

BOARD OF EDUCATION OF WICOMICO COUNTY

A Component Unit of Wicomico County, Maryland

Comprehensive
ANNUAL FINANCIAL REPORT

For fiscal year ended June 30, 2016



SUCCESS – Every Student, Every Day

2424 Northgate Drive, Suite 100
Salisbury, Maryland 21802-1538

www.wcboe.org

Board of Education of Wicomico County

A Component Unit of Wicomico County, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

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, 2016

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INTRODUCTORY SECTION

BOARD OF EDUCATION OF WICOMICO COUNTY



DONNA C. HANLIN, ED.D.
SUPERINTENDENT OF SCHOOLS

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DONALD L. FITZGERALD
PRESIDENT
JOSEPH R. OLLINGER
VICE PRESIDENT
TYRONE A. CHASE, PH.D.
N. EUGENE MALONE, JR.
JOHN PALMER
MARIA A. WALLER
RONALD O. WILLEY

September 30, 2016

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, 2016 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, 2016. The auditor's opinion is presented as the first component of the financial section of the CAFR.

The Board, in compliance with *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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

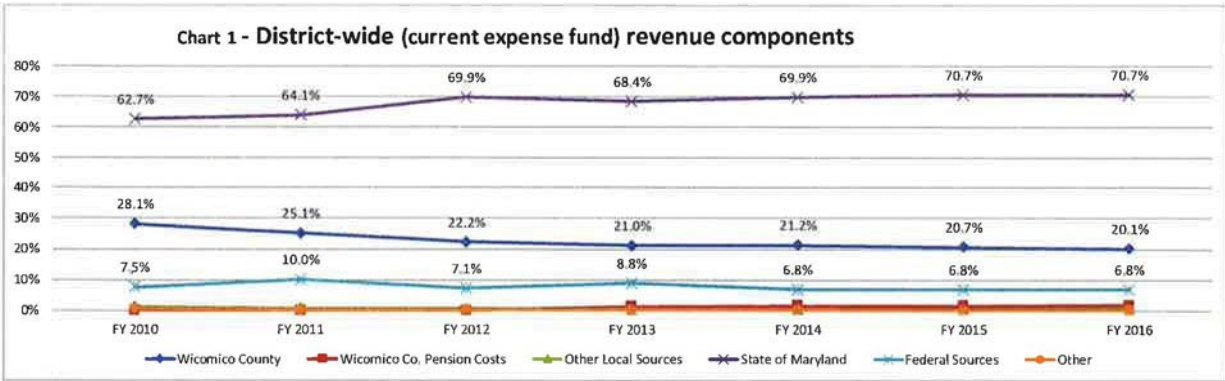
The Board of Education of Wicomico County is one of twenty-four (24) school systems established by law in the state of Maryland. The school systems consist of the twenty-three (23) counties and the City of Baltimore. Each county board of education is a body politic and corporate. The Board of Education of Wicomico County (Board) was established in 1867 and is ranked 15th in the state of Maryland according to student enrollment which as of September 30, 2015 was 14,790. Countywide population for Wicomico was 102,370 in 2015, which represents the most current data available.

The Board's 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 2015-2016 school year, the school system served 14,790 students (an increase of 245 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 (87 students). The ratio of professional staff (including administrators, teacher, counselors and therapists) to students for the 2015-2016 school year was approximately one staff member to 11 students. Student demographics for the 2015-2016 school year included: 60.0% students that qualified for free/reduced meals; 12.5% students with disabilities; and 4.8% students that were English Language Learners. In June 2016, the school system graduated 861 students. For school year 2015-2016 there were no charter schools operating in the county.

In accordance with state law the Board of Education developed in 2002 a Comprehensive Master Plan. The 2015-2016 school year marked the thirteenth 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 2016 the Board received 20.1% of its district-wide revenues for operations (current expense) from Wicomico County compared to 70.7% from the State of Maryland. Chart 1 reveals a history of district-wide revenues, comparing the sources of funds. Since FY 2010, local county aid for education has decreased from \$50.8 million to \$41.3 million, a decrease of \$9.5 million, or 18.7%. Federal aid has likewise decreased since FY 2010 by \$.7 million. Fortunately, state aid during that same period increased by \$20.5 million. Overall, revenues for our school system have increased by \$8.4 million since FY 2010, or 4.6%.



	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		FY 2016		Change FY 2010 to FY 2016	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	% 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%	\$37,676,790	20.7%	\$38,067,637	20.1%	(\$12,714,074)	-25.0%
Wicomico Co. - for Pension	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$2,173,593	1.2%	\$2,755,091	1.5%	\$2,719,329	1.5%	\$3,239,009	1.7%	\$3,239,009	-
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%	\$667,270	0.4%	\$1,053,001	0.6%	(\$1,314,825)	-55.5%
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%	\$128,818,297	70.7%	\$133,885,606	70.7%	\$20,460,750	18.0%
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%	\$12,334,107	6.8%	\$12,887,634	6.8%	(\$668,701)	-4.9%
Other	\$863,207	0.5%	\$485,988	0.3%	\$417,973	0.3%	\$384,467	0.2%	\$399,399	0.2%	\$94,928	0.1%	\$240,153	0.1%	(\$623,054)	-72.2%
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%	\$182,310,721	100.0%	\$189,373,040	100.0%	\$8,379,105	4.6%

Approximately 2.4 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 now 34 years. The oldest building in use is East Salisbury Elementary which has a major structure which was built in 1942. The newest facility in use, Bennett Middle School, was just recently completed and opened for students in August, 2015. It provides approximately 161,000 square feet. Our school buildings are multi-purpose facilities, serving many community groups and organizations for meetings and recreational use when school is not in session.

Assessment of the School System's Economic Condition

Wicomico County has yet to recover from the traumatic effects of the 2008 recession. However, the continuing decline in the county's total wealth has finally leveled off and for the first time in several years, the county's total wealth for state aid purposes is slightly larger than the previous year. Thanks to a very conservative approach to budgeting on the part of our county government, a significant unassigned fund balance has been accumulated (\$33.7 million) as of June 30, 2015. This is in addition to the County's Rainy Day fund balance of \$6.5 million, which represents approximately 5% of the county government's FY 2016 operating budget. This fund balance has been used by the county to help close budget gaps created by lagging revenues as a result of the depressed economy and enabled our county government to meet the state maintenance of effort (MOE) funding requirement for education for FY 2016 and FY 2017.

While we are thankful the county government provided MOE funding for FY 2016 and again in FY 2017, the loss of \$9.5 million of county government funding for education since FY 2010 will be extremely hard to recover when only MOE level of funding is provided by the County. Since 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, the hopes of regaining FY 2010 levels of funding remain bleak. Therefore, the pressure placed on available funds continues. The Board must stretch existing resources to meet the needs of a very diverse and large at-risk population of

students (77.3%) while, at the same time, continuing to challenge the gifted and talented students. To assist with this challenge, the Board continues to utilize zero-based budgeting. Requiring all divisions within the organization to provide first dollar support justification and performance data {in order to continue the funding for a program or budget line item} enhances the likelihood of an effective budget process.

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, many county governments are effectively limiting education funding to just MOE levels. This was in fact the case in Wicomico County for FY 2015, FY 2016 and once again in FY 2017. Since the MOE calculation is based upon a prior year's 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 tackle growing needs within our county educational system.

Future projections for revenue remain tempered. State aid is projected to increase by approximately 1.7% per year over the next three (3) years, while county aid is expected to only grow at the maintenance of effort (MOE) level, less than 1% per year. 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 2017 we are projecting general fund revenues to increase by only \$7.1 million, while on-going-costs of doing business (fixed costs), additional instructional needs, and one-time capital related costs are projected to increase \$7.2 million. Consequently, the school system will be forced to cut \$0.1 million of existing budget line items to balance the FY 2017 budget. Since FY 2010, our school system will have cut over \$23 million in operating costs from our General Fund operating budget. This process of cutting programs and existing budget line items, since adequate revenues are not available 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, 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 required that in FY 2016 the Board must submit \$4.1 million to the state toward state teacher pension costs, previously 100% funded by the state. The bill also required our local county government to appropriate, in addition to MOE, an amount of \$3.2 million for FY 2016, so as to

partially offset the additional costs imposed by the state. Commencing in FY 2017, the requirement for county governments to provide funding specifically to support this mandated funding ceases. Boards of Education will be required to pay the “normal cost” of retirement for all qualifying employees based upon current salaries. We have been notified by the Maryland State Retirement and Pension System that the Board’s pension cost for FY 2017 will be \$4.5 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 amount they were required to fund in the previous fiscal year, which for Wicomico was \$3.2 million. Therefore, the additional funding requirement for pension costs in FY 2017 will have to come from other sources, once again placing pressure on available resources in order to fund classroom initiatives.

Major School System Initiatives

Major initiatives in FY 2017 include the following: 1) appropriating \$1.6 million to address student discipline , safety, and school climate including hiring 3.0 FTE behavior intervention specialists and 4.0 FTE special education teachers, as well as entering into a contract with a provider to enhance local service to academic and emotionally challenged students; 2) appropriating \$.5 million to address literacy initiatives in our schools including hiring 7.5 FTE elementary reading intervention teachers; 3) appropriating \$.8 million to address facility needs and expand programs including entering into a contract to maintain safe playing surfaces for our student athletes; 4) addressing items noted in the Management Discussion and Analysis portion of the financial statements, with the big challenge facing the Board being the recently-passed federal and state legislation. Most notably the Every Student Succeeds Act (ESSA) potentially changes the manner in which a school system must demonstrate how state and local dollars are allocated to each school receiving federal funding. This supplement, not supplant provision, as required in recently-released regulations from the United States Department of Education, has caused a great deal of discussion and controversy on Capitol Hill. This controversy has resulted in a recent Congressional House K-12 subcommittee hearing. We are monitoring this very closely.

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, 2015. This is the sixth 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, 2015. 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 sixth 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, 2015. This is the fifth 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

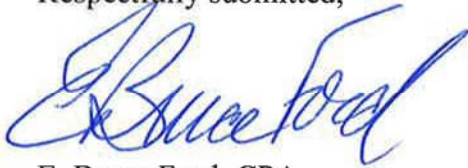
Wicomico County recognizing its annual budget document for the year beginning July 1, 2015. This was the second year that the Board achieved this prestigious award.

Acknowledgements

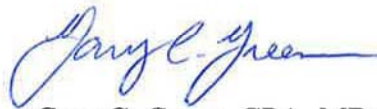
The preparation of this report could not have been accomplished without the dedicated and efficient services of the entire staff of Business Support Services and the firm of TGM Group, LLC, certified public accountants. The high standards to which this report conforms reflects the professional competence 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 for FY 2016

Donald L. Fitzgerald, President

Kimberly S. Hudson, Vice President

Tyrone A. Chase, Ph.D.

Carolyn J. Elmore, Ed.D.

Joseph R. Ollinger

John Palmer

Ronald O. Willey

Student Members

Kevon Turnamian, James M. Bennett High School

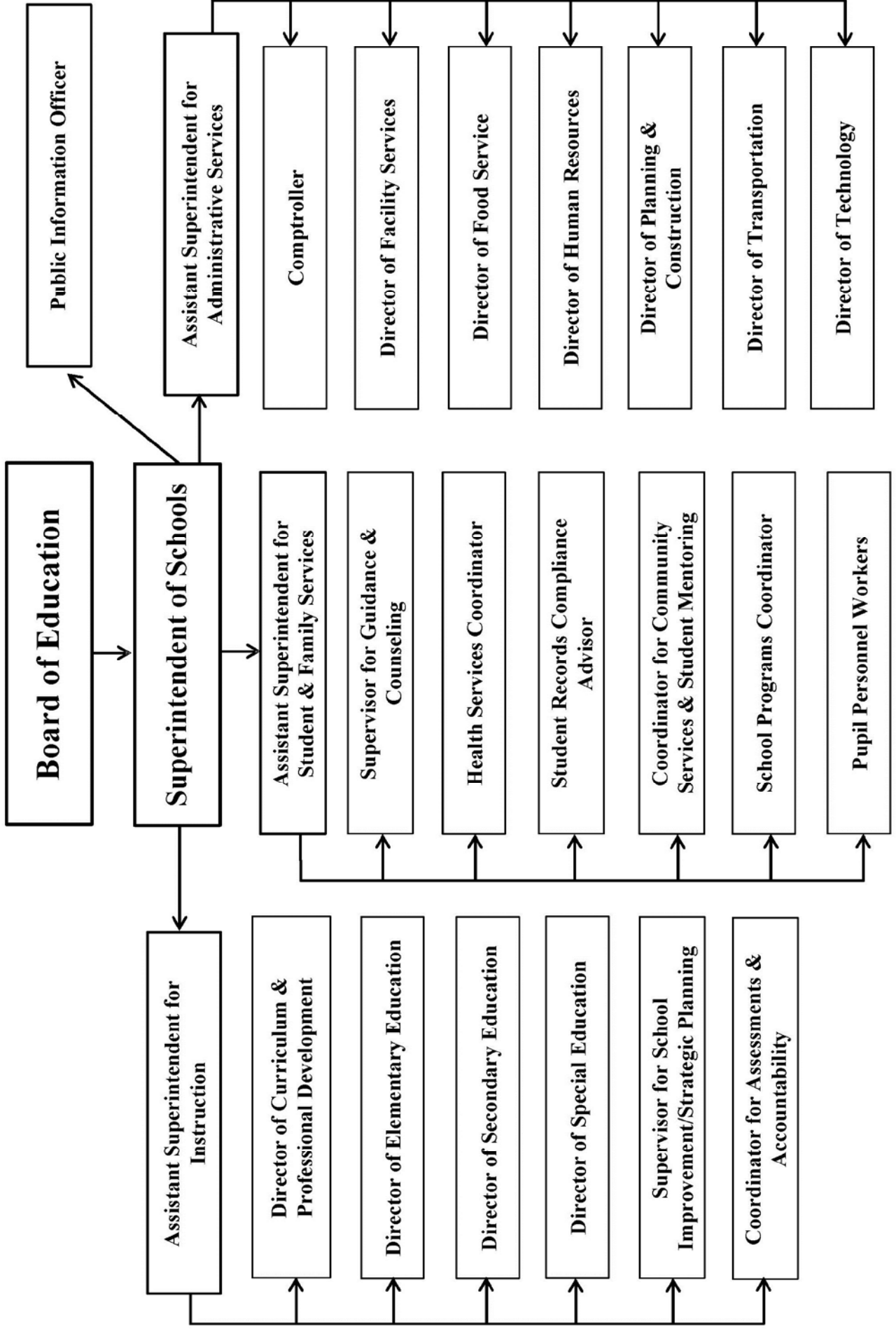
Megan Evans & Dylan Carew, Mardela High School

Jessica Willey, Parkside High School

Tanesha Mondestin, Wicomico High School

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

Board of Education of Wicomico County Organizational Chart FY 2015-16





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, 2015

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, 2015.**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh



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, 2016, 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, 2016, 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 29, schedule of funding progress and employer contributions on page 74, schedule of proportionate share of net pension liability on page 75, schedule of employer contributions on page 76, schedule of employer's net pension liability and related ratios on page 77, budgetary comparison information on pages 78 through 80, and notes to required supplementary information on pages 81 through 85 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, 2016 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.



Salisbury, Maryland
September 30, 2016

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

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, 2016. 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 2016 as total net position increased by \$9.5 million, or 3.4%.
 - Overall revenues were \$222.5 million and expenses \$213.0 million
 - Net investment in capital assets of the Board increased by \$8.1 million as the Board continues to invest in updating older school facilities
- The Board's total net position is \$285.7 million. Of this total, \$5.8 million is unrestricted and available to meet the Board's ongoing obligations, as follows: \$4.0 million for Governmental Activities and \$1.8 million for Business-Type Activities
- At the end of the current fiscal year, the Board's governmental funds reported combined fund balances of \$15.3 million, a increase of \$1.3 million largely attributable to the increase in encumbrances over the prior year of \$1.0 million
- The unassigned fund balance in the General Fund equals \$1.8 million. This represents an increase of \$236,790 over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

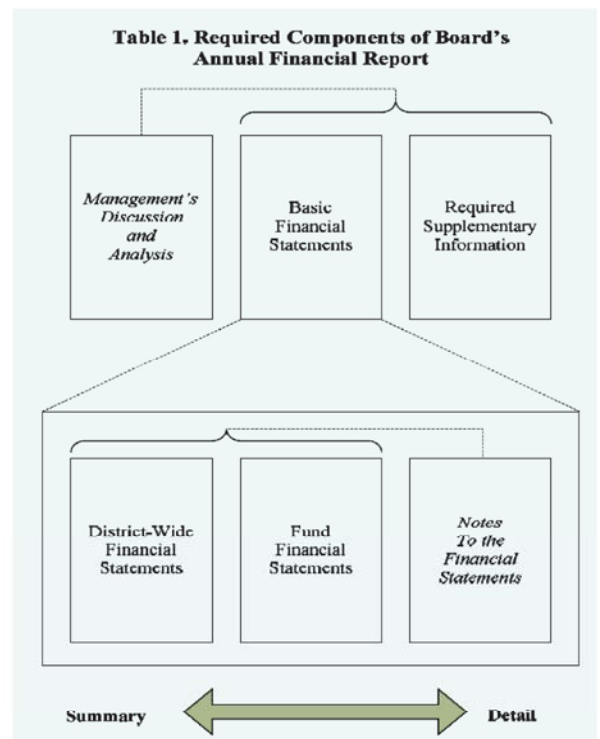
In addition to the MD&A, this section of the CAFR contains the financial statements which consist of the parts as noted in Table 1.

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:

- 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.



THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

- 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. 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, 2016

- *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 \$285.7 million on June 30, 2016. This is an increase of \$9.5 million, or 3.4 %, over the prior year. (see Table 2.)

