

BOARD OF EDUCATION OF WICOMICO COUNTY

A Component Unit of Wicomico County, Maryland

Comprehensive ANNUAL FINANCIAL REPORT

For fiscal year ended June 30, 2017



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, 2017

Prepared by:

Board of Education of Wicomico County
Division of Business Support Services

Jonathan Bailey
Accounting Manager

Jesse Reid, CPA, MBA
Comptroller

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION

BOARD OF EDUCATION OF WICOMICO COUNTY



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DONALD L. FITZGERALD
PRESIDENT
N. EUGENE MALONE, JR.
VICE PRESIDENT
ALLEN C. BROWN, SR.
MICHAEL G. MURRAY
JOHN PALMER
WILLIAM K. TURNER
MARIA A. WALLER

September 29, 2017

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, 2017 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 then 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 opinion on the Board's financial statements for the fiscal year ended June 30, 2017. 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, 2016 was 14,889. Countywide population for Wicomico was 102,577 in 2016, which represents the most current data available.

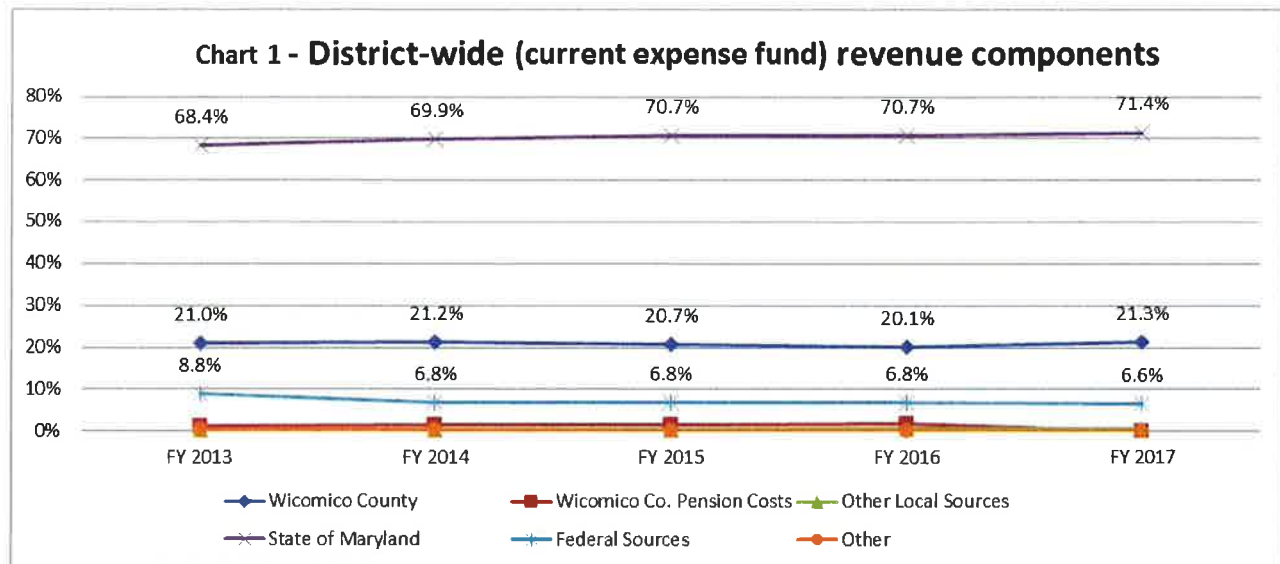
The Board's mission is to provide all students an educational foundation and a set of skills which will enable them to become responsible and productive citizens in our society. The governing body of the school system is the Board of Education which is composed of seven (7) members appointed by the governor for staggered five (5) year terms. As a result of a county referendum, effective December 2018 the seven (7) member board will be an elected board for the first time. Five (5) of the members will be elected by voters within the voters' council district and two (2) will be elected at-large members. 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 2016-2017 school year, the school system served 14,889 students (an increase of 99 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 (82 students). The ratio of professional staff (including administrators, teacher, counselors and therapists) to students for the 2016-2017 school year was approximately one staff member to 11 students. Student demographics for the 2016-2017 school year included: 61.2% students that qualified for free/reduced meals; 12.0% students with disabilities; and 5.4% students that were English Language Learners. In June 2017, the school system graduated 920 students. For school year 2016-2017 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 2016-2017 school year marked the fourteenth 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 2017 the Board received 21.3% of its district-wide revenues for operations (current expense) from Wicomico County compared to 71.4% from the State of Maryland. Chart 1 reveals a history of district-wide revenues, comparing the sources of funds. Since FY 2013, local county aid for education has increased from \$37 million to \$41.9 million, an increase of \$4.9 million, or 13.2%. Federal aid has decreased since FY 2013 by \$2.4 million. State aid during that same period increased by \$20 million. Overall, revenues for our school system have increased by \$20.6

million since FY 2013, or 11.7%.



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 35 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 (\$39.5 million) as of June 30, 2016. This is in addition to the County’s Rainy Day fund balance of \$6.7 million, which represents approximately 5% of the county government’s FY 2017 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 2017 and FY 2018. Also, in FY 2018, the County Council approved one-time funding from their unassigned fund balance to fund laptop carts for our schools. This one-time funding in the amount of \$328,000 will have a direct positive impact on instruction in Wicomico County and the Board is very appreciative of this additional funding for our schools.

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 and will result in less budget variance at year end.

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 mixed. Recent projections for state aid are flat. In fact, the Board of Revenue Estimates recently released a significant downgrade in overall state revenue for FY 2018 which could result in a negative impact on FY 2019 state funding for education. 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 2018 we are projecting general fund revenues to increase by approximately \$7.7 million, while on-going-costs of doing business (fixed costs), additional instructional and departmental needs are projected to increase \$8.8 million. Consequently, the school system worked to realign and reorganize \$1.1 million budgeted funds where possible as a method of cost avoidance and reduce the need to request new funding. This resulted in using \$1.1 million from FY 2017 estimated unliquidated surplus. This process was used to enable us to balance the FY 2018 budget since adequate revenues were not available to meet ongoing needs. Unfortunately, until our local economy starts to show some improvement, hopes for significant increases in local 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 the Board to submit \$4.1 million to the state toward state teacher pension costs in FY 2016, 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 ceased. Boards of Education are now required to pay the "normal cost" of retirement for all qualifying employees based upon current salaries. The Board's pension cost for FY 2017 was \$4.2 million, however local county governments were only 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 had to come from other sources, once again placing pressure on available resources in order to fund classroom initiatives.

Major School System Initiatives

Of the 3.8 million in new funding for FY 2018, the major initiatives include the following: 1) appropriating \$.16 million to establish and Elementary Alternative Ed program to address student discipline, safety, and school climate for our younger elementary students which includes hiring 1.0 FTE teacher, 1.0 FTE instructional assistant and 1.0 FTE social worker; 2) appropriating \$.25 million to continue to address literacy initiatives in our schools including hiring 4.0 FTE elementary reading intervention teachers; 3) appropriating \$.43 million for 6.0 FTE classroom teachers and 2.0 FTE assistants to address enrollment growth and program needs; 4) appropriating \$71,000 to expand our Employee Assistance Program (EAP) in order to offer more support, counseling and assistance to our staff; 5) \$2.4 million to address various capital outlay initiatives including Parkside limited renovation and Choices relocation and design for a new permanent facility.

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, 2016. This is the seventh 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, 2016. 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 seventh 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, 2016. This is the sixth 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, 2016. This is the fourth consecutive year that the Board achieved this prestigious award.

Acknowledgements

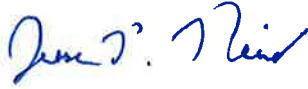
The preparation of this report could not have been accomplished without the dedicated and efficient services of the entire staff of Business Support Services and the firm of TGM Group, LLC, certified public accountants. The high standards to which this report conforms reflects the professional competence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



Jesse P. Reid, CPA, MBA
Comptroller



Jonathan Bailey
Accounting Manager

Board of Education of Wicomico County

Appointed Officials for FY 2017

Donald L. Fitzgerald, President

Joseph R. Olinger, Vice President

Tyrone A. Chase, Ph.D.

N. Eugene Malone, Jr.

John Palmer

Maria A. Waller

Ronald O. Willey

Student Members

Laura Toner, James M. Bennett High School

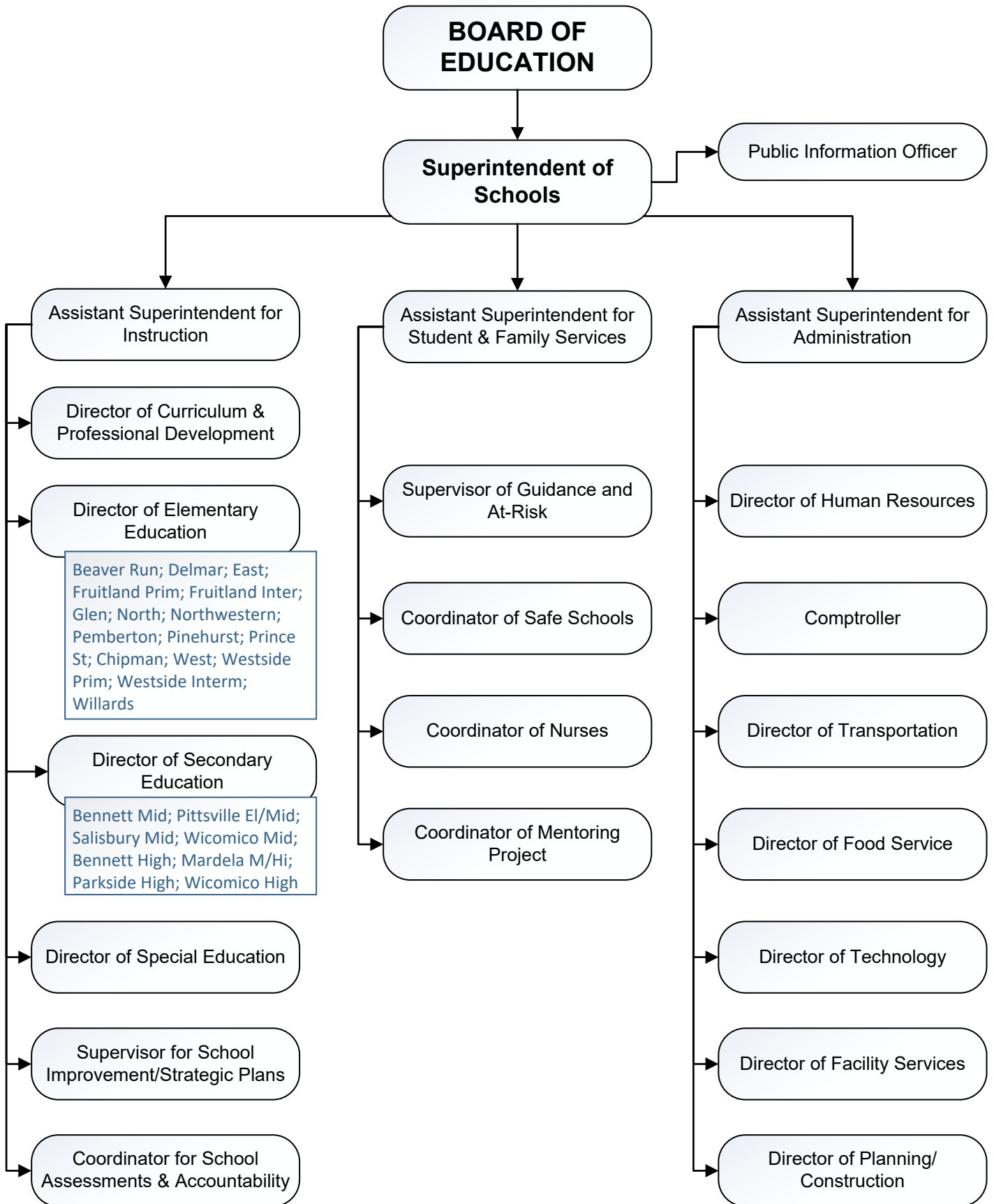
Leah Fetzer, Mardela High School

Patrick Temple, Parkside High School

Katie Beach, Wicomico High School

Donna C. Hanlin, Ed.D., Superintendent of Schools

Board of Education of Wicomico County Organizational Chart FY 2017





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, 2016

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Board of Education of Wicomico County

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

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

John D. Musso, CAE
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, 2017, 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, 2017, 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 28, schedule of funding progress and employer contributions on page 73, schedule of proportionate share of net pension liability on page 74, schedule of employer contributions on page 75, schedule of employer's net pension liability and related ratios on page 76, budgetary comparison information on pages 77 through 79, and notes to required supplementary information on pages 80 through 84 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 29, 2017 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 29, 2017

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2017

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, 2017. 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 2017 as total net position increased by \$8.2 million, or 2.9%.
 - Overall revenues were \$230.3 million and expenses \$222.1 million
 - Net investment in capital assets of the Board increased by \$5.6 million as the Board continues to invest in updating older school facilities
- The Board’s total net position is \$293.8 million. Of this total, \$8.3 million is unrestricted and available to meet the Board’s ongoing obligations, as follows: \$6.0 million for Governmental Activities and \$2.3 million for Business-Type Activities
- At the end of the current fiscal year, the Board’s governmental funds reported combined fund balances of \$18.4 million, an increase of \$3.1 million largely attributable to the increase in the rate stabilization reserve over the prior year of \$1.2 million and the increase in general fund revenues over the prior year of 7.6 million while expenditures only increased \$5.8 million.
- The unassigned fund balance in the General Fund of \$1.8 million remains unchanged from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

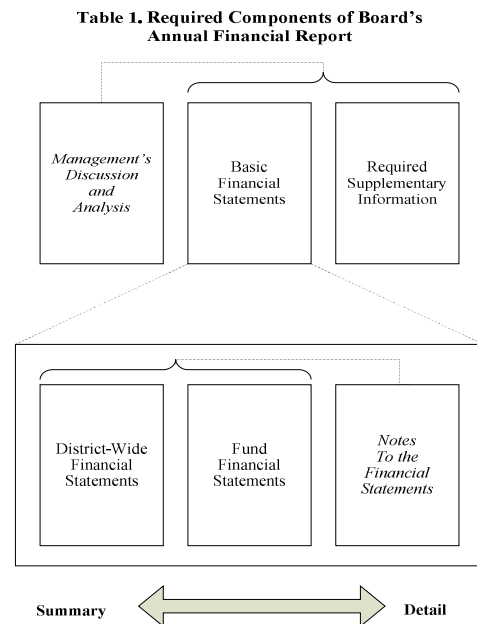
In addition to the MD&A, this section of the CAFR contains the financial statements which consist of the parts as noted in Table 1.

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, 2017

- 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, 2017

- *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 \$293.8 million on June 30, 2017. This is an increase of \$8.2 million, or 2.9 %, over the prior year. (see Table 2.)

	Governmental Activities		Business-Type Activities		Board of Ed Total		Change 2017 - 2016	
	2017	2016	2017	2016	2017	2016	\$	%
Current and other assets	\$39.2	\$36.3	\$2.5	\$1.9	\$41.7	\$38.2	\$3.4	9.0%
Capital Assets	\$280.4	\$274.8	\$0.5	\$0.5	\$280.9	\$275.3	\$5.6	2.0%
TOTAL ASSETS	\$319.7	\$311.1	\$2.9	\$2.4	\$322.6	\$313.5	\$9.0	2.9%
Deferred Outflows - Pensions	\$1.6	\$1.7	\$0.0	\$0.0	\$1.6	\$1.7	-\$0.1	-4.7%
Current Liabilities	\$20.6	\$19.9	\$0.1	\$0.2	\$20.7	\$20.1	\$0.6	3.2%
Long-Term Liabilities	\$8.5	\$9.2	\$0.0	\$0.0	\$8.5	\$9.2	-\$0.7	-7.8%
TOTAL LIABILITIES	\$29.1	\$29.1	\$0.1	\$0.2	\$29.2	\$29.3	-\$0.1	-0.3%
Deferred Inflows - Pensions	\$1.1	\$0.2	\$0.0	\$0.0	\$1.1	\$0.2	\$0.9	398.8%
Net Position								
Net Investment in Capital Assets	\$277.9	\$272.3	\$0.4	\$0.4	\$278.3	\$272.7	\$5.6	2.1%
Restricted	\$7.2	\$7.2	\$0.0	\$0.0	\$7.2	\$7.2	\$0.0	0.5%
Unrestricted	\$6.0	\$3.9	\$2.3	\$1.8	\$8.3	\$5.8	\$2.6	44.3%
TOTAL NET POSITION	\$291.1	\$283.4	\$2.8	\$2.2	\$293.8	\$285.6	\$8.2	2.9%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
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Changes in net position - the District's total revenues were \$230.3 million for the year ended June 30, 2017 (See Table 3). The county appropriation and state formula aid accounted for approximately 73% of total revenue for the year. Another 26.9% came from program revenues which consist of federal and state grants and capital contributions.

