

BOARD OF EDUCATION OF WICOMICO COUNTY

A Component Unit of Wicomico County, Maryland

Comprehensive ANNUAL FINANCIAL REPORT

For fiscal year ended June 30, 2018



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, 2018

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, 2018

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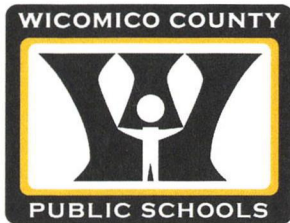
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INTRODUCTORY SECTION

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 30, 2018

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, 2018 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, 2018. 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, 2017 was 14,953. Countywide population for Wicomico was 102,923 in 2017, which represents the most current data available.

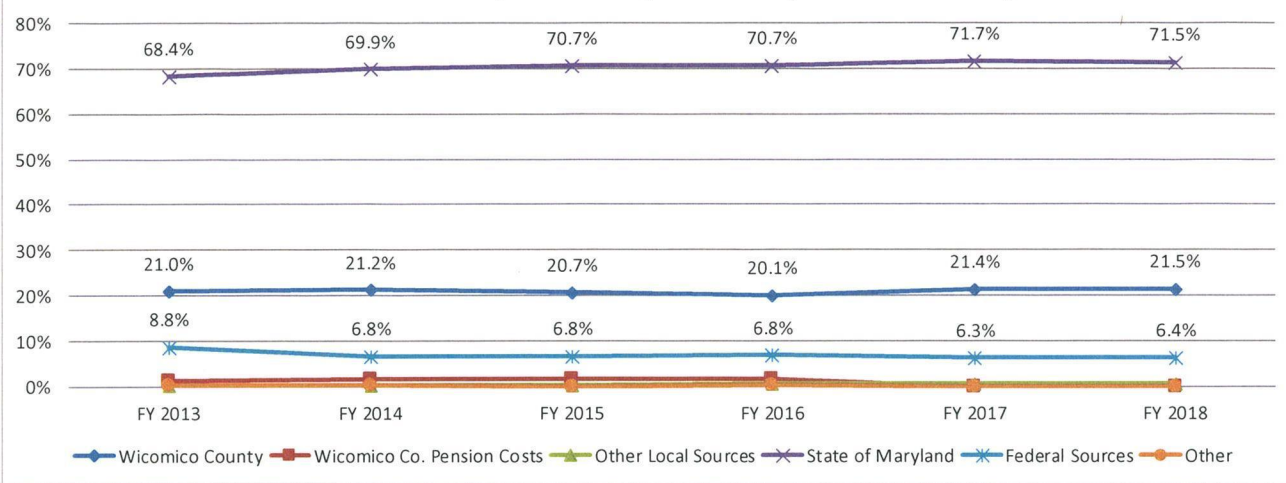
The Board's mission is to provide all students an educational foundation and a set of skills which will enable them to become responsible and productive citizens in our society. The governing body of the school system is the Board of Education which is composed of seven (7) members appointed by the governor 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 2017-2018 school year, the school system served 14,953 students (an increase of 64 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 (138 students). The ratio of professional staff (including administrators, teacher, counselors and therapists) to students for the 2017-2018 school year was approximately one staff member to 13 students. Student demographics for the 2017-2018 school year included: 61.4% students that qualified for free/reduced meals; 11.7% students with disabilities; and 6.6% students that were English Language Learners. In June 2018, the school system graduated 914 students. For school year 2017-2018 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 2017-2018 school year marked the fifteenth 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 2018 the Board received 21.5% of its district-wide revenues for operations (current expense) from Wicomico County compared to 71.5% 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 \$43.6 million, an increase of \$6.6 million, or 17.8%. Federal aid has decreased since FY 2013 by \$2.4 million. State aid during that same period increased by \$24.6 million. Overall, revenues for our school system have increased by \$26.9 million since FY 2013, or 15.3%.

Chart 1 - District-wide (current expense fund) revenue components



Approximately 2.4 million square feet of building space is maintained by the Board. Of the 27 school buildings in our inventory, over half of them have aged more than 25 years since either their original or last major renovation. The average age of our inventory is now 34 years. The oldest building in use is East Salisbury Elementary which has a major structure which was built in 1942. The newest facility in use, West Salisbury Elementary, was just recently completed and opened for students in September 2018. It provides approximately 61,000 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 slowly begun to recover from the traumatic effects of the 2008 – 2009 economic tsunami. In fact, recently released state wide wealth per pupil numbers indicate a modest growth. This growth has moved Wicomico from last place in the state to next to the last. While this is obviously not significant in terms of overall growth, it is the first sign of economic recovery in Wicomico County. Thanks to a very conservative approach to budgeting on the part of our county government, a significant unassigned fund balance has been accumulated (\$39.3 million) as of June 30, 2017. This is in addition to the County’s Rainy Day fund balance of \$7.1 million, which represents approximately 5.3% of the County’s FY 2017 operating budget. In prior years, the County Executive’s and County Council’s view of the large fund balance has been to utilize a portion to fund one-time capital expenditures versus funding on-going operating costs. In fact, such a position resulted in Wicomico County Public Schools receiving \$2.8 million in one-time capital funding in FY 2014 to address security initiatives and technology in our schools, \$90,000 in FY 2015 for iPad technology carts for classrooms, and \$328,000 in FY 2018 for the continued needs for classroom technology.