	Governmental Activities		Business-Type Activities		Board of Ed Total		Change 2016 - 2015	
	2016	2015	2016	2015	2016	2015	\$	%
Current and other assets	\$36.3	\$37.7	\$1.9	\$1.7	\$38.2	\$39.4	-\$1.2	-3.1%
Capital Assets	\$274.8	\$266.8	\$0.5	\$0.4	\$275.3	\$267.2	\$8.1	3.0%
TOTAL ASSETS	\$311.1	\$304.5	\$2.4	\$2.1	\$313.5	\$306.6	\$6.9	2.2%
Deferred Outflows - Pensions	\$1.7	\$0.0	\$0.0	\$0.0	\$1.7	\$0.0	\$1.7	100.0%
Current Liabilities	\$19.9	\$23.0	\$0.2	\$0.2	\$20.1	\$23.2	-\$3.1	-13.6%
Long-Term Liabilities	\$9.2	\$7.2	\$0.0	\$0.0	\$9.2	\$7.2	\$2.0	27.3%
TOTAL LIABILITIES	\$29.1	\$30.2	\$0.2	\$0.2	\$29.3	\$30.4	-\$1.1	-3.7%
Deferred Inflows - Pensions	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0	\$0.2	100.0%
Net Position								
Net Investment in Capital Assets	\$272.3	\$264.6	\$0.4	\$0.4	\$272.7	\$264.9	\$7.8	2.9%
Restricted	\$7.2	\$6.9	\$0.0	\$0.0	\$7.2	\$6.9	\$0.2	3.4%
Unrestricted	\$3.9	\$2.8	\$1.8	\$1.5	\$5.8	\$4.3	\$1.4	32.8%
TOTAL NET POSITION	\$283.4	\$274.3	\$2.2	\$1.9	\$285.6	\$276.2	\$9.4	3.4%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

Changes in net position - the District's total revenues were \$222.5 million for the year ended June 30, 2016 (See Table 3). The county appropriation and state formula aid accounted for approximately 72.5% of total revenue for the year. Another 27.5% came from program revenues which consist of federal and state grants and capital contributions.

The total cost of all programs and services was \$213.0 million. The District's expenses are predominantly related to providing direct educational services to students, 76.6%, while support services for students composes another 20.2%. The purely administrative activities of the District accounted for approximately 3.2%, up from 3.0% in the prior year. Total revenue exceeded total expenses by \$9.5 million. This increase is attributable to the capitalization (net of depreciation) of the expenses associated with various capital projects including additional payments associated with the Bennett Middle School project and the J.M. Bennett High Phase II project.

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
	2016	2015	2016	2015	2016	2015	2016-2015
Program revenues							
Charges for services	\$0.7	\$0.4	\$1.2	\$1.2	\$1.9	\$1.6	18.8%
Federal and state grants	\$39.2	\$38.3	\$6.2	\$5.5	\$45.4	\$43.8	3.7%
Capital Contributions	\$13.9	\$20.0	\$0.0	\$0.0	\$13.9	\$20.0	-30.5%
General revenues							
County Appro. for operations	\$38.1	\$37.7	\$0.0	\$0.0	\$38.1	\$37.7	1.1%
County Appro. for pension	\$3.2	\$2.7	\$0.0	\$0.0	\$3.2	\$2.7	18.5%
State formula aid	\$119.9	\$115.2	\$0.0	\$0.0	\$119.9	\$115.2	4.1%
Other	\$0.1	\$0.1	\$0.0	\$0.0	\$0.1	\$0.1	0.0%
TOTAL REVENUE	\$215.1	\$214.4	\$7.4	\$6.7	\$222.5	\$221.1	0.6%
Expenses:							
Instruction & Special Ed	\$163.2	\$161.2	\$0.0	\$0.0	\$163.2	\$161.2	1.2%
Administration	\$6.8	\$6.3	\$0.0	\$0.0	\$6.8	\$6.3	7.9%
Support Services	\$35.3	\$34.5	\$7.7	\$7.3	\$43.0	\$41.8	2.9%
TOTAL EXPENSES	\$205.3	\$202.0	\$7.7	\$7.3	\$213.0	\$209.3	1.8%
Excess(deficiency) before contributions, special & extraordinary items and transfers	\$9.8	\$12.4	(\$0.3)	(\$0.6)	\$9.5	\$11.8	-19.5%
Transfers:	(\$0.7)	(\$0.7)	\$0.7	\$0.7	\$0.0	\$0.0	0.0%
Incr. (decr.) in net position	\$9.1	\$11.7	\$0.4	\$0.1	\$9.5	\$11.8	-19.5%
Net Position - beg. year, restated	\$274.3	\$262.6	\$1.8	\$1.8	\$276.1	\$264.4	4.4%
Net Position - end of year	\$283.4	\$274.3	\$2.2	\$1.9	\$285.6	\$276.2	3.4%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

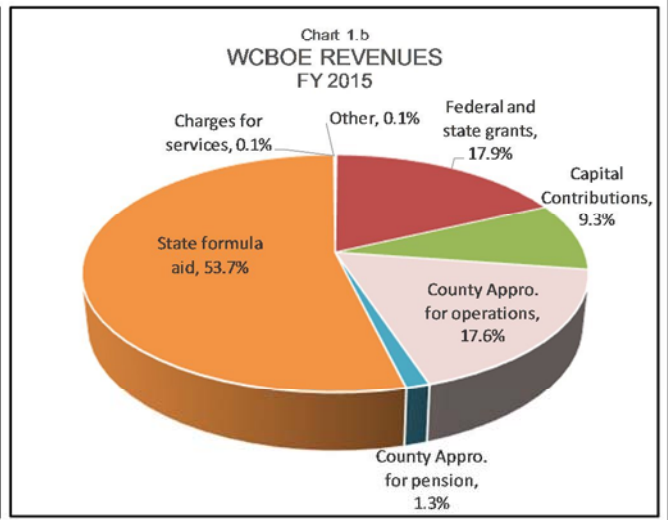
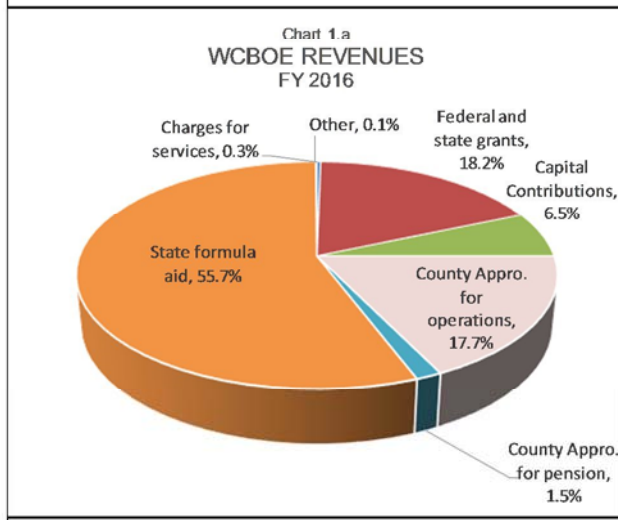
Management’s Discussion and Analysis
Year Ended June 30, 2016

Governmental Activities

- Net position increased \$9.1 million in FY 2016
- Revenues increased only \$704,887, attributable to a net of:
 - capital contributions decreased \$6.1 million as the Bennett Middle project was essentially completed by June 30, 2015
 - state formula aid for operations increased \$4.7 million
 - federal and state grants increased \$.9 million

See Chart 1.a and 1.b below for a breakdown of the District’s revenues as a percentage of total revenue for FY 2016 and 2015.

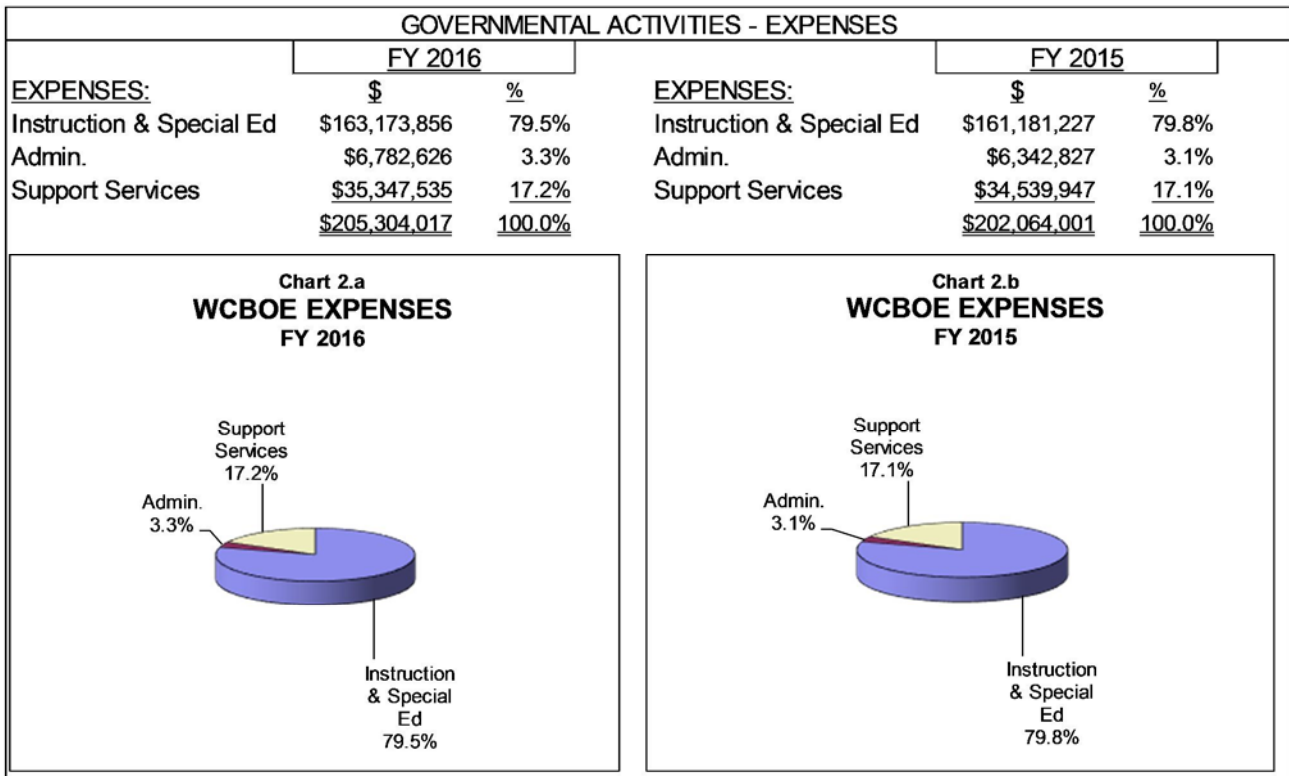
GOVERNMENTAL ACTIVITIES - REVENUES							
REVENUE:	FY 2016		REVENUE:	FY 2015		Incr (Decr)	
	\$	%		\$	%	\$	%
Charges for services	710,494	0.3%	Charges for services	357,955	0.1%	352,539	98.5%
Federal and state grants	39,186,754	18.2%	Federal and state grants	38,295,050	17.9%	891,704	2.3%
Capital Contributions	13,946,306	6.5%	Capital Contributions	20,038,839	9.3%	(6,092,533)	-30.4%
County Appro. for operations	38,067,637	17.7%	County Appro. for operations	37,676,790	17.6%	390,847	1.0%
County Appro. for pension	3,239,009	1.5%	County Appro. for pension	2,719,329	1.3%	519,680	19.1%
State formula aid	119,866,714	55.7%	State formula aid	115,181,027	53.7%	4,685,687	4.1%
Other	102,173	0.1%	Other	145,210	0.1%	(43,037)	-29.6%
	<u>\$215,119,087</u>	<u>100.0%</u>		<u>\$214,414,200</u>	<u>100.0%</u>	<u>\$704,887</u>	<u>0.3%</u>



THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

Charts 2.a and 2.b disclose the breakdown of expenses for FY 2016 and 2015 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 79.5% 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 17.2% of all costs. Administration increased slightly to 3.3% of total expenses. The Board continues to closely monitor administrative costs.



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

The District's only business-type activity, the Food Service operation, had an increase in net position of \$330,728 in FY 2016. 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 2016 the transfer was \$675,000. This amount represents the Board's commitment to help cover the employer's share of Health Care costs for eligible Food Service employees, which for FY 2016 equaled approximately \$721,957.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

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 \$15.3 million, an increase of \$1.3 million over last year's ending fund balance. This increase was in large part attributable to the use of \$1.0 million to fund encumbrances as of June 30, 2016. Revenues for the District's governmental funds were \$215.1 million, an increase of only \$704,887 over the prior year. This increase was the result of an increase in state aid for education of \$5.8 million and a decrease in the amount for capital contributions for school construction projects of \$6.1 million (the Bennett Middle School project was essentially completed as of June 30, 2015). Total expenditures were \$216.7 million for the year, a decrease of \$1.2 million. Once again, the decrease is attributable to the reduction in expenditures for capital project funds since the completion of the Bennett Middle School project was in large part over as of June 30, 2015.

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				
<u>GENERAL FUND REVENUES AND EXPENDITURES</u>				
			\$	%
	FY 2016	FY 2015	Incr (Decr)	Incr. (Decr.)
<u>REVENUES</u>	\$ 186,633,984	\$ 180,183,723	\$ 6,450,261	3.6%
<u>EXPENDITURES</u>	\$ 188,762,049	\$ 182,224,818	\$ 6,537,231	3.6%
	\$ (2,128,065)	\$ (2,041,095)	\$ (86,970)	4.3%
<u>OTHER FINANCING SOURCES (USES)</u>				
Increase in Rate Stabilization Reserve	\$ 1,567,345	\$ (74,505)	\$ 1,641,850	-2203.7%
Capital Lease Proceeds	1,952,722	1,277,114	675,608	52.9%
Interfund Transfers - Special Revenue	875,558	802,998	72,560	9.0%
Interfund Transfers - Capital Projects	(379,196)	-	(379,196)	100.0%
Interfund Transfers - Other	(675,000)	(675,000)	-	0.0%
	\$ 3,341,429	\$ 1,330,607	\$ 2,010,822	151.1%
EXCESS (DEFICIENCY) of Revenues & Other Financing Sources (Uses) over Expenditures	\$ 1,213,364	\$ (710,488)	\$ 1,923,852	270.8%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

Revenues increased by \$6.5 million as a result of an increase in state aid of \$5.4 million. The increase in state aid was in large part due to our county's increase in student enrollment and the fact that Wicomico County continues to have the lowest wealth per pupil in the state. Wicomico's 9/30/2014 full time equivalent (FTE) enrollment, which determined our FY 2016 state aid, increased by 144.5 students over 9/30/2013. Also, a significant factor contributing to the growth in state aid was Wicomico County's decrease in wealth of \$56 million, or 1.4%, over FY 2015. Since the state aid formula is wealth-equalized, our county's drop in wealth when compared to other school districts also attributes to the increase in state aid.

Special Revenue Fund (Restricted Grant Funds)

This fund is 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 an increase in grant funds over the prior year, largely due to an increase in state grant revenue associated with the expansion of early childhood funding.

Table 5				
<u>SPECIAL REVENUE FUND</u>				
	Fiscal Year	Fiscal Year	Increase	%
	FY 2016	FY 2015	(Decrease)	Incr. (Decr.)
<u>REVENUES</u>				
Federal Through State	\$ 12,887,634	\$ 12,334,107	\$ 553,527	4.49%
State of Maryland	1,264,467	1,598,720	(334,253)	-20.91%
Other	480,487	356,933	123,554	34.62%
TOTAL REVENUES	\$ 14,632,588	\$ 14,289,760	\$ 342,828	2.40%

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 2016, the Board recorded PSCP aid of \$3.7 million. These funds were used predominantly for systemic renovations that included an air-conditioning initiative at several schools, a partial HVAC renovation, and a partial roof replacement. During FY 2016, the Board utilized approximately \$385,000 of School Construction Savings Funds (SCSF) to subsidize state and county funding for capital projects. The remaining balance in the SCSF at June 30, 2016 is \$1.5 million. The SCSF was terminated by action of the Wicomico County Council effective June 30, 2013. The Board will continue to work with the current County Executive and County Council to have the SCSF reinstated.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

Proprietary Fund

Our school system has one proprietary fund and that is our Food Service Fund. This fund is accounted for as an enterprise fund in which fees are charged to external users for goods and services, much in the same way as business-type activities. Our Food Service Fund is faced with the reality of decreasing revenues and increasing expenditures in order to provide the required food and nutritional services to our students. Fortunately, in FY 2016, net position increased \$330,728 in large part due to the subsidy from the Board's General Fund. This increase in net position has resulted in the Board reducing its subsidy in FY 2017 by \$25,000.

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, 2016 were approximately \$20.7 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, 2016 were \$3.7 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, 2016 were approximately \$16.5 million (see footnote 7 and 10 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 \$180,054 as of June 30, 2016.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2016

(3) Agency Funds: During FY 2016 the Board’s 24 schools collected receipts and incurred disbursements 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 2016	Fiscal Year FY 2015	Increase (Decrease)	% Incr. (Decr.)
Additions	\$ 2,255,139	\$ 2,342,815	\$ (87,676)	-3.74%
Deductions	2,348,522	2,302,030	46,492	2.02%
Due to School Activity Groups - Beginning	522,981	482,196	40,785	8.46%
Due to School Activity Groups - Ending	<u>\$ 429,598</u>	<u>\$ 522,981</u>	<u>\$ (93,383)</u>	<u>-17.86%</u>

General Fund Budgetary Highlights

Original budget compared to final budget

The FY 2016 General Fund budget increased \$7.78 million. The increase was in large part made possible by \$5.30 million in additional state aid. Despite the revenue increase, the Board was forced to cut an additional \$822,000 of existing budget line items in order to offset on-going costs of doing business which exceeded \$7.3 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:

- \$583,695 – to fund the purchase of five (5) new Board owned school buses, two (2) seven passenger vans and one (1) transit vehicle to be used to transport students
- \$449,500 – to fund needed maintenance projects for our school facilities
- \$150,000 – to fund upgrades for school security/camera/sound systems
- \$144,000 – to fund the continuation of the whiteboard initiative at Wicomico High School

However, during FY 2016, the Board sought and received approval from the Wicomico County Council to increase our FY 2016 Budget to recognize the following additional revenue:

- \$142,167 of state aid for special education non-public placements to pay for the additional costs incurred associated with these student placements during the year
- \$379,196 of non-resident tuition aid as a result of the tuition exchange agreement with the State of Delaware. These funds were approved to be transferred from the General Fund to the Capital Projects fund.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

Final budget compared to actual results

Revenue estimates for budgetary purposes were very close to actual. The total variance was only \$201,571 or .12%, of budget.

Expenditure budget estimates exceeded actuals by \$1.88 million, or 1.1%. This excess was due in large part to actual salaries, wages and employee benefits under budget by \$1.06 million and operational costs for plant and equipment under budget by \$.33 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 2016. To help mitigate this situation, the Board has recently acquired a new budgeting software system which we are confident will assist in Position Control and Position Budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of FY 2016, 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 \$275.3 million. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$10.3 million.