The total cost of all programs and services was \$222.1 million. The District's expenses are predominantly related to providing direct educational services to students, 76.1%, while support services for students composes another 20.7%. The purely administrative activities of the District accounted for approximately 3.2%, same as the prior year. Total revenue exceeded total expenses by \$8.2 million. This increase is attributable to the capitalization (net of depreciation) of the expenses associated with various capital projects including payments associated with the new West Salisbury Elementary School.

	Governmental Activities		Business-Type Activities		Board of Ed Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2017-2016
Program revenues							
Charges for services	\$0.4	\$0.7	\$1.1	\$1.2	\$1.5	\$1.9	-21.1%
Federal and state grants	\$39.3	\$39.2	\$6.4	\$6.1	\$45.7	\$45.3	0.9%
Capital Contributions	\$14.8	\$13.9	\$0.0	\$0.0	\$14.8	\$13.9	6.5%
General revenues							
County Appro. for operations	\$41.9	\$38.1	\$0.0	\$0.0	\$41.9	\$38.1	10.0%
County Appro. for pension	\$0.0	\$3.2	\$0.0	\$0.0	\$0.0	\$3.2	-100.0%
State formula aid	\$126.2	\$119.9	\$0.0	\$0.0	\$126.2	\$119.9	5.3%
Other	\$0.2	\$0.1	\$0.0	\$0.0	\$0.2	\$0.1	100.0%
TOTAL REVENUE	\$222.8	\$215.1	\$7.5	\$7.3	\$230.3	\$222.4	3.6%
Expenses:							
Instruction & Special Ed	\$169.0	\$163.2	\$0.0	\$0.0	\$169.0	\$163.2	3.6%
Administration	\$7.1	\$6.8	\$0.0	\$0.0	\$7.1	\$6.8	4.4%
Support Services	\$38.4	\$35.3	\$7.6	\$7.7	\$46.0	\$43.0	7.0%
TOTAL EXPENSES	\$214.5	\$205.3	\$7.6	\$7.7	\$222.1	\$213.0	4.3%
Excess(deficiency) before contributions, special & extraordinary items and transfers	\$8.3	\$9.8	(\$0.1)	(\$0.4)	\$8.2	\$9.4	-12.8%
Transfers:	(\$0.6)	(\$0.7)	\$0.7	\$0.7	\$0.1	\$0.0	0.0%
Incr. (decr.) in net position	\$7.7	\$9.1	\$0.6	\$0.3	\$8.3	\$9.4	-11.7%
Net Position - beg. Year	\$283.4	\$274.3	\$2.2	\$1.9	\$285.6	\$276.2	3.4%
Net Position - end of year	\$291.1	\$283.4	\$2.8	\$2.2	\$293.8	\$285.6	2.9%

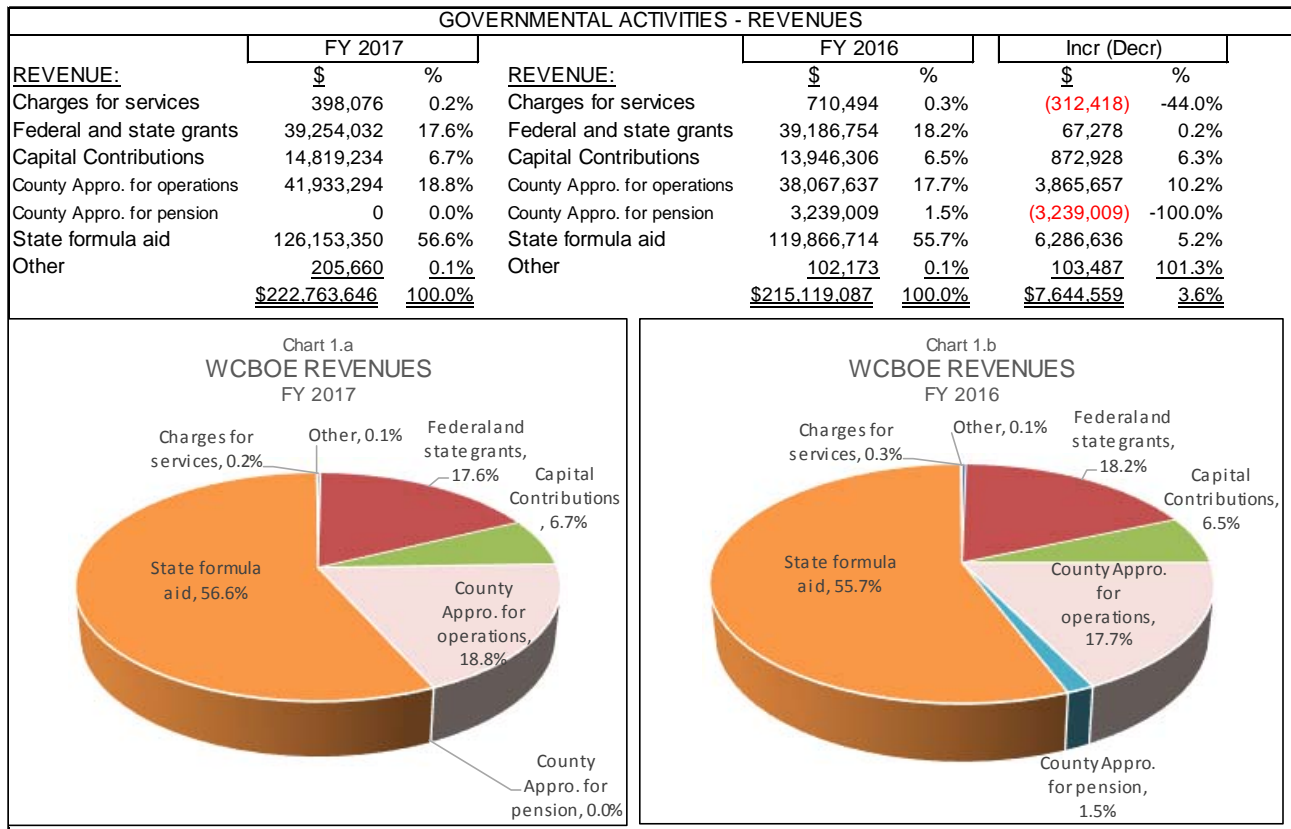
THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2017

Governmental Activities

- Net position increased \$7.6 million in FY 2017
- Revenues increased \$7,644,558 attributable to a net of:
 - capital contributions increased \$.9 million
 - state formula aid for operations increased \$6.3 million
 - federal and state grants increased \$.07 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 2017 and 2016.



THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
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Charts 2.a and 2.b disclose the breakdown of expenses for FY 2017 and 2016 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 78.8% 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 17.9% of all costs. Administration remains unchanged at 3.3% of total expenses.

GOVERNMENTAL ACTIVITIES - EXPENSES					
	FY 2017			FY 2016	
EXPENSES:	\$	%	EXPENSES:	\$	%
Instruction & Special Ed	\$169,000,274	78.8%	Instruction & Special Ed	\$163,173,856	79.5%
Admin.	\$7,070,838	3.3%	Admin.	\$6,782,626	3.3%
Support Services	\$38,445,861	17.9%	Support Services	\$35,347,535	17.2%
	<u>\$214,516,973</u>	<u>100.0%</u>		<u>\$205,304,017</u>	<u>100.0%</u>

Chart 2.a
WCBOE EXPENSES
FY 2017

Category	Percentage
Instruction & Special Ed	78.8%
Support Services	17.9%
Admin.	3.3%

Chart 2.b
WCBOE EXPENSES
FY 2016

Category	Percentage
Instruction & Special Ed	79.8%
Support Services	17.2%
Admin.	3.1%

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 \$556,445 in FY 2017. 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 2017 the transfer was \$650,000. 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 2017 equaled approximately \$725,719.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2017

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 \$18.4 million, an increase of \$3.1 million over last year's ending fund balance. This increase was in large part attributable to the increase in the rate stabilization reserve over the prior year of \$1.2 million and the \$1.8 million difference of the increase in general fund revenues from the prior year over the increase in expenditures. Revenues for the District's governmental funds were \$222.8 million, an increase of \$7.6 million over the prior year. This increase was driven in large part by enrollment growth, an increase in our free and reduced meals (FARM) students, and our county's wealth in comparison to other jurisdictions in Maryland. There was also a proportionate increase in expenditures of \$9.2 million which totaled \$214.5 million.

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 2017	FY 2016	\$	%
			Incr (Decr)	Incr. (Decr.)
<u>REVENUES</u>	\$ 194,412,829	\$ 186,633,984	\$ 7,778,845	4.2%
<u>EXPENDITURES</u>	\$ 194,537,363	\$ 188,762,049	\$ 5,775,314	3.1%
	\$ (124,534)	\$ (2,128,065)	\$ 2,003,531	-94.1%
<u>OTHER FINANCING SOURCES (USES)</u>				
Increase in Rate Stabilization Reserve	\$ 1,319,841	\$ 1,567,345	\$ (247,504)	-15.8%
Capital Lease Proceeds	1,693,267	1,952,722	(259,455)	-13.3%
Interfund Transfers - Special Revenue	836,799	875,558	(38,759)	-4.4%
Interfund Transfers - Capital Projects	-	(379,196)	379,196	100.0%
Interfund Transfers - Other	(650,000)	(675,000)	25,000	-3.7%
	\$ 3,199,907	\$ 3,341,429	\$ (141,522)	-4.2%
EXCESS (DEFICIENCY) of Revenues & Other				
Financing Sources (Uses) over Expenditures	\$ 3,075,373	\$ 1,213,364	\$ 1,862,009	-153.5%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2017

Revenues increased by \$7.8 million largely as a result of an increase in state aid of \$6.3 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 has the second lowest wealth per pupil in the state. Wicomico’s 9/30/2015 full time equivalent (FTE) enrollment, which determined our FY 2017 state aid, increased by 185 students over 9/30/2014.

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 a decrease in grant funds over the prior year, largely due to less Medical Assistance funds being expended (\$0.9 million) and the loss of a one-time grant of \$184,974 from the prior year.

Table 5				
<u>SPECIAL REVENUE FUND</u>				
	Fiscal Year FY 2017	Fiscal Year FY 2016	Increase (Decrease)	% Incr. (Decr.)
REVENUES				
Federal Through State	\$ 12,254,027	\$ 12,887,634	\$ (633,607)	-4.92%
State of Maryland	843,444	1,264,467	(421,023)	-33.30%
Other	540,740	480,487	60,253	12.54%
TOTAL REVENUES	<u>\$ 13,638,211</u>	<u>\$ 14,632,588</u>	<u>\$ (994,377)</u>	<u>-6.80%</u>

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 2017, the Board recorded PSCP aid of \$4.1 million. These funds were used predominantly for the replacement of an elementary school and a partial HVAC renovation. During FY 2017, the Board utilized approximately \$214,000 of School Construction Savings Funds (SCSF) to subsidize state and county funding for capital projects. The remaining balance in the SCSF at June 30, 2017 is \$1.5 million. This balance is currently allocated to future projects as follows: \$140,000 for Delmar Elementary limited renovation, \$100,000 for Chipman Elementary HVAC renovation, \$250,000 for Parkside High limited renovation, \$150,000 for East Salisbury HVAC renovation, and \$0.9 million for various deferred maintenance projects.

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 BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
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the reality of decreasing revenues and increasing expenditures in order to provide the required food and nutritional services to our students. Fortunately, in FY 2017, net position increased \$556,445 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 2018 by \$50,000.

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, 2017 were approximately \$23 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, 2017 were \$4 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, 2017 were approximately \$19.4 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 \$213,510 as of June 30, 2017.

(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 2017	Fiscal Year FY 2016	Increase (Decrease)	% Incr. (Decr.)
Additions	\$ 2,544,466	\$ 2,255,139	\$ 289,327	12.83%
Deductions	2,541,037	2,348,522	192,515	8.20%
Due to School Activity Groups - Beginning	429,598	522,981	(93,383)	-17.86%
Due to School Activity Groups - Ending	<u>\$ 433,027</u>	<u>\$ 429,598</u>	<u>\$ 3,429</u>	<u>0.80%</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2017

General Fund Budgetary Highlights

Original budget compared to final budget

The FY 2017 General Fund budget increased \$7.06 million. The increase was in large part made possible by \$6.86 million in additional state aid. With this revenue increase, the Board was able to fund the increase in on-going cost of doing business which exceeded \$3.3 million, add 19.5 instructional positions to address literary initiatives, enrollment growth, new instructional mandates and special education needs and also increase funding to improve school climate and student safety.

The Board did receive County Council approval to revise the General Fund budget during the year through categorical budget transfers for the following needs:

- \$75,000 – to complete a salary study for all positions within the school system. As part of our initiative to recruit and retain a high performing staff, this is a critical step toward studying where we fall short and finding ways to improve our current structure.
- \$41,287 – of partial funding to implement our new Enhanced Pathways Program for special education students

Other budget transfers approved involved object level transfers which only require Board of Education approval. Major object level transfers included:

- \$146,369 – of remaining funding needed to implement our new Enhanced Pathways Program for special education students
- \$146,000 – to purchase school student transportation vehicles to use for routes and spares and upgrade surveillance equipment for buses
- \$447,000 – to purchase additional furniture for the schools including \$288,000 for classroom furniture, \$76,000 for cafeteria tables, \$26,000 for playground equipment and \$17,000 for science tables
- \$220,000 – for data center equipment upgrades needed as we begin implementation of our telecommunication project
- \$217,455 – for hardware and software services for firewall upgrade to protect our network

Final budget compared to actual results

Revenue estimates for budgetary purposes were very close to actual. The total variance was only \$134,180 or .07% of budget.

Expenditure budget estimates exceeded actuals by \$2.60 million, or about 1.4%. This excess was due in large part to actual salaries, wages and employee benefits under budget by \$1.8 million, comprised of vacant positions remaining unfilled throughout the year of \$0.8 million, unpaid leaves of absence of \$0.5 million, and savings as a result of position turnover of \$0.5 million.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of FY 2017, 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 \$280.9 million. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$11.3 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 2018 CIP, submitted in October 2016, requested \$8.1 million from the county and \$13.6 million from the state for FY 2018 capital needs. The FY 2018 requests that were approved by the state and county are as follows:

- West Salisbury Replacement Project - \$4.2 million from the county and \$7.8 million from the State as partial funding for construction/replacement.
- Systemic Renovation Projects - \$3.9 million from the county and \$4.1 million from the state to fund various roofing, HVAC, and mechanical plant projects on various school

FACTORS BEARING ON THE DISTRICT'S FUTURE

(1) 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.

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

- Federal Legislation
 - o Every Student Succeeds Act (ESSA) – reauthorized 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. Recently, MSDE submitted to the United States

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2017

Department of Education Maryland's Consolidated State Plan for approval. It is yet to be determined the impact Maryland's ESSA plan will have on LEA's in Maryland. One issue that we are monitoring closely is the supplement, not supplant provision in the bill and how the state of Maryland will require LEA's to demonstrate this requirement and whether reporting will be required at the individual school level. We are monitoring this very closely.

- State of Maryland Legislation

- o House Bill 999 – established the Commission on Innovation and Excellence in Education (known as the Kirwan Commission). The Commission was charged to review the findings of the Study on Adequacy of Funding for Education in the State of Maryland. This study was conducted by a national consulting firm Augenblick, Palaich and Associates (APA). The study identified that in order to meet adequacy requirements nearly \$2 billion in additional state aid will be required to meet adequacy requirements. The commission is to recommend how to take the findings of the study and update/change the current state aid funding formulas to best address the study's recommendation. The commission is to look at adjusting the base funding level for all students and the additional per pupil funding for students with special needs. The commission is also charged with recommending how to provide adequate and equitable funding for programs including prekindergarten, community schools, dual enrollment, and career and technology education. Final recommendations from the commission are due December 20, 2017.