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

Long range planning used in our budgeting process is based on historical trends and also assumptions about the

future. Assumptions include consumer price index, enrollment, negotiations, student participation, and upcoming required Federal and State mandates. A summary of our three year budget projections follow with a more detailed picture provided in the Informational Section.

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 2016, FY 2017, and again in FY 2018. 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.

During FY 2019 we are projecting general fund revenues to increase by approximately \$2.2 million, while on-going costs of doing business (fixed costs), additional instructional and departmental needs are projected to increase \$2.7 million. Consequently, the school system worked to realign and reorganize \$0.5 million budgeted funds where possible as a method of cost avoidance and reduce the need to request new funding. This resulted in using \$0.5 million from FY 2018 estimated unliquidated surplus. This process was used to enable us to balance the FY 2019 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 2018 was \$4.5 million and the additional funding requirement for these pension costs in FY 2018 had to come from other sources, once again placing pressure on available resources in order to fund classroom initiatives.

Major School System Initiatives

Funding for the major program initiatives included for FY 2019:

- Plan for and review implementation of phase 1 of Universal Prekindergarten in an effort to increase the percentage of students who enter kindergarten ready to learn as measured by the Kindergarten Readiness Assessment
- Continue our focus of recruiting and retaining a high-performing workforce to build and maintain a well-functioning school system

Discussion of ideas and continued planning to increase the percentage of students graduating from Wicomico County Public Schools college and/or career ready will continue during outlying years to:

- Develop and implement alternative career-connected pathways and signature programs for middle and high school students
- Expand alternative academic pathways that lead to graduation including online learning, dual enrollment and early college opportunities

- Create flexible learning environments for students which will promote student strengths, interests and needs connecting student interests to real-world learning opportunities
- Continue to enhance our instruction for our growing English Language Learner (ELL) student population

One of WCPS greatest challenges is the growing segment of our student population the state identifies as “At-Risk”. This segment of our student population as a percent of our full-time equivalent (FTE) student enrollment for state aid purposes has grown exponentially over the past 10 years from 59% to 76.7% of our student population. This at-risk percentage ranks Wicomico as 5th highest in the state. The student make-up of this population includes our English Language Learners (ELL), Special Education, and students qualifying for Free and Reduced Meals (FARMS). Servicing our At-Risk students requires additional staff, instructional time, and supplies so that WCPS can effectively work towards closing achievement gaps and provide these students with every opportunity to attain proficiency in their academic achievements. With this increase comes a higher cost per pupil.

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, 2017. This is the eighth 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, 2017. 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 eighth 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, 2018. This is the eighth consecutive year that the Board has received the MBA from ASBO International.

Acknowledgements


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

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

Respectfully submitted,



E. Bruce Ford, CPA
CFOO



Jesse P. Reid, CPA, MBA
Comptroller



Jonathan F. Bailey
Accounting Manager

Board of Education of Wicomico County

Appointed Officials for FY 2018

Donald L. Fitzgerald, President

N. Eugene Malone, Jr., Vice President

Allen C. Brown, Sr.