Construction - Next Five Years

Annually, the Board of Education prepares and submits to the State Inter-Agency Committee for School Construction and to the Wicomico County Executive a 5-Year Capital Improvement Program (CIP). The Board's FY 2017 CIP, submitted in October 2015, requested \$12.1 million from the county and \$15.4 million from the state for FY 2017 capital needs. The FY 2017 requests that were approved by the state and county are as follows:

- West Salisbury Replacement Project - \$7.5 million from the county and \$4.0 million from the State as partial funding for construction/replacement.
- Systemic Renovation Projects - \$6.3 million from the state and \$700,000 from the county to fund various roofing, HVAC, and mechanical plant projects on various schools.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE

(1) Funding for education continues to be a concern of the Board of Education. FY 2016 County Council funding for the Board of Education's General Fund budget dropped again this year as a percentage of overall total General Fund revenues to 23.3%, compared to 23.8% in FY 2015. In FY 2017, County Council funding as a percentage of total revenues continues to drop, now only 22.7% of total General Fund revenues. With the advent of the state Maintenance of Effort (MOE) law and its stiff penalty, many county governments are only funding the required MOE level and no more. The Wicomico County Council has only funded the minimum level required by law (MOE) for FY 2015, FY 2016, and FY 2017. Since the MOE calculation is based upon a prior year's student count and does not consider the impact of inflation, the level of county funding for education is falling woefully behind in terms of maintaining fixed costs. Unless this approach to funding education is addressed in the future our school system will find it increasingly difficult to fund ongoing costs of doing business (fixed costs).

(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 address emergency repairs or systemic renovations is restricted. Even more important, the ability to match available State of Maryland awards for HVAC, roofing or lighting projects will be severely constrained. The Board remains committed to working with the County Executive and County Council to have the SCSP reinstated as soon as possible. The balance remaining in the SCSP as of June 30, 2016 was \$1.5 million of which our Facilities Planning Division has identified \$1.2 million of that total for much needed capital projects.

(3) Signed into law in 2012, Senate Bill 362 changed the age requirements for compulsory school attendance. Commencing in school year 2015-2016, the compulsory age for attendance rose from 16 to 17 and then in school year 2017-2018 the compulsory age will rise once again to 18. Attempting to address the many issues that will face our school system as a result of these state mandates has yet to be fully realized. However, our school system anticipates greater demands impacting our Department of Student Services as a result of this new law. It is anticipated that additional resources will be needed not only for the Department of Student Services, but also for the Division of Instruction as together these departments attempt to meet the instructional needs of this segment of our student population which will continue to increase in number.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

(4) Legislation passed during FY 2016, both federal and state, could have a significant impact on our school system. Below is list of those pieces of legislation which we believe could have the most financial impact in the very near future:

- Federal Legislation

- Every Student Succeeds Act (ESSA) – reauthorizes the 50-year-old Elementary and Secondary Education Act (ESEA), the nation's education law and long-standing commitment to equal opportunity for all students. The U.S. Dept. of Education recently released proposed regulations that could impact individual school funding decisions. The regulations involve a NEW requirement for local school systems to "demonstrate" how state and local dollars are allocated to each school receiving federal funding under the law according to the school's poverty level. This supplement, not supplant provision has caused a great deal of discussion and controversy on Capitol Hill that resulted in a recent Congressional House K-12 subcommittee hearing. We are monitoring this very closely.

- State of Maryland Legislation

- House Bill 999 – establishes the Commission on Innovation and Excellence in Education. The Commission must review the findings of the study of adequacy of funding for education, due on December 1, 2016, and provide a final report to the Governor by December 31, 2016. The report is expected to include recommendations as to how the state's funding for public education can improve in order to adequately and equitably fund Maryland's public schools.
- Senate Bill 520 – exempts from the motor fuel tax, motor fuel that is purchased for use in a school bus owned by a county board of education or used to transport students by a school bus operator under contract with a county board of education. This exemption will result in budget savings for Student Transportation in future years.
- Senate Bill 575 – increases the liability limit on a county board of education and the minimum amount of liability coverage a county board of education must maintain from \$100,000 to \$400,000 per occurrence. The bill applies prospectively to causes of action on or after the bill's October 1, 2016 effective date. It is expected that this change in the limit of sovereign immunity will increase our costs for liability insurance in the future.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2016

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, 2424 Northgate Drive, Suite 100, Salisbury, MD 21802-1538

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THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 299,530	\$ 1,330	\$ 300,860
Investments - cash equivalents	24,951,174	-	24,951,174
Accounts receivable:			
School districts and other	677,306	3,478	680,784
Accrued interest on investments	10,742	-	10,742
Due from other governmental agencies	9,667,462	289,593	9,957,055
Internal balances	(1,647,403)	1,647,403	-
Inventories	-	5,565	5,565
Prepaid expenses	2,326,455	-	2,326,455
Capital assets:			
Construction in progress	71,870,112	-	71,870,112
Land	4,079,740	-	4,079,740
Other depreciable capital assets, net	198,879,345	455,909	199,335,254
TOTAL ASSETS	311,114,463	2,403,278	313,517,741
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,658,164	-	1,658,164
LIABILITIES			
Accounts payable:			
Retainage	1,020,837	-	1,020,837
Vendors	3,582,271	85,249	3,667,520
Payroll deductions and withholdings	9,430,212	-	9,430,212
Payable to external parties	769,656	-	769,656
Due to other governmental agencies	52,313	5,565	57,878
Accrued salaries	962,211	18,915	981,126
Unearned revenue	2,561,119	32,280	2,593,399
Short term portion of long term liabilities:			
Accrued compensated absences	270,457	-	270,457
Capital lease payable	1,237,733	22,615	1,260,348
Long term liabilities:			
Accrued compensated absences	2,364,566	-	2,364,566
Capital lease payable	1,297,258	22,862	1,320,120
Net pension liability	5,540,042	-	5,540,042
TOTAL LIABILITIES	29,088,675	187,486	29,276,161
DEFERRED INFLOWS OF RESOURCES			
Pensions	223,063	-	223,063
NET POSITION			
Net investment in capital assets	272,294,206	410,432	272,704,638
Restricted for:			
Rate stabilization reserve	4,114,595	-	4,114,595
Capital projects	3,054,494	-	3,054,494
Unrestricted	3,997,594	1,805,360	5,802,954
TOTAL NET POSITION	\$ 283,460,889	\$ 2,215,792	\$ 285,676,681

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Current:				
Administration	\$ 6,782,626	\$ 27,822	\$ 859,567	\$ -
Instructional services	136,120,507	551,875	17,269,149	13,946,306
Special education	27,053,349	-	14,049,331	-
Student personnel services	3,145,310	-	249,836	-
Health services	2,129,723	-	166,130	-
Student transportation	9,579,044	-	5,655,997	-
Operation of plant and equipment	15,582,241	86,286	600,984	-
Maintenance of plant	4,486,567	-	130,157	-
Food services	22,887	-	22,887	-
Community services	378,034	44,511	182,716	-
Interest expense	23,729	-	-	-
Total Governmental Activities	205,304,017	710,494	39,186,754	13,946,306
Business-Type Activities				
Food Service	7,729,465	1,174,965	6,183,311	26,917
Total Business-Type Activities	7,729,465	1,174,965	6,183,311	26,917
Totals	\$ 213,033,482	\$ 1,885,459	\$ 45,370,065	\$ 13,973,223

General Revenues

Wicomico County appropriations
State of Maryland
Other revenue

Total General Revenues

Transfers

Change in Net Position

Net Position - beginning of year

Net Position - end of year

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

Net (Expenses) Revenue
and changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,895,237)	\$ -	\$ (5,895,237)
(104,353,177)	-	(104,353,177)
(13,004,018)	-	(13,004,018)
(2,895,474)	-	(2,895,474)
(1,963,593)	-	(1,963,593)
(3,923,047)	-	(3,923,047)
(14,894,971)	-	(14,894,971)
(4,356,410)	-	(4,356,410)
-	-	-
(150,807)	-	(150,807)
(23,729)	-	(23,729)
<hr/>		
(151,460,463)	-	(151,460,463)
<hr/>		
-	(344,272)	(344,272)
<hr/>		
-	(344,272)	(344,272)
<hr/>		
(151,460,463)	(344,272)	(151,804,735)
<hr/>		
41,306,646	-	41,306,646
119,866,714	-	119,866,714
102,173	-	102,173
<hr/>		
161,275,533	-	161,275,533
<hr/>		
(675,000)	675,000	-
<hr/>		
9,140,070	330,728	9,470,798
<hr/>		
274,320,819	1,885,064	276,205,883
<hr/>		
\$ 283,460,889	\$ 2,215,792	\$ 285,676,681

THE BOARD OF EDUCATION OF WICOMICO COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
ASSETS				
Cash	\$ 299,530	\$ -	\$ -	\$ 299,530
Investments - cash equivalents	24,951,174	-	-	24,951,174
Accounts receivable:				
School districts and other	639,653	29,853	7,800	677,306
Accrued interest on investments	10,742	-	-	10,742
Due from other governmental agencies	717,932	4,058,662	4,890,868	9,667,462
Due from other funds	-	-	1,333,010	1,333,010
TOTAL ASSETS	\$ 26,619,031	\$ 4,088,515	\$ 6,231,678	\$ 36,939,224
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Retainage	\$ -	\$ -	\$ 1,020,837	\$ 1,020,837
Vendors	1,067,862	358,062	2,156,347	3,582,271
Payroll deductions and withholdings	9,430,212	-	-	9,430,212
Due to other funds	2,841,297	908,772	-	3,750,069
Accrued salaries and other	836,156	126,055	-	962,211
Accrued compensated absences	270,457	-	-	270,457
Unearned revenue	87,479	2,473,640	-	2,561,119
Due to other governmental agencies	-	52,313	-	52,313
TOTAL LIABILITIES	14,533,463	3,918,842	3,177,184	21,629,489
FUND BALANCES				
Restricted for fund purposes	-	169,673	3,054,494	3,224,167
Committed:				
Healthcare rate stabilization reserve	4,114,595	-	-	4,114,595
Assigned to:				
Healthcare rate stabilization reserve	550,802	-	-	550,802
Subsequent year expenditures	1,579,344	-	-	1,579,344
Other purposes (encumbrances)	4,024,693	-	-	4,024,693
Unassigned	1,816,134	-	-	1,816,134
Total fund balances	12,085,568	169,673	3,054,494	15,309,735
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,619,031	\$ 4,088,515	\$ 6,231,678	\$ 36,939,224

The Notes to the Basic 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, 2016

Total Governmental Funds Balances		\$ 15,309,735
Amounts reported for governmental activities in the statement of net position are different because:		
Pre-payment of post-employment health care benefits		2,326,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements		274,829,197
Deferred outflows of resources related to pensions not reported in the funds		1,658,164
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Accrued compensated absences	(2,364,566)	
Net pension liability	(5,540,042)	
Capital lease payable	<u>(2,534,991)</u>	
		(10,439,599)
Deferred inflows of resources related to pensions not reported in the funds		<u>(223,063)</u>
Net Position of Governmental Activities		<u>\$ 283,460,889</u>

The Notes to the Basic 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, 2016

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
REVENUES				
Wicomico County appropriations				
Operations	\$ 38,067,637	\$ -	\$ -	\$ 38,067,637
Local share of State pension	3,239,009	-	-	3,239,009
Other local revenue	787,481	265,520	-	1,053,001
State of Maryland	132,621,139	1,264,467	3,685,514	137,571,120
State of Maryland retirement and pension contribution	11,893,532	-	-	11,893,532
Federal through state	-	12,887,634	-	12,887,634
Other sources	25,186	214,967	10,167,001	10,407,154
TOTAL REVENUES	186,633,984	14,632,588	13,852,515	215,119,087
EXPENDITURES				
Current:				
Administration	4,604,715	431,519	-	5,036,234
School management and support	12,596,860	192,559	-	12,789,419
Instructional salaries and wages	67,269,847	4,512,621	-	71,782,468
Textbooks and instructional supplies	2,571,300	861,670	-	3,432,970
Other instructional costs	1,166,541	1,197,880	-	2,364,421
Special education	15,685,705	3,528,531	-	19,214,236
Student personnel services	2,331,241	55,093	-	2,386,334
Health services	1,479,580	13,364	-	1,492,944
Student transportation	8,522,445	356,930	-	8,879,375
Operation of plant and equipment	12,166,054	1,724	-	12,167,778
Maintenance of plant	3,855,343	263	-	3,855,606
Fixed charges	37,959,552	2,208,748	-	40,168,300
Food services	-	22,887	-	22,887
Community services	177,249	141,184	-	318,433
Capital outlay	4,802,096	187,941	14,219,219	19,209,256
Debt service				
Capital lease principal	1,656,260	-	-	1,656,260
Capital lease interest	23,729	-	-	23,729
State of Maryland share of retirement and pension contribution	11,893,532	-	-	11,893,532
TOTAL EXPENDITURES	188,762,049	13,712,914	14,219,219	216,694,182
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,128,065)	919,674	(366,704)	(1,575,095)
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance settlement	1,567,345	-	-	1,567,345
Capital lease proceeds	1,952,722	-	-	1,952,722
Interfund transfers - special revenue	875,558	(875,558)	-	-
Interfund transfers - capital projects	(379,196)	-	379,196	-
Interfund transfers - food services	(675,000)	-	-	(675,000)
TOTAL OTHER FINANCING SOURCES (USES)	3,341,429	(875,558)	379,196	2,845,067
Net change in fund balances	1,213,364	44,116	12,492	1,269,972
Fund balances - beginning of year	10,872,204	125,557	3,042,002	14,039,763
Fund balances - end of year	\$ 12,085,568	\$ 169,673	\$ 3,054,494	\$ 15,309,735

The Notes to the Basic 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, 2016

Net change in fund balances-total Governmental Funds \$ 1,269,972

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.

Capital asset additions	18,224,933	
Current year depreciation	(10,213,144)	
Total	8,011,789	8,011,789

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in long-term accrued compensated absences	68,651	
Increase in pre-funded post-employment health care benefits	476,061	
Increase in net pension liability	(1,825,042)	
Increase in net deferred outflows	1,658,164	
Increase in net deferred inflows	(223,063)	

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:

(296,462)

Change in net position of Governmental Activities \$ 9,140,070

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 June 30, 2016

	<u>Business-Type Activities</u>
	<u>Food Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,330
Due from other funds	1,647,403
Due from other governments	289,593
Accounts receivable - other	3,478
Inventories	<u>5,565</u>
Total current assets	<u>1,947,369</u>
Capital assets, net	<u>455,909</u>
TOTAL ASSETS	<u><u>2,403,278</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	104,164
Due to other governmental agencies	5,565
Unearned revenue	32,280
Short term portion of capital lease payable	<u>22,615</u>
Total current liabilities	164,624
Long term portion of capital lease payable	<u>22,862</u>
TOTAL LIABILITIES	<u><u>187,486</u></u>
NET POSITION	
Net investment in capital assets	410,432
Unrestricted	<u>1,805,360</u>
TOTAL NET POSITION	<u><u>\$ 2,215,792</u></u>

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2016

	Business-Type Activities
	<u>Food Service</u>
OPERATING REVENUES	
Food service sales	<u>\$ 1,174,965</u>
OPERATING EXPENSES	
Salaries and wages	2,457,879
Contracted services	59,526
Supplies and materials	4,015,595
Other charges	1,141,250
Depreciation	55,215
TOTAL OPERATING EXPENSES	<u>7,729,465</u>
OPERATING LOSS	(6,554,500)
NON-OPERATING REVENUES (EXPENSES)	
State of Maryland:	
Reimbursement of food costs	158,930
Federal through State:	
Reimbursement of food costs	5,610,250
Donation of food commodities	414,131
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,183,311</u>
Change in net position before contributions and transfers	(371,189)
CAPITAL CONTRIBUTION - Equipment	26,917
TRANSFERS IN	<u>675,000</u>
Change in net position	330,728
Net position - beginning of year	<u>1,885,064</u>
Net position - end of year	<u><u>\$ 2,215,792</u></u>

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 938,779
Cash payments to employees for services, fringe benefits	(2,774,862)
Cash payments for health and other insurances	(828,848)
Cash payments to suppliers for goods and services	(3,643,476)
Cash payments for facility use and maintenance	(59,526)
Net cash used in operating activities	(6,367,933)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Nonoperating grants received	5,769,180
Interfund transfers	675,000
Net cash provided by noncapital financing activities	6,444,180
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of equipment	(53,875)
Principal payment on capital lease obligation	(22,372)
Net cash used in capital and related financing activities	(76,247)
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	\$ (6,554,500)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	55,215
Commodities used	414,131
(Increase) decrease in assets:	
Inventories	(4,119)
Receivables	(236,186)
(Decrease) increase in liabilities:	
Accounts payable and accrued liabilities	(45,984)
Unearned revenue and due to other governments	3,510
Total adjustments	186,567
Net cash used in operating activities	\$ (6,367,933)

Noncash items:

Capital contributions of equipment	\$ 26,917
Donation of food commodities	414,131

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2016

	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	\$ 3,767,431	\$ -	\$ 41,478
Due from other funds	-	175,791	593,865
Accounts receivable	-	-	1,811
Trust investments			
Government bonds	4,662,448	-	-
Commercial paper	215,630	-	-
Mortgage loans	766,722	-	-
Corporate bonds	7,627,940	-	-
Common stock	23,696,578	4,263	-
Other	80,492	-	-
	<hr/>	<hr/>	<hr/>
Total assets	40,817,241	180,054	637,154
LIABILITIES			
Accounts payable	-	96	207,556
Due to school activity groups	-	-	429,598
	<hr/>	<hr/>	<hr/>
Total liabilities	-	96	637,154
NET POSITION			
Held in Trust for:			
Retirement and other benefits	40,817,241	-	-
Scholarships, etc.	-	179,958	-
	<hr/>	<hr/>	<hr/>
Total net position	\$ 40,817,241	\$ 179,958	\$ -

The Notes to the Basic 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, 2016

	<u>Pension and Retiree Health Plan Trust Funds</u>	<u>Private Purpose Trust Fund - Scholarship Memorials</u>
ADDITIONS		
Contributions:		
Donations	\$ -	\$ 34,958
Employer contributions	2,582,467	-
Plan member contributions	399,334	-
Total contributions	2,981,801	34,958
Investment earnings:		
Interest and dividends	1,068,993	333
Less: investment-related expense	(102,917)	-
Change in fair value of investments	(1,645,611)	-
Total investment earnings	(679,535)	333
Total additions	2,302,266	35,291
DEDUCTIONS		
Scholarships, etc.	-	29,019
Pension benefit payments	1,619,692	-
Administrative expenses	128,916	-
Total deductions	1,748,608	29,019
Change in net position	553,658	6,272
Net position - beginning of year	40,263,583	173,686
Net position - end of year	\$ 40,817,241	\$ 179,958

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

NOTES TO THE BASIC 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.