(3) The 21st Century School Facilities Commission was convened by the Maryland Senate President and House Speaker in April 2016. The Commission, referred to as the Knott Commission, has been asked to review existing educational specifications for school construction projects and also evaluate whether those specifications apply to the needs of 21st century schools. Further, the Commission was asked to review the findings of the 2004 Task Force to Study Public School Facilities, and how those findings have been implemented. The commission will also: identify construction industry best practices and their applicability to public schools; formulate long-term plans to address the issues faced by jurisdictions facing growing enrollment as well as those facing flat or declining enrollment; consider innovative financing mechanisms, such as public-private partnerships and other alternatives to traditional financing; look for efficiencies and cost-savings in construction and maintenance; evaluate the relationship between State agencies and local governments on school construction projects, as well as the role of State agencies and the statutory structure of the Interagency Committee on School Construction. Due to a deadline of December 14, 2017 for the commission vote on their final report, the commission has divided in to two sub-committees; one to make a recommendation relative to funding and one to make final recommendations involving process, procedures and educational specifications. It is anticipated that these recommendations will have a significant impact on funding and processes involving school construction commencing in FY 2019.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2017

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

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 134,023	\$ 1,330	\$ 135,353
Investments - cash equivalents	28,867,357	-	28,867,357
Accounts receivable:			
School districts and other	671,953	2,599	674,552
Accrued interest on investments	30,322	-	30,322
Due from other governmental agencies	10,186,532	294,816	10,481,348
Internal balances	(2,147,555)	2,147,555	-
Inventories	-	8,879	8,879
Prepaid expenses	1,467,557	-	1,467,557
Capital assets:			
Construction in progress	13,367,745	-	13,367,745
Land	4,079,740	-	4,079,740
Other depreciable capital assets, net	263,001,080	451,906	263,452,986
TOTAL ASSETS	319,658,754	2,907,085	322,565,839
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,579,637	-	1,579,637
LIABILITIES			
Accounts payable:			
Retainage	1,603,153	-	1,603,153
Vendors	3,104,388	47,393	3,151,781
Payroll deductions and withholdings	9,504,639	-	9,504,639
Payable to external parties	675,585	-	675,585
Due to other governmental agencies	71,822	8,879	80,701
Accrued salaries	887,817	18,915	906,732
Unearned revenue	3,238,755	36,799	3,275,554
Short term portion of long term liabilities:			
Accrued compensated absences	252,074	-	252,074
Capital lease payable	1,221,235	22,862	1,244,097
Long term liabilities:			
Accrued compensated absences	2,363,311	-	2,363,311
Capital lease payable	1,338,040	-	1,338,040
Net pension liability	4,807,299	-	4,807,299
TOTAL LIABILITIES	29,068,118	134,848	29,202,966
DEFERRED INFLOWS OF RESOURCES			
Pensions	1,112,712	-	1,112,712
NET POSITION			
Net investment in capital assets	277,889,290	429,044	278,318,334
Restricted for:			
Rate stabilization reserve	4,194,695	-	4,194,695
Capital projects	3,012,813	-	3,012,813
Unrestricted	5,960,763	2,343,193	8,303,956
TOTAL NET POSITION	\$ 291,057,561	\$ 2,772,237	\$ 293,829,798

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, 2017

	<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	\$ 7,070,838	\$ 24,250	\$ 905,083	\$ -
Instructional services	141,470,915	204,722	16,961,940	14,819,234
Special education	27,529,359	-	13,666,645	-
Student personnel services	3,564,242	-	552,706	-
Health services	2,151,653	-	161,855	-
Student transportation	10,103,015	-	5,672,422	-
Operation of plant and equipment	16,258,186	124,562	590,787	-
Maintenance of plant	5,556,582	-	145,095	-
Food services	3,574	-	2,814	-
Community services	777,353	44,542	594,685	-
Interest expense	31,256	-	-	-
Total Governmental Activities	214,516,973	398,076	39,254,032	14,819,234
Business-Type Activities				
Food Service	7,633,108	1,151,593	6,381,918	6,042
Total Business-Type Activities	7,633,108	1,151,593	6,381,918	6,042
Totals	\$ 222,150,081	\$ 1,549,669	\$ 45,635,950	\$ 14,825,276

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
\$ (6,141,505)	\$ -	\$ (6,141,505)
(109,485,019)	-	(109,485,019)
(13,862,714)	-	(13,862,714)
(3,011,536)	-	(3,011,536)
(1,989,798)	-	(1,989,798)
(4,430,593)	-	(4,430,593)
(15,542,837)	-	(15,542,837)
(5,411,487)	-	(5,411,487)
(760)	-	(760)
(138,126)	-	(138,126)
(31,256)	-	(31,256)
<hr/>		
(160,045,631)	-	(160,045,631)
<hr/>		
-	(93,555)	(93,555)
<hr/>		
-	(93,555)	(93,555)
<hr/>		
(160,045,631)	(93,555)	(160,139,186)
<hr/>		
41,933,294	-	41,933,294
126,153,350	-	126,153,350
205,659	-	205,659
<hr/>		
168,292,303	-	168,292,303
<hr/>		
(650,000)	650,000	-
<hr/>		
7,596,672	556,445	8,153,117
<hr/>		
283,460,889	2,215,792	285,676,681
<hr/>		
\$ 291,057,561	\$ 2,772,237	\$ 293,829,798

THE BOARD OF EDUCATION OF WICOMICO COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
ASSETS				
Cash	\$ 134,023	\$ -	\$ -	\$ 134,023
Investments - cash equivalents	28,867,357	-	-	28,867,357
Accounts receivable:				
School districts and other	643,882	25,670	2,401	671,953
Accrued interest on investments	30,322	-	-	30,322
Due from other governmental agencies	306,215	3,047,377	6,832,940	10,186,532
Due from other funds	-	631,284	-	631,284
TOTAL ASSETS	\$ 29,981,799	\$ 3,704,331	\$ 6,835,341	\$ 40,521,471
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Retainage	\$ -	\$ -	\$ 1,603,153	\$ 1,603,153
Vendors	808,607	176,838	2,118,943	3,104,388
Payroll deductions and withholdings	9,504,639	-	-	9,504,639
Due to other funds	3,353,992	-	100,432	3,454,424
Accrued salaries and other	764,971	122,846	-	887,817
Accrued compensated absences	252,074	-	-	252,074
Unearned revenue	136,575	3,102,180	-	3,238,755
Due to other governmental agencies	-	71,822	-	71,822
TOTAL LIABILITIES	14,820,858	3,473,686	3,822,528	22,117,072
FUND BALANCES				
Restricted for fund purposes	-	230,645	3,012,813	3,243,458
Committed:				
Healthcare rate stabilization reserve	4,194,695	-	-	4,194,695
Assigned to:				
Healthcare rate stabilization reserve	1,716,930	-	-	1,716,930
Subsequent year expenditures	2,935,983	-	-	2,935,983
Other purposes (encumbrances)	4,496,904	-	-	4,496,904
Unassigned	1,816,429	-	-	1,816,429
Total fund balances	15,160,941	230,645	3,012,813	18,404,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,981,799	\$ 3,704,331	\$ 6,835,341	\$ 40,521,471

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, 2017

Total Governmental Funds Balances		\$ 18,404,399
Amounts reported for governmental activities in the statement of net position are different because:		
Pre-payment of post-employment health care benefits		1,467,557
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements		280,448,565
Deferred outflows of resources related to pensions not reported in the funds		1,579,637
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Accrued compensated absences	(2,363,311)	
Net pension liability	(4,807,299)	
Capital lease payable	<u>(2,559,275)</u>	
		(9,729,885)
Deferred inflows of resources related to pensions not reported in the funds		<u>(1,112,712)</u>
Net Position of Governmental Activities		<u>\$ 291,057,561</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, 2017

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
REVENUES				
Wicomico County appropriations				
Operations	\$ 41,933,294	\$ -	\$ -	\$ 41,933,294
Other local revenue	550,249	476,230	-	1,026,479
State of Maryland	139,467,585	843,444	4,120,665	144,431,694
State of Maryland retirement and pension contribution	12,408,217	-	-	12,408,217
Federal through state	-	12,254,027	-	12,254,027
Other sources	53,484	64,510	10,591,941	10,709,935
TOTAL REVENUES	194,412,829	13,638,211	14,712,606	222,763,646
EXPENDITURES				
Current:				
Administration	4,746,713	459,701	-	5,206,414
School management and support	12,290,528	208,611	-	12,499,139
Instructional salaries and wages	68,586,212	4,220,421	-	72,806,633
Textbooks and instructional supplies	2,686,836	952,676	-	3,639,512
Other instructional costs	1,680,624	827,259	-	2,507,883
Special education	16,631,360	2,777,434	-	19,408,794
Student personnel services	2,416,535	249,407	-	2,665,942
Health services	1,503,505	9,037	-	1,512,542
Student transportation	8,774,733	313,557	-	9,088,290
Operation of plant and equipment	12,735,009	1,155	-	12,736,164
Maintenance of plant	4,837,153	-	-	4,837,153
Fixed charges	37,851,312	2,080,636	-	39,931,948
Food services	-	2,576	-	2,576
Community services	173,869	432,946	-	606,815
Capital outlay	5,514,518	205,024	14,754,287	20,473,829
Debt service				
Capital lease principal	1,668,983	-	-	1,668,983
Capital lease interest	31,256	-	-	31,256
State of Maryland share of retirement and pension contribution	12,408,217	-	-	12,408,217
TOTAL EXPENDITURES	194,537,363	12,740,440	14,754,287	222,032,090
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(124,534)	897,771	(41,681)	731,556
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance settlement	1,319,841	-	-	1,319,841
Capital lease issuance	1,693,267	-	-	1,693,267
Interfund transfers - special revenue	836,799	(836,799)	-	-
Interfund transfers - food services	(650,000)	-	-	(650,000)
TOTAL OTHER FINANCING SOURCES (USES)	3,199,907	(836,799)	-	2,363,108
Net change in fund balances	3,075,373	60,972	(41,681)	3,094,664
Fund balances - beginning of year	12,085,568	169,673	3,054,494	15,309,735
Fund balances - end of year	\$ 15,160,941	\$ 230,645	\$ 3,012,813	\$ 18,404,399

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, 2017

Net change in fund balances-total Governmental Funds \$ 3,094,664

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	17,584,753	
Current year depreciation	<u>(11,244,596)</u>	
Total		6,340,157

Current year loss on disposal of capital assets (720,789)

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.

Increase in long-term accrued compensated absences	1,255	
Increase in pre-funded post-employment health care benefits	(858,898)	
Decrease in net pension liability	732,743	
Increase in net deferred outflows	(78,527)	
Increase in net deferred inflows	(889,649)	

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:

(24,284)

Change in net position of Governmental Activities \$ 7,596,672

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, 2017

	Business-Type Activities
	<u>Food Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,330
Due from other funds	2,147,555
Due from other governments	294,816
Accounts receivable - other	2,599
Inventories	<u>8,879</u>
Total current assets	<u>2,455,179</u>
Capital assets, net	<u>451,906</u>
TOTAL ASSETS	<u><u>2,907,085</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	66,308
Due to other governmental agencies	8,879
Unearned revenue	36,799
Short term portion of capital lease payable	<u>22,862</u>
Total current liabilities	134,848
Long term portion of capital lease payable	<u>-</u>
TOTAL LIABILITIES	<u><u>134,848</u></u>
NET POSITION	
Net investment in capital assets	429,044
Unrestricted	<u>2,343,193</u>
TOTAL NET POSITION	<u><u>\$ 2,772,237</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, 2017

	Business-Type Activities
	<u>Food Service</u>
OPERATING REVENUES	
Food service sales	<u>\$ 1,151,593</u>
OPERATING EXPENSES	
Salaries and wages	2,463,648
Contracted services	121,206
Supplies and materials	3,820,092
Other charges	1,166,999
Depreciation	57,685
TOTAL OPERATING EXPENSES	<u>7,629,630</u>
OPERATING LOSS	(6,478,037)
NON-OPERATING REVENUES (EXPENSES)	
State of Maryland:	
Reimbursement of food costs	161,347
Federal through State:	
Reimbursement of food costs	5,785,159
Donation of food commodities	435,412
Loss on disposal of capital assets	(3,478)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,378,440</u>
Change in net position before contributions and transfers	(99,597)
Capital contribution - equipment	6,042
Transfers	<u>650,000</u>
Change in net position	556,445
Net position - beginning of year	<u>2,215,792</u>
Net position - end of year	<u><u>\$ 2,772,237</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 647,098
Cash payments to employees for services, fringe benefits	(2,783,093)
Cash payments for health and other insurances	(848,509)
Cash payments to suppliers for goods and services	(3,417,063)
Cash payments for facility use and maintenance	(121,206)
<u>Net cash used in operating activities</u>	<u>(6,522,773)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Nonoperating grants received	5,946,506
Interfund transfers	650,000
<u>Net cash provided by noncapital financing activities</u>	<u>6,596,506</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of equipment	(51,118)
Principal payment on capital lease obligation	(22,615)
<u>Net cash used in capital and related financing activities</u>	<u>(73,733)</u>
Net change in cash	-
Cash and investments - beginning of year	1,330
<u>Cash and investments - end of year</u>	<u>\$ 1,330</u>

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

Operating Loss	\$ (6,478,037)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	57,685
Commodities used	435,412
(Increase) decrease in assets:	
Inventories	(3,314)
Receivables	(504,495)
(Decrease) increase in liabilities:	
Accounts payable and accrued liabilities	(37,856)
Unearned revenue and due to other governments	7,832
<u>Total adjustments</u>	<u>(44,736)</u>
<u>Net cash used in operating activities</u>	<u>\$ (6,522,773)</u>

Noncash items:

Capital contributions of equipment	\$ 6,042
Donation of food commodities	435,412

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, 2017

	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	\$ 4,749,552	\$ -	\$ 39,089
Due from other governmental units	-	207,938	467,647
Accounts receivable	-	-	1,716
Trust investments			
Government bonds	7,233,038	-	-
Commercial paper	270,473	-	-
Mortgage loans	732,305	-	-
Corporate bonds	7,608,107	-	-
Common stock	25,663,558	5,573	-
Other	139,203	-	-
	<hr/>		
Total assets	46,396,236	213,511	508,452
	<hr/>		
LIABILITIES			
Accounts payable	-	223	75,425
Due to school activity groups	-	-	433,027
	<hr/>		
Total liabilities	-	223	508,452
	<hr/>		
NET POSITION			
Restricted for pensions and other post-employment benefits	46,396,236	-	-
Restricted for scholarships	-	213,288	-
	<hr/>		
Total net position	\$ 46,396,236	\$ 213,288	\$ -
	<hr/>		

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, 2017

	Pension and Retiree Health Plan <u>Trust Funds</u>	Private Purpose Trust Fund - Scholarship <u>Memorials</u>
ADDITIONS		
Contributions:		
Donations	\$ -	\$ 75,069
Employer contributions	1,447,921	-
Plan member contributions	403,598	-
Total contributions	<u>1,851,519</u>	<u>75,069</u>
Investment earnings:		
Interest and dividends	987,853	1,060
Less: investment-related expense	(91,126)	-
Change in fair value of investments	4,571,650	1,309
Total investment earnings	<u>5,468,377</u>	<u>2,369</u>
Total additions	<u>7,319,896</u>	<u>77,438</u>
DEDUCTIONS		
Scholarships, etc.	-	44,108
Pension benefit payments	1,597,232	-
Administrative expenses	143,669	-
Total deductions	<u>1,740,901</u>	<u>44,108</u>
Change in net position	5,578,995	33,330
Net position - beginning of year	<u>40,817,241</u>	<u>179,958</u>
Net position - end of year	<u>\$ 46,396,236</u>	<u>\$ 213,288</u>

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 – The Special Revenue fund is 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, planetarium, solar facilities, and transportation revenue resources are also included in the special revenue fund.

Capital Projects Fund – The Capital Projects (School Construction) Fund is 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 an 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 acquisition value 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, as an incentive for employees not to abuse sick leave, 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, 2017, 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, 2017, encumbrances outstanding totaled \$4,496,904, compared to \$4,024,693 in the prior year, and included the following functions:

Function	Amount
Administration	\$ 303,897
School management and support	48,704
Textbooks and instructional supplies	257,784
Other instructional costs	236,614
Special education	48,008
Student personnel services	4,562
Health services	3,449
Student transportation	92,741
Operation of plant and equipment	1,375,812
Maintenance of plant	796,590
Community services	14,935
Capital outlay	1,310,640
Encumbrances recorded as expenditures	4,493,736
Due from schools	3,168
Total encumbrances	\$ 4,496,904

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

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 to reduce concentration risk:

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

The policy requires collateralization for certificates of deposit and repurchase agreements. Such collateral must be at least 102% of 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, 2017, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash	\$ 135,353	\$ 5,898,500
Investments - cash equivalents	28,867,357	28,867,357

At June 30, 2017, the Board had bank deposits totaling \$5,898,500 with a carrying value of \$135,353. 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, 2017, 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	5,648,500
Uninsured and collateral held by pledging bank's trust department not in the Board's name	-
	\$ 5,898,500

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 \$28,867,357 at June 30, 2017 with \$5,911,625 committed/assigned for health insurance rate stabilization.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

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.