John Palmer

Michael G. Murray

William K. Turner

Maria A. Waller

Student Members

Rawan Osman, James M. Bennett High School

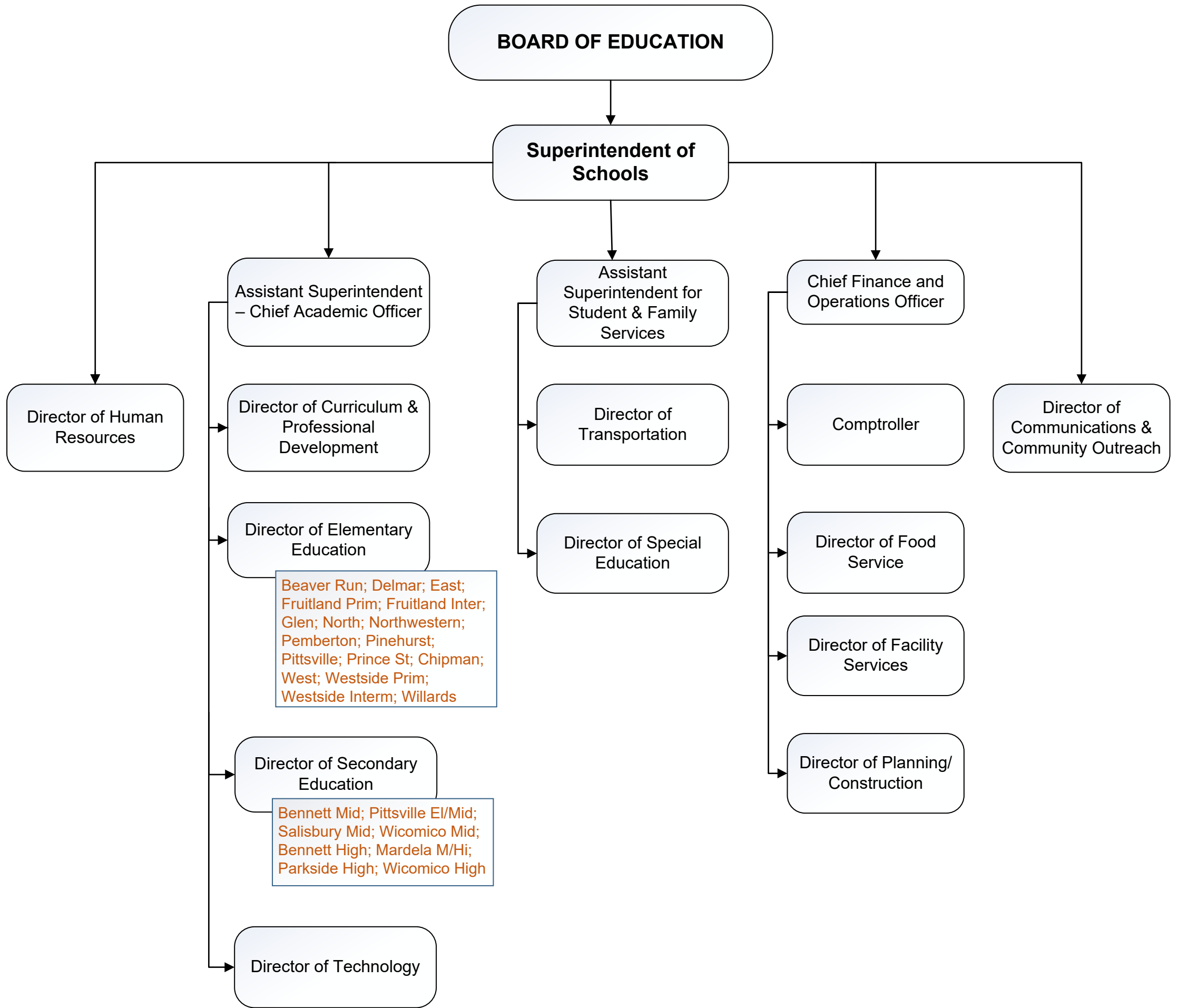
Keith Flagg, Mardela High School

Colleen Simpkins, Parkside High School

Nicholas Nguyen, Wicomico High School

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

**Board of Education of Wicomico County
Organizational Chart FY 2018**





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, 2017

Christopher P. Morill

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, 2017.**

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



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'. The signature is written in a cursive style and is positioned above 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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Notes 7 and 15 to the financial statements, in 2018, The Board of Education of Wicomico County adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 75, schedule of OPEB liability on page 76, schedule of proportionate share of net pension liability on page 77, schedule of board contributions on page 78, schedule of changes in employer's net pension liability and related ratios on page 79, schedule of revenues and expenditures – budget and actual – general fund on pages 80-81, schedule of revenues and expenditures – budget and actual – special revenue on page 82, and notes to required supplementary information on pages 83 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Wicomico County's basic financial statements. The introductory section, additional supplementary information, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated September 30, 2018 on our consideration of The Board of Education of Wicomico County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Board of Education of Wicomico County's internal control over financial reporting and compliance.



Salisbury, Maryland
September 30, 2018

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THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2018

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, 2018. 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 2018 when compared to the restated total net position from FY 2017. It increased by \$22.5 million, or 11.3%,
 - Overall revenues were \$252.3 million and expenses \$229.8 million
 - Net investment in capital assets of the Board increased by \$25 million as the Board continues to invest in updating older school facilities
- The Board’s total net position is \$220.9 million.
- At the end of the current fiscal year, the Board’s governmental funds reported combined fund balances of \$18.8 million, an increase of \$0.4 million from FY 2017.
- The unassigned fund balance in the General Fund of \$2.2 million, an increase of \$0.4 million from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

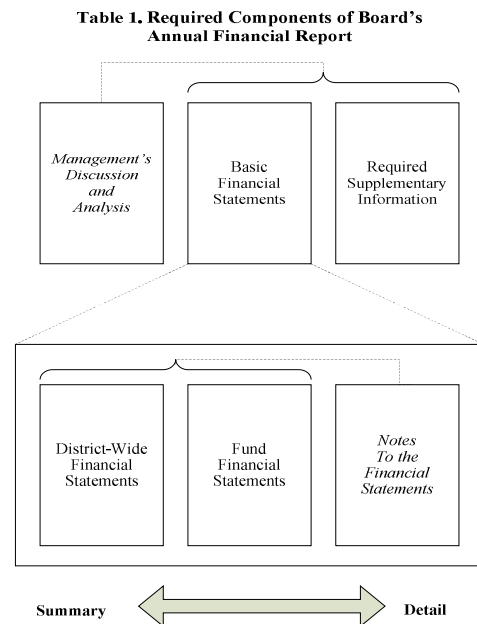
In addition to the MD&A, this section of the CAFR contains the financial statements which consist of the parts as noted in Table 1.

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.
- 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



THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis Year Ended June 30, 2018

- 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
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- *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 \$220.9 million on June 30, 2018. This is an increase of 22.5 million, or 11.3 %, when compared to the restated FY 2017 net position (see note 15). The Board’s unrestricted net position is negative due to the implementation of GASB 75, which now requires state and local governments to report the liability of Other Post-Employment Benefits (OPEB). The Board’s net OPEB liability for the fiscal year ending June 30, 2018 was \$94.5 million.