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 THE BASIC 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, Instructional Resource Center, Solar Facilities, and Transportation funds are also included as special revenue funds.

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 THE BASIC 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 unearned 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 THE BASIC 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.

Unearned revenue – 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 unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned 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 unearned 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 under the consumption method.

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 THE BASIC 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 capital 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

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

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

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

L. Fund Balance

Fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable (i.e. inventory or long term receivables), restricted (by external parties or legislation), committed (by resolution of the Board of Education), assigned (by management approval for specific purposes) and unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board (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 2016 unassigned fund balance becomes assigned fund balance for fiscal year 2018.

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 represent resources moved between funds (refer to Note 3).

NOTES TO THE BASIC 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, 2016, 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, 2016, encumbrances outstanding totaled \$4,024,693, compared to \$3,010,472 in the prior year, and included the following functions:

Function	Amount
Administration	\$ 136,530
School management and support	16,877
Textbooks and instructional supplies	258,663
Other instructional costs	448,604
Special education	60,969
Student personnel services	(1,840)
Health services	6,085
Student transportation	271,648
Operation of plant and equipment	958,843
Maintenance of plant	994,435
Community services	16,070
Capital outlay	857,809
Encumbrances recorded as expenditures	\$ 4,024,693

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 THE BASIC 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 fair 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, 2016, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash	\$ 300,860	\$ 4,532,870
Investments - cash equivalents	24,951,174	24,951,174

At June 30, 2016, the Board had bank deposits totaling \$4,532,870 with a carrying value of \$300,860. 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, 2016, 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	4,282,870
Uninsured and collateral held by pledging bank's trust department not in the Board's name	-
	\$ 4,532,870

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 fair value. Investments in MLGIP totaled \$24,951,174 at June 30, 2016 with \$4,665,397 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 THE BASIC 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>Retiree Health</u>	<u>Total</u>
	<u>BNY Mellon</u>	<u>AETNA</u>	<u>Janus</u>	<u>Plan Trust</u>	
				<u>BNY Mellon</u>	
Cash and equivalents	\$ 1,564,329	\$ 30,855	\$ 99,330	\$ 2,072,917	\$ 3,767,431
Government bonds	2,251,485	51,219	348,870	2,010,874	4,662,448
Commercial paper (less than 1 year)	-	215,630	-	-	215,630
Mortgage loans	-	321,042	445,680	-	766,722
Corporate bonds	3,434,879	1,139,613	522,418	2,531,030	7,627,940
Common stock	11,687,677	-	2,161,948	9,846,953	23,696,578
Other	-	-	80,492	-	80,492
Total	\$ 18,938,370	\$ 1,758,359	\$ 3,658,738	\$ 16,461,774	\$ 40,817,241

Corporate bonds held at June 30, 2016 are rated by Standard & Poor's as follows:

<u>Rating</u>	<u>Percent of Corporate Bond Portfolio</u>			
	<u>Pension Trust</u>		<u>401(a)</u>	<u>Retiree Health</u>
	<u>BNY Mellon</u>	<u>AETNA</u>	<u>Janus</u>	<u>Plan Trust</u>
				<u>BNY Mellon</u>
AAA	5.85%		25.67%	5.79%
AA+	5.40%			5.86%
AA	9.83%		24.69%	10.24%
AA-	16.12%			21.61%
A+	18.46%	20.97%		18.12%
A	28.02%		6.30%	30.26%
A-	6.22%	38.71%		2.75%
BBB+	5.96%	19.35%		3.91%
BBB	4.14%		32.52%	1.46%
BBB-		20.97%		
BB			7.56%	
B			1.14%	
Not Rated			2.12%	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

PENSION TRUST:

BNY Mellon:

Corporate bond issues held at June 30, 2016 are as follows:

Par Value	Description	Coupon Rate	Due
\$70,000	Baker Hughes Inc.	7.50%	11/15/18
\$70,000	Becton Dickinson	1.75%	11/08/16
\$185,000	Berkshire Hathaway	1.60%	05/15/17
\$185,000	Caterpillar Inc.	5.45%	04/15/18
\$200,000	Charles Schwab Corp	4.45%	07/22/20
\$200,000	Cisco Systems Inc.	2.13%	03/01/19
\$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 El De Nemours	6.00%	07/15/18
\$200,000	Franklin Resources Inc.	4.63%	05/20/20
\$175,000	General Electric Co.	5.25%	12/06/17
\$125,000	GTE Corp	6.84%	04/15/18
\$120,000	IBM Corp.	5.70%	09/14/17
\$70,000	Intel Corp.	1.95%	10/01/16
\$185,000	Johnson & Johnson	5.15%	07/15/18
\$60,000	Nucor Corp.	5.75%	12/01/17
\$150,000	PepsiCo Inc.	7.90%	11/01/18
\$100,000	Pfizer Inc.	6.20%	03/15/19
\$30,000	Pharmacia Corp.	8.70%	10/15/21
\$135,000	Pitney Bowes Inc.	4.75%	05/15/18
\$200,000	Qualcomm Inc.	3.00%	05/20/22
\$95,000	The Walt Disney Company	1.35%	08/16/16
\$170,000	United Parcel Service	5.50%	01/15/18
\$50,000	United Technologies Corp.	5.38%	12/15/17

AETNA:

Corporate bond issues held at June 30, 2016 are as follows:

	Percent of Holdings
Kinder Morgan Inc.	20.98%
Berkshire Hathaway Inc.	20.97%
Bank of America Corp.	19.35%
Duke Energy	19.35%
Credit Suisse Group AG	19.35%

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

401(a):

Janus:

Corporate bond issues held at June 30, 2016 are as follows:

	Percent of Holdings
Janus Balanced Fund T (JABAX)	100.00%
Average duration 5.56 years	

RETIREE HEALTH PLAN TRUST:

BNY Mellon:

Corporate bond issues held at June 30, 2016 are as follows:

Par Value	Description	Coupon Rate	Due
\$20,000	Baker Hughes Inc.	7.50%	11/15/18
\$45,000	Becton Dickinson	1.75%	11/08/16
\$145,000	Berkshire Hathaway	1.60%	05/15/17
\$135,000	Caterpillar Inc.	5.45%	04/15/18
\$150,000	Charles Schwab Corp	4.45%	07/22/20
\$160,000	Cisco Systems Inc.	2.13%	03/01/19
\$15,000	ConocoPhillips Corp.	5.20%	05/15/18
\$110,000	Costco Wholesale Corp.	1.13%	12/15/17
\$125,000	Deere Capital Corp.	2.00%	01/13/17
\$15,000	Dupont El De Nemours	6.00%	07/15/18
\$150,000	Franklin Resources Inc.	4.63%	05/20/20
\$140,000	General Electric Co.	5.25%	12/06/17
\$50,000	GTE Corp	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
\$150,000	Mastercard Inc.	2.00%	04/01/19
\$20,000	Nucor Corp.	5.75%	12/01/17
\$80,000	PepsiCo Inc.	7.90%	11/01/18
\$100,000	Pfizer Inc.	6.20%	03/15/19
\$35,000	Pitney Bowes Inc.	4.75%	05/15/18
\$150,000	Qualcomm Inc.	3.00%	05/20/22
\$150,000	Toyota Motor Corp	2.00%	10/24/18
\$60,000	The Walt Disney Company	1.35%	08/16/16
\$135,000	United Parcel Service	5.50%	01/15/18
\$15,000	United Technologies Corp.	5.38%	12/15/17

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Interfund Receivables and Payables

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

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES:		
General Fund		
Due to Food Service Fund	\$ -	\$ 1,647,403
Due from Special Revenue Fund	908,772	-
Due to Capital Projects Fund	-	1,333,010
Due to School Activities Fund	-	593,865
Due to Trust Fund	-	175,791
Special Revenue Fund		
Due to General Fund	-	908,772
Capital Projects Fund		
Due from General Fund	1,333,010	-
BUSINESS-TYPE ACTIVITIES		
Enterprise Fund		
Due from General Fund	1,647,403	-
FIDUCIARY NET POSITION		
Due from General Fund	769,656	-
TOTAL ALL FUNDS	\$ 4,658,841	\$ 4,658,841

Due to/from other funds represent advances of cash for operating needs. Transfers of \$675,000 from the General Fund to the Food Services Fund are to supplement wages and benefits. Transfers of \$379,196 from the General Fund to the Capital Projects Fund are to fund school improvement projects, and transfers of \$875,558 from the Special Revenue Fund to the General Fund are for internal services provided, including pension and indirect costs charged to restricted grants and print shop fees.

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	\$ -	\$ 3,733,671	\$ -	\$ 3,733,671	\$ 271,789
Due from State	717,932	324,991	807,869	1,850,792	17,804
Due from local and other	-	-	4,082,999	4,082,999	-
Total due from other governmental agencies	\$ 717,932	\$ 4,058,662	\$ 4,890,868	\$ 9,667,462	\$ 289,593
Due to Federal	\$ -	\$ 31,533	\$ -	\$ 31,533	\$ 5,565
Due to State	-	20,550	-	20,550	-
Due to local and other	-	230	-	230	-
Total due to other governmental agencies	\$ -	\$ 52,313	\$ -	\$ 52,313	\$ 5,565

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deductions	Transfers	Balance June 30, 2016
Governmental Activities					
Capital Assets, not being depreciated					
Land	\$ 4,079,740	\$ -	\$ -	\$ -	\$ 4,079,740
Construction in progress	66,212,904	14,423,602	-	(8,766,394)	71,870,112
Total capital assets, not being depreciated	<u>70,292,644</u>	<u>14,423,602</u>	<u>-</u>	<u>(8,766,394)</u>	<u>75,949,852</u>
Capital assets, being depreciated					
Buildings and improvements	269,073,431	80,048	-	8,646,485	277,799,964
Furniture and equipment	38,381,582	2,999,076	(381,255)	119,909	41,119,312
Vehicles	2,486,864	722,207	-	-	3,209,071
Total capital assets, being depreciated	<u>309,941,877</u>	<u>3,801,331</u>	<u>(381,255)</u>	<u>8,766,394</u>	<u>322,128,347</u>
Less accumulated depreciation:					
Buildings and improvements	(83,465,796)	(6,501,824)	-	-	(89,967,620)
Furniture and equipment	(28,573,944)	(3,460,931)	381,255	-	(31,653,620)
Vehicles	(1,377,373)	(250,389)	-	-	(1,627,762)
Total accumulated depreciation	<u>(113,417,113)</u>	<u>(10,213,144)</u>	<u>381,255</u>	<u>-</u>	<u>(123,249,002)</u>
Total capital assets, being depreciated, net	<u>196,524,764</u>	<u>(6,411,813)</u>	<u>-</u>	<u>8,766,394</u>	<u>198,879,345</u>
Governmental activities capital assets, net	<u>\$ 266,817,408</u>	<u>\$ 8,011,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,829,197</u>
Business-type activities					
Equipment	\$ 2,220,554	\$ 80,792	\$ (4,046)	\$ -	\$ 2,297,300
Accumulated depreciation	(1,790,222)	(55,215)	4,046	-	(1,841,391)
Business-type activities capital assets, net	<u>\$ 430,332</u>	<u>\$ 25,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,909</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 170,430
Instructional services	9,113,181
Special Education	38,198
Student Personnel Services	15,056
Health Services	7,314
Student transportation	218,309
Operation of plant and equipment	589,564
Maintenance of plant	54,620
Community Services	6,472
Total governmental depreciation expense	<u>10,213,144</u>

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

Food service	<u>55,215</u>
Total business-type depreciation expense	<u>55,215</u>
Total depreciation expense	<u>\$ 10,268,359</u>

NOTES TO THE BASIC 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, 2016, the health insurance reserve had the following activity:

Balance at July 1, 2015	\$	4,414,258
Subsidy for rate increase		(1,200,000)
Insurance settlement - 2015		1,567,345
Interest earned		10,836
Consulting and other expenditures		<u>(127,042)</u>
 Balance at June 30, 2016	 \$	 <u>4,665,397</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, 2015, the Board’s share of the consortium’s settlement was a surplus of \$1,567,345. These amounts were included as other financing sources (uses) during the year ended June 30, 2016.

Note 7. Post-Retirement Health Care Benefits

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.

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 760 retirees who have worked for at least five years are eligible to participate in the post-retirement benefit program.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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 \$5.29 million, including approximately \$3.35 million for current claim costs (approximately 70% of total premiums); an additional \$1.83 million to pre-fund benefits and an estimated retiree subsidy of \$118 thousand. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$205 per month for retirees-only coverage (if under 65), \$143 per month for retirees-only coverage (if 65 or older) and \$1,102 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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		\$ 4,860,856
Interest on net OPEB obligation		(134,154)
Adjustment to annual required contribution		<u>90,245</u>
Annual OPEB cost (expense)		4,816,947
Contributions made:		
Premium equivalency & retiree subsidy payments from General Fund	(3,464,103)	
Prefunding contribution	<u>(1,828,905)</u>	
Total contributions made		<u>(5,293,008)</u>
Net change in OPEB obligation (asset)		(476,061)
Net OPEB obligation (asset) - beginning of year		<u>(1,850,394)</u>
Net OPEB obligation (asset) - end of year		<u><u>\$ (2,326,455)</u></u>

NOTES TO THE BASIC 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)
2014	\$ 4,062,589	\$ 3,888,000	95.70%	\$ (2,129,702)
2015	4,165,416	3,886,108	93.29%	(1,850,394)
2016	4,816,947	5,293,008	109.88%	(2,326,455)

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 2015, the most recent actuarial valuation date, the plan was 22.2% funded. The actuarial accrued liability for benefits was \$67,456,435 and the actuarial value of assets was \$14,942,800 resulting in an unfunded actuarial accrued liability (UAAL) of \$52,513,635. The covered payroll (annual payroll of active employees covered by the plan) was \$109,468,198 and the ratio of the UAAL to the covered payroll was 47.97%.

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 2015 actuarial valuation study, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% 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 6% initially, reduced by decrements to an ultimate rate of 5% after one year. 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, 2015 was 30 years.

NOTES TO THE BASIC 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.

In 2015, senior management created a Risk Management Committee, with the initial purpose to review reported employee injuries and varies insurance claims involving Board property, with a goal to identify underlying risks and primary cause of injuries or loss. As all entities face uncertainty and risk, the future mission of the committee will be to institute a formal program of Enterprise Risk Management (ERM). ERM is a continuous process to identify potential events that may affect the school system, determine what level of risk can be assumed and provide reasonable assurance that objectives can be achieved.

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

Plan Description

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Teachers' Retirement System and the Teachers' Pension System (continued)

Plan Description (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.

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. The State of Maryland pays the unfunded liability for the Teachers' Systems. Total contributions paid by the State to the Plan for the year ended June 30, 2016 were \$11,893,532. On-behalf payments are recognized as revenues and expenditures in the Board's general fund. The Board has no contingent liability for funding deficits in the system should such occur.

In addition to the above contribution, during fiscal year 2016, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the Board will be paying 100% of the normal cost for each teacher. As contractually required, during fiscal year 2016, the Board contributed \$4,052,348 to the Teachers' Retirement and Pension System, or 100% of the normal cost.

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. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Teachers' Retirement System and the Teachers' Pension System (continued)

Significant Plan Benefits and Policies (continued)

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 \$11,893,532 on behalf of the Board while the Board contributed \$4,052,348 during fiscal year 2016 as a direct result of Maryland Senate Bill 1301. On-behalf payments are recognized as revenues and expenditures in the Board's general fund.

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 pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

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

Employee and Employer Contributions:

Effective July 1, 2011, members of the Teachers' 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, 2016. 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 \$11,893,532 on behalf of the Board while the Board contributed \$4,052,348 during fiscal year 2016 as a direct result of Maryland Senate Bill 1301. On-behalf payments are recognized as revenues and expenditures in the Board's general fund.

Employer's Payroll Covered Under the Plan

The employer's payroll for the year ended June 30, 2016 and payroll covered under the Teachers' Retirement and Pension Systems is as follows:

Total payroll	\$ 118,845,787
Payroll covered under the plan	\$ 98,572,456

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Teachers' Retirement System and the Teachers' Pension System (continued)

Pension Liabilities and Pension Expense

Because the State of Maryland pays the unfunded liability for the Teachers' Retirement and Pension Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. Total pension expense related to the Teachers' Systems totaled \$4,052,348 for the year ended June 30, 2016, the Board's required portion of the normal cost.

The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

		2016
Board's proportionate share of the net pension liability (Employees' Systems)	\$	-
State's proportionate share of the net pension liability (Teachers' Systems)		119,020,880
Total	\$	119,020,880

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. Since the Board has no contingent liability for funding deficits in the Teachers' Retirement and Pension Systems, the Board did not record a proportionate share of the net pension liability as of June 30, 2016 related to the System.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Teachers' Retirement System and the Teachers' Pension System (continued)

Actuarial Assumptions

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

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70% including inflation
Investment Rate of Return	7.55%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	<u>100%</u>	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Teachers' Retirement System and the Teachers' Pension System (continued)

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Additional information, including sensitivity measures and ten year historical trends, can be obtained from the separately issued State Retirement and Pension System of Maryland Annual Financial Report. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

NOTES TO THE BASIC 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.

The Plan's financial statements, as reported in the Schedule of Fiduciary Net Position, are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the Board of Educations has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 56% equities, 8% cash and cash equivalents, and 36% fixed income securities on a cost basis valued at year end.

The annual contribution to the plan will be determined by the Wicomico County Board of Education as part of its annual budget. The contribution must be deposited monthly and the funding goal will be the greater of the following:

- 1) The level contribution required to fund all current and future benefits promised to current plan participants over the next 20 years, or
- 2) 7.00% of the salaries of eligible Plan participants

A Board of Trustees (Trustees) was established to oversee the implementation of and adherence to the Investment Policy and to oversee the Investment Manager. The Trustees will oversee the general investment philosophy; provide oversight of the Investment Manager; and inform the Employers, or designees of the Employers, of the plan performance on a quarterly basis. Compliance with the Trust Agreement will be required.