Pension and other trust funds are invested as follows:

	<u>Pension Trust</u>		<u>401(a)</u>	<u>Retiree Health</u>	Total
	BNY Mellon	AETNA	Janus	<u>Plan Trust</u>	
	BNY Mellon	AETNA	Janus	BNY Mellon	
Cash and equivalents	\$ 2,292,146	\$ 13,002	\$ 31,601	\$ 2,412,803	\$ 4,749,552
Government bonds	3,407,258	55,258	235,207	3,535,315	7,233,038
Commercial paper (less than 1 year)	-	270,473	-	-	270,473
Mortgage loans	-	281,492	450,813	-	732,305
Corporate bonds	3,415,447	950,440	652,019	2,590,201	7,608,107
Common stock	12,312,371	-	2,491,272	10,859,915	25,663,558
Other	-	-	139,203	-	139,203
Total	<u>\$ 21,427,222</u>	<u>\$ 1,570,665</u>	<u>\$ 4,000,115</u>	<u>\$ 19,398,234</u>	<u>\$ 46,396,236</u>

Corporate bonds held at June 30, 2017 are rated by Standard & Poor's as follows:

Rating	<u>Percent of Corporate Bond Portfolio</u>			
	<u>Pension Trust</u>		<u>401(a)</u>	<u>Retiree Health</u>
	BNY Mellon	AETNA	Janus	BNY Mellon
AAA	5.62%		17.11%	5.41%
AA+				
AA	1.10%		23.06%	
AA-	16.97%			24.10%
A+	14.89%	22.03%		13.85%
A	34.12%		7.00%	38.94%
A-	19.45%	38.98%		14.31%
BBB+	3.80%	38.98%		2.01%
BBB			39.49%	
BBB-	4.05%			1.38%
BB			7.86%	
B			2.36%	
Not Rated			3.12%	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

PENSION TRUST:

BNY Mellon:

Corporate bond issues held at June 30, 2017 are as follows:

Par Value	Description	Coupon Rate	Due
\$70,000	Baker Hughes Inc.	7.50%	11/15/18
\$125,000	Burlington Northern Sante Fe LLC	3.45%	09/15/21
\$185,000	Caterpillar Inc.	5.45%	04/15/18
\$200,000	Chevron Corp.	1.37%	03/02/18
\$200,000	Cisco Systems Inc.	2.13%	03/01/19
\$45,000	ConocoPhillips Corp.	5.20%	05/15/18
\$150,000	Covidien Intl	3.20%	06/15/22
\$25,000	Deere & Co.	8.50%	01/09/22
\$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
\$85,000	Hubbell Inc.	5.95%	06/01/18
\$120,000	IBM Corp.	5.70%	09/14/17
\$200,000	JP Morgan Chase & Co.	1.70%	03/01/18
\$175,000	JP Morgan Chase & Co.	2.30%	08/15/21
\$185,000	Johnson & Johnson	5.15%	07/15/18
\$60,000	Nucor Corp.	5.75%	12/01/17
\$135,000	PPG Industries Inc.	2.30%	11/15/19
\$30,000	Pharmacia Corp.	8.70%	10/15/21
\$135,000	Pitney Bowes Inc.	4.75%	05/15/18
\$275,000	Qualcomm Inc.	3.00%	05/20/22
\$200,000	Schwab Charles Corp.	4.45%	07/22/20
\$170,000	United Parcel Service	5.50%	01/15/18

AETNA:

Corporate bond issues held at June 30, 2017 are as follows:

	Percent of Holdings
Berkshire Hathaway Inc.	22.03%
Bank of America Corp.	20.34%
Duke Energy	20.34%
AT&T Inc.	18.64%
Anheuser-Busch InBev SA/NV	18.64%

401(a):

Janus:

Corporate bond issues held at June 30, 2017 are as follows:

	Percent of Holdings
Janus Balanced Fund T (JABAX)	100.00%
Average duration 6.03 years	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

RETIREE HEALTH PLAN TRUST:

BNY Mellon:

Corporate bond issues held at June 30, 2017 are as follows:

Par Value	Description	Coupon Rate	Due
\$20,000	Baker Hughes Inc.	7.50%	11/15/18
\$100,000	Burlington Northern Santa Fe LLC	3.45%	09/15/21
\$135,000	Caterpillar Inc.	5.45%	04/15/18
\$170,000	Chevron Corp.	1.37%	03/02/18
\$160,000	Cisco Systems Inc.	2.13%	03/01/19
\$15,000	ConocoPhillips Corp.	5.20%	05/15/18
\$135,000	Covidien Intl	3.20%	06/15/22
\$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
\$75,000	Hubbell Inc.	5.95%	06/01/18
\$60,000	IBM Corp.	5.70%	09/14/17
\$170,000	JP Morgan Chase & Co.	1.70%	03/01/18
\$150,000	JP Morgan Chase & Co.	2.30%	08/15/21
\$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
\$35,000	Pitney Bowes Inc.	4.75%	05/15/18
\$210,000	Qualcomm Inc.	3.00%	05/20/22
\$150,000	Schwab Charles Corp.	4.45%	07/22/20
\$150,000	Toyota Motor Corp	2.00%	10/24/18
\$135,000	United Parcel Service	5.50%	01/15/18

INVESTMENTS AT FAIR VALUE:

Government Accounting Standards Board Statement (GASB) No. 72, *Fair Value Measurements and Application*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly (for example, quoted prices in active markets for similar assets or liabilities)
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

As of June 30, 2017, the Board had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Government bonds	\$ 7,233,038	\$ -	\$ -	\$ 7,233,038
Mortgage loans	-	-	732,305	732,305
Corporate bonds	-	7,608,107	-	7,608,107
	<u>7,233,038</u>	<u>7,608,107</u>	<u>732,305</u>	<u>15,573,450</u>
Equity Securities:				
Common stock	<u>25,663,558</u>	-	-	<u>25,663,558</u>
Other investments:				
Commercial paper	270,473	-	-	270,473
Other	-	-	139,203	139,203
	<u>270,473</u>	<u>-</u>	<u>139,203</u>	<u>409,676</u>
Total investment by fair value level	<u>\$ 33,167,069</u>	<u>\$ 7,608,107</u>	<u>\$ 871,508</u>	<u>\$ 41,646,684</u>

Note 3. Interfund Receivables and Payables

At June 30, 2017, the interfund account balances are as follows:

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES:		
General Fund		
Due to Food Service Fund	\$ -	\$ 2,147,555
Due to Special Revenue Fund	-	631,284
Due from Capital Projects Fund	100,432	-
Due to School Activities Fund	-	467,647
Due to Trust Fund	-	207,938
Special Revenue Fund		
Due from General Fund	631,284	-
Capital Projects Fund		
Due to General Fund	-	100,432
BUSINESS-TYPE ACTIVITIES		
Enterprise Fund		
Due from General Fund	2,147,555	-
FIDUCIARY NET POSITION		
Due from General Fund	675,585	-
TOTAL ALL FUNDS	<u>\$ 3,554,856</u>	<u>\$ 3,554,856</u>

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 \$836,799 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 4. Due to/from Other Governmental Agencies

Due to/from other governmental agencies is as follows:

	GOVERNMENTAL ACTIVITIES				BUSINESS- TYPE ACTIVITIES
	General Fund	Special Revenue	Capital Projects	Total	Food Services
Due from Federal	\$ -	\$ 2,734,804	\$ -	\$ 2,734,804	\$ 293,662
Due from State	306,215	312,443	3,940,295	4,558,953	1,154
Due from local and other	-	130	2,892,645	2,892,775	-
Total due from other governmental agencies	<u>\$ 306,215</u>	<u>\$ 3,047,377</u>	<u>\$ 6,832,940</u>	<u>\$ 10,186,532</u>	<u>\$ 294,816</u>
Due to Federal	\$ -	\$ 20,697	\$ -	\$ 20,697	\$ 8,879
Due to State	-	50,895	-	50,895	-
Due to local and other	-	230	-	230	-
Total due to other governmental agencies	<u>\$ -</u>	<u>\$ 71,822</u>	<u>\$ -</u>	<u>\$ 71,822</u>	<u>\$ 8,879</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016		Additions	Deductions	Transfers	Balance June 30, 2017
Governmental Activities						
Capital Assets, not being depreciated						
Land	\$ 4,079,740	\$ -	\$ -	\$ -	\$ -	\$ 4,079,740
Construction in progress	71,870,112	13,707,178	-	(72,209,545)		13,367,745
Total capital assets, not being depreciated	<u>75,949,852</u>	<u>13,707,178</u>		<u>-</u>	<u>(72,209,545)</u>	<u>17,447,485</u>
Capital assets, being depreciated						
Buildings and improvements	277,799,964	231,215	(3,564,156)	72,209,545		346,676,568
Furniture and equipment	41,119,312	2,790,358	(1,483,753)	-		42,425,917
Vehicles	3,209,071	856,002	(219,628)	-		3,845,445
Total capital assets, being depreciated	<u>322,128,347</u>	<u>3,877,575</u>	<u>(5,267,537)</u>	<u>72,209,545</u>		<u>392,947,930</u>
Less accumulated depreciation:						
Buildings and improvements	(89,967,620)	(7,496,767)	2,879,627	-		(94,584,760)
Furniture and equipment	(31,653,620)	(3,401,893)	1,449,915	-		(33,605,598)
Vehicles	(1,627,762)	(345,936)	217,206	-		(1,756,492)
Total accumulated depreciation	<u>(123,249,002)</u>	<u>(11,244,596)</u>	<u>4,546,748</u>	<u>-</u>		<u>(129,946,850)</u>
Total capital assets, being depreciated, net	<u>198,879,345</u>	<u>(7,367,021)</u>	<u>(720,789)</u>	<u>72,209,545</u>		<u>263,001,080</u>
Governmental activities capital assets, net	<u>\$ 274,829,197</u>	<u>\$ 6,340,157</u>	<u>\$ (720,789)</u>	<u>\$ -</u>		<u>\$ 280,448,565</u>
Business-type activities						
Equipment	\$ 2,297,300	\$ 57,160	\$ (50,659)	\$ -		\$ 2,303,801
Accumulated depreciation	(1,841,391)	(57,685)	47,181	-		(1,851,895)
Business-type activities capital assets, net	<u>\$ 455,909</u>	<u>\$ (525)</u>	<u>\$ (3,478)</u>	<u>\$ -</u>		<u>\$ 451,906</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 181,361
Instructional services	10,029,843
Special Education	24,375
Student Personnel Services	15,285
Health Services	4,974
Student transportation	319,414
Operation of plant and equipment	597,785
Maintenance of plant	64,877
Community Services	<u>6,682</u>
Total governmental depreciation expense	<u>11,244,596</u>

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

Food service	<u>57,685</u>
Total business-type depreciation expense	<u>57,685</u>
Total depreciation expense	<u><u>\$ 11,302,281</u></u>

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, 2017, the health insurance reserve had the following activity:

Balance at July 1, 2016	\$ 4,665,397
Subsidy for rate increase	-
Insurance settlement - 2016	1,319,841
Interest earned	30,308
Consulting and other expenditures	<u>(103,921)</u>
Balance at June 30, 2017	<u><u>\$ 5,911,625</u></u>

The consortium's contract with its health insurance carrier requires that actual incurred claims and expenses be compared to actual premiums paid to determine whether a deposit premium deficit has been incurred each year. Under the contract, the health insurance carrier can only require payment against the deficit of up to 7% of the actual monthly premiums paid in the current fiscal year. The health insurance contract is based on a fiscal year of September 1st through August 31st. For the period ended August 31, 2016, the Board's share of the consortium's settlement was a surplus of \$1,319,841. These amounts were included as other financing sources (uses) during the year ended June 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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"). Effective June 29, 2009, the City of Salisbury was approved to join the trust. A Board of Trustees ("the Board") oversees 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 assets of the trust are managed by an investment manager, Croft-Leominster, Inc. under a formal investment policy. The Board of Trustees meets quarterly to review investment performance.

The plan provides medical, prescription, dental, and vision benefits to eligible retirees and their spouses. Beginning in 2017, the Board funds 70% of the individual health care insurance costs for retirees who were hired prior to July 1, 2016 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. For employees hired on or after July 1, 2016, the Board funds 50% of the individual health care insurance costs for Unit 1, 3, and 4 retirees with 15-19 years of service; 60% of the individual health care insurance costs for Unit 1, 3, and 4 retirees with 20-24 years of service; and 70% of the individual health care insurance costs for Unit 1, 3, and 4 retirees with 25 or more years of service. The Board contributes 70% of the individual health care insurance costs for Unit 2 and Executive retirees with at least 10 years of service.

The Board previously funded 70% of the individual health care insurance costs for eligible retirees who were qualified to retire on or after July 17, 2007 and who had accumulated at least 10 years of service, and 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 810 retirees who have worked for at least ten years are eligible to participate in the post-retirement benefit program.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to pre-fund benefits as determined annually. For the current fiscal year, the Board contributed \$4.15 million to the plan, including approximately \$3.35 million for current claim costs (approximately 70% of total premiums); an additional \$688 thousand 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 or EPO 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Annual required contribution		\$	5,055,895
Interest on net OPEB obligation			(168,668)
Adjustment to annual required contribution			<u>123,961</u>
Annual OPEB cost (expense)			5,011,188
Contributions made:			
Premium equivalency & retiree subsidy payments from General Fund	(3,464,108)		
Prefunding contribution			<u>(688,182)</u>
Total contributions made			<u>(4,152,290)</u>
Net change in OPEB obligation (asset)			858,898
Net OPEB obligation (asset) - beginning of year			<u>(2,326,455)</u>
Net OPEB obligation (asset) - end of year			<u>\$ (1,467,557)</u>

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)
2013	\$ 4,143,013	\$ 3,984,000	96.16%	\$ (2,304,291)
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)
2017	5,011,188	4,152,290	82.86%	(1,467,557)

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 2016, the most recent actuarial valuation date, the plan was 23.5% funded. The actuarial accrued liability for benefits was \$69,932,401 and the actuarial value of assets was \$16,461,774 resulting in an unfunded actuarial accrued liability (UAAL) of \$53,470,627. The covered payroll (annual payroll of active employees covered by the plan) was \$111,445,147 and the ratio of the UAAL to the covered payroll was 48.0%.

The Board's funding progress is summarized as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
07/01/16	16,461,774	69,932,401	53,470,627	23.54%	111,445,147	47.98%

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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 2016 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, 2016 was 30 years.

Additional information as of the latest actuarial valuation follows:

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.
Premium Equivalence	Current pre-Medicare cost equivalent rates are adjusted by age adjusting rates based on the Society of Actuaries' 2013 study "Health Care Costs - From Birth to Death." Medicare supplement rates are assumed to be age adjusted.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Retirement Age	Age at the beginning of year	Retirement Rate	Probability of Electing Coverage
	55	20%	50%
	56 - 61	10%	50%
	62	40%	50%
	63 - 64	20%	50%
	65	100%	50%

Investments

The long-term expected rate of return on retiree health 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. For each major asset class that is included in the Board's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Expected Future Returns	Building Blocks Range of Expected Returns
Fixed Income	30-40%	3.00 - 4.00%	0.90 - 1.60%
Equities	50-60%	8.00 - 10.00%	4.00 - 6.00%
Other	0-10%	0.00 - 1.00%	0.00 - 0.10%
			4.90 - 7.70%
		Rate Selected:	7.25%

The annual money-weighted rate of return on retiree health plan investments, net of investment expenses, was 13.38%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the change in amounts actually invested.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 8. Risk Management (Continued)

In 2015, senior management created a Risk Management Committee, with the initial purpose to review reported employee injuries and various 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.

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, 2017 were \$12,408,217. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

In addition to the above contribution, during fiscal year 2017, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State 100% 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. As contractually required, during fiscal year 2017, the Board contributed \$4,223,295, after an adjustment of \$319,849 in accordance with Chapter 5 of the Acts of 2017 (House Bill 1109), to the Teachers' Retirement and Pension System.

Significant Plan Benefits and Policies

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

Teachers' Retirement System

Retirement Benefits:

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e. average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. 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.

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 \$12,408,217 on behalf of the Board while the Board contributed \$4,223,295 during fiscal year 2017 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.

