other	(675,000)	(675,000)	-	0.0%
	2,253,565	386,513	1,867,052	483.1%
EXCESS (DEFICIENCY) of Revenues & Other Financing Sources (Uses) over Expenditures	\$ 1,709,229	\$ (139,785)	\$ 1,849,014	1322.8%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2014

Revenues increased by \$7.4 million as a result of the significant increase in state aid of \$4.8 million. The increase in state aid was in large part due to our county's increase in the number of full time equivalent (FTE) students, 51.25 FTE, used to calculate state aid and an increase in the eligible free and reduced meals (FARM) students. Our FARM population increased by 595 students, or 7.46%, as of 10/1/2012, the date upon which FY 2014 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 decrease in grant funds over the prior year. Federal funding from the ARRA Education Job Fund, \$3.1 million, had been used by the Board in FY 2013 to balance the general fund budget. Education Job Funds were not available in FY 2014.

Table 5				
<u>SPECIAL REVENUE FUND</u>				
	Fiscal Year	Fiscal Year	Increase	%
	FY 2014	FY 2013	(Decrease)	Incr. (Decr.)
<u>REVENUES</u>				
Federal Through State	\$ 12,069,052	\$ 15,467,667	\$(3,398,615)	-21.97%
State of Maryland	954,070	959,923	(5,853)	-0.61%
Other	244,649	257,954	(13,305)	-5.16%
TOTAL REVENUES	\$ 13,267,771	\$ 16,685,544	\$(3,417,773)	-20.48%

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 2014, the Board recorded PSCP aid of \$27.9 million. These funds were used predominantly to continue the new Bennett Middle School project. The Capital Projects (School Construction) Fund expenditures exceeded revenues by \$1.3 million as a result of the Board using the accumulated School Construction Savings Fund (SCSF) to support capital projects. FY 2013 marked the final year for accumulation within the SCSF (the County Council voted to cease the accumulation effective 6/30/2013). This program will be missed since these funds have enabled the Board to leverage state dollars that would have otherwise been forfeited since our county government has not been able to sell sufficient school construction bonds to match the PSCP funds when made available by the state. During FY 2014, the Board utilized \$1.4 million of SCSF to subsidize state and county funding for capital projects.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2014

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, 2014 were approximately \$21.5 million (see footnotes 9 and 10 for more detail information).
- 401(a) Retirement 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, 2014 were \$3.8 million (see footnote 9 and 10 for more detail information).
- Retiree Health Insurance Plan Trust (OPEB Trust) was established by the Board in June 2006 in order to fund the health care costs of retirees. Total assets as of June 30, 2014 were approximately \$14.3 million (see footnote 7 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 \$177,313 as of June 30, 2014.

(3) Agency Funds: During FY 2014 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.

Table 6				
<u>SCHOOL ACTIVITIES FUND</u>				
	Fiscal Year FY 2014	Fiscal Year FY 2013	Increase (Decrease)	% Incr. (Decr.)
Revenues	\$ 2,513,193	\$ 2,475,319	\$ 37,874	1.53%
Expenditures	2,503,866	2,434,115	69,751	2.87%
Due to School Activity Groups - Beginning	472,869	431,665	41,204	9.55%
Due to School Activity Groups - Ending	\$ 482,196	\$ 472,869	\$ 9,327	1.97%

General Fund Budgetary Highlights

Original budget compared to final budget

The FY 2014 General Fund budget increased \$2.4 million. The increase was in large part made possible by \$4.2 million in additional state aid, which helped to offset the loss of \$3.1 million of federal Education Job Funds which had been used in FY 2013 to balance that year’s budget. Despite the revenue increase, the Board was forced to eliminate an additional \$3.5 million of

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2014

budget line items in order to offset on-going costs of doing business which exceeded \$5.9 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:

- \$136,000 – to fund the purchase of one (1) new Board owned school bus and two (2) used school buses as well as two (2) vans to be used to transport students
- \$388,00 – to cover utility costs associated with the polar vortex
- \$155,438 – to fund final phase of school security initiatives in all of our schools
- \$ 328,000 – for technology equipment and infrastructure to expand our network and wireless security to help to address legislative audit findings

Final budget compared to actual results

Revenue estimates for budgetary purposes were very close to actual. The total variance was only \$49,376, or .03%, of budget.

Expenditure budget estimates exceeded actuals by \$1.5 million, or .89%. This excess was due in large part to actual salaries, wages and employee benefits under budget by \$1.2 million and operational costs for plant and equipment less than budget by \$.1 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 (approximately 2,400 salaried, 600 hourly) so far in advance of the actual expenditures is extremely difficult. This is in great part due to a large 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 2014. To help mitigate this situation, we recently implemented two new software modules for our Enterprise Resource Planning (ERP) system, Position Control and Position Budgeting and a new substitute management software system. We believe these new programs will assist us greatly in providing better budget estimates in the future.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of FY 2014, the District had invested in a broad range of capital assets, including construction in progress, land, buildings and improvements, furniture, fixtures, equipment and vehicles, which net of depreciation equaled \$251.3 million. (More detailed information about capital assets can be found in Note 5. to the financial statements.) Total depreciation expense for the year was \$9.5 million.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2014

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 2015 CIP, submitted in October 2013 requested \$20.2 million from the county and \$16.9 million from the state for FY 2015 capital needs. The FY 2015 requests that were approved by the state and county are as follows:

- Bennett Middle replacement project - \$5.7 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.
- West Salisbury Replacement Project - \$1.25 million from the county to fund A&E fees to continue with drawings in order to seek Planning approval from state in the FY 2016 CIP.
- Systemic Renovation Projects - \$1.75 million from the state and \$630,500 from the county to fund various roofing and HVAC projects on various schools.

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 footnote 12 for more details).

FACTORS BEARING ON THE DISTRICT'S FUTURE

(1) Funding for education continues to be a concern of the Board of Education. FY 2014 county council funding for education dropped again this year as a percentage of overall total general fund revenues to 23.1%, compared to 23.2% in FY 2013. In FY 2015 it is estimated that county council funding as a percentage of total revenues will drop once again to an estimated 22.5% of total revenues. With the advent of the state Maintenance of Effort (MOE) law and its stiff penalty, county governments are trending toward funding only the required MOE level. With this new approach to funding education by restricting their exposure to future funding levels, county governments are effectively limiting education funding to just MOE levels. This was in fact the case in Wicomico County for FY 2015. Since the MOE calculation is based upon a prior years student count and does not factor in the impact of inflation, county funding for education is flawed and must be addressed in order for our school system to ever hope to address even the basic level of ongoing costs of doing business.

(2) As reported last year in this space, the county council terminated the School Construction Savings Plan effective June 30, 2013. Without this funding device to accumulate year end funds remaining from savings in the myriad general fund budget line items, the ability of the Board to

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2014

address emergency repairs or systemic renovations is restricted. Also, even more important the ability to match available State of Maryland awards for HVAC, roofing or lighting projects will be severely constrained.

(3) 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:

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:

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 "normal cost" of retirement for all qualifying employees based upon current salaries. At this point, early projections indicate our Board's pension cost for FY 2017 to be approximately \$5.0 million. Local county governments, on the other hand, will only be required to include in the minimum per pupil MOE calculation for FY 2017, the \$3.2 million from their FY 2016 established pension contribution. Therefore, as you can see, the additional funding requirement for pension costs in FY 2017 will have to come from other sources, once again restricting the school system's ability to fund classroom initiatives.

(4) Our lone proprietary fund accounts for our food service operation. As reported in the FY 2014 financial statements, the food service operation experienced a loss of approximately \$11K. We are projecting break-even budgets for FY 2015 and FY 2016, but projections for the foreseeable future as follows: FY17 loss of \$465K; FY 18 loss of \$692K. While the food service operation currently has an unrestricted net position of \$1.5 million, future losses to the magnitude projected could quickly wipe the entire balance. In an attempt to avoid this downward spiral, the food service operation is reviewing options for 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 various initiatives to encourage and increase student participation, including the "Grab and Go" breakfast program, are being implemented and we believe 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, MD 21802-1538

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF NET POSITION

June 30, 2014

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 546,894	\$ 1,330	\$ 548,224
Investments - cash equivalents	31,379,817	-	31,379,817
Accounts receivable:			
School districts and other	559,738	1,463	561,201
Accrued interest on investments	1,451	-	1,451
Due from other governmental agencies	14,123,727	280,730	14,404,457
Internal balances	(1,301,259)	1,301,259	-
Inventories	-	4,897	4,897
Prepaid expenses	2,310,741	-	2,310,741
Capital assets:			
Construction in progress	48,473,622	-	48,473,622
Land	4,079,740	-	4,079,740
Buildings and improvements	264,328,463	-	264,328,463
Furniture, fixtures, equipment, and vehicles	38,078,574	2,069,303	40,147,877
Less: accumulated depreciation	(104,020,098)	(1,739,867)	(105,759,965)
Total capital assets, net of accumulated depreciation	<u>250,940,301</u>	<u>329,436</u>	<u>251,269,737</u>
TOTAL ASSETS	<u>298,561,410</u>	<u>1,919,115</u>	<u>300,480,525</u>
LIABILITIES			
Accounts payable:			
Retainage	3,437,795	-	3,437,795
Vendors	9,193,418	76,185	9,269,603
Payroll deductions and withholdings	10,704,423	-	10,704,423
Payable to external parties	636,210	-	636,210
Due to other governmental agencies	188,322	4,897	193,219
Accrued salaries	1,217,506	19,798	1,237,304
Unearned revenue	2,647,232	28,229	2,675,461
Short term portion of long term liabilities:			
Accrued compensated absences	283,845	-	283,845
Capital lease payable	1,314,797	-	1,314,797
Long term liabilities:			
Accrued compensated absences	2,658,939	-	2,658,939
Capital lease payable	1,285,905	-	1,285,905
TOTAL LIABILITIES	<u>33,568,392</u>	<u>129,109</u>	<u>33,697,501</u>
NET POSITION			
Net investment in capital assets	248,339,599	329,436	248,669,035
Restricted for:			
Rate stabilization reserve	5,723,272	-	5,723,272
Capital projects	5,336,356	-	5,336,356
Unrestricted	5,593,791	1,460,570	7,054,361
TOTAL NET POSITION	<u>\$ 264,993,018</u>	<u>\$ 1,790,006</u>	<u>\$ 266,783,024</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, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Current:				
Administration	\$ 6,491,538	\$ 22,133	\$ 1,131,134	\$ -
Instructional services	129,398,807	301,483	16,576,218	41,509,582
Special education	25,037,298	-	12,863,189	-
Student personnel services	2,773,187	-	154,491	-
Health services	2,062,951	-	168,140	-
Student transportation	9,004,614	-	265,147	-
Operation of plant and equipment	14,430,837	58,017	597,958	-
Maintenance of plant	3,997,640	-	141,642	-
Food services	14,308	-	14,308	-
Community services	320,591	44,434	120,173	-
Interest expense	31,034	-	-	-
Total Governmental Activities	193,562,805	426,067	32,032,400	41,509,582
Business-Type Activities				
Food Services	7,229,719	1,276,246	5,267,377	-
Total Business-Type Activities	7,229,719	1,276,246	5,267,377	-
Totals	\$ 200,792,524	\$ 1,702,313	\$ 37,299,777	\$ 41,509,582