Significant Plan Benefits and Policies

The specific benefit provisions of the Board of Education's plan were established by the adoption of the plan document. The plan provides for benefits upon retirement, death, disablement and termination of employment, if certain eligibility conditions are met.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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

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, 2016 and payroll covered, as of the latest actuarial valuation, under the Plan is as follows:

Total payroll	\$ 118,845,787
Payroll covered under the plan	\$ 10,005,366

Plan membership at July 1, 2015, the date of the latest actuarial valuation, consisted of 312 active plan members, 155 retirees and beneficiaries, and 20 vested terminees.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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

Pension Liability and Pension Expense

The Board's total pension liability is an amount actuarially determined in accordance with the parameters of GASB Statement 67. The following table shows the components of the Board's total pension liability, fiduciary net position, and the resulting net pension liability:

	June 30, 2015	June 30, 2016
Total pension liability		
Service cost	\$ 842,490	\$ 854,284
Interest	1,849,338	1,898,022
Benefit payments	(1,250,672)	(1,502,818)
Change in assumption	-	(260,240)
Experience (gain) loss	-	19,531
Net change in total pension liability	1,441,156	1,008,779
Total pension liability - beginning	23,786,836	25,227,992
Total pension liability - ending (a)	25,227,992	26,236,771
 Plan fiduciary net position		
Contribution - employer	722,205	753,562
Contribution - plan member	381,911	399,334
Net investment income	88,504	(400,584)
Benefit payments	(1,250,672)	(1,502,591)
Administrative expenses	(49,433)	(65,984)
Net change in plan fiduciary net position	(107,485)	(816,263)
Plan fiduciary net position - beginning	21,620,477	21,512,992
Plan fiduciary net position - ending (b)	21,512,992	20,696,729
 Net pension liability (a - b)	 \$ 3,715,000	 \$ 5,540,042

The Board's annual required contribution, actual employer contribution, and percentage of contribution are as follows:

Year Ended	Actuarially Determined	Actual	Contribution Deficiency	Covered	Actual Contribution as of % of
June 30,	Contribution	Contribution	(Excess)	Payroll	Covered Payroll
2014	\$ 615,285	\$ 705,355	\$ (90,070)	\$ 9,186,822	7.68%
2015	569,976	722,205	(152,229)	9,616,697	7.51%
2016	683,328	753,562	(70,234)	10,005,366	7.53%

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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

Deferred Inflows/Outflows of Resources

At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to the retirement plan for employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (223,063)
Net difference between projected and actual investment earnings on pension plan investments	1,641,618	-
Difference between actual and expected experience	16,546	-
Total	\$ 1,658,164	\$ (223,063)

The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 7 years. The net difference in investment earnings for is being amortized over a closed five year period. The following table shows the amortization of these balances:

2016 BALANCE AMORTIZATION			
	DEFERRED OUTFLOWS		DEFERRED INFLOWS
Year End June 30,	Net Difference in Investment Earnings	Actual and Expected Experience	Change in Assumptions
2017	410,405	2,758	(37,177)
2018	410,405	2,758	(37,177)
2019	410,404	2,758	(37,177)
2020	410,404	2,758	(37,177)
2021	-	2,757	(37,177)
2022		2,757	(37,178)
	<u>1,641,618</u>	<u>16,546</u>	<u>(223,063)</u>

Funding Status and Funding Progress

As of the most recent actuarial valuation date, the plan was 78.9% funded. The total pension liability for benefits was \$26,236,771 and the plan fiduciary net position was \$20,696,729 resulting in a net pension liability of \$5,540,042. The covered payroll (annual payroll of active employees covered by the plan) was \$10,005,366 and the ratio of the net pension liability to the covered payroll was 55.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of the employer's net pension liability, 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 total pension liability for benefits.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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

Actuarial Assumptions

Additional information as of the latest actuarial valuation follows:

Actuarial	Entry Age Normal
Amortization Method	Level Dollar, open basis
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increases	Age banded values ranging from 2.5% to 5.5%
Investment Rate of Return	7.25%
Retirement Age	Graded from ages 55-64; 100% at age 65
Mortality	RP-2000 with scale AA generational improvement and a 3 year set forward.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocations	Long-term Historical Returns	Building Blocks Range of Expected Returns
Fixed Income	30.00% - 40.00%	3.00% - 4.00%	0.90% - 1.6%
Equities	50.00% - 60.00%	8.00% - 10.00%	4.00% - 6.00%
Other	0.00% - 10.00%	0.00% - 1.00%	0.00% - 0.10%
			4.90% - 7.70%
		Rate selected:	7.25%

Based on the current Investment Policy and Funding Policy, the Plan is projected not to deplete; therefore, the same rate of 7.25% is used for both the discount rate and the long-term rate of expected investment returns. The projection of cash flow to determine the discount rate assumed the contributions from plan members will be made at the current contribution rate and that contributions from the Board will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following represents the net pension liability of the Board calculated using the discount rate of 7.25%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	8,245,401	5,540,042	3,223,015

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -2.20%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the change amounts actually invested.

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, 2016, 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	\$ 3,658,738	\$ 20,696,729	\$ 16,461,774	\$ 40,817,241
Total assets	3,658,738	20,696,729	16,461,774	40,817,241
NET POSITION				
Held in trust for retirement and other benefits	\$ 3,658,738	\$ 20,696,729	\$ 16,461,774	\$ 40,817,241

NOTES TO THE BASIC 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:

	401(a) <u>Retirement Plan</u>	Employees <u>Pension</u>	Retiree Health <u>Plan Trust</u>	<u>Total</u>
ADDITIONS				
Contributions	\$ -	\$ 1,152,896	\$ 1,828,905	\$ 2,981,801
Net investment earnings	(19,873)	(400,584)	(259,078)	(679,535)
Total additions	(19,873)	752,312	1,569,827	2,302,266
DEDUCTIONS				
Pension benefit payments	117,101	1,502,591	-	1,619,692
Administrative expenses	12,110	65,984	50,822	128,916
Total deductions	129,211	1,568,575	50,822	1,748,608
Change in net position	(149,084)	(816,263)	1,519,005	553,658
Net position - beginning of year	3,807,822	21,512,992	14,942,769	40,263,583
Net position - end of year	<u>\$ 3,658,738</u>	<u>\$ 20,696,729</u>	<u>\$ 16,461,774</u>	<u>\$ 40,817,241</u>

Note 11. Capital Leases

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

The following is an analysis of equipment currently being leased under capital leases as of June 30, 2016:

GOVERNMENTAL ACTIVITIES	<u>Capital Assets</u>
Vehicles:	
2014	\$ 122,611
2015	122,993
2016	121,179
Computers:	
2014	1,637,052
2015	1,154,121
2016	<u>1,831,543</u>
Total	<u>\$ 4,989,499</u>
 BUSINESS-TYPE ACTIVITIES	
Equipment:	
2015	<u>\$ 90,960</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 11. Capital Leases (Continued)

Approximate future minimum lease commitments are as follows:

GOVERNMENTAL ACTIVITIES

Fiscal Year Ending	Computers/Vehicles			Total
	2016	2015	2014	
June 30, 2017	\$ 498,250	\$ 324,489	\$ 446,250	\$ 1,268,989
June 30, 2018	498,250	324,489	-	822,739
June 30, 2019	498,250	-	-	498,250
	<u>1,494,750</u>	<u>648,978</u>	<u>446,250</u>	<u>2,589,978</u>
Less: amount representing interest	<u>(40,278)</u>	<u>(10,459)</u>	<u>(4,250)</u>	<u>(54,987)</u>
Present value of future minimum lease payments	<u>\$ 1,454,472</u>	<u>\$ 638,519</u>	<u>\$ 442,000</u>	<u>\$ 2,534,991</u>

BUSINESS-TYPE ACTIVITIES

	Equipment
June 30, 2017	\$ 23,111
June 30, 2018	<u>23,111</u>
Less: amount representing interest	<u>(745)</u>
Present value of future minimum lease payments	<u>\$ 45,477</u>

Interest expense related to the above capital leases, with interest rates ranging from 0.94% to 2.11%, was approximately \$25,000 for the year ended June 30, 2016.

Note 12. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long Term Portion
GOVERNMENTAL ACTIVITIES						
Accrued compensated absences	\$ 2,695,895	\$ 220,110	\$ 280,982	\$ 2,635,023	\$ 270,457	\$ 2,364,566
Capital leases	2,238,529	1,952,722	1,656,260	2,534,991	1,237,733	1,297,258
Net pension liability	3,715,000	4,740,996	2,915,954	5,540,042	-	5,540,042
Total	<u>\$ 8,649,424</u>	<u>\$ 6,913,828</u>	<u>\$ 4,853,196</u>	<u>\$ 10,710,056</u>	<u>\$ 1,508,190</u>	<u>\$ 9,201,866</u>
BUSINESS-TYPE ACTIVITIES						
Capital leases	<u>\$ 67,849</u>	<u>\$ -</u>	<u>\$ 22,372</u>	<u>\$ 45,477</u>	<u>\$ 22,615</u>	<u>\$ 22,862</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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 13. Unearned Revenue – Special Revenue

Unearned revenue in the special revenue fund consists of federal and state grants and other revenues that have not been expended by June 30, 2016. Unearned revenue at June 30, 2016 consists of the following:

Medical assistance provider payments	\$ 2,302,831
Various other state and federal programs	<u>170,809</u>
	<u>\$ 2,473,640</u>

Note 14. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years.

The Board 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, 2016 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

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Retiree Health Insurance Plan Trust

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
07/01/07	\$ 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%
07/01/14	14,332,500	62,766,537	48,434,037	22.83%	107,382,505	45.10%
07/01/15	14,942,800	67,456,435	52,513,635	22.15%	109,468,198	47.97%

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
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%
2015	3,886,108	4,153,343	4,165,416	93.57%	93.29%
2016	5,293,008	4,860,856	4,816,947	108.89%	109.88%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PENSION PLANS

Teachers' Retirement and Pension Systems

	2015	2016
Board's proportion of the net pension liability	0.00000%	0.00000%
Board's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability	<u>87,166,955</u>	<u>119,020,880</u>
Total	<u>\$ 87,166,955</u>	<u>\$ 119,020,880</u>
Board's covered-employee payroll	\$ 93,558,675	\$ 95,262,765
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
The total pension liability as a percentage of plan fiduciary net position	0.19%	0.26%

Schedules are intended to provide 10-year trend information. Additional years will be displayed as available.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF BOARD CONTRIBUTIONS
PENSION PLANS
Teachers' Retirement and Pension Systems

	2015	2016
Contractually required contributions	\$ 3,524,616	\$ 4,052,348
Contributions in relation to the contractually required contribution	<u>3,524,616</u>	<u>4,052,348</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 95,262,765	\$ 98,572,456
Contributions as a percentage of covered-employee payroll	3.70%	4.11%

Schedules are intended to provide 10-year trend information. Additional years will be displayed as available.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
Pension Plan for Employees

Schedule of Changes in Employer's Net Pension Liability:

	June 30, 2015	June 30, 2016
Total pension liability		
Service cost	\$ 842,490	\$ 854,284
Interest	1,849,338	1,898,022
Benefit payments	(1,250,672)	(1,502,818)
Change in assumption	-	(260,240)
Experience (gain) loss	-	19,531
Net change in total pension liability	1,441,156	1,008,779
Total pension liability - beginning	23,786,836	25,227,992
Total pension liability - ending (a)	25,227,992	26,236,771
Plan fiduciary net position		
Contribution - employer	722,205	753,562
Contribution - plan member	381,911	399,334
Net investment income	88,504	(400,584)
Benefit payments	(1,250,672)	(1,502,591)
Administrative expenses	(49,433)	(65,984)
Net change in plan fiduciary net position	(107,485)	(816,263)
Plan fiduciary net position - beginning	21,620,477	21,512,992
Plan fiduciary net position - ending (b)	21,512,992	20,696,729
Net pension liability (a - b)	\$ 3,715,000	\$ 5,540,042

Schedule of Employer's Net Pension Liability:

Actuarial Valuation Date	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
June 30, 2014	\$ 23,786,836	\$ 21,620,477	\$ 2,166,359	90.89%	\$ 9,186,822	23.58%
June 30, 2015	25,227,992	21,512,992	3,715,000	85.27%	9,616,697	38.63%
June 30, 2016	26,236,771	20,696,729	5,540,042	78.88%	10,005,366	55.37%

Schedule of Employer Contributions:

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as of % of Covered Payroll
2014	\$ 615,285	\$ 705,355	\$ (90,070)	\$ 9,186,822	7.68%
2015	569,976	722,205	(152,229)	9,616,697	7.51%
2016	683,328	753,562	(70,234)	10,005,366	7.53%

Schedules are intended to provide 10-year trend information. Additional years will be displayed as available.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Wicomico County appropriation				
Operations	\$ 38,067,637	\$ 38,067,637	\$ 38,067,637	\$ -
Local share of State pension	3,239,009	3,239,009	3,239,009	-
Total Wicomico County appropriation	<u>41,306,646</u>	<u>41,306,646</u>	<u>41,306,646</u>	<u>-</u>
Other local:				
Tuition - nonresident pupils	25,000	404,196	397,942	(6,254)
Tuition - other	38,000	38,000	37,791	(209)
Student payments/fees	102,000	102,000	101,792	(208)
Earnings on investments	3,500	3,500	36,730	33,230
Rental of school facilities	95,000	95,000	92,316	(2,684)
Miscellaneous	150,000	150,000	120,910	(29,090)
Total other local	<u>413,500</u>	<u>792,696</u>	<u>787,481</u>	<u>(5,215)</u>
State of Maryland revenues:				
Current expense aid	70,825,349	70,825,349	70,825,349	-
Guaranteed tax base	4,946,307	4,946,307	4,946,307	-
Special education	7,198,871	7,198,871	7,198,871	-
Transportation	5,241,566	5,241,566	5,204,587	(36,979)
Miscellaneous	10,000	10,000	-	(10,000)
Non-public placement	105,054	247,221	257,176	9,955
Aging schools	119,463	119,463	95,781	(23,682)
Limited English proficient	4,009,066	4,009,066	4,009,066	-
Compensatory education	40,085,992	40,085,992	40,085,992	-
Total State of Maryland revenues	<u>132,541,668</u>	<u>132,683,835</u>	<u>132,623,129</u>	<u>(60,706)</u>
Other sources:				
Out of county living	150,000	150,000	14,350	(135,650)
Total other sources	<u>150,000</u>	<u>150,000</u>	<u>14,350</u>	<u>(135,650)</u>
TOTAL REVENUES	<u>174,411,814</u>	<u>174,933,177</u>	<u>174,731,606</u>	<u>(201,571)</u>
EXPENDITURES				
Administration	4,553,013	4,553,013	4,546,504	6,509
School management and support	12,597,594	12,597,594	12,473,570	124,024
Instructional salaries	68,327,952	68,327,952	67,269,847	1,058,105
Textbooks and instructional supplies	2,637,803	2,637,803	2,626,090	11,713
Other instruction costs	1,809,701	1,809,701	1,753,605	56,096
Student personnel services	2,346,408	2,346,408	2,331,390	15,018
Health services	1,565,842	1,565,842	1,483,721	82,121
Student transportation	8,718,364	8,718,364	8,631,821	86,543

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2016
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (continued)				
Operation of plant and equipment	\$ 13,084,013	\$ 13,084,013	\$ 12,753,042	\$ 330,971
Maintenance of plant	4,125,690	4,125,690	4,083,622	42,068
Fixed charges	36,650,544	36,650,544	36,632,510	18,034
Community services	169,979	169,979	168,065	1,914
Capital outlay	4,525,541	4,904,737	4,886,601	18,136
Special education	15,589,980	15,732,147	15,705,252	26,895
Food service	675,000	675,000	675,000	-
TOTAL EXPENDITURES	177,377,424	177,898,787	176,020,640	1,878,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(2,965,610)	(2,965,610)	(1,289,034)	1,676,576
OTHER FINANCING SOURCES (USES)				
Appropriation from June 30, 2015 fund balance	1,868,130	1,868,130	1,868,130	-
Interfund transfers	1,097,480	1,097,480	1,236,681	(139,201)
TOTAL OTHER FINANCING SOURCES (USES)	2,965,610	2,965,610	3,104,811	(139,201)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 1,815,777	\$ 1,815,777

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL

SPECIAL REVENUE

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Federal sources	\$ 12,427,893	\$ 12,427,893	\$ 12,887,634	\$ 459,741
State sources	1,014,034	1,014,034	1,264,467	250,433
Local and other sources	466,763	466,763	480,487	13,724
TOTAL REVENUES	13,908,690	13,908,690	14,632,588	723,898
EXPENDITURES				
Administration	726,397	726,397	431,519	294,878
School management and support	179,681	179,681	192,559	(12,878)
Instructional salaries	4,227,257	4,227,257	4,512,621	(285,364)
Textbooks and instructional supplies	895,550	895,550	861,670	33,880
Other instruction costs	946,093	946,093	1,197,880	(251,787)
Special education	3,335,064	3,335,064	3,528,531	(193,467)
Student personnel services	-	-	55,093	(55,093)
Health services	6,412	6,412	13,364	(6,952)
Student transportation	223,929	223,929	356,930	(133,001)
Operation of plant and equipment	-	-	1,724	(1,724)
Maintenance of plant	-	-	263	(263)
Fixed charges	3,264,213	3,264,213	2,208,748	1,055,465
Food services	-	-	22,887	(22,887)
Community services	104,094	104,094	141,184	(37,090)
Capital outlay	-	-	187,941	(187,941)
TOTAL EXPENDITURES	13,908,690	13,908,690	13,712,914	195,776
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	-	-	919,674	919,674
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	-	(875,558)	(875,558)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ 44,116	\$ 44,116

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Comparison Schedule

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 assigned 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, 2016</u>	<u>June 30, 2016</u>	<u>June 30, 2016</u>
GAAP Basis	\$ 186,633,984	\$ 188,762,049	\$ 3,341,429
Changes in asset account balances not accounted for on Budgetary Statement:			
Health insurance rate stabilization reserve activity:			
Proceeds from insurance settlement	-	-	(1,567,345)
Subsidy for rate increase	-	(1,200,000)	-
Interest earned on health care reserve	(10,836)	-	-
Other expenditures		(127,042)	
Appropriation from June 30, 2015	-	-	1,868,130
Transfers to other funds recorded as budgetary expenditures	-	1,415,319	1,415,319
Encumbrances recorded as expenditures:			
Established in current year	-	4,024,693	-
Reversed from prior year	-	(3,008,125)	-
Revenues recorded based on encumbered expenditures:			
Established in current year	106,627	-	-
Reversed from prior year	(104,637)	-	-
State share of retirement and pension contribution	(11,893,532)	(11,893,532)	-
Capital outlay funded by capital leases	-	(1,952,722)	(1,952,722)
Budgetary Basis	<u>\$ 174,731,606</u>	<u>\$ 176,020,640</u>	<u>\$ 3,104,811</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Comparison Schedule (Continued)

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Post-Employment Health Care Benefits

Changes in Benefit Terms:

There were no significant benefit changes during the year.