	Governmental Activities		Business-Type Activities		Board of Ed Total		Change 2018 - 2017	
	2018	2017	2018	2017	2018	2017	\$	%
Current and other assets	\$40.4	\$37.8	\$2.7	\$2.5	\$43.1	\$40.2	\$2.9	7.2%
Capital Assets	\$305.3	\$280.4	\$0.6	\$0.5	\$305.9	\$280.9	\$25.0	8.9%
TOTAL ASSETS	\$345.7	\$318.2	\$3.3	\$2.9	\$349.0	\$321.1	\$27.9	8.7%
Deferred Outflows - Pensions	\$4.0	\$1.6	\$0.0	\$0.0	\$4.0	\$1.6	\$2.4	150.2%
Current Liabilities	\$23.0	\$20.6	\$0.2	\$0.1	\$23.2	\$20.7	\$2.5	12.0%
Long-Term Liabilities	\$106.1	\$102.5	\$0.0	\$0.0	\$106.1	\$102.5	\$3.6	3.5%
TOTAL LIABILITIES	\$129.1	\$123.1	\$0.2	\$0.1	\$129.3	\$123.2	\$6.1	4.9%
Deferred Inflows - Pensions	\$2.8	\$1.1	\$0.0	\$0.0	\$2.8	\$1.1	\$1.7	150.0%
Net Position								
Net Investment in Capital Assets	\$302.7	\$277.9	\$0.6	\$0.4	\$303.3	\$278.3	\$25.0	9.0%
Restricted	\$7.7	\$7.2	\$0.0	\$0.0	\$7.7	\$7.2	\$0.5	6.6%
Unrestricted	-\$92.6	-\$89.5	\$2.5	\$2.3	-\$90.1	-\$87.2	-\$3.0	3.1%
TOTAL NET POSITION	\$217.8	\$195.6	\$3.1	\$2.8	\$220.9	\$198.4	\$22.5	11.3%

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 \$252.3 million for the year ended June 30, 2018 (See Table 3). The county appropriation and state formula aid accounted for approximately 69% of total revenue for the year. Another 30.8% came from program revenues which consist of federal and state grants and capital contributions.

The total cost of all programs and services was \$229.8 million. The District's expenses are predominantly related to providing direct educational services to students, 75.6%, while support services for students composes another 21.1%. The purely administrative activities of the District accounted for approximately 3.3%. Total revenue exceeded total expenses by \$22.5 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.

THE BOARD OF EDUCATION OF WICOMICO COUNTY CHANGES IN NET POSITION (in millions of dollars)							
	Governmental Activities		Business-Type Activities		Board of Ed Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2016
Program revenues							
Charges for services	\$0.5	\$0.4	\$1.1	\$1.2	\$1.6	\$1.6	0.0%
Federal and state grants	\$39.5	\$39.3	\$6.5	\$6.3	\$46.0	\$45.6	0.9%
Capital Contributions	\$30.1	\$14.8	\$0.0	\$0.0	\$30.1	\$14.8	103.4%
General revenues							
County Appro. for operations	\$43.6	\$41.9	\$0.0	\$0.0	\$43.6	\$41.9	4.1%
State formula aid	\$130.6	\$126.2	\$0.0	\$0.0	\$130.6	\$126.2	3.5%
Other	\$0.4	\$0.2	\$0.0	\$0.0	\$0.4	\$0.2	100.0%
TOTAL REVENUE	\$244.7	\$222.8	\$7.6	\$7.5	\$252.3	\$230.3	9.6%
Expenses:							
Instruction & Special Ed	\$173.7	\$169.0	\$0.0	\$0.0	\$173.7	\$169.0	2.8%
Administration	\$7.5	\$7.1	\$0.0	\$0.0	\$7.5	\$7.1	5.6%
Support Services	\$40.7	\$38.4	\$7.9	\$7.6	\$48.6	\$46.0	5.7%
TOTAL EXPENSES	\$221.9	\$214.5	\$7.9	\$7.6	\$229.8	\$222.1	3.5%
Excess(deficiency) before contributions, special & extraordinary items and transfers	\$22.8	\$8.3	(\$0.3)	(\$0.1)	\$22.5	\$8.2	174.4%
Transfers:	(\$0.6)	(\$0.7)	\$0.6	\$0.7	\$0.0	\$0.0	0.0%
Incr. (decr.) in net position	\$22.2	\$7.6	\$0.3	\$0.6	\$22.5	\$8.2	174.4%
Net Position - beg. Year	\$195.6	\$188.0	\$2.8	\$2.2	\$198.4	\$190.2	4.2%
Net Position - end of year	\$217.8	\$195.6	\$3.1	\$2.8	\$220.9	\$198.4	11.3%