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 Activities	Business-Type Activities	Total
\$ (5,338,271)	\$ -	\$ (5,338,271)
(71,011,524)	-	(71,011,524)
(12,174,109)	-	(12,174,109)
(2,618,696)	-	(2,618,696)
(1,894,811)	-	(1,894,811)
(8,739,467)	-	(8,739,467)
(13,774,862)	-	(13,774,862)
(3,855,998)	-	(3,855,998)
-	-	-
(155,984)	-	(155,984)
(31,034)	-	(31,034)
<hr/>		
(119,594,756)	-	(119,594,756)
<hr/>		
-	(686,096)	(686,096)
<hr/>		
-	(686,096)	(686,096)
<hr/>		
(119,594,756)	(686,096)	(120,280,852)
<hr/>		
40,520,465	-	40,520,465
116,133,233	-	116,133,233
48,771	-	48,771
-	-	-
<hr/>		
156,702,469	-	156,702,469
<hr/>		
(675,000)	675,000	-
<hr/>		
36,432,713	(11,096)	36,421,617
<hr/>		
228,560,305	1,801,102	230,361,407
<hr/>		
\$ 264,993,018	\$ 1,790,006	\$ 266,783,024

THE BOARD OF EDUCATION OF WICOMICO COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
ASSETS				
Cash	\$ 546,894	\$ -	\$ -	\$ 546,894
Investments - cash equivalents	31,379,817	-	-	31,379,817
Accounts receivable:				
School districts and other	521,456	604	37,678	559,738
Accrued interest on investments	1,451	-	-	1,451
Due from other governmental agencies	371,750	2,493,015	11,258,962	14,123,727
Due from other funds	-	747,867	5,148,959	5,896,826
TOTAL ASSETS	\$ 32,821,368	\$ 3,241,486	\$ 16,445,599	\$ 52,508,453
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Retainage	\$ -	\$ -	\$ 3,437,795	\$ 3,437,795
Vendors	1,325,903	196,067	7,671,448	9,193,418
Payroll deductions and withholdings	10,704,423	-	-	10,704,423
Due to other funds	7,834,295	-	-	7,834,295
Accrued salaries and other	1,083,115	134,391	-	1,217,506
Accrued compensated absences	283,845	-	-	283,845
Deferred revenue	7,095	2,640,137	-	2,647,232
Due to other governmental agencies	-	188,322	-	188,322
TOTAL LIABILITIES	21,238,676	3,158,917	11,109,243	35,506,836
FUND BALANCES				
Restricted for fund purposes	-	82,569	5,336,356	5,418,925
Committed:				
Healthcare rate stabilization reserve	3,828,238	-	-	3,828,238
Assigned to:				
Healthcare rate stabilization reserve	1,895,034	-	-	1,895,034
Subsequent year expenditures	300,000	-	-	300,000
Other purposes (encumbrances)	3,691,290	-	-	3,691,290
Unassigned	1,868,130	-	-	1,868,130
Total fund balances	11,582,692	82,569	5,336,356	17,001,617
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,821,368	\$ 3,241,486	\$ 16,445,599	\$ 52,508,453

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, 2014

Total Governmental Funds Balances \$ 17,001,617

**Amounts reported for governmental activities
in the statement of net position are different because:**

Pre-payment of post-retirement employment benefits 2,310,741

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental fund financial statements 250,940,301

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds

Accrued compensated absences 2,658,939

Capital lease payable 2,600,702

(5,259,641)

Net Position of Governmental Activities \$ 264,993,018

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, 2014

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
REVENUES				
Wicomico County appropriations				
Operations	\$ 37,765,374	\$ -	\$ -	\$ 37,765,374
Local share of State pension	2,755,091	-	-	2,755,091
Other local revenue	393,578	207,052	-	600,630
State of Maryland	123,708,952	954,070	27,940,234	152,603,256
State of Maryland retirement and pension contribution	11,446,078	-	-	11,446,078
Federal through state	-	12,069,052	-	12,069,052
Other sources	364,731	37,597	13,028,709	13,431,037
TOTAL REVENUES	176,433,804	13,267,771	40,968,943	230,670,518
EXPENDITURES				
Current:				
Administration	4,185,127	782,749	-	4,967,876
School management and support	11,796,194	207,497	-	12,003,691
Instructional salaries and wages	64,471,014	4,091,363	-	68,562,377
Textbooks and instructional supplies	2,273,305	1,453,315	-	3,726,620
Other instructional costs	1,437,749	1,005,144	-	2,442,893
Special education	14,867,534	2,995,405	-	17,862,939
Student personnel services	2,148,849	125	-	2,148,974
Health services	1,452,692	17,022	-	1,469,714
Student transportation	8,461,082	207,375	-	8,668,457
Operation of plant and equipment	11,481,567	29,680	-	11,511,247
Maintenance of plant	3,381,811	-	-	3,381,811
Fixed charges	33,473,542	2,715,401	-	36,188,943
Food services	-	10,667	-	10,667
Community services	185,739	96,017	-	281,756
Capital outlay	4,504,136	15,633	42,241,092	46,760,861
Debt service				
Capital lease principal	1,380,687	-	-	1,380,687
Capital lease interest	31,034	-	-	31,034
State of Maryland share of retirement and pension contribution	11,446,078	-	-	11,446,078
TOTAL EXPENDITURES	176,978,140	13,627,393	42,241,092	232,846,625
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	(544,336)	(359,622)	(1,272,149)	(2,176,107)
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance settlement	1,571,621	-	-	1,571,621
Capital lease proceeds	1,759,663	-	-	1,759,663
Interfund transfers - special revenue	(402,719)	402,719	-	-
Interfund transfers - food services	(675,000)	-	-	(675,000)
TOTAL OTHER FINANCING SOURCES	2,253,565	402,719	-	2,656,284
Net change in fund balances	1,709,229	43,097	(1,272,149)	480,177
Fund balances - beginning of year	9,873,463	39,472	6,608,505	16,521,440
Fund balances - end of year	\$ 11,582,692	\$ 82,569	\$ 5,336,356	\$ 17,001,617

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, 2014

Net change in fund balances-total Governmental Funds \$ 480,177

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	45,921,343	
Current year depreciation	<u>(9,445,191)</u>	
Total		36,476,152

Loss on disposal of assets (1,253)

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	(17,656)
Decrease in pre-funded post-retirement benefits	(125,731)

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:

(378,976)

Change in net position of Governmental Activities \$ 36,432,713

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, 2014

	<u>Business-Type Activities</u>
	<u>Food Services</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,330
Due from other funds	1,301,259
Due from other governments	280,730
Accounts receivable - other	1,463
Inventories	<u>4,897</u>
Total current assets	<u>1,589,679</u>
Capital assets, net	<u>329,436</u>
TOTAL ASSETS	<u><u>1,919,115</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	95,983
Due to other governmental agencies	4,897
Unearned revenue	<u>28,229</u>
Total current liabilities	129,109
TOTAL LIABILITIES	<u>129,109</u>
NET POSITION	
Net position, investment in capital assets	329,436
Unrestricted	<u>1,460,570</u>
TOTAL NET POSITION	<u><u>\$ 1,790,006</u></u>

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-Type Activities
	<u>Food Services</u>
OPERATING REVENUES	
Food service sales	\$ 1,276,246
OPERATING EXPENSES	
Salaries and wages	2,292,389
Contracted services	70,912
Supplies and materials	3,732,020
Other charges	1,063,327
Depreciation	71,071
TOTAL OPERATING EXPENSES	<u>7,229,719</u>
OPERATING LOSS	(5,953,473)
NON-OPERATING REVENUES (EXPENSES)	
State of Maryland:	
Reimbursement of food costs	158,834
Federal through State:	
Reimbursement of food costs	4,771,876
Donation of food commodities	336,667
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,267,377</u>
Change in net position before contributions and transfers	(686,096)
TRANSFERS IN	<u>675,000</u>
Change in net position	(11,096)
Net position - beginning of year	<u>1,801,102</u>
Net position - end of year	<u>\$ 1,790,006</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, 2014

CASH FLOWS FROM OPERATIONS:

Cash received from user charges	\$ 1,234,269
Cash payments to employees for services, fringe benefits	(2,615,499)
Cash payments for health and other insurances	(741,450)
Cash payments to suppliers for goods and services	(3,366,673)
Cash payments for facility use and maintenance	(70,912)
Net cash used in operating activities	(5,560,265)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Nonoperating grants received	4,930,710
Interfund transfers	675,000
Net cash provided by noncapital financing activities	5,605,710

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of equipment	(45,445)
Net cash used in capital and related financing activities	(45,445)

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	\$ (5,953,473)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	71,071
Commodities used	336,667
(Increase) decrease in assets:	
Inventories	6,358
Receivables	(41,977)
(Decrease) increase in liabilities:	
Accounts payable and accrued liabilities	26,058
Unearned revenue and due to other governments	(4,969)
Total adjustments	393,208
Net cash used in operating activities	\$ (5,560,265)

Noncash items:

Donation of food commodities	\$ 336,667
------------------------------	------------

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, 2014

	Pension and Retiree Health Plan <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	<u>AGENCY FUND</u> School Activities <u>Fund</u>
ASSETS			
Cash	\$ 3,770,556	\$ -	\$ 33,951
Due from other funds	-	173,144	463,066
Accounts receivable	-	-	1,560
Trust investments			
Government bonds	4,757,891	-	-
Commercial paper	186,808	-	-
Mortgage loans	694,455	-	-
Corporate bonds	8,129,393	-	-
Common stock	21,935,129	4,490	-
Other	182,969	-	-
	<hr/>	<hr/>	<hr/>
Total assets	39,657,201	177,634	498,577
LIABILITIES			
Accounts payable	-	321	16,381
Due to school activity groups	-	-	482,196
	<hr/>	<hr/>	<hr/>
Total liabilities	-	321	498,577
NET POSITION			
Held in Trust for:			
Retirement and other benefits	39,657,201	-	-
Scholarships, etc.	-	177,313	-
	<hr/>	<hr/>	<hr/>
Total net position	\$ 39,657,201	\$ 177,313	\$ -

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, 2014

	Pension and Retiree Health Plan <u>Trust Funds</u>	Private Purpose Trust Fund - Scholarship <u>Memorials</u>
ADDITIONS		
Contributions:		
Donations	\$ -	\$ 32,939
Employer contributions	1,560,224	-
Plan member contributions	371,350	-
Total contributions	1,931,574	32,939
Investment earnings:		
Interest and dividends	886,133	102
Increase in fair value of investments	4,103,533	730
Total investment earnings	4,989,666	832
Total additions	6,921,240	33,771
DEDUCTIONS		
Scholarships, etc.	-	32,073
Pension benefit payments	1,366,144	-
Administrative expenses	197,496	-
Total deductions	1,563,640	32,073
Change in net position	5,357,600	1,698
Net position - beginning of year	34,299,601	175,615
Net position - end of year	\$ 39,657,201	\$ 177,313

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 netted for presentation purposes (see Note 3).

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, and grants and contributions that are restricted to meeting the operational or capital requirements of 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 program 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 (School Construction) 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) Retirement 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/Unearned revenue – Deferred/unearned 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 due to other governmental agencies.

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 proprietary fund statement of net position.

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 resolution of the Board of Education), assigned (by management approval for specific purposes) and unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board (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. The Board's procedure for fund balance spending is for committed fund balances to be 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 2014 unassigned fund balance becomes assigned fund balance for fiscal year 2016.

M. Operating Revenues and Expenses

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

N. Estimates

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

O. Cash and Cash Equivalents

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

P. Interfund Receivables and Payables and Transfers

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Q. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. As of June 30, 2014, significant encumbrances were assigned for purchases of textbooks and instructional supplies, classroom technology, and school improvement (capital outlay and maintenance). These encumbrances 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. As of June 30, 2014, encumbrances outstanding totaled \$3,691,290 and included the following functions:

Function	Amount
Administration	\$ 144,423
School management and support	68,574
Textbooks and instructional supplies	254,587
Other instructional costs	299,951
Special education	57,118
Student personnel services	104,358
Health services	37,856
Student transportation	168,685
Operation of plant and equipment	551,351
Maintenance of plant	967,252
Community services	54,077
Capital outlay	983,058
Total encumbrances	\$ 3,691,290

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%

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (continued)

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.