Changes in Assumptions:

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2015 valuation:

- Investment return and discount rate assumptions changed from 7.50% to 7.25%
- Annual healthcare cost trend rate changed from 8% reduced by decrements to an ultimate rate of 5% after three years to 6% reduced by decrements to an ultimate rate of 5% after one year

Method and Assumptions used in Calculations of Actuarially Determined Contributions:

Actuarial	Projected Unit Credit method
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increases	Age banded values ranging from 2.5% to 5.5%
Investment Rate of Return	7.25%
Medical Trend	Annual healthcare cost trend of 6%, grading down 1% per year to an ultimate rate of 5%.
Mortality	RP-2000 with generational mortality improvement using scale AA and a three year set forward.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Pension Plans

Teachers Retirement System and the Teachers Pension System

Changes in Benefit Terms:

There were no significant benefit changes during the year.

Changes in Assumptions:

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2015 valuation:

- Investment return assumption changed from 7.65% to 7.55%
- Inflation assumption changed from 2.90% to 2.95% for general and 3.45% for wage

Method and Assumptions used in Calculations of Actuarially Determined Contributions:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70% including inflation
Investment Rate of Return	7.55%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Pension Plans (Continued)

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

Changes in Benefit Terms:

There were no significant benefit changes during the year.

Changes in Assumptions:

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2015 valuation:

- Investment return assumption changed from 7.75% to 7.25%

Method and Assumptions used in Calculations of Actuarially Determined Contributions:

Actuarial	Entry Age Normal
Amortization Method	Level Dollar, open basis
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increases	Age banded values ranging from 2.5% to 5.5%
Investment Rate of Return	7.25%
Retirement Age	Graded from ages 55-64; 100% at age 65
Mortality	RP-2000 with scale AA generational improvement and a 3 year set forward.

Schedule of Investment Returns:

The actual money weighted rate of return, net of investment expense is as follows:

Year Ended	Net Rate
<u>June 30,</u>	<u>of Return</u>
2014	9.08%
2015	0.08%
2016	-2.20%

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Administration:				
Salaries and wages	\$ 3,380,785	\$ 3,396,785	\$ 3,395,998	\$ 787
Contracted services	888,921	871,991	871,798	193
Supplies and materials	90,946	90,946	90,479	467
Other charges	132,787	137,787	137,273	514
Equipment	10,000	10,000	9,881	119
Transfers	49,574	45,504	41,075	4,429
Total administration	4,553,013	4,553,013	4,546,504	6,509
School management and support:				
Salaries and wages	11,024,243	11,004,243	10,918,104	86,139
Contracted services	1,012,253	873,082	871,881	1,201
Supplies and materials	122,246	126,346	126,176	170
Other charges	405,372	423,372	395,054	28,318
Equipment	2,000	139,071	138,957	114
Transfers	31,480	31,480	23,398	8,082
Total school management and support	12,597,594	12,597,594	12,473,570	124,024
Instructional salaries and wages	68,327,952	68,327,952	67,269,847	1,058,105
Textbooks and instructional supplies	2,637,803	2,637,803	2,626,090	11,713
Other instructional costs:				
Contracted services	717,838	808,503	786,321	22,182
Other charges	245,868	223,354	211,891	11,463
Equipment	137,109	279,958	279,594	364
Transfers	708,886	497,886	475,799	22,087
Total other instructional costs	1,809,701	1,809,701	1,753,605	56,096
Special education:				
Salaries and wages	14,629,564	14,629,564	14,629,303	261
Contracted services	118,457	118,457	102,355	16,102
Supplies and materials	135,858	134,783	131,065	3,718
Other charges	87,700	87,700	81,631	6,069
Equipment	7,815	8,890	8,772	118
Transfers	610,586	752,753	752,126	627
Total special education	\$ 15,589,980	\$ 15,732,147	\$ 15,705,252	\$ 26,895

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2016
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Student personnel services:				
Salaries and wages	\$ 1,655,439	\$ 1,641,809	\$ 1,634,925	\$ 6,884
Contracted services	634,258	652,658	651,152	1,506
Supplies and materials	31,810	12,220	12,108	112
Other charges	19,693	20,993	15,712	5,281
Equipment	-	16,470	15,471	999
Transfers	5,208	2,258	2,022	236
Total student personnel services	2,346,408	2,346,408	2,331,390	15,018
Health services				
Salaries and wages	1,480,291	1,476,186	1,422,770	53,416
Contracted services	28,000	28,000	10,234	17,766
Supplies and materials	50,426	51,844	43,536	8,308
Other charges	4,817	4,817	2,721	2,096
Equipment	-	2,687	2,687	-
Transfers	2,308	2,308	1,773	535
Total health services	1,565,842	1,565,842	1,483,721	82,121
Student transportation:				
Salaries and wages	833,265	865,565	840,388	25,177
Contracted services	7,565,111	6,954,820	6,942,893	11,927
Supplies and materials	88,550	108,550	103,742	4,808
Other charges	180,230	169,526	127,866	41,660
Equipment	46,000	614,695	614,604	91
Transfers	5,208	5,208	2,328	2,880
Total pupil transportation	8,718,364	8,718,364	8,631,821	86,543
Operation of plant:				
Salaries and wages	5,876,648	5,821,648	5,810,139	11,509
Contracted services	1,358,128	1,436,128	1,399,889	36,239
Supplies and materials	1,074,734	1,312,734	1,311,514	1,220
Other charges	4,692,082	4,393,032	4,114,108	278,924
Equipment	76,000	114,050	113,604	446
Transfers	6,421	6,421	3,788	2,633
Total operation of plant	13,084,013	13,084,013	12,753,042	330,971
Maintenance of plant:				
Salaries and wages	1,460,760	1,279,460	1,259,906	19,554
Contracted services	1,758,366	1,974,866	1,970,944	3,922
Supplies and materials	759,248	734,248	720,119	14,129
Other charges	23,316	11,816	8,344	3,472
Equipment	124,000	125,300	124,309	991
Total maintenance of plant	\$ 4,125,690	\$ 4,125,690	\$ 4,083,622	\$ 42,068

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2016
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fixed charges:				
Insurance and employee benefits	\$ 36,650,544	\$ 36,650,544	\$ 36,632,510	\$ 18,034
Community services:				
Salaries and wages	39,874	37,874	36,398	1,476
Contracted services	50,692	49,292	49,286	6
Supplies and materials	13,771	17,171	17,071	100
Other charges	43,416	43,416	43,416	-
Equipment	22,226	22,226	21,894	332
Total community services	169,979	169,979	168,065	1,914
Capital outlay:				
Salaries and wages	594,742	549,742	535,546	14,196
Contracted services	1,292,931	1,292,931	1,291,986	945
Supplies and materials	72,404	68,404	67,612	792
Other charges	-	5,000	4,242	758
Equipment	2,565,464	2,609,464	2,608,019	1,445
Transfers	-	379,196	379,196	-
Total capital outlay	4,525,541	4,904,737	4,886,601	18,136
Food service:				
Transfers	675,000	675,000	675,000	-
TOTAL EXPENDITURES	177,377,424	177,898,787	176,020,640	1,878,147
TOTAL APPROPRIATIONS AND EXPENDITURES	\$ 177,377,424	\$ 177,898,787	\$ 176,020,640	\$ 1,878,147

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
 CAPITAL PROJECTS - BUDGETARY BASIS
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
State sources	\$ 7,440,000	\$ 7,440,000	\$ 3,685,514	\$ (3,754,486)
Local and other sources	12,938,500	12,938,500	10,167,001	(2,771,499)
TOTAL REVENUES	20,378,500	20,378,500	13,852,515	(6,525,985)
EXPENDITURES				
Capital outlay	22,178,500	22,178,500	14,219,219	7,959,281
TOTAL EXPENDITURES	22,178,500	22,178,500	14,219,219	7,959,281
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	-	379,196	
Appropriation from fund balance	1,800,000	1,800,000	1,800,000	-
	1,800,000	1,800,000	2,179,196	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 1,812,492	\$ 1,812,492

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 Financing Sources (Uses)
GAAP Basis	\$ 13,852,515	\$ 14,219,219	\$ 379,196
Appropriation from fund balance	-	-	1,800,000
Budgetary Basis	\$ 13,852,515	\$ 14,219,219	\$ 2,179,196

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
 FOOD SERVICE - BUDGETARY BASIS
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 1,238,226	\$ 1,238,226	\$ 1,174,965	\$ (63,261)
State sources	167,945	167,945	158,930	(9,015)
Federal sources	5,313,599	5,334,829	6,024,381	689,552
TOTAL REVENUES	6,719,770	6,741,000	7,358,276	617,276
EXPENDITURES				
Salaries and wages	2,319,818	2,319,818	2,457,879	(138,061)
Contracted services	107,500	107,500	59,107	48,393
Supplies and materials	4,133,216	4,133,216	4,018,167	115,049
Other charges	1,110,339	1,110,339	1,139,244	(28,905)
Capital outlay	75,000	75,000	52,356	22,644
TOTAL EXPENDITURES	7,745,873	7,745,873	7,726,753	19,120
OPERATING LOSS	(1,026,103)	(1,004,873)	(368,477)	636,396
OTHER RESOURCES				
Interfund Transfer	675,000	675,000	675,000	-
Appropriation from fund balance	351,103	329,873	329,873	-
TOTAL OTHER RESOURCES	1,026,103	1,004,873	1,004,873	-
EXCESS OF REVENUES AND OTHER RESOURCES OVER EXPENDITURES	\$ -	\$ -	\$ 636,396	\$ 636,396

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	\$ 7,358,276	\$ 7,729,465	\$ 675,000
Appropriation from fund balance	-	-	329,873
Encumbrances established in current year	-	10,093	-
Encumbrances reversed from prior year	-	(33,837)	-
Principal payments on capital lease obligation	-	22,372	-
Depreciation of capital assets	-	(55,215)	-
Capital asset current year additions	-	80,792	-
Capital contribution of equipment	-	(26,917)	-
Budgetary Basis	\$ 7,358,276	\$ 7,726,753	\$ 1,004,873

THE BOARD OF EDUCATION OF WICOMICO COUNTY

COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION AND RETIREE HEALTH PLAN TRUST FUNDS

June 30, 2016

	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	\$ 99,330	\$ 1,595,184	\$ 2,072,917	\$ 3,767,431
Trust investments				
Government bonds	348,870	2,302,704	2,010,874	4,662,448
Commercial paper	-	215,630	-	215,630
Mortgage loans	445,680	321,042	-	766,722
Corporate bonds	522,418	4,574,492	2,531,030	7,627,940
Common stock	2,161,948	11,687,677	9,846,953	23,696,578
Other	80,492	-	-	80,492
Total assets	<u>3,658,738</u>	<u>20,696,729</u>	<u>16,461,774</u>	<u>40,817,241</u>
NET POSITION				
Held in Trust for:				
Retirement and other benefits	<u>3,658,738</u>	<u>20,696,729</u>	<u>16,461,774</u>	<u>40,817,241</u>
Total net position	<u>\$ 3,658,738</u>	<u>\$ 20,696,729</u>	<u>\$ 16,461,774</u>	<u>\$ 40,817,241</u>

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, 2016

	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	\$ -	\$ 753,562	\$ 1,828,905	\$ 2,582,467
Plan member contributions	-	399,334	-	399,334
Total contributions	-	1,152,896	1,828,905	2,981,801
Investment earnings:				
Interest and dividends	229,259	510,977	328,757	1,068,993
Less: investment-related expense	-	(102,917)	-	(102,917)
Change in fair value of investments	(249,132)	(808,644)	(587,835)	(1,645,611)
Net investment earnings	(19,873)	(400,584)	(259,078)	(679,535)
Total additions	(19,873)	752,312	1,569,827	2,302,266
DEDUCTIONS				
Pension benefit payments	117,101	1,502,591	-	1,619,692
Administrative expenses	12,110	65,984	50,822	128,916
Total deductions	129,211	1,568,575	50,822	1,748,608
Change in net position	(149,084)	(816,263)	1,519,005	553,658
Net position - beginning of year	3,807,822	21,512,992	14,942,769	40,263,583
Net position - end of year	\$ 3,658,738	\$ 20,696,729	\$ 16,461,774	\$ 40,817,241

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
 Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash	\$ 37,259	\$ 2,366,955	\$ 2,362,736	\$ 41,478
Accounts receivable	106	1,811	106	1,811
Due from other funds	499,936	93,929	-	593,865
Total assets	537,301	2,462,695	2,362,842	637,154
LIABILITIES				
Accounts payable	14,320	207,556	14,320	207,556
Due to school activity groups	522,981	2,255,139	2,348,522	429,598
Total liabilities	\$ 537,301	\$ 2,462,695	\$ 2,362,842	\$ 637,154

STATISTICAL SECTION

STATISTICAL SECTION

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016
Governmental activities										
Net investment in capital assets	\$ 136,743,977	\$ 144,045,972	\$ 181,162,869	\$ 206,066,048	\$ 211,591,860	\$ 209,358,061	\$ 212,243,676	\$ 248,339,599	\$ 264,578,879	\$ 272,294,206
Restricted for rate stabilization reserve	5,365,692	5,854,309	7,769,336	8,072,947	7,268,706	5,288,561	5,045,300	5,723,272	4,414,258	4,114,595
Restricted for capital projects	1,597,173	3,153,550	5,112,284	4,547,767	5,087,896	6,359,455	6,608,505	5,336,356	3,042,002	3,054,494
Unrestricted	3,866,009	2,799,516	2,769,565	7,248,299	7,469,027	4,742,389	4,662,824	3,246,393	2,285,680	3,997,594
Total governmental activities net position	\$ 147,572,851	\$ 155,853,347	\$ 196,814,054	\$ 225,935,061	\$ 231,417,489	\$ 225,748,466	\$ 228,560,305	\$ 262,645,620	\$ 274,320,819	\$ 283,460,889
Business-type activities										
Net investment in capital assets	\$ 327,040	\$ 295,680	\$ 280,752	\$ 493,125	\$ 357,236	\$ 375,722	\$ 355,062	\$ 329,436	\$ 362,483	\$ 410,432
Unrestricted for food service activities	129,736	566,153	638,520	583,363	857,386	1,347,187	1,446,040	1,460,570	1,522,581	1,805,360
Total business-type activities net position	\$ 456,776	\$ 861,833	\$ 939,272	\$ 1,076,488	\$ 1,214,622	\$ 1,722,909	\$ 1,801,102	\$ 1,790,006	\$ 1,885,064	\$ 2,215,792
Primary government										
Net investment in capital assets	\$ 137,071,017	\$ 144,341,652	\$ 181,443,621	\$ 206,559,173	\$ 211,949,096	\$ 209,733,783	\$ 212,598,738	\$ 248,669,035	\$ 264,941,362	\$ 272,704,638
Restricted	7,092,601	9,574,012	13,540,140	13,204,077	13,213,988	12,995,203	13,099,845	11,059,628	7,456,260	7,169,089
Unrestricted	3,866,009	2,799,516	2,769,565	7,248,299	7,469,027	4,742,389	4,662,824	4,706,963	3,808,261	5,802,954
Total primary government net position	\$ 148,029,627	\$ 156,715,180	\$ 197,753,326	\$ 227,011,549	\$ 232,632,111	\$ 227,471,375	\$ 230,361,407	\$ 264,435,626	\$ 276,205,883	\$ 285,676,681

Source: The Board of Education of Wicomico County records.
 During fiscal year 2013, the Board implemented GASE No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
 * As restated for implementation of GASB No. 67, Financial Reporting for Pension Plans.

Schedule 2
The Board of Education of Wilcomico County
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016
Expenses										
Governmental activities:										
Administration	\$ 5,141,270	\$ 5,931,980	\$ 5,880,904	\$ 6,116,697	\$ 6,195,389	\$ 6,221,005	\$ 6,396,885	\$ 6,562,899	\$ 6,342,827	\$ 6,782,626
Instructional services	110,288,438	122,072,051	126,106,246	132,065,219	127,288,521	125,417,605	127,631,747	131,092,689	135,148,455	136,120,507
Special education	19,767,456	21,990,580	22,825,693	24,784,670	24,399,942	24,332,038	24,512,359	25,399,267	26,032,772	27,053,349
Student personnel services	1,892,281	2,251,338	2,409,881	2,773,204	2,746,168	2,614,709	2,741,544	2,804,877	2,990,897	3,145,310
Health services	1,499,688	1,601,456	1,773,931	1,967,103	2,018,788	1,892,599	1,931,135	2,092,763	2,186,512	2,129,723
Student transportation	7,116,149	8,260,409	8,387,408	8,304,572	8,401,296	8,291,355	8,465,480	9,016,351	8,997,945	9,579,044
Operation of plant and equipment	11,301,209	13,031,357	13,692,942	13,796,567	13,711,183	12,659,036	13,361,681	14,546,798	15,360,888	15,582,241
Maintenance of plant	2,366,685	2,901,076	3,243,012	3,214,936	3,113,546	3,173,492	3,756,713	4,026,748	4,621,848	4,486,567
Food services	111,493	247,113	244,869	200,977	173,022	189,562	252,724	322,234	307,821	22,887
Community services	-	-	-	-	84,209	39,654	36,646	31,034	29,925	23,729
Interest expense	-	-	-	-	188,132,064	184,836,055	189,086,914	195,910,203	202,064,001	205,304,017
Total governmental activities expenses	\$ 5,940,165	\$ 6,112,423	\$ 6,606,955	\$ 6,775,915	\$ 6,898,766	\$ 6,749,074	\$ 7,241,209	\$ 7,229,719	\$ 7,333,119	\$ 7,729,465
Business-type activities:										
Food services	5,940,165	6,112,423	6,606,955	6,775,915	6,898,766	6,749,074	7,241,209	7,229,719	7,333,119	7,729,465
Total business-type activities expenses	\$ 5,940,165	\$ 6,112,423	\$ 6,606,955	\$ 6,775,915	\$ 6,898,766	\$ 6,749,074	\$ 7,241,209	\$ 7,229,719	\$ 7,333,119	\$ 7,729,465
Total primary government expenses	\$ 165,424,833	\$ 184,399,782	\$ 191,171,840	\$ 199,999,860	\$ 195,030,830	\$ 191,585,129	\$ 196,328,123	\$ 203,139,922	\$ 209,397,120	\$ 213,033,482
Program Revenues										
Governmental activities:										
Charges for services	\$ 1,398,601	\$ 1,014,472	\$ 2,182,980	\$ 1,938,036	\$ 623,603	\$ -	\$ 19,929	\$ 22,133	\$ 19,523	\$ 27,822
Administration	67,481	84,759	94,019	57,072	51,488	15,218	41,736	58,017	110,906	86,286
Instructional services	47,800	44,404	44,404	44,404	44,404	44,404	44,434	44,434	44,434	44,511
Operation of plant and equipment	710,442	1,150,719	1,140,928	1,261,966	1,309,717	1,113,104	1,204,957	1,131,134	813,603	859,567
Community services	13,562,319	14,863,777	15,835,981	18,128,206	21,933,669	17,948,143	16,743,347	16,576,218	17,936,497	17,269,149
Operating grants and contributions	9,309,779	11,121,652	11,262,398	13,648,449	14,208,723	12,714,671	13,256,070	12,863,189	12,902,498	14,049,331
Administration	108,231	124,776	132,563	169,790	189,101	182,023	168,667	154,491	164,441	249,836
Instructional services	121,326	126,822	133,715	150,005	178,180	167,820	138,869	168,140	171,528	166,130
Special education	4,132,788	397,323	394,968	273,704	368,789	363,994	300,212	265,147	5,393,111	5,655,997
Student personnel services	509,308	603,010	646,365	571,504	683,368	676,380	1,773,778	597,958	605,286	600,984
Health services	100,154	120,026	128,784	143,650	169,993	166,840	461,233	141,642	156,207	130,157
Student transportation	6,118	8,847	707	3,301	4,168	4,710	62,590	14,308	44,111	22,887
Health services	17,082,630	10,646,255	41,990,294	29,996,468	8,202,898	2,729,726	6,888,004	41,509,582	20,038,839	182,716
Community services	47,156,977	40,306,843	73,988,106	66,386,555	47,968,101	36,666,632	41,331,647	73,968,049	58,691,844	53,843,554
Total governmental activities program revenues	\$ 47,156,977	\$ 40,306,843	\$ 73,988,106	\$ 66,386,555	\$ 47,968,101	\$ 36,666,632	\$ 41,331,647	\$ 73,968,049	\$ 58,691,844	\$ 53,843,554

*As restated for implementation of GASB No. 67, Financial Reporting for Pension Plans.