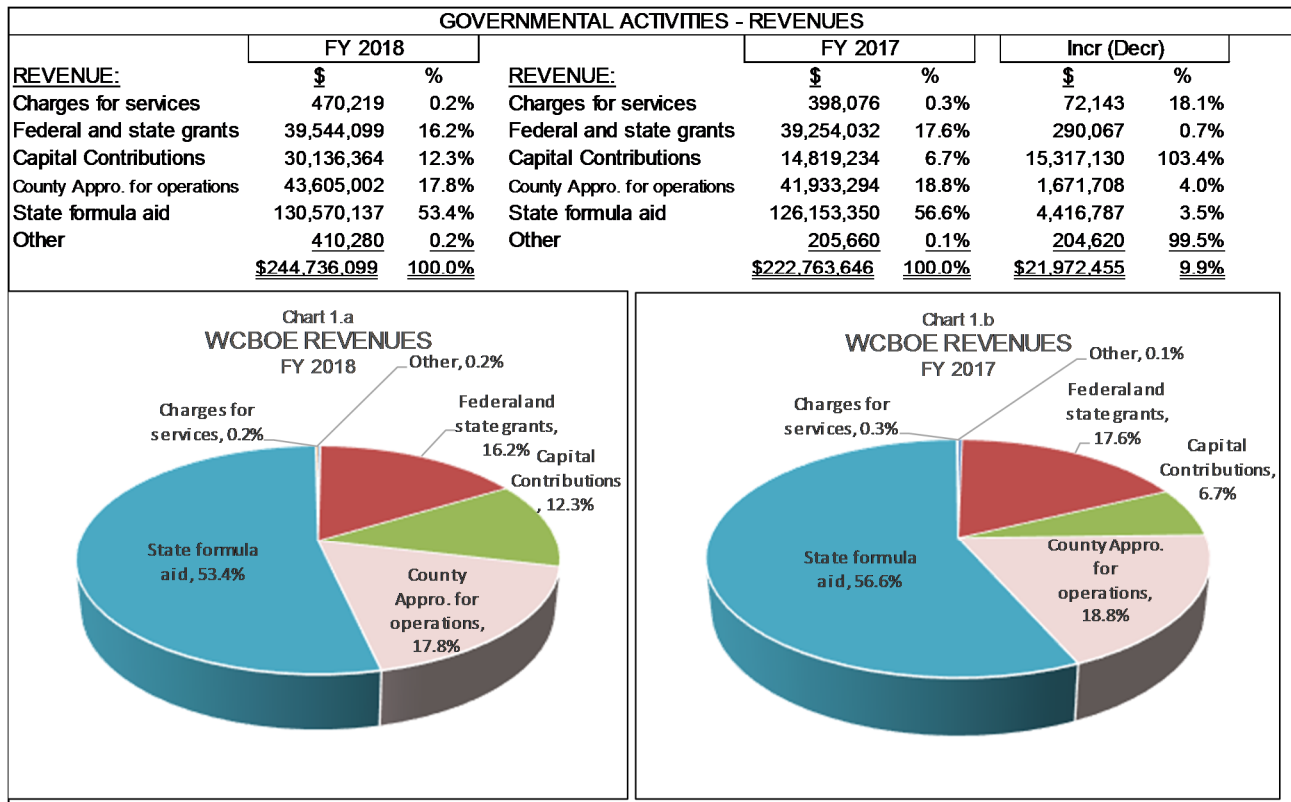
THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2018

Governmental Activities

- Net position increased \$22.2 million in FY 2018
- Revenues increased \$21,972,455 attributable to a net of:
 - capital contributions increased \$15.3 million
 - state formula aid for operations increased \$4.4 million
 - county appropriations increased \$1.7 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 2018 and 2017.



THE BOARD OF EDUCATION OF WICOMICO COUNTY

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Charts 2.a and 2.b disclose the breakdown of expenses for FY 2018 and 2017 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 78.3% 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 18.3% of all costs. Administration remains low at 3.4% of total expenses.

GOVERNMENTAL ACTIVITIES - EXPENSES					
	FY 2018			FY 2017	
EXPENSES:	\$	%	EXPENSES:	\$	%
Instruction & Special Ed	\$173,749,967	78.3%	Instruction & Special Ed	\$169,000,273	78.8%
Admin.	\$7,514,341	3.4%	Admin.	\$7,070,838	3.3%
Support Services	\$40,689,995	18.3%	Support Services	\$38,445,861	17.9%
	<u>\$221,954,303</u>	<u>100.0%</u>		<u>\$214,516,972</u>	<u>100.0%</u>

Chart 2.a
WCBOE EXPENSES
FY 2017

Category	Percentage
Instruction & Special Ed	78.3%
Support Services	18.3%
Admin.	3.4%

Chart 2.b
WCBOE EXPENSES
FY 2016

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

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 \$300,165 in FY 2018. 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 2018 the transfer was \$600,000. 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 2018 equaled approximately \$735,103.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2018

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 \$18.8 million, an increase of \$0.4 million over last year's ending fund balance. Revenues for the District's governmental funds were \$244.7 million, an increase of \$21.9 million over the prior year. This increase was driven in large part due to the increase in capital grants and contributions of 15.3 million over the previous year. The increase was also driven by enrollment growth, an increase in our free and reduced meals students, and our county's wealth in comparison to other jurisdictions in Maryland. There was an increase in expenditures of \$7.4 million which totaled \$221.9 million. The reason the expense increase is not proportionate to the revenue 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.