At June 30, 2014, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash	\$ 548,224	\$ 1,633,156
Investments - cash equivalents	31,379,817	31,379,817

At June 30, 2014, the Board had bank deposits totaling \$1,633,156 with a carrying value of \$548,224. 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. As of June 30, 2014, the bank deposits were fully insured or collateralized. The bank balances were exposed to custodial credit risk as follows:

Insured	\$ 250,000
Uninsured and collateral held by pledging bank's trust department in the Board's name	1,383,156
Uninsured and collateral held by pledging bank's trust department not in the Board's name	-
	\$ 1,633,156

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

The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Investments in MLGIP totaled \$31,379,817 at June 30, 2014 with \$5,723,272 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 Bank of New York Mellon (BNY Mellon), Aetna Insurance Company and Janus in the Board's name. The Board's Retiree Health Plan Trust investments are held at BNY Mellon in the Board's name.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (continued)

Pension and other trust funds are invested as follows:

	<u>Pension Trust</u>		<u>401(a)</u>	<u>GASB 45</u>	Total
	BNY Mellon	AETNA	Janus	BNY Mellon	
Cash and equivalents	\$ 1,990,037	\$ -	\$ 158,131	\$ 1,622,388	\$ 3,770,556
Government bonds	2,171,484	79,334	686,738	1,820,335	4,757,891
Commercial paper (less than 1 year)	-	186,808	-	-	186,808
Mortgage loans	-	401,096	293,359	-	694,455
Corporate bonds	3,637,104	1,364,540	661,818	2,465,931	8,129,393
Common stock	11,694,744	-	1,816,593	8,423,792	21,935,129
Other	-	-	182,969	-	182,969
Total	<u>\$ 19,493,369</u>	<u>\$ 2,031,778</u>	<u>\$ 3,799,608</u>	<u>\$ 14,332,446</u>	<u>\$ 39,657,201</u>

Corporate bonds held at June 30, 2014 are rated by Standard & Poor's as follows:

Rating	<u>Percent of Corporate Bond Portfolio</u>			
	<u>Pension Trust</u>		<u>401(a)</u>	<u>GASB 45</u>
	BNY Mellon	AETNA	Janus	BNY Mellon
AAA	5.80%		37.98%	6.25%
AA+	3.88%			3.20%
AA	11.04%		13.93%	11.00%
AA-	16.22%			18.63%
A+	10.45%			9.52%
A	35.86%	18.18%	6.08%	40.85%
A-	7.10%	28.58%		5.69%
BBB+	4.05%	18.18%		2.39%
BBB	5.60%	18.18%	22.64%	2.48%
BBB-		16.88%		
BB			16.47%	
B			1.05%	
Not Rated			1.85%	

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (continued)

PENSION TRUST:

BNY Mellon:

Corporate bond issues held at June 30, 2014 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
\$85,000	BP Capital Markets	3.13%	10/01/15
\$185,000	Caterpillar Inc.	5.45%	04/15/18
\$45,000	Cisco Systems Inc.	5.50%	02/22/16
\$200,000	Cisco Systems Inc.	2.13%	03/01/19
\$95,000	Coca-Cola Co.	1.50%	11/15/15
\$95,000	Colgate-Palmolive	3.15%	08/05/15
\$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
\$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
\$70,000	Intel Corp.	1.95%	10/01/16
\$120,000	IBM Corp.	5.70%	09/14/17
\$185,000	Johnson & Johnson	5.15%	07/15/18
\$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
\$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, 2014 are as follows:

	Percent of Holdings
Bank of America Corp.	28.58%
Republic of Italy	18.18%
Goldman Sachs Group Inc.	18.18%
Anheuser-Busch	18.18%
Ford Motor Company	16.88%

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Investments (continued)

401(a):

Janus:

Corporate bond issues held at June 30, 2014 are as follows:

	Percent of Holdings
Janus Balanced Fund T (JABAX)	100.00%
Average duration 4.65 years	

GASB 45:

BNY Mellon:

Corporate bond issues held at June 30, 2014 are as follows:

Par Value	Description	Coupon Rate	Due
\$100,000	Anheuser-Busch InBev	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
\$60,000	BP Capital Markets	3.13%	10/01/15
\$135,000	Caterpillar Inc	5.45%	04/15/18
\$15,000	Cisco Systems Inc.	5.50%	02/22/16
\$160,000	Cisco Systems Inc.	2.13%	03/01/19
\$60,000	Coca-Cola Co.	1.50%	11/15/15
\$60,000	Colgate-Palmolive	3.15%	08/05/15
\$15,000	ConocoPhillips Corp.	5.20%	05/15/18
\$110,000	Costco Wholesale	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
\$70,000	General Electric Co.	5.25%	12/06/17
\$50,000	GTE Corp debts	6.84%	04/15/18
\$60,000	IBM Corp.	5.70%	09/14/17
\$45,000	Intel Corp	1.95%	10/01/16
\$135,000	Johnson & Johnson	5.15%	07/15/18
\$85,000	JPMorgan Chase Bank NA	5.88%	06/13/16
\$150,000	Mastercard Inc.	2.00%	04/01/19
\$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
\$60,000	Texas Instruments Inc.	2.38%	05/16/16
\$150,000	Toyota Motor Credit Corp	2.00%	10/24/18
\$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, 2014, the interfund account balances are as follows:

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES:		
General Fund		
Due to Food Service Fund	\$ -	\$ 1,301,259
Due to Special Revenue Fund	-	747,867
Due to Capital Projects Fund	-	5,148,959
Due to School Activities Fund	-	463,066
Due to Trust Fund	-	173,144
Special Revenue Fund		
Due from General Fund	747,867	-
Capital Projects Fund		
Due from General Fund	5,148,959	-
BUSINESS-TYPE ACTIVITIES		
Enterprise Fund		
Due from General Fund	1,301,259	-
FIDUCIARY NET POSITION		
Due from General Fund	636,210	-
TOTAL ALL FUNDS	\$ 7,834,295	\$ 7,834,295

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 and transfers of \$402,719 from the General Fund to the Special Revenue Fund are for internal services provided.

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	\$ -	\$ 2,275,303	\$ -	\$ 2,275,303	\$ 257,232
Due from State	371,750	184,043	11,003,848	11,559,641	23,498
Due from local and other	-	33,669	255,114	288,783	-
Total due from other governmental agencies	\$ 371,750	\$ 2,493,015	\$ 11,258,962	\$ 14,123,727	\$ 280,730
Due to Federal	\$ -	\$ 148,619	\$ -	\$ 148,619	\$ 4,897
Due to State	-	38,617	-	38,617	-
Due to local and other	-	1,086	-	1,086	-
Total due to other governmental agencies	\$ -	\$ 188,322	\$ -	\$ 188,322	\$ 4,897

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deductions	Transfers	Balance June 30, 2014
Governmental Activities					
Capital Assets, not being depreciated					
Land	\$ 4,079,740	\$ -	\$ -	\$ -	\$ 4,079,740
Construction in progress	7,959,317	42,104,017	-	(1,589,712)	48,473,622
Total capital assets, not being depreciated	<u>12,039,057</u>	<u>42,104,017</u>	<u>-</u>	<u>(1,589,712)</u>	<u>52,553,362</u>
Capital assets, being depreciated					
Buildings and improvements	262,683,506	56,637	(1,392)	1,589,712	264,328,463
Furniture and equipment	32,888,068	3,203,461	(3,016)	-	36,088,513
Vehicles	1,462,687	557,228	(29,854)	-	1,990,061
Total capital assets, being depreciated	<u>297,034,261</u>	<u>3,817,326</u>	<u>(34,262)</u>	<u>1,589,712</u>	<u>302,407,037</u>
Less accumulated depreciation:					
Buildings and improvements	(71,205,903)	(6,061,679)	139	-	(77,267,443)
Furniture and equipment	(22,279,611)	(3,226,553)	3,016	-	(25,503,148)
Vehicles	(1,122,402)	(156,959)	29,854	-	(1,249,507)
Total accumulated depreciation	<u>(94,607,916)</u>	<u>(9,445,191)</u>	<u>33,009</u>	<u>-</u>	<u>(104,020,098)</u>
Total capital assets, being depreciated, net	<u>202,426,345</u>	<u>(5,627,865)</u>	<u>(1,253)</u>	<u>1,589,712</u>	<u>198,386,939</u>
Governmental activities capital assets, net	<u>\$214,465,402</u>	<u>\$ 36,476,152</u>	<u>\$ (1,253)</u>	<u>\$ -</u>	<u>\$250,940,301</u>
Business-type activities					
Equipment	\$ 2,023,858	\$ 45,445	\$ -	\$ -	\$ 2,069,303
Accumulated depreciation	(1,668,796)	(71,071)	-	-	(1,739,867)
Business-type activities capital assets, net	<u>\$ 355,062</u>	<u>\$ (25,626)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,436</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 167,396
Instructional services	8,497,667
Special Education	46,416
Student Personnel Services	1,154
Health Services	6,998
Student transportation	94,530
Operation of plant and equipment	585,305
Maintenance of plant	40,419
Community Services	5,306
Total governmental depreciation expense	<u>9,445,191</u>

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

Food service	71,071
Total business-type depreciation expense	<u>71,071</u>
Total depreciation expense	<u>\$ 9,516,262</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Health Insurance Reserves

The Board entered into a public entities health care consortium with the City of Salisbury (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 31st each year.

For the year ended June 30, 2014, the health insurance reserve had the following activity:

Balance at July 1, 2013	\$ 5,045,300
Subsidy for rate increase	(700,001)
Positive settlement - 2013	1,571,621
Interest earned	2,929
Consulting and other expenditures	(46,577)
Other - transfer adjustment	<u>(150,000)</u>
Balance at June 30, 2014	<u>\$ 5,723,272</u>

The consortium's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 7% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2013, the Board's share of the consortium's settlement was a surplus of \$1,571,621. These amounts were included as other financing sources during the year ended June 30, 2014.

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 730 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 \$3.89 million, including approximately \$2.85 million for current claim costs (approximately 70% of total premiums); an additional \$856 thousand to pre-fund benefits and an estimated retiree subsidy of \$179 thousand. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$194 per month for retirees-only coverage (if under 65), \$136 per month for retirees-only coverage (if 65 or older) and \$1,045 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		\$ 4,049,511
Interest on net OPEB obligation		(172,822)
Adjustment to annual required contribution		185,900
Annual OPEB cost (expense)		4,062,589
Contributions made:		
Premium equivalency & retiree subsidy payments from General Fund	(3,032,021)	
Prefunding contribution	(855,979)	
Total contributions made	(3,888,000)	
Net change in OPEB obligation (asset)		174,589
Net OPEB obligation (asset) - beginning of year		(2,304,291)
Net OPEB obligation (asset) - end of year		\$ (2,129,702)

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)
2012	\$ 3,927,822	\$ 4,279,100	108.94%	\$ (2,463,304)
2013	4,143,013	3,984,000	96.16%	(2,304,291)
2014	4,062,589	3,888,000	95.70%	(2,129,702)

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 2013, the most recent actuarial valuation date, the plan was 20.3% funded. The actuarial accrued liability for benefits was \$57,720,548 and the actuarial value of assets was \$11,738,600 resulting in an unfunded actuarial accrued liability (UAAL) of \$45,981,948. The covered payroll (annual payroll of active employees covered by the plan) was \$104,795,958 and the ratio of the UAAL to the covered payroll was 43.9%.