Schedule 2 (continued)
The Board of Education of Wicomico County
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016
Program Revenues (continued)										
Business-type activities:										
Changes for services	\$ 1,997,126	\$ 1,925,846	\$ 1,829,434	\$ 1,701,204	\$ 1,622,832	\$ 1,561,106	\$ 1,416,122	\$ 1,276,246	\$ 1,167,633	\$ 1,174,965
Operating grants and contributions	3,648,575	3,841,634	4,104,960	4,356,223	4,664,068	4,946,255	5,228,280	5,267,377	5,585,544	6,183,311
Capital grants and contributions	-	-	-	-	-	-	-	-	-	26,917
Total business-type activities program revenues	\$ 5,645,701	\$ 5,767,480	\$ 5,934,394	\$ 6,057,427	\$ 6,286,900	\$ 6,507,361	\$ 6,644,402	\$ 6,543,623	\$ 6,753,177	\$ 7,385,193
Total primary government program revenues	\$ 52,802,678	\$ 46,074,323	\$ 79,922,500	\$ 72,445,982	\$ 54,255,001	\$ 43,175,993	\$ 47,976,049	\$ 80,511,672	\$ 65,445,021	\$ 61,228,747
Net (Expense)/Revenue										
Governmental activities:										
State of Maryland	\$ (112,327,691)	\$ (137,980,516)	\$ (110,576,779)	\$ (126,837,390)	\$ (140,163,963)	\$ (148,169,423)	\$ (147,755,267)	\$ (121,942,154)	\$ (143,372,157)	\$ (151,460,463)
Wicomico County appropriation	(294,464)	(344,943)	(672,561)	(718,488)	(611,866)	(241,713)	(596,807)	(686,096)	(579,942)	(344,272)
Other revenue	\$ (112,622,155)	\$ (138,325,459)	\$ (111,249,340)	\$ (127,555,878)	\$ (140,775,829)	\$ (148,411,136)	\$ (148,352,074)	\$ (122,628,250)	\$ (143,952,099)	\$ (151,804,735)
Total primary government net expense	\$ 80,408,857	\$ 96,633,962	\$ 101,713,302	\$ 105,808,156	\$ 103,040,371	\$ 106,945,873	\$ 111,997,661	\$ 116,133,233	\$ 115,181,027	\$ 119,866,714
Business-type activities:										
Investment earnings	48,329,815	49,443,053	50,204,655	50,781,711	43,196,892	36,196,892	39,173,593	40,520,465	40,396,119	41,306,646
Transfers	597,026	74,303	91,273	203,870	131,922	106,364	60,151	48,771	145,210	102,173
Total business-type activities	\$ 1,006,215	\$ 859,694	\$ 278,256	\$ 20,364	\$ 27,206	\$ 7,271	\$ 10,701	\$ -	\$ -	\$ -
Total primary government net expense	\$ (63,000)	\$ (750,000)	\$ (750,000)	\$ (855,704)	\$ (750,000)	\$ (750,000)	\$ (675,000)	\$ (675,000)	\$ (675,000)	\$ (675,000)
Total governmental activities	\$ 130,278,913	\$ 146,261,012	\$ 151,537,486	\$ 155,958,397	\$ 145,646,391	\$ 142,506,400	\$ 150,567,106	\$ 156,027,469	\$ 155,047,356	\$ 160,600,533
Business-type activities:										
Investment earnings	\$ 2,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	63,000	750,000	750,000	855,704	750,000	750,000	675,000	675,000	675,000	675,000
Total business-type activities	\$ 65,468	\$ 750,000	\$ 750,000	\$ 855,704	\$ 750,000	\$ 750,000	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000
Total primary government	\$ 130,344,381	\$ 147,011,012	\$ 152,287,486	\$ 156,814,101	\$ 146,396,391	\$ 143,256,400	\$ 151,242,106	\$ 156,702,469	\$ 155,722,356	\$ 161,275,533
Change in Net Position										
Governmental activities	\$ 17,951,222	\$ 8,280,496	\$ 40,960,707	\$ 29,121,007	\$ 5,482,428	\$ (5,669,023)	\$ 2,811,839	\$ 34,085,315	\$ 11,675,199	\$ 9,140,070
Business-type activities	(228,996)	405,057	77,439	137,216	138,134	508,287	78,193	(11,096)	95,058	330,728
Total primary government	\$ 17,722,226	\$ 8,685,553	\$ 41,038,146	\$ 29,258,223	\$ 5,620,562	\$ (5,160,736)	\$ 2,890,032	\$ 34,074,219	\$ 11,770,257	\$ 9,470,798

Source: The Board of Education of Wicomico County records.

*As restated for implementation of GASB No. 67, Financial Reporting for Pension Plans.

Schedule 3

The Board of Education of Wicomico County

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Committed:										
Healthcare rate stabilization reserve	\$ 2,309,247	\$ 2,519,534	\$ 3,343,709	\$ 2,429,000	\$ 2,602,354	\$ 3,646,226	\$ 3,751,594	\$ 3,828,238	\$ 3,889,699	\$ 4,114,595
Assigned to:										
Healthcare rate stabilization reserve	3,056,445	3,334,775	4,425,627	5,643,947	4,666,352	1,642,335	1,293,706	1,895,034	524,559	550,802
Other purposes (encumbrances)	3,805,446	2,948,280	3,099,255	4,516,287	3,606,539	4,124,687	4,228,163	3,691,290	3,010,472	4,024,693
Subsequent year expenditures	2,047,232	800,000	800,000	300,000	4,000,000	300,000	300,000	300,000	1,868,130	1,579,344
Unassigned	300,000	300,000	300,000	4,000,000	300,000	300,000	300,000	1,868,130	1,579,344	1,816,134
Total General Fund	\$ 11,518,370	\$ 9,902,589	\$ 11,968,591	\$ 16,889,234	\$ 15,175,245	\$ 10,013,248	\$ 9,873,463	\$ 11,582,692	\$ 10,872,204	\$ 12,085,568
All Other Governmental Funds										
Restricted for fund purposes:										
Special Revenue	\$ 28,738	\$ 43,205	\$ 58,598	\$ 69,098	\$ 42,376	\$ 70,148	\$ 39,472	\$ 82,569	\$ 125,557	\$ 169,673
Capital projects	1,597,173	3,153,550	5,112,284	4,547,767	5,087,896	6,359,455	6,608,505	5,336,356	3,042,002	3,054,494
Total all other governmental funds	\$ 1,625,911	\$ 3,196,755	\$ 5,170,882	\$ 4,616,865	\$ 5,130,272	\$ 6,429,603	\$ 6,647,977	\$ 5,418,925	\$ 3,167,559	\$ 3,224,167
Total Governmental Funds	\$ 13,144,281	\$ 13,099,344	\$ 17,139,473	\$ 21,506,099	\$ 20,305,517	\$ 16,442,851	\$ 16,521,440	\$ 17,001,617	\$ 14,039,763	\$ 15,309,735

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Wilcomico County appropriations										
Operations	\$ 48,329,815	\$ 49,443,053	\$ 50,204,655	\$ 50,781,711	\$ 43,196,892	\$ 36,196,892	\$ 37,000,000	\$ 37,765,374	\$ 37,676,790	\$ 38,067,637
Pension							2,173,593	2,755,091	2,719,329	3,239,009
Other local revenue	2,418,267	2,171,015	2,821,160	2,367,826	1,047,033	857,362	536,623	500,630	762,766	1,053,001
State of Maryland	98,070,438	104,449,544	130,213,841	126,488,229	118,060,864	115,359,047	124,203,503	152,603,256	131,740,098	137,571,120
State of Maryland share of retirement and pension contribution	7,477,982	9,495,371	10,390,453	12,316,880	13,893,333	13,945,688	10,331,627	11,446,078	12,071,377	11,893,532
Federal through State	11,029,854	10,797,952	11,028,683	13,556,335	17,211,605	11,664,252	15,467,667	12,069,052	12,334,107	12,887,634
Transfer of bond proceeds from Wilcomico County	8,742,346	9,846,137	20,495,958	16,713,698	209,865	1,220,677	2,288,891	12,883,315	16,785,646	9,937,140
Other	1,430,189	1,114,783	1,120,842	975,977	744,900	673,112	571,849	547,722	324,087	470,014
Total revenues	<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>	<u>214,414,200</u>	<u>215,119,087</u>
Expenditures										
Administration	3,840,529	4,592,010	4,619,335	4,789,056	4,669,570	4,791,193	4,966,020	4,967,876	4,665,741	5,036,234
School management and support	10,589,576	11,091,829	11,668,634	11,800,112	11,566,404	11,313,730	11,619,652	12,003,691	12,199,280	12,789,419
Instructional salaries	63,072,206	66,784,095	70,340,938	71,132,386	67,556,984	66,298,498	67,649,688	68,562,377	70,276,009	71,782,468
Textbooks and instructional supplies	4,273,226	4,457,826	4,073,265	4,322,106	3,967,562	2,862,722	3,407,290	3,726,620	4,083,846	3,432,970
Other instructional costs	1,966,141	2,869,544	2,213,619	2,609,102	2,307,420	2,338,990	3,519,058	2,442,893	2,779,171	2,364,421
Special education	14,895,106	16,332,931	16,979,678	18,321,340	17,647,287	17,257,503	17,619,858	17,862,939	18,182,127	19,214,236
Student personnel services	1,568,721	1,875,961	2,024,214	2,192,603	2,155,087	2,023,139	2,145,444	2,148,974	2,278,463	2,386,334
Health services	1,176,128	1,223,954	1,385,540	1,448,994	1,468,207	1,373,412	1,388,666	1,469,714	1,529,558	1,492,944
Student transportation	6,792,589	7,883,977	7,996,481	8,109,729	8,186,749	8,086,102	8,249,467	8,668,457	8,515,890	8,879,375
Operation of plant and equipment	9,322,114	10,300,491	10,824,322	10,649,631	10,662,885	9,674,217	10,558,126	11,511,247	12,195,628	12,167,778
Maintenance of plant	2,043,125	2,509,984	2,840,098	2,682,147	2,555,564	2,610,900	3,164,438	3,381,811	3,908,177	3,855,606
Fixed charges	25,334,145	29,372,737	29,654,508	30,425,611	32,816,938	33,117,698	35,278,602	36,188,943	37,505,856	40,168,300
Food service								10,667	42,660	22,887
Community services	111,492	246,618	244,373	188,790	159,171	174,484	228,780	281,756	270,734	318,433
Capital outlay	21,631,477	19,079,079	47,623,941	34,884,052	15,793,468	8,926,647	13,383,341	46,760,861	25,729,934	19,209,256
Debt service										
Capital lease principal	1,226,399	1,671,072	1,898,132	1,958,968	1,542,110	1,340,070	1,343,707	1,380,687	1,639,287	1,656,260
Capital lease interest	71,773	84,308	130,239	110,690	84,209	39,654	36,646	31,034	29,925	23,729
State of Maryland share of retirement and pension contribution	7,477,982	9,495,371	10,390,453	12,316,880	13,893,333	13,945,688	10,331,627	11,446,078	12,071,377	11,893,532
Total expenditures	<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>	<u>217,903,663</u>	<u>216,694,182</u>
Excess (deficiency) of revenues over (under) expenditures	<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>	<u>(3,489,463)</u>	<u>(1,575,095)</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources (Uses)										
Capital lease proceeds	1,934,359	2,770,378	1,566,000	1,554,536	300,779	1,904,867	1,614,911	1,571,621	1,277,114	1,952,722
Rate stabilization adjustment	1,067,121	488,617	1,856,307	303,611	1,917,095	1,240,084	1,455,335	1,759,663	(74,505)	1,567,345
Transfers to other funds	(63,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(675,000)	(675,000)	(675,000)	(675,000)
Transfer of savings plan funds to Wicomico County	-	-	-	(2,000,000)	-	-	-	-	-	-
Total other financing sources (uses)	2,938,480	2,508,995	2,672,307	(891,833)	1,467,874	2,394,951	2,395,246	2,656,284	527,609	2,845,067
Net change in fund balances	\$ 5,044,642	\$ (44,937)	\$ 4,040,129	\$ 4,366,626	\$ (1,200,582)	\$ (3,862,666)	\$ 78,589	\$ 480,177	\$ (2,961,854)	\$ 1,269,972
Debt service as a percentage of noncapital expenditures	0.9%	1.0%	1.2%	1.1%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%

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
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
2015	4,403,522	12,203,454	66,621,805	2,551,901	1,745,727	15,134,372	2,199,077	1,530,003
2016	4,553,013	12,597,594	68,327,952	2,637,803	1,809,701	15,589,980	2,346,408	1,565,842

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

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
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
2015	8,304,091	12,074,556	3,788,329	34,448,411	675,000	169,717	3,744,854	169,594,819
2016	8,718,364	13,084,013	4,125,690	36,650,544	675,000	169,979	4,525,541	177,377,424

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

(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	\$4,153,343	\$4,860,856
Interest on Net OPEB Obligation	0	53,000	(30,750)	(76,616)	(101,763)	(158,402)	(184,748)	(172,822)	(159,727)	(134,154)
Adjustment to Annual Required Contribution	0	0	43,200	77,000	109,500	170,400	198,700	185,900	171,800	90,245
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	4,165,416	4,816,947
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)	(3,886,108)	(5,293,008)
Increase (Decrease) in Net Obligation	709,000	(1,119,000)	(611,550)	(335,295)	(755,181)	(351,278)	159,013	174,589	279,308	(476,061)
Net OPEB Obligation (Asset) [BOY]	709,000	(410,000)	(410,000)	(1,021,550)	(1,356,845)	(2,112,026)	(2,463,304)	(2,304,291)	(2,129,702)	(1,850,394)
Net OPEB Obligation (Asset) [EOY]	210,000	2,181,000	(1,021,550)	(1,356,845)	(2,112,026)	(2,463,304)	(2,304,291)	(2,129,702)	(1,850,394)	(2,326,455)
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	62,766,537	67,456,435
Total Actuarial Accrued Liabilities	0.69%	6.80%	9.43%	12.10%	17.94%	19.14%	21.89%	24.83%	23.81%	24.40%
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	609,000	1,828,905
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	3,277,108	3,464,103
Employee Participants	2,007	2,021	2,076	2,083	2,055	2,006	2,027	2,026	2,009	1,904
Retiree Participants	524	532	560	660	752	835	813	783	869	760
Total Participants	2,531	2,553	2,636	2,743	2,807	2,841	2,840	2,809	2,878	2,664
Actuarial Accrued Liabilities per Participant	\$12,041	\$12,565	\$12,916	\$15,816	\$16,195	\$17,782	\$18,880	\$20,548	\$21,809	\$25,321

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 Wicomico County
 Retirement Plan for Employees of the Board of Education of Wicomico County (GASB No. 67)
 as of June 30,

	Year		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Active Participants	315	315	312
Retirees and Beneficiaries	156	156	155
Vested Terminees	13	13	20
Required New Contribution	615,285	569,976	683,328
Fiduciary Net Position	21,620,477	21,512,992	20,696,729
Current Year Employers Contribution	705,355	722,205	753,562
Current Year Contribution Less Required	90,070	152,229	70,234
Current Year Employees Contribution	372,056	381,911	399,334
Total Pension Liability (TPL)	23,786,836	25,227,992	26,236,771
Net Pension Liability (NPL)	2,166,359	3,715,000	5,540,042
Fiduciary New Position as a % of TPL	90.89%	85.27%	78.88%
Payroll Covered	9,186,822	9,616,697	10,005,366
NPL as a % of covered payroll	23.58%	38.63%	55.37%
Employer Contribution per Employees	2,239	2,293	2,415
Employee Contribution per Employees	1,181	1,212	1,280
Employer Contribution per Payroll Covered	7.68%	7.51%	7.53%
Employee Contribution per Payroll Covered	4.05%	3.97%	3.99%

Source: The Board of Education of Wicomico County records.

During fiscal year 2015, the Board implemented GASB No. 67, Financial Reporting for Pension Plans.