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 2018	FY 2017	\$	%
			Incr (Decr)	Incr. (Decr.)
<u>REVENUES</u>	\$ 200,180,163	\$ 194,412,829	\$ 5,767,334	3.0%
<u>EXPENDITURES</u>	\$ 201,867,205	\$ 194,537,363	\$ 7,329,842	3.8%
	\$ (1,687,042)	\$ (124,534)	\$ (1,562,508)	1254.7%
<u>OTHER FINANCING SOURCES (USES)</u>				
Increase in Rate Stabilization Reserve	\$ 32,353	\$ 1,319,841	\$ (1,287,488)	-97.5%
Capital Lease Proceeds	1,681,686	1,693,267	(11,581)	-0.7%
Interfund Transfers - Special Revenue	976,394	836,799	139,595	16.7%
Interfund Transfers - Capital Projects	-	-	-	100.0%
Interfund Transfers - Other	(600,000)	(650,000)	50,000	-7.7%
	\$ 2,090,433	\$ 3,199,907	\$ (1,109,474)	-34.7%
EXCESS (DEFICIENCY) of Revenues & Other Financing Sources (Uses) over Expenditures	\$ 403,391	\$ 3,075,373	\$ (2,671,982)	86.9%

THE BOARD OF EDUCATION OF WICOMICO COUNTY

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Revenues increased by \$5.8 million largely as a result of an increase in state aid of \$4.4 million. The increase in state aid was in large part due to our county’s increase in student enrollment and the fact that Wicomico County has the second lowest wealth per pupil in the state. Wicomico’s 9/30/2016 full time equivalent (FTE) enrollment, which determined our FY 2018 state aid, increased by 81.75 students over 9/30/2015.

Special Revenue Fund (Restricted Grant Funds)

This fund is used to account for grants from Federal, State, and Local sources. Grants provide a major source of revenue for specific educational programs not funded by the General Fund. Programs include initiatives for Special Education students and disadvantaged students. Table 5 below reflects an increase in grant funds over the prior year, largely due to increased Title I, Part A, Pre-Kindergarten Expansion, and Science, Technology, Research, Environment, Art, & Math (STREAM) grant expenditures.

Table 5				
<u>SPECIAL REVENUE FUND</u>				
	Fiscal Year FY 2018	Fiscal Year FY 2017	Increase (Decrease)	% Incr. (Decr.)
REVENUES				
Federal Through State	\$ 12,909,267	\$ 12,254,027	\$ 655,240	5.35%
State of Maryland	1,077,390	843,444	233,946	27.74%
Other	432,915	540,740	(107,825)	-19.94%
TOTAL REVENUES	\$ 14,419,572	\$ 13,638,211	\$ 781,361	5.73%

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 2018, the Board recorded PSCP aid of \$19.8 million. These funds were used predominantly for the replacement of an elementary school and a partial multiple systemic renovation. During FY 2018, the Board utilized approximately \$197,000 of School Construction Savings Funds (SCSF) to subsidize state and county funding for capital projects. The remaining balance in the SCSF at June 30, 2018 is \$1.3 million. This balance is currently allocated to future projects as follows: \$575,000 for Delmar Elementary limited renovation, \$250,000 for Parkside High limited renovation, and \$475,000 for 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 reality of decreasing revenues and increasing expenditures in order to provide the required

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management’s Discussion and Analysis
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food and nutritional services to our students. Fortunately, in FY 2018, net position increased \$300,165 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 2019 by \$150,000.

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, 2018 were approximately \$24 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, 2018 were \$4.1 million (see footnote 9 and 10 for more detail information).
- Retiree Health Insurance Plan Trust (OPEB Trust) was established by the Board in June 2006 in order to fund the health care costs of retirees. Total assets as of June 30, 2018 were approximately \$21.2 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 \$211,706 as of June 30, 2018.

(3) Agency Funds: During FY 2018 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 2018	Fiscal Year FY 2017	Increase (Decrease)	% Incr. (Decr.)
Additions	\$ 2,586,219	\$ 2,544,466	\$ 41,753	1.64%
Deductions	2,494,030	2,541,037	(47,007)	-1.85%
Due to School Activity Groups - Beginning	433,027	429,598	3,429	0.80%
Due to School Activity Groups - Ending	<u>\$ 525,216</u>	<u>\$ 433,027</u>	<u>\$ 92,189</u>	<u>21.29%</u>

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2018

General Fund Budgetary Highlights

Original budget compared to final budget

The FY 2018 General Fund budget increased \$7.7 million. The increase was in large part made possible by \$4.6 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 \$3.9 million, fund new instructional and departmental requests of \$3.8 million and add 20.0 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 not require any budget transfers needing County Council approval to revise the General Fund budget during the year.

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

- \$265,000 – to fund projected utility costs through year-end
- \$200,000 – to purchase two school buses to cover route associated with signature programs
- \$105,000 – to purchase additional classroom furniture for the schools
- \$96,750 – for replacement of failed technology in school classrooms

Final budget compared to actual results

Revenue estimates for budgetary purposes were very close to actual. The total variance was only \$262,913 or .14% of budget.