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 2013 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, 2013 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 the 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, 2014 were \$11,446,078. 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
2012	\$ 798,168	100%	15.45%
2013	739,283	100%	13.29%
2014	806,387	100%	14.71%

In addition to the above contribution, during fiscal year 2014, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board contributed \$2,755,091 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 \$11,446,078 on behalf of the Board while the Board contributed \$2,755,091 during fiscal year 2014 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, 2014. 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 \$11,446,078 on behalf of the Board while the Board contributed \$2,755,091 during fiscal year 2014 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, 2014 and payroll covered under the Teachers Retirement and Pension Systems is as follows:

Total payroll	\$ 112,899,356
Payroll covered under the plan	\$ 93,558,675

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, 2014 and payroll covered under the Plan is as follows:

Total payroll	\$112,899,356
Payroll covered under the plan	\$ 10,076,121

Plan membership at July 1, 2013, the date of the latest actuarial valuation, consisted of 305 active plan members and 164 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	\$ 680,726
Interest on net pension obligation	(48,962)
Annual pension cost (expense)	631,764
Contributions made	(680,622)
Net change in pension obligation (asset)	(48,858)
Net pension obligation (asset) - beginning of year	(132,181)
 Net pension obligation (asset) - end of year	 \$ (181,039)

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)
2012	\$ 746,257	\$ 619,938	83%	\$ (65,293)
2013	581,817	648,705	111%	(132,181)
2014	631,764	680,622	108%	(181,039)

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 2013, the most recent actuarial valuation date, the plan was 85.9% funded. The actuarial accrued liability for benefits was \$22,417,749 and the actuarial value of assets was \$19,253,047 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,164,702. The covered payroll (annual payroll of active employees covered by the plan) was \$9,186,822 and the ratio of the UAAL to the covered payroll was 34.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. 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, 2013
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) Retirement Plan

Effective July 1, 2001, the Board implemented and began administering the Board of Education of Wicomico County 401(a) retirement plan which is a defined contribution plan. The employer's contribution is determined annually by the Board and is based on eligible participant's contributions to the Board's 403(b) retirement 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, 2014, 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>Retirement Plan</u>	<u>Employees</u> <u>Pension</u>	<u>Retiree Health</u> <u>Plan Trust</u>	<u>Total</u>
ASSETS				
Current assets	\$ 3,799,608	\$ 21,525,147	\$ 14,332,446	\$ 39,657,201
Total assets	3,799,608	21,525,147	14,332,446	39,657,201
NET POSITION				
Held in trust for retirement and other benefits	\$ 3,799,608	\$ 21,525,147	\$ 14,332,446	\$ 39,657,201

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

	<u>401(a) Retirement Plan</u>	<u>Employees Pension</u>	<u>Retiree Health Plan Trust</u>	<u>Total</u>
ADDITIONS				
Contributions	\$ -	\$ 1,075,595	\$ 855,979	\$ 1,931,574
Interest and dividends	161,305	481,217	243,611	886,133
Increase in fair value	376,617	2,173,739	1,553,177	4,103,533
Total additions	537,922	3,730,551	2,652,767	6,921,240
DEDUCTIONS				
Pension benefit payments	138,434	1,227,710	-	1,366,144
Administrative expenses	-	138,618	58,878	197,496
Total deductions	138,434	1,366,328	58,878	1,563,640
Change in net position	399,488	2,364,223	2,593,889	5,357,600
Net position - beginning of year	3,400,120	19,160,924	11,738,557	34,299,601
Net position - end of year	\$ 3,799,608	\$ 21,525,147	\$ 14,332,446	\$ 39,657,201

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, 2014:

GOVERNMENTAL ACTIVITIES		<u>Capital Assets</u>
Vehicles		
2012	\$	82,405
2014		122,611
Computers:		
2011		300,779
2012		1,822,462
2013		1,614,911
2014		1,637,052
Total	\$	5,580,220

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
	2014	2013	2012	
June 30, 2015	\$ 446,250	\$ 411,000	\$ 487,473	\$ 1,344,723
June 30, 2016	446,250	411,000	-	857,250
June 30, 2017	446,250	-	-	446,250
	<u>1,338,750</u>	<u>822,000</u>	<u>487,473</u>	<u>2,648,223</u>
Less: amount representing interest	(25,337)	(14,602)	(7,582)	(47,521)
Present value of future minimum lease payments	<u>\$ 1,313,413</u>	<u>\$ 807,398</u>	<u>\$ 479,891</u>	<u>\$ 2,600,702</u>

Interest expense related to the above capital leases, with interest rates ranging from 0.94% to 2.29%, was approximately \$31,000 for the year ended June 30, 2014.

Note 12. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long Term Portion
Accrued compensated absences	\$ 2,935,558	\$ 190,659	\$ 183,433	\$ 2,942,784	\$ 283,845	\$ 2,658,939
Capital leases	2,221,726	1,759,663	1,380,687	2,600,702	1,314,797	1,285,905
Total	<u>\$ 5,157,284</u>	<u>\$ 1,950,322</u>	<u>\$ 1,564,120</u>	<u>\$ 5,543,486</u>	<u>\$ 1,598,642</u>	<u>\$ 3,944,844</u>

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, 2014. Deferred revenue at June 30, 2014 consists of the following:

Medical assistance provider payments	\$ 2,396,341
Various other state and federal programs	<u>243,796</u>
	<u>\$ 2,640,137</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, 2014, \$40,934,000 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, 2014 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WICOMICO COUNTY

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

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
07/01/07	\$ 210,000	\$ 32,079,000	\$ 31,869,000	0.65%	\$ 104,603,000	30.47%
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	43,383,745	40,174,745	7.40%	104,503,000	38.44%
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%
07/01/13	11,738,600	57,720,548	45,981,948	20.34%	104,796,000	43.88%

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
2010	\$ 3,843,700	\$ 3,508,021	\$ 3,508,405	109.57%	109.56%
2011	4,354,000	3,591,082	3,598,819	121.24%	120.98%
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%
2014	3,888,000	4,049,511	4,062,589	96.01%	95.70%

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
07/01/04	\$ 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%
07/01/13	19,253,047	22,417,749	3,164,702	85.88%	9,186,822	34.45%

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
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%
2014	680,622	680,726	631,764	99.98%	107.73%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Wicomico County appropriation				
Operations	\$ 37,765,374	\$ 37,765,374	\$ 37,765,374	\$ -
Local share of State pension	2,755,091	2,755,091	2,755,091	-
Total Wicomico County appropriation	40,520,465	40,520,465	40,520,465	-
Other local:				
Tuition - nonresident pupils	25,000	25,000	86,740	61,740
Tuition - other	35,000	35,000	34,705	(295)
Student payments/fees	92,000	92,000	101,707	9,707
Earnings on investments	7,000	7,000	-	(7,000)
Rental of school facilities	85,000	85,000	85,951	951
Miscellaneous	172,500	172,500	84,475	(88,025)
Total other local	416,500	416,500	393,578	(22,922)
State of Maryland revenues:				
Current expense aid	67,291,828	67,291,828	67,291,828	-
Guaranteed tax base	3,670,117	3,670,117	3,670,117	-
Special education	6,639,911	6,639,911	6,639,911	-
Transportation	5,040,451	5,040,451	5,040,498	47
Miscellaneous	10,000	10,000	3,033	(6,967)
Non-public placement	70,000	70,000	107,169	37,169
Aging schools	106,627	106,627	98,122	(8,505)
Limited English proficient	3,092,879	3,092,879	3,092,879	-
Compensatory education	37,322,878	37,322,878	37,322,878	-
Total State of Maryland revenues	123,244,691	123,244,691	123,266,435	21,744
Other sources:				
Out of county living	150,000	150,000	78,331	(71,669)
Administrative costs reimbursements	260,000	260,000	283,471	23,471
Total other sources	410,000	410,000	361,802	(48,198)
TOTAL REVENUES	164,591,656	164,591,656	164,542,280	(49,376)
EXPENDITURES				
Administration	4,119,802	4,119,802	4,118,845	957
School management and support	11,830,885	11,830,885	11,826,248	4,637
Instructional salaries	65,599,010	65,599,010	64,471,014	1,127,996
Textbooks and instructional supplies	2,504,332	2,504,332	2,491,543	12,789
Other instruction costs	1,992,762	1,992,762	1,938,288	54,474
Student personnel services	2,269,850	2,269,850	2,257,402	12,448
Health services	1,504,444	1,504,444	1,476,895	27,549
Student transportation	8,206,147	8,206,147	8,199,987	6,160

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2014
 (Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
EXPENDITURES (continued)				
Operation of plant and equipment	\$ 11,275,313	\$ 11,275,313	\$ 11,127,162	\$ 148,151
Maintenance of plant	3,613,999	3,613,999	3,602,365	11,634
Fixed charges	32,577,219	32,577,219	32,576,964	255
Community services	178,333	178,333	177,733	600
Capital outlay	3,638,583	3,638,583	3,630,834	7,749
Special education	14,905,977	14,905,977	14,846,387	59,590
Food service	675,000	675,000	675,000	-
TOTAL EXPENDITURES	164,891,656	164,891,656	163,416,667	1,474,989
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(300,000)	(300,000)	1,125,613	1,425,613
OTHER FINANCING SOURCES (USES)				
Appropriation from June 30, 2013 fund balance	300,000	300,000	300,000	-
TOTAL OTHER FINANCING SOURCES (USES)	300,000	300,000	300,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 1,425,613	\$ 1,425,613

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 SPECIAL REVENUE
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Federal sources	\$ 11,425,147	\$ 11,425,147	\$ 12,069,052	\$ 643,905
State sources	787,636	787,636	954,070	166,434
Local and other sources	500,722	500,722	244,649	(256,073)
TOTAL REVENUES	12,713,505	12,713,505	13,267,771	554,266
EXPENDITURES				
Administration	700,260	700,260	782,749	(82,489)
School management and support	70,090	70,090	207,497	(137,407)
Instructional salaries	3,755,929	3,755,929	4,091,363	(335,434)
Textbooks and instructional supplies	611,316	611,316	1,453,315	(841,999)
Other instruction costs	1,119,551	1,119,551	1,005,144	114,407
Special education	3,370,844	3,370,844	2,995,405	375,439
Student personnel services	-	-	125	(125)
Health services	-	-	17,022	(17,022)
Student transportation	169,099	169,099	207,375	(38,276)
Operation of plant and equipment	-	-	29,680	(29,680)
Maintenance of plant	-	-	-	-
Fixed charges	2,916,416	2,916,416	2,715,401	201,015
Food services	-	-	10,667	(10,667)
Community services	-	-	96,017	(96,017)
Capital outlay	-	-	15,633	(15,633)
TOTAL EXPENDITURES	12,713,505	12,713,505	13,627,393	(913,888)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	-	-	(359,622)	(359,622)
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	-	402,719	402,719
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ 43,097	\$ 43,097

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 Capital Projects Fund and 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, 2014</u>	<u>June 30, 2014</u>	<u>June 30, 2014</u>
GAAP Basis	\$ 176,433,804	\$ 176,978,140	\$ 2,253,565
Changes in asset account balances not accounted for on Budgetary Statement:			
Health insurance rate stabilization reserve activity:			
Proceeds from insurance settlement	-	-	(1,571,621)
Subsidy for rate increase	-	(700,001)	-
Contribution to Retiree Health Plan Trust	-	(150,000)	-
Interest earned on health care reserve	(2,929)	-	-
Other expenditures	-	(46,577)	-
Appropriation from June 30, 2013	-	-	300,000
Transfers to other funds recorded as budgetary expenditures	-	1,077,719	1,077,719
Encumbrances recorded as expenditures:			
Established in current year	-	3,691,290	-
Reversed from prior year	-	(4,228,163)	-
Revenues recorded based on encumbered expenditures:			
Established in current year	98,122	-	-
Reversed from prior year	(540,639)	-	-
State share of retirement and pension contribution	(11,446,078)	(11,446,078)	-
Capital outlay funded by capital leases	-	(1,759,663)	(1,759,663)
Budgetary Basis	\$ 164,542,280	\$ 163,416,667	\$ 300,000