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)

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, 2017. 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 \$12,408,217 on behalf of the Board while the Board contributed \$4,223,295 during fiscal year 2017 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, 2017 and payroll covered under the Teachers' Retirement and Pension Systems is as follows:

Total payroll	\$ 121,188,789
Payroll covered under the plan	\$ 100,247,573

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 \$4,223,295 for the year ended June 30, 2017, 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:

	2017
Board's proportionate share of the net pension liability (Employees' Systems)	\$ -
State's proportionate share of the net pension liability (Teachers' Systems)	<u>144,047,412</u>
Total	\$ 144,047,412

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 (continued)

The net pension liability was measured as of June 30, 2016, 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, 2017 related to the System.

Actuarial Assumptions

The total pension liability in the June 30, 2016 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	22 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20% 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 THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.6%
Private Equity	10%	7.4%
Rate Sensitive	20%	1.3%
Credit Opportunity	9%	4.2%
Real Assets	15%	4.7%
Absolute Return	9%	3.7%
Total	<u>100%</u>	

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 54% equities, 10% 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, 2017 and payroll covered, as of the latest actuarial valuation, under the Plan is as follows:

Total payroll	\$ 121,188,789
Payroll covered under the plan	\$ 10,146,618

Plan membership at July 1, 2016, the date of the latest actuarial valuation, consisted of 307 active plan members, 156 retirees and beneficiaries, and 17 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	June 30, 2017
Total pension liability			
Service cost	\$ 842,490	\$ 854,284	\$ 772,678
Interest	1,849,338	1,898,022	1,850,305
Benefit payments	(1,250,672)	(1,502,818)	(1,456,131)
Change in assumption	-	(260,240)	-
Experience (gain) loss	-	19,531	401,563
Net change in total pension liability	1,441,156	1,008,779	1,568,415
Total pension liability - beginning	23,786,836	25,227,992	26,236,771
Total pension liability - ending (a)	25,227,992	26,236,771	27,805,186
 Plan fiduciary net position			
Contribution - employer	722,205	753,562	759,739
Contribution - plan member	381,911	399,334	403,598
Net investment income	88,504	(400,584)	2,646,737
Benefit payments	(1,250,672)	(1,502,591)	(1,456,131)
Administrative expenses	(49,433)	(65,984)	(52,785)
Net change in plan fiduciary net position	(107,485)	(816,263)	2,301,158
Plan fiduciary net position - beginning	21,620,477	21,512,992	20,696,729
Plan fiduciary net position - ending (b)	21,512,992	20,696,729	22,997,887
 Net pension liability (a - b)	 \$ 3,715,000	 \$ 5,540,042	 \$ 4,807,299

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%
2017	578,971	759,739	(180,768)	10,146,618	7.49%

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, 2017, 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	\$ -	\$ (185,886)
Net difference between projected and actual investment earnings on pension plan investments	1,231,213	(926,826)
Difference between actual and expected experience	348,424	-
Total	\$ 1,579,637	\$ (1,112,712)

The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 6 and 7 years for 2017 and 2016, respectively. 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:

Year End June 30,	2017 BALANCE AMORTIZATION		2016 BALANCE AMORTIZATION		DEFERRED INFLOWS
	DEFERRED OUTFLOWS		DEFERRED OUTFLOWS		Change in
	Net Difference in Investment Earnings	Actual and Expected Experience	Net Difference in Investment Earnings	Actual and Expected Experience	Assumptions
2018	(231,707)	66,927	410,405	2,758	(37,177)
2019	(231,706)	66,927	410,404	2,758	(37,177)
2020	(231,707)	66,927	410,404	2,758	(37,177)
2021	(231,706)	66,927	-	2,757	(37,177)
2022	-	66,928	-	2,757	(37,178)
	(926,826)	334,636	1,231,213	13,788	(185,886)

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 \$27,805,186 and the plan fiduciary net position was \$22,997,887 resulting in a net pension liability of \$4,807,299. The covered payroll (annual payroll of active employees covered by the plan) was \$10,146,618 and the ratio of the net pension liability to the covered payroll was 47.4%.

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% - 1.60%
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	7,635,832	4,807,299	2,383,904

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 12.49%. The money-weighted rate of return expresses investment performance, net of expense, adjusted for the change in 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, 2017, 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

	401(a) <u>Retirement Plan</u>	Employees <u>Pension</u>	Retiree Health <u>Plan Trust</u>	<u>Total</u>
ASSETS				
Current assets	\$ 4,000,115	\$ 22,997,887	\$ 19,398,234	\$ 46,396,236
Total assets	4,000,115	22,997,887	19,398,234	46,396,236
NET POSITION				
Held in trust for retirement and other benefits	\$ 4,000,115	\$ 22,997,887	\$ 19,398,234	\$ 46,396,236

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

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	401(a) <u>Retirement Plan</u>	Employees <u>Pension</u>	Retiree Health <u>Plan Trust</u>	<u>Total</u>
ADDITIONS				
Contributions	\$ -	\$ 1,163,337	\$ 688,182	\$ 1,851,519
Net investment earnings	495,840	2,646,737	2,325,800	5,468,377
Total additions	495,840	3,810,074	3,013,982	7,319,896
DEDUCTIONS				
Pension benefit payments	141,101	1,456,131	-	1,597,232
Administrative expenses	13,362	52,785	77,522	143,669
Total deductions	154,463	1,508,916	77,522	1,740,901
Change in net position	341,377	2,301,158	2,936,460	5,578,995
Net position - beginning of year	3,658,738	20,696,729	16,461,774	40,817,241
Net position - end of year	\$ 4,000,115	\$ 22,997,887	\$ 19,398,234	\$ 46,396,236

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2017:

GOVERNMENTAL ACTIVITIES	<u>Capital Assets</u>
Vehicles:	
2015	\$ 122,993
2016	121,179
2017	121,109
Computers:	
2015	1,154,121
2016	1,831,543
2017	1,572,158
Total	<u>\$ 4,923,103</u>
BUSINESS-TYPE ACTIVITIES	
Equipment:	
2015	<u>\$ 90,960</u>

Approximate future minimum lease commitments are as follows:

GOVERNMENTAL ACTIVITIES

Fiscal Year Ending	Computers/Vehicles			Total
	2017	2016	2015	
June 30, 2018	\$ 431,250	\$ 498,250	\$ 324,489	\$ 1,253,989
June 30, 2019	431,250	498,250	-	929,500
June 30, 2020	431,250	-	-	431,250
	1,293,750	996,500	324,489	2,614,739
Less: interest	(31,733)	(20,232)	(3,499)	(55,464)
Present value of future minimum lease payments	<u>\$ 1,262,017</u>	<u>\$ 976,268</u>	<u>\$ 320,990</u>	<u>\$ 2,559,275</u>

BUSINESS-TYPE ACTIVITIES

	Equipment
June 30, 2018	<u>23,111</u>
Less: amount representing interest	<u>(249)</u>
Present value of future minimum lease payments	<u>\$ 22,862</u>

Interest expense related to the above capital leases, with interest rates ranging from 0.94% to 2.15%, was approximately \$32,000 for the year ended June 30, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 12. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning			Ending	Due Within	Long Term
	Balance	Additions	Reductions	Balance	One Year	Portion
Accrued compensated absences	\$ 2,635,023	\$ 302,503	\$ 322,141	\$ 2,615,385	\$ 252,074	\$ 2,363,311
Capital leases	2,534,991	1,693,267	1,668,983	2,559,275	1,221,235	1,338,040
Net pension liability	5,540,042	1,886,725	2,619,468	4,807,299	-	4,807,299
Total	\$ 10,710,056	\$ 3,882,495	\$ 4,610,592	\$ 9,981,959	\$ 1,473,309	\$ 8,508,650

BUSINESS-TYPE ACTIVITIES	Beginning			Ending	Due Within	Long Term
	Balance	Additions	Reductions	Balance	One Year	Portion
Capital leases	\$ 45,477	\$ -	\$ 22,615	\$ 22,862	\$ 22,862	\$ -

The Board does not have the authority to incur bonded debt. Payments for compensated absences and net pension liability have typically been liquidated in the General Fund in prior years. Payments for capital leases are liquidated from the General Fund for governmental activities and the Food Service Fund for business-type activities.

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, 2017. Unearned revenue at June 30, 2017 consists of the following:

Medical assistance provider payments	\$ 2,820,760
Various other state and federal programs	<u>281,420</u>
	<u>\$ 3,102,180</u>

Note 14. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board has signed contracts for the construction of West Salisbury Elementary School in the amount of \$24,179,100. At June 30, 2017, \$7,065,514 had been expended on the construction of West Salisbury Elementary School related to these contracts.

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 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%
07/01/16	16,461,774	69,932,401	53,470,627	23.54%	111,445,147	47.98%

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
2008	\$ 3,713,000	\$ 2,541,000	\$ 2,594,000	146.12%	143.14%
2009	3,373,000	2,601,000	2,613,450	129.68%	129.06%
2010	3,843,700	3,508,021	3,508,405	109.57%	109.56%
2011	4,354,000	3,591,082	3,598,819	121.24%	120.98%
2012	4,279,100	3,915,824	3,927,822	109.28%	108.94%
2013	3,984,000	4,129,061	4,143,013	96.49%	96.16%
2014	3,888,000	4,049,511	4,062,589	96.01%	95.70%
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%
2017	4,152,290	5,055,895	5,011,188	82.13%	82.86%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PENSION PLANS

Teachers' Retirement and Pension Systems

	2015	2016	2017
Board's proportion of the net pension liability	0.00000%	0.00000%	0.00000%
Board's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	87,166,955	119,020,880	144,047,412
Total	<u>\$ 87,166,955</u>	<u>\$ 119,020,880</u>	<u>\$ 144,047,412</u>
Board's covered-employee payroll	\$ 93,558,675	\$ 95,262,765	\$ 98,572,456
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
The total pension liability as a percentage of plan fiduciary net position	0.19%	0.26%	0.32%

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	2017
Contractually required contributions	\$ 3,524,616	\$ 4,052,348	\$ 4,223,295
Contributions in relation to the contractually required contribution	<u>3,524,616</u>	<u>4,052,348</u>	<u>4,223,295</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 95,262,765	\$ 98,572,456	\$ 100,247,573
Contributions as a percentage of covered-employee payroll	3.70%	4.11%	4.21%

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	June 30, 2017
Total pension liability			
Service cost	\$ 842,490	\$ 854,284	\$ 772,678
Interest	1,849,338	1,898,022	1,850,305
Benefit payments	(1,250,672)	(1,502,818)	(1,456,131)
Change in assumption	-	(260,240)	-
Experience (gain) loss	-	19,531	401,563
Net change in total pension liability	1,441,156	1,008,779	1,568,415
Total pension liability - beginning	23,786,836	25,227,992	26,236,771
Total pension liability - ending (a)	25,227,992	26,236,771	27,805,186
Plan fiduciary net position			
Contribution - employer	722,205	753,562	759,739
Contribution - plan member	381,911	399,334	403,598
Net investment income	88,504	(400,584)	2,646,737
Benefit payments	(1,250,672)	(1,502,591)	(1,456,131)
Administrative expenses	(49,433)	(65,984)	(52,785)
Net change in plan fiduciary net position	(107,485)	(816,263)	2,301,158
Plan fiduciary net position - beginning	21,620,477	21,512,992	20,696,729
Plan fiduciary net position - ending (b)	21,512,992	20,696,729	22,997,887
Net pension liability (a - b)	\$ 3,715,000	\$ 5,540,042	\$ 4,807,299

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%
June 30, 2017	27,805,186	22,997,887	4,807,299	82.71%	10,146,618	47.38%

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%
2017	578,971	759,739	(180,768)	10,146,618	7.49%

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, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Wicomico County appropriation				
Operations	\$ 41,933,313	\$ 41,933,313	\$ 41,933,294	\$ (19)
Local share of State pension	-	-	-	-
Total Wicomico County appropriation	41,933,313	41,933,313	41,933,294	(19)
Other local:				
Tuition - nonresident pupils	25,000	25,000	26,175	1,175
Tuition - other	28,000	28,000	42,189	14,189
Student payments/fees	72,000	72,000	82,874	10,874
Earnings on investments	1,500	1,500	142,039	140,539
Rental of school facilities	95,000	95,000	106,337	11,337
Miscellaneous	121,700	121,700	150,635	28,935
Total other local	343,200	343,200	550,249	207,049
State of Maryland revenues:				
Current expense aid	73,230,166	73,230,166	73,230,132	(34)
Guaranteed tax base	6,018,011	6,018,011	6,018,011	-
Special education	7,723,457	7,723,457	7,723,457	-
Transportation	5,279,950	5,279,950	5,241,384	(38,566)
Miscellaneous	10,000	10,000	-	(10,000)
Non-public placement	224,517	224,517	242,767	18,250
Aging schools	-	-	-	-
Limited English proficient	4,251,324	4,251,324	4,250,795	(529)
Compensatory education	42,669,559	42,669,559	42,654,412	(15,147)
Total State of Maryland revenues	139,406,984	139,406,984	139,360,958	(46,026)
Other sources:				
Out of county living	50,000	50,000	23,176	(26,824)
Total other sources	50,000	50,000	23,176	(26,824)
TOTAL REVENUES	181,733,497	181,733,497	181,867,677	134,180
EXPENDITURES				
Administration	5,007,385	5,082,385	4,959,987	122,398
School management and support	12,372,641	12,372,641	12,348,795	23,846
Instructional salaries	70,103,130	70,028,130	68,586,212	1,441,918
Textbooks and instructional supplies	2,715,984	2,715,984	2,685,957	30,027
Other instruction costs	1,969,744	1,969,744	1,765,862	203,882
Student personnel services	2,471,198	2,471,198	2,425,360	45,838
Health services	1,546,928	1,546,928	1,502,705	44,223
Student transportation	8,721,624	8,721,624	8,600,514	121,110

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2017
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (continued)				
Operation of plant and equipment	\$ 13,542,103	\$ 13,542,103	\$ 13,156,078	\$ 386,025
Maintenance of plant	4,699,582	4,699,582	4,639,307	60,275
Fixed charges	37,727,111	37,768,399	37,747,391	21,008
Community services	175,881	175,881	172,734	3,147
Capital outlay	5,994,941	5,994,941	5,974,322	20,619
Special education	16,744,589	16,703,301	16,630,029	73,272
Food service	650,000	650,000	650,000	-
TOTAL EXPENDITURES	184,442,841	184,442,841	181,845,253	2,597,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(2,709,344)	(2,709,344)	22,424	2,731,768
OTHER FINANCING SOURCES (USES)				
Appropriation from June 30, 2016 fund balance	1,579,344	1,579,344	1,579,344	-
Interfund transfers	1,130,000	1,130,000	1,231,051	(101,051)
TOTAL OTHER FINANCING SOURCES (USES)	2,709,344	2,709,344	2,810,395	(101,051)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 2,832,819	\$ 2,832,819

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL REVENUE

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Federal sources	\$ 13,448,462	\$ 13,448,462	\$ 12,254,027	\$ (1,194,435)
State sources	526,178	526,178	843,444	317,266
Local and other sources	470,004	470,004	540,740	70,736
TOTAL REVENUES	14,444,644	14,444,644	13,638,211	(806,433)
EXPENDITURES				
Administration	755,742	755,742	459,701	296,041
School management and support	181,649	181,649	208,611	(26,962)
Instructional salaries	4,428,980	4,428,980	4,220,421	208,559
Textbooks and instructional supplies	496,193	496,193	952,676	(456,483)
Other instruction costs	704,906	704,906	827,259	(122,353)
Special education	3,548,099	3,548,099	2,777,434	770,665
Student personnel services	-	-	249,407	(249,407)
Health services	10,984	10,984	9,037	1,947
Student transportation	309,611	309,611	313,557	(3,946)
Operation of plant and equipment	-	-	1,155	(1,155)
Maintenance of plant	-	-	-	-
Fixed charges	3,507,291	3,507,291	2,080,636	1,426,655
Food services	-	-	2,576	(2,576)
Community services	501,189	501,189	432,946	68,243
Capital outlay	-	-	205,024	(205,024)
TOTAL EXPENDITURES	14,444,644	14,444,644	12,740,440	1,704,204
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	-	-	897,771	897,771
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	-	(836,799)	(836,799)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ 60,972	\$ 60,972

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:

	Revenues	Expenditures	Other Financing Sources (Uses)
	General Fund June 30, 2017	General Fund June 30, 2017	General Fund June 30, 2017
GAAP Basis	\$ 194,412,829	\$ 194,537,363	\$ 3,199,907
Changes in asset account balances not accounted for on Budgetary Statement:			
Health insurance rate stabilization reserve activity:			
Proceeds from insurance settlement	-	-	(1,319,841)
Subsidy for rate increase	-	-	-
Interest earned on health care reserve	(30,308)	-	-
Other expenditures		(103,921)	
Appropriation from June 30, 2016	-	-	1,579,344
Transfers to other funds recorded as budgetary expenditures	-	1,044,252	1,044,252
Encumbrances recorded as expenditures:			
Established in current year	-	4,493,736	-
Reversed from prior year	-	(4,024,693)	-
Revenues recorded based on encumbered expenditures:			
Established in current year	-	-	-
Reversed from prior year	(106,627)	-	-
State share of retirement and pension contribution	(12,408,217)	(12,408,217)	-
Capital outlay funded by capital leases	-	(1,693,267)	(1,693,267)
Budgetary Basis	<u>\$ 181,867,677</u>	<u>\$ 181,845,253</u>	<u>\$ 2,810,395</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:

Changes to the benefit terms during 2017 included the following:

- For employees hired on or after July 1, 2016 –
 - Unit 2 and Executive Staff
 - 70% board contribution for retiree health insurance costs with at least 10 years of service.
 - Units 1, 3, and 4
 - 50% board contribution for retiree health insurance costs with 15-19 years of service.
 - 60% board contribution for retiree health insurance costs with 20-24 years of service.
 - 70% board contribution for retiree health insurance costs with 25 or more years of service.