Expenditure budget estimates exceeded actuals by \$2.29 million, or about 1.2%. This excess was due in large part to actual salaries and wages coming in under budget by \$1.6 million, comprised of vacancies, unpaid leave of absence, and turnover savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of FY 2018, 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 \$305.9 million. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$11.8 million.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2018

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 2019 CIP, submitted in October 2017, requested \$7.4 million from the county and \$9.7 million from the state for FY 2019 capital needs. The FY 2019 requests that were approved by the state and county are as follows:

- Systemic Renovation Projects – \$7.4 million from the county and \$9.7 million from the State to fund various roofing, HVAC, and mechanical plant projects on various schools

FACTORS BEARING ON THE DISTRICT'S FUTURE

- 1) The most recent legislative session resulted in several important pieces of legislation. Below are four of those bills that will have a significant impact on the future of education.
 - (a.) House Bill 1415 extends the deadline for the Commission on Innovation and Excellence in Education (also known as the Kirwan Commission) to complete its work in one year. It also establishes or alters several programs and mandates funding for them beginning in fiscal 2019. Beginning in fiscal 2020, the Governor must annually appropriate to the Prekindergarten Expansion Fund an amount that is at least equal to all revenues received by the fund in the prior fiscal year. Also, a special fund is established and \$200 million in income tax revenue must be deposited in the fund in fiscal 2019 for use in a future fiscal year. Finally, the scope of a study of the individualized education program (IEP) process in Maryland is expanded and the due date for the study is extended. We believe there is a good possibility that this bill will have a positive impact on state aid for education.
 - (b.) House Bill 1783 makes comprehensive changes to public school construction funding and approval processes in the State, including (1) altering the name, composition, and role of the Interagency Committee on School Construction; (2) requiring periodic public school facilities assessments; (3) streamlining the State approval process for school construction projects; and (4) providing at least \$400 million for public school construction annually as soon as practicable, including \$10 million for school safety improvements. The newly formed interagency commission on school construction will have the decision making authority over all future school construction projects in Maryland.
 - (c.) Senate Bill 1265 makes comprehensive changes designed to improve the safety of the State's public schools. It enhances the presence of school resource officers (SROs) and/or local law enforcement in or near public schools and requires SROs and other school safety employees to complete specialized training. It establishes a School Safety Subcabinet, which also serves as the governing board for the Maryland Center for School Safety (MCSS). The mandated appropriation for MCSS operations is increased from \$500,000 to at least \$2.0 million, and the bill establishes a Safe Schools Fund to make grants to local

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2018

jurisdictions to assist in implementing the bill's provisions. Recently, Wicomico County Public Schools has filed for a grant in the amount of \$162,000 to assist in paying for the construction of a secured vestibule for Wicomico Middle School.

- (d.) House Bill 1697 puts Maryland Question 1, the Gambling Revenue Dedicated to Education Lockbox Amendment, on the ballot in Maryland as a legislatively referred constitutional amendment on November 6, 2018. A "yes" vote supports amending the state constitution to dedicate certain revenue from video lotteries to education as supplementary funding. Maryland voters approved constitutional amendments allowing slots in 2008 and table games in 2012. This amendment would designate revenue as *supplemental* to minimum required education funding levels. This means that casino revenue wouldn't be counted in the minimum education spending formulas, but instead would be spent on education in addition to the minimum required levels. The following amounts of casino revenue would be used as supplemental funding for public education under the measure:
- \$125 million for fiscal year 2020
 - \$250 million for fiscal year 2021
 - \$375 million for fiscal year 2022
 - 100% of revenues raised for fiscal year 2023 and for each fiscal year thereafter.

This supplemental funding will be used to:

- Provide funding for high-quality early childhood education programs;
 - Provide opportunities for career and technical education programs that lead to a job skill or certificate;
 - Allow students to obtain college credit and degrees while in high school at no cost to the student;
 - Support advancement and professional growth of educators;
 - Maintain, renovate, or construct public schools.
- 2) The state of Maryland has recently increased its estimate of the revenue it will receive in FY 2019 and FY 2020 by \$732 million, funding that would put the state in a favorable light for the General Assembly's 2019 session. The projection for the budget year ending June 30, 2019 of \$18.3 billion in revenue, which the state Board of Revenue Estimates approved this week, represents a 4.1 percent increase over the previous estimate. The forecast for FY 2020 of \$18.7 billion is a 3.3 percent increase over this year's number. The higher projections follow the news that the state finished FY 2018 with \$503 million more than expected. Optimistic projections such as this one can set the stage for potential new funding for education associated with the Kirwan Commission. The revenue estimates board will update its forecast again in December 2018

THE BOARD OF EDUCATION OF WICOMICO COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2018