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
Early September	Board determines budget priorities and Superintendent and staff meet to review these priorities.
Late September	Budget Manager distributes request packets to all employees having budget responsibility.
October	Board members and staff make presentations of budget projections to various community groups in an effort to maintain their involvement and request their ideas and input for budget development process.
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	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	Board holds a Public Hearing to receive public input for the unrestricted operating budget.
Mid January	Superintendent instructs Budget Manager regarding budget requests to compile for submission to the Board & determines with Assistant Superintendents their priority order.
January - 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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Administration:				
Salaries and wages	\$ 3,167,112	\$ 3,130,652	\$ 3,130,647	\$ 5
Contracted services	660,087	635,716	635,706	10
Supplies and materials	84,798	84,570	84,531	39
Other charges	134,440	131,840	131,813	27
Equipment	20,000	86,599	86,599	-
Transfers	53,365	50,425	49,549	876
Total administration	4,119,802	4,119,802	4,118,845	957
School management and support:				
Salaries and wages	10,542,807	10,494,407	10,494,353	54
Contracted services	809,410	856,910	854,822	2,088
Supplies and materials	128,077	126,277	124,756	1,521
Other charges	318,642	309,642	309,072	570
Equipment	2,000	16,000	16,000	-
Transfers	29,949	27,649	27,245	404
Total school management and support	11,830,885	11,830,885	11,826,248	4,637
Instructional salaries and wages	65,599,010	65,599,010	64,471,014	1,127,996
Textbooks and instructional supplies	2,504,332	2,504,332	2,491,543	12,789
Other instructional costs:				
Contracted services	721,376	950,238	939,336	10,902
Other charges	237,682	211,582	202,756	8,826
Equipment	69,265	292,779	289,262	3,517
Transfers	964,439	538,163	506,934	31,229
Total other instructional costs	1,992,762	1,992,762	1,938,288	54,474
Special education:				
Salaries and wages	14,048,336	14,037,836	13,997,699	40,137
Contracted services	114,280	109,780	103,704	6,076
Supplies and materials	135,858	140,793	130,925	9,868
Other charges	89,860	89,860	88,587	1,273
Equipment	7,815	2,880	2,480	400
Transfers	509,828	524,828	522,992	1,836
Total special education	\$ 14,905,977	\$ 14,905,977	\$ 14,846,387	\$ 59,590

THE BOARD OF EDUCATION OF WICOMICO COUNTY
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
GENERAL FUND - BUDGETARY BASIS
Year Ended June 30, 2014
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Student personnel services:				
Salaries and wages	\$ 1,606,963	\$ 1,482,953	\$ 1,479,249	\$ 3,704
Contracted services	602,420	632,189	632,179	10
Supplies and materials	37,110	60,958	59,416	1,542
Other charges	16,474	9,956	5,103	4,853
Equipment	-	79,641	77,302	2,339
Transfers	6,883	4,153	4,153	-
Total student personnel services	2,269,850	2,269,850	2,257,402	12,448
Health services				
Salaries and wages	1,415,344	1,396,404	1,374,216	22,188
Contracted services	32,000	18,200	18,127	73
Supplies and materials	49,650	63,150	63,004	146
Other charges	4,017	7,517	7,238	279
Equipment	-	16,240	12,170	4,070
Transfers	3,433	2,933	2,140	793
Total health services	1,504,444	1,504,444	1,476,895	27,549
Student transportation:				
Salaries and wages	503,424	553,824	553,823	1
Contracted services	7,457,741	7,254,633	7,250,244	4,389
Supplies and materials	72,069	76,769	75,610	1,159
Other charges	137,830	120,730	120,730	-
Equipment	30,000	194,893	194,283	610
Transfers	5,083	5,298	5,297	1
Total pupil transportation	8,206,147	8,206,147	8,199,987	6,160
Operation of plant:				
Salaries and wages	5,509,599	5,411,399	5,411,336	63
Contracted services	826,672	495,172	487,258	7,914
Supplies and materials	951,663	967,663	967,384	279
Other charges	3,914,206	4,251,306	4,113,393	137,913
Equipment	67,000	143,600	142,685	915
Transfers	6,173	6,173	5,106	1,067
Total operation of plant	11,275,313	11,275,313	11,127,162	148,151
Maintenance of plant:				
Salaries and wages	1,464,148	1,357,848	1,357,834	14
Contracted services	1,134,639	1,357,139	1,345,758	11,381
Supplies and materials	912,038	756,338	756,337	1
Other charges	22,826	14,126	14,065	61
Equipment	80,348	128,548	128,371	177
Total maintenance of plant	\$ 3,613,999	\$ 3,613,999	\$ 3,602,365	\$ 11,634

THE BOARD OF EDUCATION OF WICOMICO COUNTY
 SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2014
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fixed charges:				
Insurance and employee benefits	\$ 32,577,219	\$ 32,577,219	\$ 32,576,964	\$ 255
Community services:				
Salaries and wages	37,625	35,305	34,759	546
Contracted services	64,595	62,178	62,176	2
Supplies and materials	15,971	19,035	19,002	33
Other charges	43,416	44,637	44,619	18
Equipment	16,726	17,178	17,177	1
Total community services	178,333	178,333	177,733	600
Capital outlay:				
Salaries and wages	605,823	511,223	510,965	258
Contracted services	640,431	671,331	663,999	7,332
Supplies and materials	72,404	74,004	73,908	96
Equipment	2,319,925	2,382,025	2,381,962	63
Total capital outlay	3,638,583	3,638,583	3,630,834	7,749
Food service:				
Transfers	675,000	675,000	675,000	-
TOTAL EXPENDITURES	164,891,656	164,891,656	163,416,667	1,474,989
TOTAL APPROPRIATIONS AND EXPENDITURES	\$ 164,891,656	\$ 164,891,656	\$ 163,416,667	\$ 1,474,989

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
 CAPITAL PROJECTS - BUDGETARY BASIS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
State sources	\$ 12,137,000	\$ 12,137,000	\$ 27,940,234	\$ 15,803,234
Local and other sources	15,985,100	15,985,100	13,028,709	(2,956,391)
TOTAL REVENUES	<u>28,122,100</u>	<u>28,122,100</u>	<u>40,968,943</u>	<u>12,846,843</u>
EXPENDITURES				
Capital outlay	28,122,100	28,122,100	42,241,092	(14,118,992)
TOTAL EXPENDITURES	<u>28,122,100</u>	<u>28,122,100</u>	<u>42,241,092</u>	<u>(14,118,992)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ (1,272,149)	\$ (1,272,149)

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
 FOOD SERVICES FUND - BUDGETARY BASIS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 1,438,105	\$ 1,438,105	\$ 1,276,246	\$ (161,859)
State sources	171,771	171,771	158,834	(12,937)
Federal sources	4,905,938	4,905,938	5,108,543	202,605
TOTAL REVENUES	6,515,814	6,515,814	6,543,623	27,809
EXPENDITURES				
Salaries and wages	2,427,455	2,427,455	2,292,389	135,066
Contracted services	72,400	72,400	70,912	1,488
Supplies and materials	3,872,859	3,872,859	3,732,020	140,839
Other charges	1,127,100	1,127,100	1,054,161	72,939
Capital outlay	66,000	66,000	63,545	2,455
TOTAL EXPENDITURES	7,565,814	7,565,814	7,213,027	352,787
OPERATING LOSS	(1,050,000)	(1,050,000)	(669,404)	380,596
OTHER RESOURCES				
Interfund Transfer	675,000	675,000	675,000	-
Appropriation from fund balance	375,000	375,000	375,000	-
TOTAL OTHER RESOURCES	1,050,000	1,050,000	1,050,000	-
EXCESS OF REVENUES AND OTHER RESOURCES OVER EXPENDITURES	\$ -	\$ -	\$ 380,596	\$ 380,596

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:

	Revenues	Expenditures	Other Resources
GAAP Basis	\$ 6,543,623	\$ 7,229,719	\$ 675,000
Appropriation from fund balance	-	-	375,000
Encumbrances established in current year	-	36,505	-
Encumbrances reversed from prior year	-	(27,571)	-
Depreciation of capital assets	-	(71,071)	-
Capital asset current year additions	-	45,445	-
Budgetary Basis	\$ 6,543,623	\$ 7,213,027	\$ 1,050,000

THE BOARD OF EDUCATION OF WICOMICO COUNTY
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PENSION AND RETIREE HEALTH PLAN TRUST FUNDS
 June 30, 2014

	401(a) Retirement <u>Plan</u>	Employees <u>Pension</u>	Retiree Health <u>Plan Trust</u>	Total Pension and Retiree Health Plan <u>Trust Funds</u>
ASSETS				
Cash	\$ 158,131	\$ 1,990,037	\$ 1,622,388	\$ 3,770,556
Trust investments				
Government bonds	686,738	2,250,818	1,820,335	4,757,891
Commercial paper	-	186,808	-	186,808
Mortgage loans	293,359	401,096	-	694,455
Corporate bonds	661,818	5,001,644	2,465,931	8,129,393
Common stock	1,816,593	11,694,744	8,423,792	21,935,129
Other	182,969	-	-	182,969
	<hr/>			
Total assets	3,799,608	21,525,147	14,332,446	39,657,201
<hr/>				
NET POSITION				
Held in Trust for:				
Retirement and other benefits	3,799,608	21,525,147	14,332,446	39,657,201
	<hr/>			
Total net position	\$ 3,799,608	\$ 21,525,147	\$ 14,332,446	\$ 39,657,201
	<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, 2014

	401(a) Retirement <u>Plan</u>	Employees <u>Pension</u>	Retiree Health <u>Plan Trust</u>	Total Pension and Retiree Health Plan <u>Trust Funds</u>
ADDITIONS				
Contributions:				
Employer contributions	\$ -	\$ 704,245	\$ 855,979	\$ 1,560,224
Plan member contributions	-	371,350	-	371,350
Total contributions	-	1,075,595	855,979	1,931,574
Investment earnings:				
Interest and dividends	161,305	481,217	243,611	886,133
Increase in fair value of investments	376,617	2,173,739	1,553,177	4,103,533
Total investment earnings	537,922	2,654,956	1,796,788	4,989,666
Total additions	537,922	3,730,551	2,652,767	6,921,240
DEDUCTIONS				
Pension benefit payments	138,434	1,227,710	-	1,366,144
Administrative expenses	-	138,618	58,878	197,496
Total deductions	138,434	1,366,328	58,878	1,563,640
Change in net position	399,488	2,364,223	2,593,889	5,357,600
Net position - beginning of year	3,400,120	19,160,924	11,738,557	34,299,601
Net position - end of year	\$ 3,799,608	\$ 21,525,147	\$ 14,332,446	\$ 39,657,201

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash	\$ 39,079	\$ 2,486,365	\$ 2,491,493	\$ 33,951
Accounts receivable	-	1,560	-	1,560
Due from other funds	437,798	25,268	-	463,066
	<hr/>			
Total assets	476,877	2,513,193	2,491,493	498,577
	<hr/>			
LIABILITIES				
Accounts payable	4,008	16,381	4,008	16,381
Due to school activity groups	472,869	2,496,812	2,487,485	482,196
	<hr/>			
Total liabilities	\$ 476,877	\$ 2,513,193	\$ 2,491,493	\$ 498,577
	<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	84
Changes in Net Position	85 - 86
Fund Balances of Governmental Funds	87
Changes in Fund Balances of Governmental Funds	88 - 89
Approved Operating Budgets	90 - 91
Retiree Health Plan Trust (GASB No. 45)	92
Retirement Plan for Employees of the Board of Education of Wicomico County	93