Changes in Assumptions:

There were no significant adjustments to the assumptions during the 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.
Premium Equivalence	Current pre-Medicare cost equivalent rates are adjusted by age adjusting rates based on the Society of Actuaries' 2013 study "Health Care Costs - From Birth to Death." Medicare supplement rates are assumed to be age adjusted.

Schedule of Investment Returns:

The annual money-weighted rate of return on retiree health plan investments, net of investment expenses, was 13.38% for the year ended June 30, 2017.

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 2016 valuation:

- Salary increase assumption changed from 3.45% - 10.70% to 3.30% - 9.20%, including inflation
- Inflation assumption changed from 2.95% to 2.70% for general and 3.45% to 3.20% 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	22 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.20% wage
Salary Increases	3.30% to 9.20% 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:

There were no significant changes in assumptions during the year.

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>
2015	0.08%
2016	-2.20%
2017	12.49%

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Administration:				
Salaries and wages	\$ 3,530,179	\$ 3,530,179	\$ 3,493,411	\$ 36,768
Contracted services	1,129,800	1,204,800	1,145,487	59,313
Supplies and materials	139,919	137,219	129,514	7,705
Other charges	153,691	153,691	136,451	17,240
Equipment	10,000	10,000	9,062	938
Transfers	43,796	46,496	46,062	434
Total administration	5,007,385	5,082,385	4,959,987	122,398
School management and support:				
Salaries and wages	10,839,080	10,910,893	10,902,724	8,169
Contracted services	875,346	778,533	769,828	8,705
Supplies and materials	128,338	193,638	189,388	4,250
Other charges	395,920	409,625	409,084	541
Equipment	107,700	51,700	51,331	369
Transfers	26,257	28,252	26,440	1,812
Total school management and support	12,372,641	12,372,641	12,348,795	23,846
Instructional salaries and wages	70,103,130	70,028,130	68,586,212	1,441,918
Textbooks and instructional supplies	2,715,984	2,715,984	2,685,957	30,027
Other instructional costs:				
Contracted services	856,688	856,688	805,595	51,093
Other charges	289,646	292,433	238,305	54,128
Equipment	171,259	197,259	195,755	1,504
Transfers	652,151	623,364	526,207	97,157
Total other instructional costs	1,969,744	1,969,744	1,765,862	203,882
Special education:				
Salaries and wages	15,357,660	15,530,028	15,529,982	46
Contracted services	356,457	128,801	96,789	32,012
Supplies and materials	133,358	136,358	128,962	7,396
Other charges	90,200	97,200	86,993	10,207
Equipment	7,815	11,815	11,196	619
Transfers	799,099	799,099	776,107	22,992
Total special education	\$ 16,744,589	\$ 16,703,301	\$ 16,630,029	\$ 73,272

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2017

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Student personnel services:				
Salaries and wages	\$ 1,767,278	\$ 1,758,278	\$ 1,716,176	\$ 42,102
Contracted services	643,700	672,847	672,023	824
Supplies and materials	18,400	20,530	19,285	1,245
Other charges	22,595	16,037	15,452	585
Equipment	15,927	-	-	-
Transfers	3,298	3,506	2,424	1,082
Total student personnel services	2,471,198	2,471,198	2,425,360	45,838
Health services				
Salaries and wages	1,469,504	1,455,054	1,414,178	40,876
Contracted services	22,000	35,924	35,924	-
Supplies and materials	49,026	47,792	45,003	2,789
Other charges	4,350	6,110	5,764	346
Equipment	-	-	-	-
Transfers	2,048	2,048	1,836	212
Total health services	1,546,928	1,546,928	1,502,705	44,223
Student transportation:				
Salaries and wages	1,009,453	1,009,453	1,002,125	7,328
Contracted services	7,084,530	6,914,530	6,846,851	67,679
Supplies and materials	109,550	133,550	130,919	2,631
Other charges	145,293	143,193	129,455	13,738
Equipment	370,000	516,000	486,476	29,524
Transfers	2,798	4,898	4,688	210
Total pupil transportation	8,721,624	8,721,624	8,600,514	121,110
Operation of plant:				
Salaries and wages	6,166,714	5,766,714	5,577,737	188,977
Contracted services	1,521,407	1,598,722	1,472,002	126,720
Supplies and materials	1,071,317	1,387,802	1,358,376	29,426
Other charges	4,686,090	4,248,635	4,209,152	39,483
Equipment	93,000	536,130	534,711	1,419
Transfers	3,575	4,100	4,100	-
Total operation of plant	13,542,103	13,542,103	13,156,078	386,025
Maintenance of plant:				
Salaries and wages	1,452,377	1,391,377	1,365,669	25,708
Contracted services	2,278,591	2,286,091	2,274,100	11,991
Supplies and materials	816,748	719,248	701,785	17,463
Other charges	17,866	17,866	13,251	4,615
Equipment	134,000	285,000	284,502	498
Total maintenance of plant	\$ 4,699,582	\$ 4,699,582	\$ 4,639,307	\$ 60,275

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2017

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fixed charges:				
Insurance and employee benefits	\$ 37,727,111	\$ 37,768,399	\$ 37,747,391	\$ 21,008
Community services:				
Salaries and wages	40,575	38,696	36,377	2,319
Contracted services	54,381	49,604	48,869	735
Supplies and materials	15,771	20,549	20,526	23
Other charges	46,916	46,916	46,916	-
Equipment	18,238	20,116	20,046	70
Total community services	175,881	175,881	172,734	3,147
Capital outlay:				
Salaries and wages	659,520	657,720	639,545	18,175
Contracted services	1,362,931	1,362,931	1,361,654	1,277
Supplies and materials	174,404	125,404	125,353	51
Other charges	4,500	6,300	5,534	766
Equipment	3,793,586	3,842,586	3,842,236	350
Transfers	-	-	-	-
Total capital outlay	5,994,941	5,994,941	5,974,322	20,619
Food service:				
Transfers	650,000	650,000	650,000	-
TOTAL EXPENDITURES	184,442,841	184,442,841	181,845,253	2,597,588
TOTAL APPROPRIATIONS AND EXPENDITURES	\$ 184,442,841	\$ 184,442,841	\$ 181,845,253	\$ 2,597,588

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
 CAPITAL PROJECTS - BUDGETARY BASIS
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
State sources	\$ 10,373,000	\$ 10,373,000	\$ 4,120,665	\$ (6,252,335)
Local and other sources	8,400,000	8,400,000	10,591,941	2,191,941
TOTAL REVENUES	18,773,000	18,773,000	14,712,606	(4,060,394)
EXPENDITURES				
Capital outlay	19,773,000	19,773,000	14,754,287	5,018,713
TOTAL EXPENDITURES	19,773,000	19,773,000	14,754,287	5,018,713
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	1,000,000	1,000,000	1,000,000	-
	1,000,000	1,000,000	1,000,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 958,319	\$ 958,319

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	\$ 14,712,606	\$ 14,754,287	\$ -
Appropriation from fund balance	-	-	1,000,000
Budgetary Basis	\$ 14,712,606	\$ 14,754,287	\$ 1,000,000

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL

FOOD SERVICE - BUDGETARY BASIS

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Local sources	\$ 1,255,065	\$ 1,255,065	\$ 1,151,593	\$ (103,472)
State sources	147,627	147,627	161,347	13,720
Federal sources	5,837,169	5,837,169	6,220,571	383,402
TOTAL REVENUES	7,239,861	7,239,861	7,533,511	293,650
EXPENDITURES				
Salaries and wages	2,500,286	2,500,286	2,463,648	36,638
Contracted services	110,100	110,100	128,129	(18,029)
Supplies and materials	4,189,250	4,189,250	3,817,350	371,900
Other charges	1,213,350	1,213,350	1,158,787	54,563
Capital outlay	73,500	73,500	74,595	(1,095)
TOTAL EXPENDITURES	8,086,486	8,086,486	7,642,509	443,977
OPERATING LOSS	(846,625)	(846,625)	(108,998)	737,627
OTHER RESOURCES				
Interfund Transfer	650,000	650,000	650,000	-
Appropriation from fund balance	196,625	196,625	196,625	-
TOTAL OTHER RESOURCES	846,625	846,625	846,625	-
EXCESS OF REVENUES AND OTHER RESOURCES OVER EXPENDITURES	\$ -	\$ -	\$ 737,627	\$ 737,627

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	\$ 7,533,511	\$ 7,633,108	\$ 650,000
Appropriation from fund balance	-	-	196,625
Encumbrances established in current year	-	6,924	-
Encumbrances reversed from prior year	-	(10,093)	-
Principal payments on capital lease obligation	-	22,615	-
Depreciation of capital assets	-	(57,685)	-
Capital asset current year additions	-	57,160	-
Loss on disposal of capital assets	-	(3,478)	-
Capital contribution of equipment	-	(6,042)	-
Budgetary Basis	\$ 7,533,511	\$ 7,642,509	\$ 846,625

THE BOARD OF EDUCATION OF WICOMICO COUNTY
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PENSION AND RETIREE HEALTH PLAN TRUST FUNDS
 June 30, 2017

	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	\$ 31,601	\$ 2,305,148	\$ 2,412,803	\$ 4,749,552
Trust investments				
Government bonds	235,207	3,462,516	3,535,315	7,233,038
Commercial paper	-	270,473	-	270,473
Mortgage loans	450,813	281,492	-	732,305
Corporate bonds	652,019	4,365,887	2,590,201	7,608,107
Common stock	2,491,272	12,312,371	10,859,915	25,663,558
Other	139,203	-	-	139,203
Total assets	<u>4,000,115</u>	<u>22,997,887</u>	<u>19,398,234</u>	<u>46,396,236</u>
NET POSITION				
Held in Trust for:				
Retirement and other benefits	<u>4,000,115</u>	<u>22,997,887</u>	<u>19,398,234</u>	<u>46,396,236</u>
Total net position	<u>\$ 4,000,115</u>	<u>\$ 22,997,887</u>	<u>\$ 19,398,234</u>	<u>\$ 46,396,236</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, 2017

	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	\$ -	\$ 759,739	\$ 688,182	\$ 1,447,921
Plan member contributions	-	403,598	-	403,598
Total contributions	-	1,163,337	688,182	1,851,519
Investment earnings:				
Interest and dividends	129,762	502,300	355,791	987,853
Less: investment-related expense	-	(91,126)	-	(91,126)
Change in fair value of investments	366,078	2,235,563	1,970,009	4,571,650
Net investment earnings	495,840	2,646,737	2,325,800	5,468,377
Total additions	495,840	3,810,074	3,013,982	7,319,896
DEDUCTIONS				
Pension benefit payments	141,101	1,456,131	-	1,597,232
Administrative expenses	13,362	52,785	77,522	143,669
Total deductions	154,463	1,508,916	77,522	1,740,901
Change in net position	341,377	2,301,158	2,936,460	5,578,995
Net position - beginning of year	3,658,738	20,696,729	16,461,774	40,817,241
Net position - end of year	\$ 4,000,115	\$ 22,997,887	\$ 19,398,234	\$ 46,396,236

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
 Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash	\$ 41,478	\$ 2,618,175	\$ 2,620,564	\$ 39,089
Accounts receivable	1,811	1,716	1,811	1,716
Due from other funds	593,865	-	126,218	467,647
Total assets	637,154	2,619,891	2,748,593	508,452
LIABILITIES				
Accounts payable	207,556	75,425	207,556	75,425
Due to school activity groups	429,598	2,544,466	2,541,037	433,027
Total liabilities	\$ 637,154	\$ 2,619,891	\$ 2,748,593	\$ 508,452

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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This schedule presents information to help the reader assess the affordability of the Board's current level of outstanding debt. The Board has no authority to issue bond debt. Wicomico County, Maryland may incur bond debt on behalf of the Board to fund capital improvements.	
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the Board's financial activities take place.	
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Schedule 1

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

	Fiscal Year									
	<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>2017</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 277,889,290
Restricted for rate stabilization reserve	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	4,194,695
Restricted for capital projects	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	3,012,813
Unrestricted	<u>2,799,516</u>	<u>2,769,565</u>	<u>7,248,299</u>	<u>7,469,027</u>	<u>4,742,389</u>	<u>4,662,824</u>	<u>3,246,393</u>	<u>2,285,680</u>	<u>3,997,594</u>	<u>5,960,763</u>
Total governmental activities net position	<u>\$ 155,853,347</u>	<u>\$ 196,814,054</u>	<u>\$ 225,935,061</u>	<u>\$ 231,417,489</u>	<u>\$ 225,748,466</u>	<u>\$ 228,560,305</u>	<u>\$ 262,645,620</u>	<u>\$ 274,320,819</u>	<u>\$ 283,460,889</u>	<u>\$ 291,057,561</u>
Business-type activities										
Net investment in capital assets	\$ 295,680	\$ 280,752	\$ 493,125	\$ 357,236	\$ 375,722	\$ 355,062	\$ 329,436	\$ 362,483	\$ 410,432	\$ 429,044
Unrestricted for food service activities	<u>566,153</u>	<u>658,520</u>	<u>583,363</u>	<u>857,386</u>	<u>1,347,187</u>	<u>1,446,040</u>	<u>1,460,570</u>	<u>1,522,581</u>	<u>1,805,360</u>	<u>2,343,193</u>
Total business-type activities net position	<u>\$ 861,833</u>	<u>\$ 939,272</u>	<u>\$ 1,076,488</u>	<u>\$ 1,214,622</u>	<u>\$ 1,722,909</u>	<u>\$ 1,801,102</u>	<u>\$ 1,790,006</u>	<u>\$ 1,885,064</u>	<u>\$ 2,215,792</u>	<u>\$ 2,772,237</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 278,318,334
Restricted	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	7,207,508
Unrestricted	<u>2,799,516</u>	<u>2,769,565</u>	<u>7,248,299</u>	<u>7,469,027</u>	<u>4,742,389</u>	<u>4,662,824</u>	<u>4,706,963</u>	<u>3,808,261</u>	<u>5,802,954</u>	<u>8,303,956</u>
Total primary government net position	<u>\$ 156,715,180</u>	<u>\$ 197,753,326</u>	<u>\$ 227,011,549</u>	<u>\$ 232,632,111</u>	<u>\$ 227,471,375</u>	<u>\$ 230,361,407</u>	<u>\$ 264,435,626</u>	<u>\$ 276,205,883</u>	<u>\$ 285,676,681</u>	<u>\$ 293,829,798</u>

Source: The Board of Education of Wicomico County records.