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			
2007	2,264,294	-	2,264,294	0.07%	23.56
2008	3,363,600	-	3,363,600	0.10%	34.64
2009	3,031,468	-	3,031,468	0.09%	30.91
2010	2,627,056	103,577	2,730,633	0.08%	27.61
2011	1,385,725	70,260	1,455,985	0.04%	14.56
2012	1,950,522	35,723	1,986,245	0.05%	19.77
2013	2,221,726	-	2,221,726	0.06%	22.01
2014	2,600,702	-	2,600,702	0.07%	25.61
2015	2,238,529	67,849	2,306,378	N/A	22.53
2016	2,534,991	45,477	2,580,468	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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Elementary Schools</u>										
Beaver Run	514	523	570	610	612	666	722	715	705	666
Chipman	422	429	432	436	426	399	373	380	418	322
Delmar	948	945	975	974	831	827	826	809	825	853
East Salisbury	354	361	357	363	370	403	387	391	444	445
Fruitland Intermediate	385	408	396	371	392	379	382	412	413	436
Fruitland Primary	493	485	477	474	485	506	533	503	531	509
Glen Avenue	309	314	285	285	273	334	317	266	268	415
North Salisbury	469	473	522	545	514	501	440	429	432	445
Northwestern	268	260	257	287	289	286	307	325	311	302
Pemberton	623	621	637	654	608	616	636	649	539	565
Pinehurst	395	422	415	438	462	491	496	483	494	514
Pittsville	219	212	231	236	211	220	217	226	140	147
Prince Street	447	472	548	561	581	493	544	600	651	711
West Salisbury	305	316	299	295	303	295	310	312	310	314
Westside Intermediate	434	448	451	474	465	496	484	437	451	406
Westside Primary	281	272	268	261	269	245	256	250	234	252
Wicomico Early Learning	-	-	-	-	-	-	-	-	-	-
Willards	281	299	287	276	291	303	292	329	411	390
Total Elementary Schools	7,147	7,260	7,407	7,540	7,382	7,460	7,522	7,516	7,577	7,692
<u>Middle Schools</u>										
Bennett	905	843	868	886	923	930	908	911	970	990
Mardela	292	267	281	269	282	292	294	285	283	288
Pittsville	236	216	209	231	236	260	247	247	232	241
Salisbury	924	883	879	848	849	925	927	871	838	795
Wicomico	723	693	683	713	708	639	655	660	657	700
Total Middle Schools	3,080	2,902	2,920	2,947	2,998	3,046	3,031	2,974	2,980	3,014
<u>High Schools</u>										
Bennett	1,303	1,346	1,313	1,282	1,307	1,374	1,406	1,351	1,405	1,477
Mardela	412	424	415	380	370	363	351	366	374	379
Parkside	1,223	1,214	1,256	1,217	1,137	1,125	1,095	1,130	1,114	1,151
Wicomico	1,179	1,182	1,209	1,188	1,126	1,087	1,036	1,034	1,029	1,016
Wicomico County Evening	83	71	70	65	62	65	48	60	66	61
Total High Schools	4,200	4,237	4,263	4,132	4,002	4,014	3,936	3,941	3,988	4,084
Total All Schools	14,427	14,399	14,590	14,619	14,382	14,520	14,489	14,431	14,545	14,790

Schedule 10

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

	Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Elementary School										
Pre-Kindergarten	439	458	457	567	572	654	611	591	574	587
Kindergarten	1,137	1,133	1,191	1,151	1,174	1,150	1,331	1,233	1,216	1,194
Grade 1	1,164	1,144	1,152	1,204	1,165	1,164	1,144	1,317	1,277	1,265
Grade 2	1,085	1,147	1,143	1,130	1,154	1,150	1,150	1,120	1,279	1,253
Grade 3	1,100	1,131	1,178	1,154	1,138	1,183	1,148	1,137	1,127	1,264
Grade 4	1,148	1,105	1,146	1,171	1,165	1,161	1,150	1,139	1,135	1,125
Grade 5	1,074	1,142	1,140	1,163	1,014	998	988	979	969	1,004
Special Education	-	-	-	-	-	-	-	-	-	-
Total Elementary School	7,147	7,260	7,407	7,540	7,382	7,460	7,522	7,516	7,577	7,692
Middle School										
Grade 6	938	934	1,017	998	1,012	1,027	1,006	985	1,012	1,010
Grade 7	1,037	958	955	1,015	980	1,042	996	997	974	1,022
Grade 8	1,105	1,010	948	934	1,006	977	1,029	992	994	982
Special Education	-	-	-	-	-	-	-	-	-	-
Total Middle School	3,080	2,902	2,920	2,947	2,998	3,046	3,031	2,974	2,980	3,014
High School										
Grade 9	1,242	1,239	1,167	1,057	1,043	1,127	1,081	1,116	1,107	1,132
Grade 10	1,050	1,085	1,086	1,065	962	963	1,016	962	1,031	1,044
Grade 11	972	976	1,038	1,032	1,029	901	926	947	905	995
Grade 12	936	937	972	978	968	1,023	913	916	945	913
Special Education	-	-	-	-	-	-	-	-	-	-
Total High School	4,200	4,237	4,263	4,132	4,002	4,014	3,936	3,941	3,988	4,084
Total enrollment	14,427	14,399	14,590	14,619	14,382	14,520	14,489	14,431	14,545	14,790
Number of teachers ¹	1,079	1,076	1,083	1,087	1,072	1,078	1,084	1,084	1,095	1,109
Ratio of students to teachers	13:1	13:1	13:1	13:1	13:1	13:1	13:1	13:1	13:1	13:1

Sources: 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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2007-2016</u>
	Budgeted Full-time Equivalent Employees as of June 30										
	Percentage Change										
General Fund:											
Administration	48.55	49.55	50.55	53.30	54.80	51.80	51.80	51.80	52.30	52.30	7.72%
School management and support	191.49	191.49	197.14	192.60	189.20	184.20	184.70	187.30	187.80	187.80	-1.93%
Instructional salaries	1,152.79	1,153.13	1,161.28	1,184.49	1,163.86	1,161.01	1,170.45	1,164.10	1,166.70	1,171.90	1.66%
Special education	283.57	287.57	320.27	320.35	317.05	317.05	326.30	331.27	332.77	330.77	16.64%
Student personnel services	17.70	20.70	21.70	23.70	24.20	25.20	25.50	27.16	26.50	27.50	55.37%
Health services	30.00	32.00	34.00	34.00	35.00	33.00	34.00	34.00	34.00	34.00	13.33%
Student transportation	7.41	9.41	9.41	8.91	8.91	7.00	7.00	7.00	8.00	8.00	7.96%
Operation of plant and equipment	149.50	150.50	152.50	153.50	154.50	154.50	153.50	156.50	159.00	159.00	6.35%
Maintenance of plant	26.25	26.25	26.25	26.25	27.25	27.25	27.25	29.25	31.75	31.75	20.95%
Food service	-	-	-	-	-	-	-	-	-	-	0.00%
Community services	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.00%
Capital outlay	7.75	8.75	8.75	7.75	6.75	6.75	7.75	7.75	7.75	7.75	0.00%
Total	1,915.51	1,929.85	1,982.35	2,005.35	1,982.02	1,968.26	1,988.75	1,996.63	2,007.07	2,011.27	5.00%
Special Revenue Funds	217.65	210.56	203.49	206.62	203.07	202.87	168.55	168.46	159.03	170.08	-21.86%
Total all funds	2,133.16	2,140.41	2,185.84	2,211.97	2,185.09	2,171.13	2,157.30	2,165.09	2,166.10	2,181.35	2.26%

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)
2006	94,621	2,999,498	31,700	52,187	4.1%
2007	96,110	3,164,478	32,926	52,137	3.9%
2008	97,111	3,377,869	34,784	52,749	5.2%
2009	98,069	3,331,412	33,970	52,443	8.3%
2010	98,899	3,393,429	34,312	50,455	9.7%
2011	100,010	3,488,778	34,884	50,630	9.8%
2012	100,472	3,536,872	35,203	50,513	9.3%
2013	100,961	3,606,193	35,719	50,119	8.7%
2014	101,539	3,775,965	37,187	50,085	7.7%
2015	102,370	N/A	N/A	50,820	6.8%
2016	N/A	N/A	N/A	51,012	* 6.3%

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 2015 and 2016 is not currently available.)
- (3) Bureau of Labor Statistics, U.S. Department of Labor.

* Civilian Labor Force and Unemployment Rate for 2016 are preliminary based on information through June 30, 2016.

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 Efforts			
	Dollars	State Average	State Rank *	Local Appropriation	Local Wealth	Education Effort (EE)	State EE Average
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	\$12,610	\$13,572	16	39,173,593	4,004,514,022	0.0098	0.0140
2014	\$12,901	\$13,745	16	40,520,465	3,945,200,647	0.0103	0.0128
2015	N/A	N/A	N/A	40,396,119	3,868,116,751	0.0104	N/A
2016	N/A	N/A	N/A	41,306,646	3,967,793,345	0.0104	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.

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

* Ranking of the State's 24 School Systems.

N/A - Not Available

Schedule 13 (continued)
The Board of Education of Wicomico County
Operating Information
Last Ten Fiscal Years

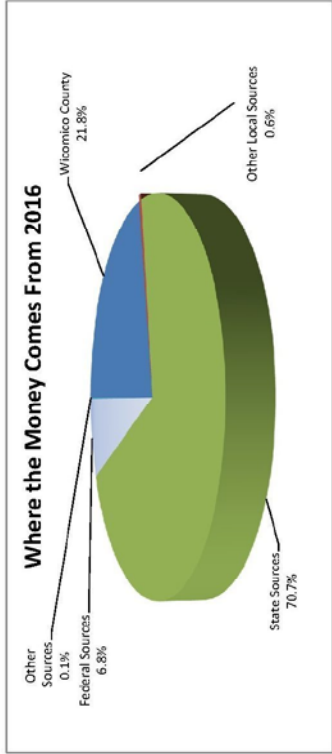
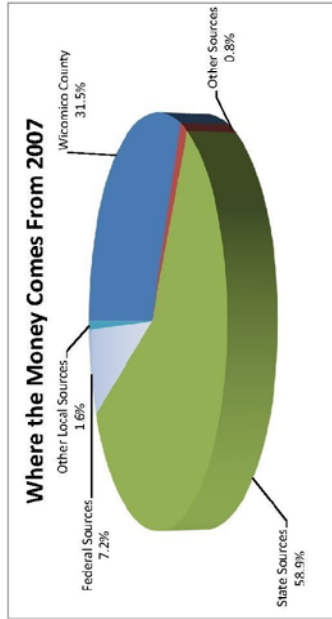
Fiscal Year	Transportation				Food Services				% FARM Students per Enrollment		
	Total Miles Traveled	Number of School Bus Riders	Per Pupil Cost	State Average Per Pupil Cost	Breakfast		Lunches				
					# Served	% Paid	% Free & Reduced	# Served	% Paid	% Free & Reduced	
2007	1,893,780	12,548	516	822	606,973	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	626	834	761,818	14%	86%	1,204,020	13%	87%	59.98%
2015	1,866,825	12,773	613	812	820,905	16%	84%	1,280,882	15%	85%	59.50%
2016	1,903,289	12,687	N/A	N/A	899,122	14%	86%	1,325,315	14%	86%	61.62%

Source: Maryland State Department of Education. (FY 2016 Number of School Bus Riders provided by WCBOE Transportation Dept. and FY2016 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 Combined (Current Expense)
as of June 30,
(budgetary basis of accounting)

	Fiscal Years											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	%	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Wilcomico County Appropriations	48,329,815	49,443,053	50,204,655	50,781,711	43,196,892	36,196,892	37,000,000	37,765,374	37,676,790	38,067,637	20.1%	20.1%
For Operations	-	-	-	-	-	-	-	-	-	-	-	-
for Local Share of State Pension	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	48,329,815	49,443,053	50,204,655	50,781,711	43,196,892	36,196,892	37,000,000	37,765,374	37,676,790	38,067,637	20.1%	20.1%
Other Local Sources	2,418,267	2,171,015	2,821,160	2,267,826	1,047,033	857,362	526,023	600,630	667,270	1,053,001	0.6%	0.6%
State Sources	90,332,735	104,190,544	109,369,266	113,424,856	110,403,814	114,245,692	120,326,814	124,220,505	128,815,297	133,885,606	70.7%	70.7%
Federal Sources	11,029,854	10,797,952	11,028,683	13,556,335	17,211,605	11,664,252	15,467,667	12,069,052	12,334,107	12,887,634	6.8%	6.8%
Other Sources	1,158,883	720,696	664,978	862,207	485,988	417,973	384,467	399,399	94,928	240,153	0.1%	0.1%
Total	153,269,551	167,323,260	174,088,742	180,993,935	172,345,332	163,386,171	175,889,164	177,810,051	182,310,721	189,373,040	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 * ¹	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	2015	35.4	161,304
PITTSVILLE ELEM./MIDDLE	1956	13.46	79,335
WICOMICO MIDDLE	1978 *	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		44,202
Morris Street	various		9,379
Mt Hermon and Long Avenue Site-Annex 4	various		960
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		16,439
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		3,600
Schumaker Drive-Instructional Resource Center	various		2,012
Northgate Drive-Central	Leased		
<u>OTHER SCHOOLS:</u>			
Adventist Drive-Choices Facility	various		28,802
Beaglin Park Drive-Tech Ed.	1997		113,546
Roberts Street-Early Learning Center	various		11,321

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

¹New facility to open **August 2018** for students.

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instructional Buildings										
Elementary Schools ¹	17	17	17	17	17	17	17	17	17	17
Middle Schools	3	3	3	3	3	3	3	3	3	3
High Schools ²	4	4	4	4	4	4	4	4	4	4
Alternative Education Center/Choices	1	1	1	1	1	1	1	1	1	1
Career and Technology Center	1	1	1	1	1	1	1	1	1	1
Early Learning Center	1	1	1	1	1	1	1	1	1	1
Total	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	5
Facilities/Warehouses	4	4	4	4	4	4	4	4	4	4
Food Services/Transportation Facility	1	1	1	1	1	1	1	1	1	1
Instructional Resource Center	1	1	1	1	1	1	1	1	1	1
County Stadium	1	1	1	1	1	1	1	1	1	1
Total	15	15	15	15	15	15	15	15	15	12

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
7/1/15 - 6/30/16 policy dates

Type of Coverage	Name of Company	Policy Number	Policy Period	Limits
Workers' Compensation and Employers Liability	MABE Workers' Compensation Group Self-Insurance Fund	N/A	7/01/15 - 6/30/16	Workers Compensation - Statutory Benefits; Employers Liability - \$1 million
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal & Advertising Injury Liability	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Employee Benefit Plan Fiduciary Liability	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$100,000 each claim with \$250,000 annual maximum
Automobile Liability	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$100,000 combined single limit \$1 million combined single limit for contracted buses
Personal Injury Protection - MD	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$2,500 per covered person for any one accident
Maryland Uninsured Motorist	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$50,000 per accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	actual cash value
Garage Keepers liability	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Fund	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$1 billion per occurrence
Crime	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$2,500,000 per loss
Crime - Excess	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$2,500,000 per loss in excess of \$2,500,000 primary
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/01/15 - 6/30/16	\$5,000,000 per claim \$5,000,000 annual aggregate
Catastrophic Student Accident	AIG	SRG 0009100887 - E	8/01/15 - 8/01/16	\$6,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Fiduciary Responsibility Liability	Travelers	105970202	8/01/15 - 8/01/16	\$3,000,000 per claim
Pollution Liability - Mardela WWTP	Endurance Insurance	FEI EIL 21767 00	7/11/15 - 7/11/18	\$1,000,000 per accident
Pollution Liability - above ground storage tanks	Admiral 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 - football	K& K Insurance	6AJXS26736700	8/01/15 - 8/01/16	\$25,000 per claim
Student Accident Insurance - voluntary	K& K Insurance	6AJXS26736700	8/01/15 - 8/01/16	\$25,000 per claim

Source: The Board of Education of Wicomico County Records

Schedule 18
Wicomico County, Maryland
Property Tax Levies and Collections
Last Ten Fiscal Years

This schedule presents Revenue Capacity Schedule for Wicomico County, Maryland. Its purpose is to provide readers with statements of additional information concerning the Board of Education's most significant local revenue source, i.e. local appropriations. Our county derives approximately 42% of its revenues from Real Property taxes.

Fiscal Year	County		Tax Rate		Assessable Base ¹	Tax Levy ²	Current Collections	Percent of Levy Collected in Year of Levy	Delinquent Tax Collections	Total Tax Collections ³	Total Collections as a Percent of Current Levy	Outstanding Delinquent County Taxes	Outstanding Delinquent County Taxes as a Percent of Current Levy
	Real	Corporate	Personal/Corporate	State Real/Pers/Corp									
2006	\$ 0.993	\$ 2.483	\$ 0.462	\$ 0.392	\$ 4,940,897,600	\$ 63,313,645	\$ 61,659,738	97.39%	\$ 508,971	\$ 63,423,982	100.17%	\$ 2,769,556	4.37%
2007	0.942	2.355	0.392	0.392	5,569,608,243	58,604,151	57,717,360	98.49%	670,737	58,388,097	99.63%	2,082,720	3.55%
2008	0.881	2.203	0.392	0.392	6,294,338,379	61,254,169	60,616,624	98.96%	868,981	61,485,605	100.38%	1,636,960	2.67%
2009	0.814	2.035	0.392	0.392	7,128,269,617	63,510,155	62,915,011	99.06%	280,940	60,897,564	95.89%	1,742,696	2.74%
2010	0.759	1.898	0.392	0.392	7,732,061,329	63,313,645	61,659,738	97.39%	508,971	63,423,982	100.17%	2,769,556	4.37%
2011	0.759	1.898	0.392	0.392	7,570,127,719	62,308,718	61,818,028	99.06%	508,971	63,423,982	99.86%	2,769,556	4.36%
2012	0.759	1.923	0.392	0.392	7,019,044,486	58,772,350	58,259,815	99.21%	1,589,755	63,407,783	101.76%	1,794,119	2.88%
2013	0.840	2.101	0.392	0.392	6,849,325,529	60,740,284	60,266,937	99.13%	471,077	58,730,892	99.93%	1,573,130	2.68%
2014	0.909	2.137	0.392	0.392	6,209,787,907	61,273,778	60,706,421	99.22%	585,766	60,852,703	100.19%	1,461,908	2.41%
2015	0.952	2.172	0.392	0.392	6,061,149,203	62,448,031	62,108,479	99.07%	485,075	61,191,496	99.87%	1,379,711	2.25%
2016 ⁴													

Notes:

¹ Includes six month basis expressed as a full year equivalent.

² Prior years tax levy and collections have been adjusted for their applicable year's additions, abatements and refunds, but not for any additions, abatements or refunds that occurred subsequent to that year.

³ Collections are net of refunds.

⁴ 2016 information is currently unavailable.



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