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	94
----------------------------	----

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	95
Enrollment by Grade	96
Budgeted Full Time Equivalent Positions by Function	97
Demographic and Economic Statistics	98
Operating Information	99 - 100
Where the Money Comes From	101

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	102
Capital Asset Statistics by Function	103
Insurance Summary	104

Schedule 1
The Board of Education of Wicomico County
Net Position by Component, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 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	\$ 248,339,599
Restricted for rate stabilization reserve	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	5,723,272
Restricted for capital projects	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	5,336,356
Unrestricted	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	5,593,791
Total governmental activities net position	\$ 118,354,465	\$ 129,621,629	\$ 147,572,851	\$ 155,853,347	\$ 196,814,054	\$ 225,935,061	\$ 231,417,489	\$ 225,748,466	\$ 228,560,305	\$ 264,993,018
Business-type activities										
Net investment in capital assets	\$ 226,739	\$ 298,456	\$ 327,040	\$ 295,680	\$ 280,752	\$ 493,125	\$ 357,236	\$ 375,722	\$ 355,062	\$ 329,436
Unrestricted for food service activities	537,220	387,316	129,736	566,153	658,520	583,363	857,386	1,347,187	1,446,040	1,460,570
Total business-type activities net position	\$ 763,959	\$ 685,772	\$ 456,776	\$ 861,833	\$ 939,272	\$ 1,076,488	\$ 1,214,622	\$ 1,722,909	\$ 1,801,102	\$ 1,790,006
Primary government										
Net investment in capital assets	\$ 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	\$ 248,669,035
Restricted	2,224,302	4,766,660	6,962,865	9,007,859	12,881,620	12,620,714	12,356,602	11,648,016	11,653,805	11,059,628
Unrestricted	1,659,258	2,015,849	3,995,745	3,365,669	3,428,085	7,831,662	8,326,413	6,089,576	6,108,864	7,054,361
Total primary government net position	\$ 119,118,424	\$ 130,307,401	\$ 148,029,627	\$ 156,715,180	\$ 197,753,326	\$ 227,011,549	\$ 232,632,111	\$ 227,471,375	\$ 230,361,407	\$ 266,783,024

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 Wisconsin County
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Administration	\$ 4,065,040	\$ 5,167,384	\$ 5,141,270	\$ 5,931,980	\$ 5,880,904	\$ 6,116,697	\$ 6,195,389	\$ 6,221,005	\$ 6,396,885	\$ 6,491,538
Instructional services	92,425,615	99,245,781	110,288,438	122,072,051	126,106,246	132,065,219	127,288,521	125,417,605	127,631,747	129,398,807
Special education	16,535,110	17,638,722	19,767,456	21,990,580	22,825,693	24,784,670	24,399,942	24,337,038	24,512,359	25,037,298
Student personnel services	1,183,137	1,344,148	1,892,281	2,251,338	2,409,881	2,773,204	2,746,168	2,614,709	2,741,544	2,773,187
Health services	1,198,424	1,325,911	1,499,688	1,601,456	1,773,931	1,967,103	2,018,788	1,892,599	1,931,135	2,062,951
Student transportation	6,178,553	6,675,840	7,116,149	8,260,409	8,387,408	8,304,572	8,401,296	8,291,355	8,465,480	9,004,614
Operation of plant and equipment	9,463,971	10,127,074	11,301,209	13,031,357	13,692,942	13,796,567	13,711,183	12,659,036	13,361,681	14,430,837
Maintenance of plant	2,048,876	2,127,087	2,366,685	2,901,076	3,243,012	3,214,936	3,113,546	3,173,492	3,756,713	3,997,640
Food services	19,075	19,075	-	-	-	200,977	-	-	-	14,308
Community services	115,434	167,997	111,493	247,113	244,869	200,977	173,022	189,562	252,724	320,591
Interest expense	-	-	-	-	-	-	84,209	39,654	36,646	31,034
Total governmental activities expenses	133,233,234	143,839,021	159,484,668	178,287,359	184,564,885	193,223,945	188,132,064	184,836,055	189,086,914	193,562,805
Business-type activities:										
Food services	\$ 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	\$ 7,229,719
Total business-type activities expenses	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	7,229,719
Total primary government expenses	\$ 138,232,668	\$ 149,335,489	\$ 165,424,833	\$ 184,399,782	\$ 191,171,840	\$ 199,999,860	\$ 195,030,830	\$ 191,585,129	\$ 196,328,123	\$ 200,792,524
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Instructional services	1,184,213	833,467	1,398,601	1,014,472	2,182,980	1,938,036	623,603	518,654	227,821	301,483
Operation of plant and equipment	58,309	35,966	67,481	84,759	94,019	57,072	51,488	15,218	41,736	58,017
Community services	47,800	47,800	47,800	44,404	44,404	44,404	44,404	44,404	44,434	44,434
Operating grants and contributions										
Administration	560,884	641,546	710,442	1,150,719	1,140,928	1,261,966	1,309,717	1,113,104	1,204,957	1,131,134
Instructional services	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	16,576,218
Special education	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	12,863,189
Student personnel services	91,516	102,868	108,231	124,776	132,563	169,790	189,101	182,023	168,667	154,491
Health services	91,028	97,280	121,326	126,822	133,715	150,005	178,180	167,820	138,869	168,140
Student transportation	3,726,489	3,967,670	4,132,788	397,323	394,968	273,704	368,789	363,994	300,212	265,147
Operation of plant and equipment	457,748	479,754	509,308	603,010	646,365	571,504	683,368	676,380	1,773,778	597,958
Maintenance of plant	100,257	92,480	100,154	120,026	128,784	143,650	169,993	166,840	461,233	141,642
Food services	-	-	-	-	-	-	-	-	-	14,308
Community services	12,226	13,705	6,118	8,847	707	3,301	4,168	4,710	62,590	120,173
Capital grants and contributions	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	41,509,582
Total governmental activities program revenues	\$ 39,142,680	\$ 39,680,875	\$ 47,156,977	\$ 40,306,843	\$ 73,988,106	\$ 66,386,555	\$ 47,968,101	\$ 36,666,632	\$ 41,331,648	\$ 73,988,049

Schedule 2

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues (continued)										
Business-type activities:										
Changes for services	\$ 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	\$ 1,276,246
Operating grants and contributions	3,042,108	3,338,523	3,648,575	3,841,684	4,104,960	4,356,223	4,664,068	4,946,255	5,228,280	5,267,377
Total business-type activities program revenues	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	6,543,623
Total primary government program revenues	\$ 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	\$ 80,511,672
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (119,594,756)
Business-type activities	(65,589)	(140,415)	(294,464)	(344,943)	(672,561)	(718,488)	(611,866)	(241,713)	(596,807)	(686,096)
Total primary government net expense	\$ (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)	\$ (120,280,852)
General Revenues and Other Changes in Net Position										
Governmental activities:										
State of Maryland	\$ 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	\$ 116,133,233
Wilcomico County appropriation	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	40,520,465
Other revenue	336,423	339,652	597,026	74,303	91,273	203,870	131,922	100,364	60,150	48,771
Loss on disposal of assets	-	(511,311)	-	-	-	-	-	-	-	-
Investment earnings	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)	(675,000)
Total governmental activities	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	156,027,469
Business-type activities:										
Investment earnings	\$ 5,117	\$ 4,345	\$ 2,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	57,883	63,000	750,000	750,000	855,704	750,000	750,000	675,000	675,000
Total business-type activities	5,117	62,228	65,468	750,000	750,000	855,704	750,000	750,000	675,000	675,000
Total primary government	\$ 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	\$ 156,702,469
Change in Net Position										
Governmental activities	\$ 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	\$ 36,432,713
Business-type activities	(60,472)	(78,187)	(228,996)	405,057	77,439	137,216	138,134	508,287	78,193	(11,096)
Total primary government	\$ 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	\$ 36,421,617

Source: The Board of Education of Wilcomico 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Committed:										
Healthcare rate stabilization reserve	\$ 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	\$ 3,828,238
Assigned to:										
Healthcare rate stabilization reserve	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	1,895,034
Other purposes (encumbrances)	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	3,691,290
Subsequent year expenditures	610,020	376,647	2,047,232	800,000	800,000	300,000	4,000,000	300,000	300,000	300,000
Unassigned	496,647	547,232	300,000	300,000	300,000	4,000,000	300,000	300,000	300,000	1,868,130
Total General Fund	\$ 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	\$ 11,582,692
All Other Governmental Funds										
Restricted for fund purposes:										
Special revenue	\$ 51,987	\$ 32,730	\$ 28,738	\$ 43,205	\$ 58,598	\$ 69,098	\$ 42,376	\$ 70,148	\$ 39,472	\$ 82,569
Capital projects	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	5,336,356
Total all other governmental funds	\$ 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	\$ 5,418,925
Total Governmental Funds	\$ 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	\$ 17,001,617

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Wicomico County appropriations										
Operations	\$ 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	\$ 37,765,374
Pension	-	-	-	-	-	-	-	-	2,173,593	2,755,091
Other local revenue	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	600,630
State of Maryland	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	152,603,256
State of Maryland share of retirement and pension contribution	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	11,446,078
Federal through State	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	12,069,052
Transfer of bond proceeds from Wicomico County	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	12,883,315
Other	1,038,072	1,171,376	1,430,189	1,114,783	1,120,842	975,977	744,900	673,112	571,849	547,722
Total revenues	<u>144,852,044</u>	<u>155,675,377</u>	<u>177,498,891</u>	<u>187,317,855</u>	<u>226,275,592</u>	<u>223,200,656</u>	<u>194,364,492</u>	<u>179,917,030</u>	<u>192,573,753</u>	<u>230,670,518</u>
Expenditures										
Administration	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	4,967,876
School management and support	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	12,003,691
Instructional salaries	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	68,562,377
Textbooks and instructional supplies	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	3,726,620
Other instructional costs	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	2,442,893
Special education	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	17,862,939
Student personnel services	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	2,148,974
Health services	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	1,469,714
Student transportation	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	8,668,457
Operation of plant and equipment	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	11,511,247
Maintenance of plant	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	3,381,811
Fixed charges	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	36,188,943
Food service	19,075	19,075	-	-	-	-	-	-	-	10,667
Community services	115,434	167,997	111,492	246,618	244,373	188,790	159,171	174,484	228,780	281,756
Capital outlay	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	46,760,861
Debt service										
Capital lease principal	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	1,380,687
Capital lease interest	36,451	50,703	71,773	84,308	130,239	110,690	84,209	39,654	36,646	31,034
State of Maryland share of retirement and pension contribution	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	11,446,078
Total expenditures	<u>144,205,349</u>	<u>156,258,268</u>	<u>175,392,729</u>	<u>189,871,787</u>	<u>224,907,770</u>	<u>217,942,197</u>	<u>197,032,948</u>	<u>186,174,647</u>	<u>194,890,410</u>	<u>232,846,625</u>
Excess of revenues over (under) expenditures	<u>646,695</u>	<u>(582,891)</u>	<u>2,106,162</u>	<u>(2,553,932)</u>	<u>1,367,822</u>	<u>5,258,459</u>	<u>(2,668,456)</u>	<u>(6,257,617)</u>	<u>(2,316,657)</u>	<u>(2,176,107)</u>