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

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014*	2015	2016	2017
Expenses										
Governmental activities:										
Administration	\$ 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	\$ 7,070,838
Instructional services	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	141,470,915
Special education	21,990,580	22,825,693	24,784,670	24,399,942	24,337,038	24,512,359	25,399,267	26,032,772	27,053,349	27,529,359
Student personnel services	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	3,564,242
Health services	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	2,151,653
Student transportation	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	10,103,015
Operation of plant and equipment	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	16,258,186
Maintenance of plant	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	5,556,582
Food services	-	-	-	-	-	-	14,543	44,111	22,887	3,574
Community services	247,113	244,869	200,977	173,022	189,562	252,724	307,821	322,234	378,034	777,353
Interest expense	-	-	-	84,209	39,654	36,646	31,034	29,925	23,729	31,256
Total governmental activities expenses	<u>178,287,359</u>	<u>184,564,885</u>	<u>193,223,945</u>	<u>188,132,064</u>	<u>184,836,055</u>	<u>189,086,914</u>	<u>195,910,203</u>	<u>202,064,001</u>	<u>205,304,017</u>	<u>214,516,973</u>
Business-type activities:										
Food services	\$ 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	\$ 7,633,108
Total business-type activities expenses	<u>6,112,423</u>	<u>6,606,955</u>	<u>6,775,915</u>	<u>6,898,766</u>	<u>6,749,074</u>	<u>7,241,209</u>	<u>7,229,719</u>	<u>7,333,119</u>	<u>7,729,465</u>	<u>7,633,108</u>
Total primary government expenses	<u>\$ 184,399,782</u>	<u>\$ 191,171,840</u>	<u>\$ 199,999,860</u>	<u>\$ 195,030,830</u>	<u>\$ 191,585,129</u>	<u>\$ 196,328,123</u>	<u>\$ 203,139,922</u>	<u>\$ 209,397,120</u>	<u>\$ 213,033,482</u>	<u>\$ 222,150,081</u>

Program Revenues

Governmental activities:

Charges for services										
Administration	\$ -	\$ -	\$ -	\$ -	\$ 20,945	\$ 19,929	\$ 22,133	\$ 19,523	\$ 27,822	\$ 24,250
Instructional services	1,014,472	2,182,980	1,938,036	623,603	518,654	227,821	301,483	183,092	551,875	204,722
Operation of plant and equipment	84,759	94,019	57,072	51,488	15,218	41,736	58,017	110,906	86,286	124,562
Community services	44,404	44,404	44,404	44,404	44,404	44,434	44,434	44,434	44,511	44,542
Operating grants and contributions										
Administration	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	905,083
Instructional services	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	16,961,940
Special education	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	13,666,645
Student personnel services	124,776	132,563	169,790	189,101	182,023	168,667	154,491	164,441	249,836	552,706
Health services	126,822	133,715	150,005	178,180	167,820	138,869	168,140	171,528	166,130	161,855
Student transportation	397,323	394,968	273,704	368,789	363,994	300,212	265,147	5,393,111	5,655,997	5,672,422
Operation of plant and equipment	603,010	646,365	571,504	683,368	676,380	1,773,778	597,958	605,286	600,984	590,787
Maintenance of plant	120,026	128,784	143,650	169,993	166,840	461,233	141,642	156,207	130,157	145,095
Food Services	-	-	-	-	-	-	14,308	44,111	22,887	2,814
Community services	8,847	707	3,301	4,168	4,710	62,590	120,173	107,768	182,716	594,685
Capital grants and contributions	10,646,255	41,990,294	29,996,468	8,202,898	2,729,726	6,888,004	41,509,582	20,038,839	13,946,306	14,819,234
Total governmental activities program revenues	<u>\$ 40,306,843</u>	<u>\$ 73,988,106</u>	<u>\$ 66,386,555</u>	<u>\$ 47,968,101</u>	<u>\$ 36,666,632</u>	<u>\$ 41,331,647</u>	<u>\$ 73,968,049</u>	<u>\$ 58,691,844</u>	<u>\$ 53,843,554</u>	<u>\$ 54,471,342</u>

*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)

	2008	2009	2010	2011	Fiscal Year 2012	2013	2014*	2015	2016	2017
Program Revenues (continued)										
Business-type activities:										
Charges for services	\$ 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	\$ 1,151,593
Operating grants and contributions	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	6,381,918
Capital grants and contributions	-	-	-	-	-	-	-	-	26,917	6,042
Total business-type activities program revenues	<u>5,767,480</u>	<u>5,934,394</u>	<u>6,057,427</u>	<u>6,286,900</u>	<u>6,507,361</u>	<u>6,644,402</u>	<u>6,543,623</u>	<u>6,753,177</u>	<u>7,385,193</u>	<u>7,539,553</u>
Total primary government program revenues	<u>\$ 46,074,323</u>	<u>\$ 79,922,500</u>	<u>\$ 72,443,982</u>	<u>\$ 54,255,001</u>	<u>\$ 43,173,993</u>	<u>\$ 47,976,049</u>	<u>\$ 80,511,672</u>	<u>\$ 65,445,021</u>	<u>\$ 61,228,747</u>	<u>\$ 62,010,895</u>
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (160,045,631)
Business-type activities	(344,943)	(672,561)	(718,488)	(611,866)	(241,713)	(596,807)	(686,096)	(579,942)	(344,272)	(93,555)
Total primary government net expense	<u>\$ (138,325,459)</u>	<u>\$ (111,249,340)</u>	<u>\$ (127,555,878)</u>	<u>\$ (140,775,829)</u>	<u>\$ (148,411,136)</u>	<u>\$ (148,352,074)</u>	<u>\$ (122,628,250)</u>	<u>\$ (143,952,099)</u>	<u>\$ (151,804,735)</u>	<u>\$ (160,139,186)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
State of Maryland	\$ 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	\$ 126,153,350
Wicomico County appropriation	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	41,933,294
Other revenue	74,303	91,273	203,870	131,922	100,364	60,151	48,771	145,210	102,173	205,659
Investment earnings	859,694	278,256	20,364	27,206	7,271	10,701	-	-	-	-
Transfers	(750,000)	(750,000)	(855,704)	(750,000)	(750,000)	(675,000)	(675,000)	(675,000)	(675,000)	(650,000)
Total governmental activities	<u>146,261,012</u>	<u>151,537,486</u>	<u>155,958,397</u>	<u>145,646,391</u>	<u>142,500,400</u>	<u>150,567,106</u>	<u>156,027,469</u>	<u>155,047,356</u>	<u>160,600,533</u>	<u>167,642,303</u>
Business-type activities:										
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	750,000	750,000	855,704	750,000	750,000	675,000	675,000	675,000	675,000	650,000
Total business-type activities	<u>750,000</u>	<u>750,000</u>	<u>855,704</u>	<u>750,000</u>	<u>750,000</u>	<u>675,000</u>	<u>675,000</u>	<u>675,000</u>	<u>675,000</u>	<u>650,000</u>
Total primary government	<u>\$ 147,011,012</u>	<u>\$ 152,287,486</u>	<u>\$ 156,814,101</u>	<u>\$ 146,396,391</u>	<u>\$ 143,250,400</u>	<u>\$ 151,242,106</u>	<u>\$ 156,702,469</u>	<u>\$ 155,722,356</u>	<u>\$ 161,275,533</u>	<u>\$ 168,292,303</u>
Change in Net Position										
Governmental activities	\$ 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	\$ 7,596,672
Business-type activities	405,057	77,439	137,216	138,134	508,287	78,193	(11,096)	95,058	330,728	556,445
Total primary government	<u>\$ 8,685,553</u>	<u>\$ 41,038,146</u>	<u>\$ 29,258,223</u>	<u>\$ 5,620,562</u>	<u>\$ (5,160,736)</u>	<u>\$ 2,890,032</u>	<u>\$ 34,074,219</u>	<u>\$ 11,770,257</u>	<u>\$ 9,470,798</u>	<u>\$ 8,153,117</u>

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)

	Fiscal Year									
	<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>2017</u>
General Fund										
Committed:										
Healthcare rate stabilization reserve	\$ 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	\$ 4,194,695
Assigned to:										
Healthcare rate stabilization reserve	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	1,716,930
Other purposes (encumbrances)	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	4,496,904
Subsequent year expenditures	800,000	800,000	300,000	4,000,000	300,000	300,000	300,000	1,868,130	1,579,344	2,935,983
Unassigned	<u>300,000</u>	<u>300,000</u>	<u>4,000,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>1,868,130</u>	<u>1,579,344</u>	<u>1,816,134</u>	<u>1,816,429</u>
Total General Fund	<u>\$ 9,902,589</u>	<u>\$ 11,968,591</u>	<u>\$ 16,889,234</u>	<u>\$ 15,175,245</u>	<u>\$ 10,013,248</u>	<u>\$ 9,873,463</u>	<u>\$ 11,582,692</u>	<u>\$ 10,872,204</u>	<u>\$ 12,085,568</u>	<u>\$ 15,160,941</u>
All Other Governmental Funds										
Restricted for fund purposes:										
Special Revenue	\$ 43,205	\$ 58,598	\$ 69,098	\$ 42,376	\$ 70,148	\$ 39,472	\$ 82,569	\$ 125,557	\$ 169,673	\$ 230,645
Capital projects	<u>3,153,550</u>	<u>5,112,284</u>	<u>4,547,767</u>	<u>5,087,896</u>	<u>6,359,455</u>	<u>6,608,505</u>	<u>5,336,356</u>	<u>3,042,002</u>	<u>3,054,494</u>	<u>3,012,813</u>
Total all other governmental funds	<u>\$ 3,196,755</u>	<u>\$ 5,170,882</u>	<u>\$ 4,616,865</u>	<u>\$ 5,130,272</u>	<u>\$ 6,429,603</u>	<u>\$ 6,647,977</u>	<u>\$ 5,418,925</u>	<u>\$ 3,167,559</u>	<u>\$ 3,224,167</u>	<u>\$ 3,243,458</u>
Total Governmental Funds	<u>\$ 13,099,344</u>	<u>\$ 17,139,473</u>	<u>\$ 21,506,099</u>	<u>\$ 20,305,517</u>	<u>\$ 16,442,851</u>	<u>\$ 16,521,440</u>	<u>\$ 17,001,617</u>	<u>\$ 14,039,763</u>	<u>\$ 15,309,735</u>	<u>\$ 18,404,399</u>

During fiscal year 2010, the Board implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

Schedule 4

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Wicomico County appropriations										
Operations	\$ 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	\$ 41,933,294
Pension	-	-	-	-	-	2,173,593	2,755,091	2,719,329	3,239,009	-
Other local revenue	2,171,015	2,821,160	2,367,826	1,047,033	857,362	536,623	600,630	762,766	1,053,001	1,026,479
State of Maryland	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	144,431,694
State of Maryland share of retirement and pension contribution	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	12,408,217
Federal through State	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	12,254,027
Transfer of bond proceeds from										
Wicomico County	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	10,071,018
Other	1,114,783	1,120,842	975,977	744,900	673,112	571,849	547,722	324,087	470,014	638,917
Total revenues	187,317,855	226,275,592	223,200,656	194,364,492	179,917,030	192,573,753	230,670,518	214,414,200	215,119,087	222,763,646
Expenditures										
Administration	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	5,206,414
School management and support	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	12,499,139
Instructional salaries	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	72,806,633
Textbooks and instructional supplies	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	3,639,512
Other instructional costs	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	2,507,883
Special education	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	19,408,794
Student personnel services	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	2,665,942
Health services	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	1,512,542
Student transportation	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	9,088,290
Operation of plant and equipment	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	12,736,164
Maintenance of plant	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	4,837,153
Fixed charges	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	39,931,948
Food service	-	-	-	-	-	-	10,667	42,660	22,887	2,576
Community services	246,618	244,373	188,790	159,171	174,484	228,780	281,756	270,734	318,433	606,815
Capital outlay	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	20,473,829
Debt service										
Capital lease principal	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	1,668,983
Capital lease interest	84,308	130,239	110,690	84,209	39,654	36,646	31,034	29,925	23,729	31,256
State of Maryland share of retirement and pension contribution	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	12,408,217
Total expenditures	189,871,787	224,907,770	217,942,197	197,032,948	186,174,647	194,890,410	232,846,625	217,903,663	216,694,182	222,032,090
Excess (deficiency) of revenues over (under) expenditures	(2,553,932)	1,367,822	5,258,459	(2,668,456)	(6,257,617)	(2,316,657)	(2,176,107)	(3,489,463)	(1,575,095)	731,556

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									
	<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>2017</u>
Other Financing Sources (Uses)										
Capital lease issuance	2,770,378	1,566,000	1,554,556	300,779	1,904,867	1,614,911	1,571,621	1,277,114	1,952,722	1,693,267
Rate stabilization adjustment	488,617	1,856,307	303,611	1,917,095	1,240,084	1,455,335	1,759,663	(74,505)	1,567,345	1,319,841
Transfers to other funds	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(675,000)	(675,000)	(675,000)	(675,000)	(650,000)
Transfer of savings plan funds to Wicomico County	-	-	(2,000,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,508,995</u>	<u>2,672,307</u>	<u>(891,833)</u>	<u>1,467,874</u>	<u>2,394,951</u>	<u>2,395,246</u>	<u>2,656,284</u>	<u>527,609</u>	<u>2,845,067</u>	<u>2,363,108</u>
 Net change in fund balances	 <u>\$ (44,937)</u>	 <u>\$ 4,040,129</u>	 <u>\$ 4,366,626</u>	 <u>\$ (1,200,582)</u>	 <u>\$ (3,862,666)</u>	 <u>\$ 78,589</u>	 <u>\$ 480,177</u>	 <u>\$ (2,961,854)</u>	 <u>\$ 1,269,972</u>	 <u>\$ 3,094,664</u>
 Debt service as a percentage of noncapital expenditures	 1.0%	 1.2%	 1.1%	 0.9%	 0.8%	 0.8%	 0.8%	 0.9%	 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
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
2017	5,007,385	12,372,641	70,103,130	2,715,984	1,969,744	16,744,589	2,471,198	1,546,928

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
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
2017	8,721,624	13,542,103	4,699,582	37,727,111	650,000	175,881	5,994,941	184,442,841

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)

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	<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>2017</u>
Annual Required Contribution (ARC)	\$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	\$5,055,895
Interest on Net OPEB Obligation	53,000	(30,750)	(76,616)	(101,763)	(158,402)	(184,748)	(172,822)	(159,727)	(134,154)	(168,668)
Adjustment to Annual Required Contribution	0	43,200	77,000	109,500	170,400	198,700	185,900	171,800	90,245	123,961
Annual OPEB Cost (Expense)	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	5,011,188
Direct Costs and Contributions	(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)	(4,152,290)
Increase (Decrease) in Net Obligation	(1,119,000)	(611,550)	(335,295)	(755,181)	(351,278)	159,013	174,589	279,308	(476,061)	858,898
Net OPEB Obligation (Asset) [BOY]	709,000	(410,000)	(1,021,550)	(1,356,845)	(2,112,026)	(2,463,304)	(2,304,291)	(2,129,702)	(1,850,394)	(2,326,455)
Net OPEB Obligation (Asset) [EOY]	(410,000)	(1,021,550)	(1,356,845)	(2,112,026)	(2,463,304)	(2,304,291)	(2,129,702)	(1,850,394)	(2,326,455)	(1,467,557)
Total Assets	2,181,000	3,209,000	5,251,300	8,153,600	9,671,300	11,738,600	14,332,500	14,942,800	16,461,774	19,398,234
Total Actuarial Accrued Liabilities	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	69,932,401
% Funded	6.80%	9.43%	12.10%	17.94%	19.14%	21.89%	24.83%	23.81%	24.40%	27.74%
Employer Contributions to the Trust	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	688,182
Pay-go Premium Payments	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	3,464,108
Employee Participants	2,021	2,076	2,083	2,055	2,006	2,027	2,026	2,009	2,038	2,057
Retiree Participants	532	560	660	752	835	813	783	869	886	941
Total Participants	<u>2,553</u>	<u>2,636</u>	<u>2,743</u>	<u>2,807</u>	<u>2,841</u>	<u>2,840</u>	<u>2,809</u>	<u>2,878</u>	<u>2,924</u>	<u>2,998</u>
Actuarial Accrued Liabilities per Participant	\$12,565	\$12,916	\$15,816	\$16,195	\$17,782	\$18,880	\$20,548	\$21,809	\$23,070	\$23,326

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

Source: The Board of Educaiton 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>	<u>2017</u>
Active Participants	315	315	312	307
Retirees and Beneficiaries	156	156	155	156
Vested Terminees	13	13	20	17
Required New Contribution	569,976	595,796	683,328	578,971
Fiduciary Net Position	21,620,477	21,512,992	20,696,729	22,997,887
Current Year Employers Contribution	705,355	722,205	753,562	759,739
Current Year Contribution Less Required	135,379	126,409	70,234	180,768
Current Year Employees Contribution	372,056	381,911	399,334	403,598
Total Pension Liability (TPL)	23,786,836	25,227,992	26,236,771	27,805,186
Net Pension Liability (NPL)	2,166,359	3,715,000	5,540,042	4,807,299
Fiduciary New Position as a % of TPL	90.89%	85.27%	78.88%	82.71%
Payroll Covered	9,186,822	9,616,697	10,005,366	10,146,618
NPL as a % of covered payroll	23.58%	38.63%	55.37%	47.38%
Employer Contribution per Employees	2,239	2,293	2,415	2,475
Employee Contribution per Employees	1,181	1,212	1,280	1,315
Employer Contribution per Payroll Covered	7.68%	7.51%	7.53%	7.49%
Employee Contribution per Payroll Covered	4.05%	3.97%	3.99%	3.98%