Schedule 4 (continued)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Capital lease proceeds	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	1,759,663
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	1,571,621
Transfers to other funds	-	(57,883)	(63,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(675,000)	(675,000)
Transfer of savings plan funds to Wicomico County	-	-	-	-	-	(2,000,000)	-	-	-	-
Total other financing sources (uses)	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	2,656,284
Net change in fund balances	\$ 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	\$ 480,177
Debt service as a percentage of noncapital expenditures	0.5%	0.7%	0.9%	1.0%	1.2%	1.1%	0.9%	0.8%	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
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
2014	4,119,802	11,830,885	65,599,010	2,504,332	1,992,762	14,905,977	2,269,850	1,504,444

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
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
2014	8,206,147	11,275,313	3,613,999	32,577,219	675,000	178,333	3,638,583	164,891,656

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
 Retiree Health Plan Trust (GASB No. 45)
 Since Inception, Fiscal Years

	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Annual Required Contribution (ARC)	2,432,000	2,541,000	2,601,000	3,508,021	3,591,082	3,915,824	4,129,061	4,049,511
Interest on Net OPEB Obligation	-	53,000	(30,750)	(76,616)	(101,763)	(158,402)	(184,748)	(172,822)
Adjustment to Annual Required Contribution	-	-	43,200	77,000	109,500	170,400	198,700	185,900
Annual OPEB Cost (Expense)	2,432,000	2,594,000	2,613,450	3,508,405	3,598,819	3,927,822	4,143,013	4,062,589
Direct Costs and Contributions	(1,723,000)	(3,713,000)	(3,225,000)	(3,843,700)	(4,354,000)	(4,279,100)	(3,984,000)	(3,888,000)
Increase (Decrease) in Net Obligation	709,000	(1,119,000)	(611,550)	(335,295)	(755,181)	(351,278)	159,013	174,589
Net OPEB Obligation (Asset) [BOY]	709,000	709,000	(410,000)	(1,021,550)	(1,356,845)	(2,112,026)	(2,463,304)	(2,304,291)
Net OPEB Obligation (Asset) [EOY]	210,000	2,181,000	(410,000)	(1,356,845)	(2,112,026)	(2,463,304)	(2,304,291)	(2,129,702)
Total Assets	30,475,000	32,079,000	34,046,000	43,383,745	45,458,666	50,520,033	53,619,644	57,720,548
Total Actuarial Accrued Liabilities	0.69%	6.80%	9.43%	12.10%	17.94%	19.14%	21.89%	24.83%
% Funded								
Employer Contributions to the Trust	210,000	2,000,000	1,558,000	1,584,700	1,671,800	1,551,500	1,052,000	856,000
Pay-go Premium Payments	1,513,000	1,713,000	1,667,000	2,259,000	2,682,200	2,727,600	2,932,000	3,032,000
Employee Participants	2,007	2,021	2,076	2,083	2,055	2,006	2,027	2,026
Retiree Participants	524	532	560	660	752	835	813	783
Total Participants	2,531	2,553	2,636	2,743	2,807	2,841	2,840	2,809
Actuarial Accrued Liabilities per Participant	\$ 12,041	\$ 12,565	\$ 12,916	\$ 15,816	\$ 16,195	\$ 17,782	\$ 18,880	\$ 20,548

Note: The Retiree Health Plan Trust (OPEB Trust) was first established in FY2007.

Source: The Board of Education of Wicomico County records.

Schedule 7

The Board of Education of Wisconsin County
 Retirement Plan for Employees of the Board of Education of Wisconsin County
 Last Ten Fiscal Years
 as of July 1,

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Active Participants	294	295	302	312	317	323	314	311	312	305
Retirees and Beneficiaries	133	136	137	139	137	139	134	137	146	146
Vested Terminees	10	13	16	22	13	10	22	20	14	18
Required New Contribution	410,577	423,203	407,276	400,027	481,181	715,339	689,900	569,235	609,178	615,285
Total Plan Assets	11,230,846	12,113,245	13,375,529	15,284,191	15,642,697	13,369,971	15,030,395	17,790,677	17,740,383	19,253,047
Current Year Employers Contribution	384,316	463,941	471,615	513,514	529,564	591,306	640,980	619,938	648,705	680,622
Current Year Contributions Less Required	(26,261)	40,738	64,339	113,487	48,383	(124,033)	(48,920)	50,703	39,527	65,337
Current Year Employees Contribution	234,092	250,818	266,371	287,171	322,479	346,881	362,310	349,987	339,379	358,074
Unfunded Pension Benefit Obligation	576,778	817,247	240,562	(539,731)	26,422	3,485,891	2,975,663	960,036	1,798,012	1,694,907
Unfunded PBO as % of Payroll	9.08%	12.18%	3.42%	-7.16%	0.31%	38.02%	32.19%	10.68%	20.51%	18.45%
Net Assets Expressed as % of PBO	95.12%	93.68%	98.23%	103.66%	99.83%	79.32%	83.47%	94.88%	90.80%	91.91%
NPBO (All)	11,807,624	12,930,492	13,616,091	14,744,460	15,669,119	16,855,862	18,006,058	18,750,713	19,538,395	20,947,954
Payroll Covered	6,353,085	6,708,757	7,034,996	7,538,827	8,484,889	9,168,811	9,242,654	8,985,943	8,767,602	9,186,822
Employer Contribution per Employees	1,307	1,573	1,562	1,646	1,671	1,831	2,041	1,993	2,079	2,232
Employee Contribution per Employees	796	850	882	920	1,017	1,074	1,154	1,125	1,088	1,174
Employer Contribution per Payroll Covered	6.05%	6.92%	6.70%	6.81%	6.24%	6.45%	6.94%	6.90%	7.40%	7.41%
Employee Contribution per Payroll Covered	3.68%	3.74%	3.79%	3.81%	3.80%	3.78%	3.92%	3.89%	3.87%	3.90%

Source: The Board of Education of Wisconsin County records.

Schedule 8**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			
2005	\$ 840,433	\$ -	\$ 840,433	0.03%	8.88
2006	1,556,334	-	1,556,334	0.05%	16.19
2007	2,264,294	-	2,264,294	0.07%	23.32
2008	3,363,600	-	3,363,600	0.10%	34.30
2009	3,031,468	-	3,031,468	0.09%	30.65
2010	2,627,056	103,577	2,730,633	0.08%	27.32
2011	1,385,725	70,260	1,455,985	0.04%	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
2014	2,600,702	-	2,600,702	N/A	N/A

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

N/A - Not available

Schedule 9

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

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Elementary Schools</u>										
Beaver Run	533	534	514	523	570	610	612	666	722	715
Chipman	406	422	422	429	432	436	426	399	373	380
Delmar	952	910	948	945	975	974	831	827	826	809
East Salisbury	379	381	354	361	357	363	370	403	387	391
Fruitland Intermediate	363	368	385	408	396	371	392	379	382	412
Fruitland Primary	439	467	493	485	477	474	485	506	533	503
Glen Avenue	297	280	309	314	285	285	273	334	317	266
North Salisbury	422	423	469	473	522	545	514	501	440	429
Northwestern	280	271	268	260	257	287	289	286	307	325
Pemberton	595	613	623	621	637	654	608	616	636	649
Pinehurst	383	404	395	422	415	438	462	491	496	483
Pittsville	209	210	219	212	231	236	211	220	217	226
Prince Street	422	482	447	472	548	561	581	493	544	600
West Salisbury	304	307	305	316	299	295	303	295	310	312
Westside Intermediate	464	440	434	448	451	474	465	496	484	437
Westside Primary	255	267	281	272	268	261	269	245	256	250
Wicomico Early Learning	-	-	-	-	-	-	-	-	-	-
Willards	290	302	281	299	287	276	291	303	292	329
Total Elementary Schools	6,993	7,081	7,147	7,260	7,407	7,540	7,382	7,460	7,522	7,516
<u>Middle Schools</u>										
Bennett	998	983	905	843	868	886	923	930	908	911
Mardela	312	301	292	267	281	269	282	292	294	285
Pittsville	272	246	236	216	209	231	236	260	247	247
Salisbury	913	959	924	883	879	848	849	925	927	871
Wicomico	771	762	723	693	683	713	708	639	655	660
Total Middle Schools	3,266	3,251	3,080	2,902	2,920	2,947	2,998	3,046	3,031	2,974
<u>High Schools</u>										
Bennett	1,388	1,381	1,303	1,346	1,313	1,282	1,307	1,374	1,406	1,351
Mardela	389	405	412	424	415	380	370	363	351	366
Parkside	1,140	1,149	1,223	1,214	1,256	1,217	1,137	1,125	1,095	1,130
Wicomico	1,142	1,139	1,179	1,182	1,209	1,188	1,126	1,087	1,036	1,034
Wicomico County Evening	69	85	83	71	70	65	62	65	48	60
Total High Schools	4,128	4,159	4,200	4,237	4,263	4,132	4,002	4,014	3,936	3,941
Total All Schools	14,387	14,491	14,427	14,399	14,590	14,619	14,382	14,520	14,489	14,431

Schedule 10

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

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Elementary School										
Pre-Kindergarten	493	478	439	458	457	567	572	654	611	591
Kindergarten	1,032	1,119	1,137	1,133	1,191	1,151	1,174	1,150	1,331	1,233
Grade 1	1,116	1,124	1,164	1,144	1,152	1,204	1,165	1,164	1,144	1,317
Grade 2	1,103	1,081	1,085	1,147	1,143	1,130	1,154	1,150	1,150	1,120
Grade 3	1,043	1,127	1,100	1,131	1,178	1,154	1,138	1,183	1,148	1,137
Grade 4	1,043	1,068	1,148	1,105	1,146	1,171	1,165	1,161	1,150	1,139
Grade 5	1,163	1,084	1,074	1,142	1,140	1,163	1,014	998	988	979
Total Elementary School	6,993	7,081	7,147	7,260	7,407	7,540	7,382	7,460	7,522	7,516
Middle School										
Grade 6	1,073	1,039	938	934	1,017	998	1,012	1,027	1,006	985
Grade 7	1,127	1,096	1,037	958	955	1,015	980	1,042	996	997
Grade 8	1,066	1,116	1,105	1,010	948	934	1,006	977	1,029	992
Total Middle School	3,266	3,251	3,080	2,902	2,920	2,947	2,998	3,046	3,031	2,974
High School										
Grade 9	1,208	1,177	1,242	1,239	1,167	1,057	1,043	1,127	1,081	1,116
Grade 10	1,053	1,047	1,050	1,085	1,086	1,065	962	963	1,016	962
Grade 11	1,000	1,001	972	976	1,038	1,032	1,029	901	926	947
Grade 12	867	934	936	937	972	978	968	1,023	913	916
Total High School	4,128	4,159	4,200	4,237	4,263	4,132	4,002	4,014	3,936	3,941
Total enrollment	14,387	14,491	14,427	14,399	14,590	14,619	14,382	14,520	14,489	14,431
Number of teachers ¹	1,027	1,048	1,079	1,076	1,083	1,087	1,072	1,078	1,084	1,084
Ratio of students to teachers	14:1	14:1	13:1	13:1	13:1	13:1	13:1	13:1	13:1	13:1

Source: The Board of Education of Wicomico County records.

¹ - Maryland State Department of Education, Staff Publications, Table 2: Staff Employed by Position.

Schedule 11
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 2005-2014	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
General Fund:												
Administration	42.55	46.30	48.55	49.55	50.55	53.30	54.80	51.80	51.80	51.80	51.80	21.74%
School management and support	163.09	189.34	191.49	191.49	197.14	192.60	189.20	184.20	184.70	184.70	187.30	14.84%
Instructional salaries	1,088.68	1,120.18	1,152.79	1,153.13	1,161.28	1,184.49	1,163.86	1,161.01	1,170.45	1,170.45	1,164.10	6.93%
Special education	224.42	252.67	283.57	287.57	320.27	320.35	317.05	317.05	326.30	326.30	331.27	47.61%
Student personnel services	20.95	15.70	17.70	20.70	21.70	23.70	24.20	25.20	25.50	25.50	27.16	29.64%
Health services	28.00	29.00	30.00	32.00	34.00	34.00	35.00	33.00	34.00	34.00	34.00	21.43%
Student transportation	11.00	11.00	7.41	9.41	9.41	8.91	8.91	7.00	7.00	7.00	7.00	-36.36%
Operation of plant and equipment	137.50	143.50	149.50	150.50	152.50	153.50	154.50	154.50	153.50	153.50	156.50	13.82%
Maintenance of plant	24.25	25.25	26.25	26.25	26.25	26.25	27.25	27.25	27.25	27.25	29.25	20.62%
Food service	0.50	0.50	-	-	-	-	-	-	-	-	-	-100.00%
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	7.75	7.75	7.75	8.75	8.75	7.75	6.75	6.75	7.75	7.75	7.75	0.00%
Total	1,749.19	1,841.69	1,915.51	1,929.85	1,982.35	2,005.35	1,982.02	1,968.26	1,988.75	1,988.75	1,996.63	14.15%
Special Revenue Funds	230.65	224.81	217.65	210.56	203.49	206.62	203.07	202.87	168.55	168.55	168.46	-26.96%
Total all funds	1,979.84	2,066.50	2,133.16	2,140.41	2,185.84	2,211.97	2,185.09	2,171.13	2,157.30	2,157.30	2,165.09	9.36%

Source: The Board of Education of Wicomico County records.

Schedule 12

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)	
2005	92,508	2,905,661	31,410	52,096		4.2%	
2006	94,621	3,063,319	32,375	52,951		4.0%	
2007	96,110	3,259,222	33,911	52,458		3.9%	
2008	97,111	3,443,026	34,455	53,102	+	5.2%	
2009	98,069	3,421,252	34,886	52,556	+	8.8%	
2010	98,907	3,482,645	35,211	53,485	+	9.5%	
2011	99,965	3,634,562	36,358	53,232	◇	9.3%	◇
2012	100,647	3,732,421	37,084	53,302	◇	8.6%	◇
2013	100,896	N/A	N/A	52,799	*	8.1%	*
2014	N/A	N/A	N/A	51,627	*	7.6%	*

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 2013 and 2014 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 2014 are preliminary based on information through June 30, 2014.

N/A Not Available

Schedule 13

**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
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	\$12,241	\$13,375	17	36,196,892	4,101,088,530	0.0090	0.0130
2013	N/A	N/A	N/A	39,173,593	4,004,514,022	0.0098	0.0140
2014	N/A	N/A	N/A	40,520,465	3,949,038,383	0.0103	N/A

Per Pupil Expenditures is calculated by the Maryland State Department of Education: see selected Financial Data Maryland Public Schools, Part 3 - Analysis of Costs, Table 1: Cost per Public Elementary and Secondary Pupil Belonging for Current Expenses.

† 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

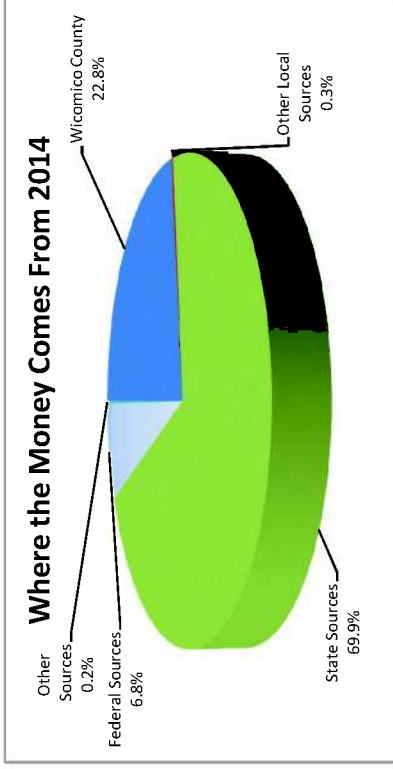
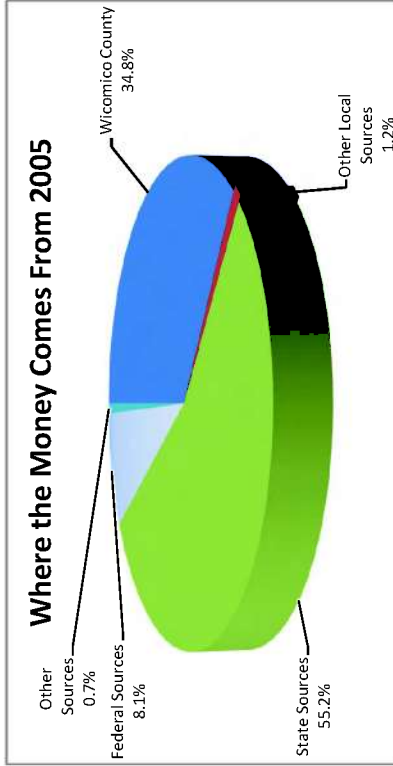
Fiscal Year	Transportation				Breakfast				Food Services				% FARM Students per Enrollment
	Total Miles Traveled	Number of School Bus Riders	Per Pupil Cost	State Average Per Pupil Cost	# Served	% Paid	% Free & Reduced	# Served	% Paid	% Free & Reduced	% Paid	% Free & Reduced	
2005	1,872,184	10,622	N/A	N/A	576,652	26%	74%	1,189,711	29%	71%	43.58%		
2006	1,926,540	10,600	568	751	578,540	26%	74%	1,252,107	30%	70%	47.20%		
2007	1,893,780	12,548	516	822	606,973	26%	74%	1,268,481	29%	71%	45.58%		
2008	2,020,500	12,698	544	867	644,090	24%	76%	1,274,807	26%	74%	47.43%		
2009	1,971,720	12,458	640	951	679,238	23%	77%	1,291,867	23%	77%	51.05%		
2010	2,010,312	12,481	653	951	692,746	23%	77%	1,280,451	21%	79%	49.01%		
2011	1,978,053	12,493	593	747	720,920	20%	80%	1,295,622	20%	80%	53.46%		
2012	1,936,980	12,596	589	773	733,074	18%	82%	1,329,555	17%	83%	58.61%		
2013	1,885,320	12,687	601	792	731,148	14%	86%	1,268,374	14%	86%	59.22%		
2014	1,896,719	12,700	N/A	N/A	761,818	14%	86%	1,204,020	13%	87%	59.98%		

Source: Maryland State Department of Education. (FY 2014 Number of School Bus Riders provided by WCBOE Transportation Dept. and FY2014 Food Service numbers provided by WCBOE Food Service Dept.)

N/A - Not Available

Schedule 14
 The Board of Education of Wilcomico County
 Where the Money Comes From - General Fund & Special Revenue Fund (Current Expense Fund)
 as of June 30,
 (budgetary basis of accounting)

	Fiscal Years												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	%	%	
Wilcomico County Appropriations for Operations for Local Share of State Pension	\$ 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	\$ 37,765,374	21.0%	21.0%	21.2%
Sub-total	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	37,765,374	22.2%	22.2%	22.8%
Other Local Sources	1,359,214	1,421,971	2,418,267	2,171,015	2,821,160	2,367,826	1,047,033	857,362	536,623	600,630	0.3%	0.3%	0.3%
State Sources	73,090,693	83,176,760	90,332,735	104,190,544	109,369,266	113,424,856	110,403,814	114,249,692	120,326,814	124,220,505	68.4%	69.9%	69.9%
Federal Sources	10,693,101	11,121,115	11,029,854	10,797,952	11,028,683	13,556,335	17,211,605	11,664,232	15,467,667	12,069,052	8.8%	8.8%	6.8%
Other Sources	938,010	878,669	1,158,883	720,696	664,978	863,207	483,988	417,973	384,467	399,399	0.2%	0.2%	0.2%
Total	132,392,091	143,323,973	153,269,554	167,323,260	174,088,742	180,993,935	172,345,332	163,386,171	175,889,164	177,810,051	100.0%	100.0%	100.0%



Schedule 15**The Board of Education of Wicomico County****Facilities Inventory**

	Year		
	Constructed	Acreage	Sq Ft. area
<u>SCHOOLS:</u>			
BEAVER RUN ELEMENTARY	1958	16.14	58,893
CHIPMAN ELEMENTARY	1986	6.5	40,752
DELMAR ELEMENTARY	1978	10.2	80,810
EAST SALISBURY ELEMENTARY	1942	12.1	61,889
FRUITLAND INTERMEDIATE	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	11.1	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
<u>CENTRAL OFFICES:</u>			
Jersey Road	various		37,629
Morris Street	various		9,537
Mt Hermon and Long Avenue Site-MIS	various		4,416
Mt Hermon and Long Avenue Site-Annex 2-4	various		21,897
Mt Hermon and Long Avenue Site-Annex 5	various		960
Mt Hermon and Long Avenue Site-Central	various		15,486
Mt Hermon and Long Avenue Site-Facility	various		20,019
Mt Hermon and Long Avenue Site-Maintenance	various		4,704
Mt Hermon and Long Avenue Site-Warehouse	various		8,640
Civic Avenue-County Stadium	various		4,000
Schumaker Drive-Instructional Resource Center	various		2,012
<u>OTHER SCHOOLS:</u>			
Adventist Drive-Choices Facility	various		29,152
Beaglin Park Drive-Tech Ed.	1997		113,546
Northwood Drive- Infant/Toddler	Leased		
Roberts Street-Early Learning Center	various		11,321

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

Source: The Board of Education of Wicomico County records.

Schedule 16

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

	Fiscal Year										
	<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>	<u>2014</u>	
Instructional Buildings											
Elementary Schools ¹	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 ²	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	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	27	27	27	27	27	27	27	27	27	27	27
Support Buildings											
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	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	15	15	15	15	15	15	15	15	15	15	15

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

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

Schedule 17
The Board of Education of Wicomico County
Insurance Summary
7/1/13 - 6/30/14 policy dates

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers' Compensation	MABE Workers' Compensation Group Self-Insurance Fund	N/A	7/01/13-6/30/14	Workers Compensation - Statutory Benefits; Employers Liability - \$1,000,000
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal & Advertising Injury Liability	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Employee Benefit Plan Fiduciary Liability	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$100,000 each claim with \$250,000 annual maximum
Automobile Liability	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$100,000 combined single limit \$1 million combined single limit for contracted buses
Personal Injury Protection - MD	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$2,500 per covered person for any one accident
Maryland Uninsured Motorist	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$50,000 per accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	actual cash value
Garage Keepers liability	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Fund	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$50,000 per covered person; \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$1 billion per occurrence
Crime	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$2,500,000 per loss
Crime - Excess	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$2,500,000 per loss in excess of \$2,500,000 primary
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/01/13-6/30/14	\$5,000,000 per claim \$5,000,000 annual aggregate
Catastrophic Student Accident	AIG	SRG 0009100887	8/01/13-8/01/14	\$6,000,000 Medical Expense; \$1,000,000 Catastrophic Cash
Fiduciary Responsibility Liability	Travelers	105970202	8/01/13-8/01/14	\$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	FEI EIL 16272 00	6/30/13-6/30/16	\$1,000,000 per claim \$2,000,000 Total for all
Student Accident Insurance - voluntary	K&K Insurance	6AJXS0000025785000	8/01/13-8/01/14	

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