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	Percentage of	Debt Per
	Capital Leases	Capital Leases	Primary Government	Personal Income (1)	Capita (1)
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%	27.66
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	0.06%	22.53
2016	2,534,991	45,477	2,580,468	N/A	25.16
2017	2,559,275	22,862	2,582,137	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									
	<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>Elementary Schools</u>										
Beaver Run	523	570	610	612	666	722	715	705	666	632
Chipman	429	432	436	426	399	373	380	418	322	429
Delmar	945	975	974	831	827	826	809	825	853	881
East Salisbury	361	357	363	370	403	387	391	444	445	461
Fruitland Intermediate	408	396	371	392	379	382	412	413	436	462
Fruitland Primary	485	477	474	485	506	533	503	531	509	485
Glen Avenue	314	285	285	273	334	317	266	268	415	425
North Salisbury	473	522	545	514	501	440	429	432	445	625
Northwestern	260	257	287	289	286	307	325	311	302	309
Pemberton	621	637	654	608	616	636	649	539	565	540
Pinehurst	422	415	438	462	491	496	483	494	514	522
Pittsville	212	231	236	211	220	217	226	140	147	166
Prince Street	472	548	561	581	493	544	600	651	711	747
West Salisbury	316	299	295	303	295	310	312	310	314	-
Westside Intermediate	448	451	474	465	496	484	437	451	406	411
Westside Primary	272	268	261	269	245	256	250	234	252	244
Willards	299	287	276	291	303	292	329	411	390	362
Total Elementary Schools	<u>7,260</u>	<u>7,407</u>	<u>7,540</u>	<u>7,382</u>	<u>7,460</u>	<u>7,522</u>	<u>7,516</u>	<u>7,577</u>	<u>7,692</u>	<u>7,701</u>
<u>Middle Schools</u>										
Bennett	843	868	886	923	930	908	911	970	990	1,058
Mardela	267	281	269	282	292	294	285	283	288	293
Pittsville	216	209	231	236	260	247	247	232	241	232
Salisbury	883	879	848	849	925	927	871	838	795	752
Wicomico	693	683	713	708	639	655	660	657	700	710
Total Middle Schools	<u>2,902</u>	<u>2,920</u>	<u>2,947</u>	<u>2,998</u>	<u>3,046</u>	<u>3,031</u>	<u>2,974</u>	<u>2,980</u>	<u>3,014</u>	<u>3,045</u>
<u>High Schools</u>										
Bennett	1,346	1,313	1,282	1,307	1,374	1,406	1,351	1,405	1,477	1,499
Mardela	424	415	380	370	363	351	366	374	379	368
Parkside	1,214	1,256	1,217	1,137	1,125	1,095	1,130	1,114	1,151	1,158
Wicomico	1,182	1,209	1,188	1,126	1,087	1,036	1,034	1,029	1,016	1,059
Wicomico County Evening	71	70	65	62	65	48	60	66	61	59
Total High Schools	<u>4,237</u>	<u>4,263</u>	<u>4,132</u>	<u>4,002</u>	<u>4,014</u>	<u>3,936</u>	<u>3,941</u>	<u>3,988</u>	<u>4,084</u>	<u>4,143</u>
Total All Schools	<u>14,399</u>	<u>14,590</u>	<u>14,619</u>	<u>14,382</u>	<u>14,520</u>	<u>14,489</u>	<u>14,431</u>	<u>14,545</u>	<u>14,790</u>	<u>14,889</u>

Schedule 10

The Board of Education of Wicomico County

Enrollment by Grade Last Ten Years

as of September 30,

	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>
<u>Elementary School</u>										
Pre-Kindergarten	458	457	567	572	654	611	591	574	587	599
Kindergarten	1,133	1,191	1,151	1,174	1,150	1,331	1,233	1,216	1,194	1,156
Grade 1	1,144	1,152	1,204	1,165	1,164	1,144	1,317	1,277	1,265	1,210
2	1,147	1,143	1,130	1,154	1,150	1,150	1,120	1,279	1,253	1,238
3	1,131	1,178	1,154	1,138	1,183	1,148	1,137	1,127	1,264	1,245
4	1,105	1,146	1,171	1,165	1,161	1,150	1,139	1,135	1,125	1,270
5	1,142	1,140	1,163	1,014	998	988	979	969	1,004	983
Total Elementary School	<u>7,260</u>	<u>7,407</u>	<u>7,540</u>	<u>7,382</u>	<u>7,460</u>	<u>7,522</u>	<u>7,516</u>	<u>7,577</u>	<u>7,692</u>	<u>7,701</u>
<u>Middle School</u>										
Grade 6	934	1,017	998	1,012	1,027	1,006	985	1,012	1,010	998
7	958	955	1,015	980	1,042	996	997	974	1,022	1,011
8	1,010	948	934	1,006	977	1,029	992	994	982	1,037
Total Middle School	<u>2,902</u>	<u>2,920</u>	<u>2,947</u>	<u>2,998</u>	<u>3,046</u>	<u>3,031</u>	<u>2,974</u>	<u>2,980</u>	<u>3,014</u>	<u>3,046</u>
<u>High School</u>										
Grade 9	1,239	1,167	1,057	1,043	1,127	1,081	1,116	1,107	1,132	1,137
10	1,085	1,086	1,065	962	963	1,016	962	1,031	1,044	1,058
11	976	1,038	1,032	1,029	901	926	947	905	995	964
12	937	972	978	968	1,023	913	916	945	913	983
Total High School	<u>4,237</u>	<u>4,263</u>	<u>4,132</u>	<u>4,002</u>	<u>4,014</u>	<u>3,936</u>	<u>3,941</u>	<u>3,988</u>	<u>4,084</u>	<u>4,142</u>
Total enrollment	14,399	14,590	14,619	14,382	14,520	14,489	14,431	14,545	14,790	14,889
Number of teachers ¹	1,076	1,083	1,087	1,072	1,078	1,084	1,084	1,095	1,109	1,124
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

	Budgeted Full-time Equivalent Employees as of June 30										Percentage Change 2008-2017
	<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>2017</u>	
General Fund:											
Administration	49.55	50.55	53.30	54.80	51.80	51.80	51.80	52.30	52.30	53.30	7.57%
School management and support	191.49	197.14	192.60	189.20	184.20	184.70	187.30	187.80	187.80	190.20	-0.67%
Instructional salaries	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	1,195.90	3.71%
Special education	287.57	320.27	320.35	317.05	317.05	326.30	331.27	332.77	330.77	337.37	17.32%
Student personnel services	20.70	21.70	23.70	24.20	25.20	25.50	27.16	26.50	27.50	28.00	35.27%
Health services	32.00	34.00	34.00	35.00	33.00	34.00	34.00	34.00	34.00	34.00	6.25%
Student transportation	9.41	9.41	8.91	8.91	7.00	7.00	7.00	8.00	8.00	8.00	-14.98%
Operation of plant and equipment	150.50	152.50	153.50	154.50	154.50	153.50	156.50	159.00	159.00	159.00	5.65%
Maintenance of plant	26.25	26.25	26.25	27.25	27.25	27.25	29.25	31.75	31.75	31.00	18.10%
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	8.75	8.75	7.75	6.75	6.75	7.75	7.75	7.75	7.75	9.50	8.57%
Total	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	2,046.77	6.06%
Special Revenue Funds	210.56	203.49	206.62	203.07	202.87	168.55	168.46	159.03	170.08	174.60	-17.08%
Total all funds	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	2,221.37	3.78%

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)	
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	98,733	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	50,517	9.4%	
2013	100,961	3,606,193	35,719	50,132	8.7%	
2014	101,539	3,775,965	37,187	50,051	7.7%	
2015	102,370	3,973,609	38,816	50,089	6.8%	
2016	102,577	N/A	N/A	50,653	6.0%	
2017	N/A	N/A	N/A	51,670	5.9%	*

Sources:

- (1) Population Estimates are from the U.S. Census Bureau and represent estimates as of July 1st of each year.
- (2) Bureau of Economic Analysis, U.S. Department of Commerce. (Income data for 2016 and 2017 is not currently available.)
- (3) Bureau of Labor Statistics, U.S. Department of Labor.

* Civilian Labor Force and Unemployment Rate for 2017 are preliminary based on information through July 31, 2017.

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
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
2017	N/A	N/A	N/A	41,933,294	N/A	N/A	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

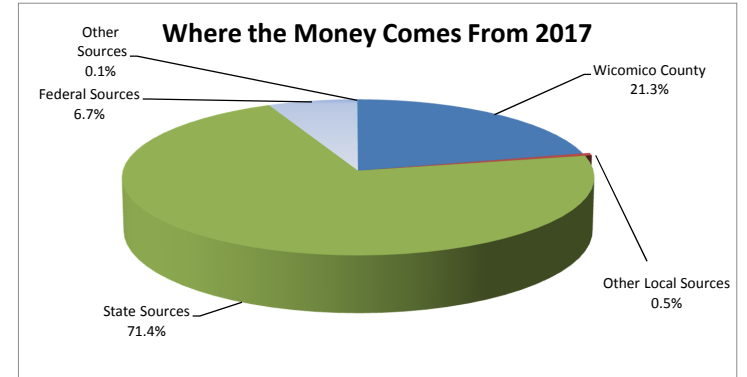
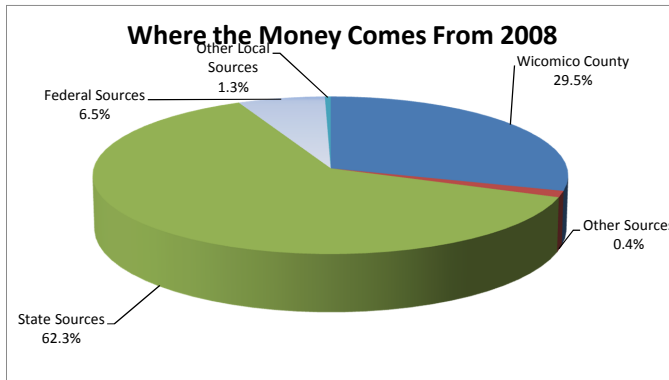
Fiscal Year	Transportation				Food Services						
	Total Miles Traveled	Number of School Bus Riders	Per Pupil Cost	State Average Per Pupil Cost	Breakfast			Lunches			% FARM Students per Enrollment
					# Served	% Paid	% Free & Reduced	# Served	% Paid	% Free & Reduced	
2008	2,020,500	12,698	544	867	644,090	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%
2017	2,096,832	13,086	N/A	N/A	918,360	14%	86%	1,327,695	13%	87%	60.66%

Source: Maryland State Department of Education. (FY 2017 Number of School Bus Riders provided by WCBOE Transportation Dept. and FY2017 Food Service numbers provided by WCBOE Food Service Dept.)

N/A - Not Available

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

	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Wicomico County Appropriations for Operations	49,443,053	29.5%	50,204,655	28.8%	50,781,711	28.1%	43,196,892	25.1%	36,196,892	22.2%	37,000,000	21.0%	37,765,374	21.2%	37,676,790	20.6%	38,067,637	20.1%	41,933,294	21.3%
for Local Share of State Pension	-	0.0%	-	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%	-	0.0%
Subtotal	49,443,053	29.5%	50,204,655	28.8%	50,781,711	28.1%	43,196,892	25.1%	36,196,892	22.2%	39,173,593	22.3%	40,520,465	22.8%	40,396,119	22.1%	41,306,646	21.8%	41,933,294	21.3%
Other Local Sources	2,171,015	1.3%	2,821,160	1.6%	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%	1,026,479	0.5%
State Sources	104,190,544	62.3%	109,369,266	62.8%	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	70.6%	133,885,606	70.7%	140,311,029	71.4%
Federal Sources	10,797,952	6.5%	11,028,683	6.3%	13,556,335	7.5%	17,211,605	10.0%	11,664,252	7.1%	15,467,667	8.8%	12,069,052	6.8%	12,334,107	6.8%	12,887,634	6.8%	13,058,679	6.7%
Other Sources	720,696	0.4%	664,978	0.4%	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%	117,994	0.1%
Total	167,323,260	100.0%	174,088,742	100.0%	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%	196,447,475	100.0%



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

	Year	Acreage	Sq Ft. area
	Constructed		
<u>SCHOOLS:</u>			
BEAVER RUN ELEMENTARY	1958	16.14	58,893
CHIPMAN ELEMENTARY	1986	6.5	40,752
DELMAR ELEMENTARY	1978	10.2	76,832
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	11.48	26,800
PEMBERTON ELEMENTARY	2001	18.78	73,917
PINEHURST ELEMENTARY	1988 *	8.9	76,224
PRINCE STREET ELEMENTARY	2008	14.8	73,830
WEST SALISBURY ELEMENTARY ¹	1964	14.11	25,919
WESTSIDE INTERMEDIATE	1999	10.5	54,797
WESTSIDE PRIMARY	1956	18	20,569
WILLARDS ELEMENTARY	2003	42	51,247
BENNETT MIDDLE ¹	2015	35.38	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	69.26	247,202
MARDELA MIDDLE/HIGH	1958	39.79	87,633
PARKSIDE HIGH SCHOOL	1974	55.60	164,178
WICOMICO HIGH	1996 *	62.1	195,941
<u>CENTRAL OFFICES:</u>			
Jersey Road Warehouse (Bldg D)	various		17,555
Morris Street (Transportation, Bldg H)	various		9,960
Site Grounds Shop (Bldg I)	various		22,730
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>			
Calloway Street-Choices Facility	various		20,860
Beaglin Park Drive-Tech Ed.	1997		113,546
Roberts Street-Wicomico 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>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>2017</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	5	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	12	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
7/01/16 - 6/30/17 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	7/01/16 - 6/30/17	Workers Compensation - Statutory Benefits; Employers Liability - \$1 million
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal & Advertising Injury Liability	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Employee Benefit Plan Fiduciary Liability	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$400,000 each claim with \$400,000 annual maximum
Automobile Liability	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$400,000 combined single limit \$1 million combined single limit for contracted buses
Personal Injury Protection - MD	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$2,500 per covered person for any one accident
Maryland Uninsured Motorist	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$50,000 per accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	actual cash value
Garage Keepers liability	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Fund	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$1 billion per occurrence with various sublimits
Equipment Breakdown	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$100 million per occurrence with various sublimits
Crime	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$2,500,000 per loss
Crime - Excess	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$2,500,000 per loss in excess of \$2,500,000 primary
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/01/16 - 6/30/17	\$5,000,000 per claim \$5,000,000 annual aggregate
Catastrophic Student Accident	AIG	SRG 0009100887 - E	8/01/16 - 8/01/17	\$6,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Fiduciary Responsibility Liability	Travelers	105970202	8/01/16 - 8/01/17	\$3,000,000 per claim
Pollution Liability - Mardela WWTP	Admiral 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	6/30/16 - 6/30/19	\$1,000,000 per claim \$2,000,000 Total for all
Student Accident Insurance - football	K& K Insurance	6AJXS27462000	8/01/16 - 8/01/17	\$25,000 per claim

Source: The Board of Education of Wicomico County Records

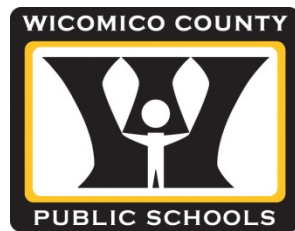
Schedule 18
Wicomico County, Maryland
Property Tax Levies and Collections
Last Ten Fiscal Years

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	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
	County		State									
	Real	Personal/Corporate	Real/Pers/Corp									
2007	\$ 0.942	\$ 2.355	\$ 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	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	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	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	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	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	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	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	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	0.952	2.172	0.392	6,089,313,230	62,627,784	61,865,995	99.46%	289,158	62,397,637	99.92%	1,878,184	3.01%
2017 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, abatement and refunds, but not for any additions, abatement or refunds that occurred subsequent to that year.
- ³ Collections are net of refunds.
- ⁴ 2017 information is currently unavailable.



SUCCESS – Every Student, Every Day

Board of Education of Wicomico County
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