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, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 391,853	\$ 1,330	\$ 393,183
Investments - cash equivalents	32,137,700	-	32,137,700
Accounts receivable:			
School districts and other	843,654	53,986	897,640
Accrued interest on investments	61,734	-	61,734
Due from other governmental agencies	9,269,925	336,239	9,606,164
Internal balances	(2,259,418)	2,259,418	-
Capital assets:			
Construction in progress	44,118,814	-	44,118,814
Land	4,271,740	-	4,271,740
Other depreciable capital assets, net	256,883,330	602,381	257,485,711
TOTAL ASSETS	345,719,332	3,253,354	348,972,686
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	3,697,878	-	3,697,878
Other post-employment benefits (OPEB)	254,609	-	254,609
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,952,487	-	3,952,487
LIABILITIES			
Accounts payable:			
Retainage	2,692,342	-	2,692,342
Vendors	3,287,742	121,046	3,408,788
Payroll deductions and withholdings	10,167,865	-	10,167,865
Payable to external parties	720,533	-	720,533
Due to other governmental agencies	129,838	-	129,838
Accrued salaries	867,226	18,915	886,141
Unearned revenue	3,527,000	40,991	3,567,991
Short term portion of long term liabilities:			
Accrued compensated absences	287,063	-	287,063
Capital lease payable	1,321,846	-	1,321,846
Long term liabilities:			
Accrued compensated absences	2,463,143	-	2,463,143
Capital lease payable	1,266,630	-	1,266,630
Net pension liability	7,859,569	-	7,859,569
Net OPEB liability	94,522,172	-	94,522,172
TOTAL LIABILITIES	129,112,969	180,952	129,293,921
DEFERRED INFLOWS OF RESOURCES			
Pensions	843,829	-	843,829
Other post-employment benefits (OPEB)	1,937,726	-	1,937,726
TOTAL DEFERRED INFLOWS OF RESOURCES	2,781,555	-	2,781,555
NET POSITION			
Net investment in capital assets	302,685,408	602,381	303,287,789
Restricted for:			
Rate stabilization reserve	4,484,708	-	4,484,708
Capital projects	2,869,038	-	2,869,038
Special revenue	332,469	-	332,469
Unrestricted	(92,594,328)	2,470,021	(90,124,307)
TOTAL NET POSITION	\$ 217,777,295	\$ 3,072,402	\$ 220,849,697

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, 2018

	<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	\$ 7,514,341	\$ 122,209	\$ 972,091	\$ -
Instructional services	145,259,804	181,777	16,214,511	30,136,364
Special education	28,490,163	-	13,935,205	-
Student personnel services	3,925,616	-	731,298	-
Health services	2,160,034	-	154,853	-
Student transportation	10,039,390	-	5,826,816	-
Operation of plant and equipment	18,537,712	121,659	563,573	-
Maintenance of plant	4,882,614	-	155,122	-
Community services	1,111,875	44,574	990,629	-
Interest expense	32,754	-	-	-
Total Governmental Activities	221,954,303	470,219	39,544,098	30,136,364
Business-Type Activities				
Food Service	7,932,409	1,171,569	6,461,005	-
Total Business-Type Activities	7,932,409	1,171,569	6,461,005	-
Totals	\$ 229,886,712	\$ 1,641,788	\$ 46,005,103	\$ 30,136,364

General Revenues

Wicomico County appropriations

State of Maryland

Other revenue

Total General Revenues

Transfers

Change in Net Position

Net Position - beginning of year, as restated

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

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (6,420,041)	\$ -	\$ (6,420,041)
(98,727,152)	-	(98,727,152)
(14,554,958)	-	(14,554,958)
(3,194,318)	-	(3,194,318)
(2,005,181)	-	(2,005,181)
(4,212,574)	-	(4,212,574)
(17,852,480)	-	(17,852,480)
(4,727,492)	-	(4,727,492)
(76,672)	-	(76,672)
(32,754)	-	(32,754)
<hr/>		
(151,803,622)	-	(151,803,622)
<hr/>		
-	(299,835)	(299,835)
<hr/>		
-	(299,835)	(299,835)
<hr/>		
(151,803,622)	(299,835)	(152,103,457)
<hr/>		
43,605,002	-	43,605,002
130,570,137	-	130,570,137
410,279	-	410,279
<hr/>		
174,585,418	-	174,585,418
<hr/>		
(600,000)	600,000	-
<hr/>		
22,181,796	300,165	22,481,961
<hr/>		
195,595,499	2,772,237	198,367,736
<hr/>		
\$ 217,777,295	\$ 3,072,402	\$ 220,849,697
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THE BOARD OF EDUCATION OF WICOMICO COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
ASSETS				
Cash	\$ 391,853	\$ -	\$ -	\$ 391,853
Investments - cash equivalents	32,137,700	-	-	32,137,700
Accounts receivable:				
School districts and other	740,651	103,003	-	843,654
Accrued interest on investments	61,734	-	-	61,734
Due from other governmental agencies	33,427	1,934,584	7,301,914	9,269,925
Due from other funds	203,412	2,137,140	-	2,340,552
TOTAL ASSETS	\$ 33,568,777	\$ 4,174,727	\$ 7,301,914	\$ 45,045,418
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Retainage	\$ -	\$ -	\$ 2,692,342	\$ 2,692,342
Vendors	1,550,247	200,373	1,537,122	3,287,742
Payroll deductions and withholdings	10,167,865	-	-	10,167,865
Due to other funds	5,117,091	-	203,412	5,320,503
Accrued salaries and other	768,859	98,367	-	867,226
Accrued compensated absences	287,063	-	-	287,063
Unearned revenue	82,664	3,444,336	-	3,527,000
Due to other governmental agencies	30,656	99,182	-	129,838
TOTAL LIABILITIES	18,004,445	3,842,258	4,432,876	26,279,579
FUND BALANCES				
Restricted for fund purposes	-	332,469	2,869,038	3,201,507
Committed:				
Healthcare rate stabilization reserve	4,484,708	-	-	4,484,708
Assigned to:				
Healthcare rate stabilization reserve	691,932	-	-	691,932
Subsequent year expenditures	2,316,429	-	-	2,316,429
Other purposes (encumbrances)	5,864,774	-	-	5,864,774
Unassigned	2,206,489	-	-	2,206,489
Total fund balances	15,564,332	332,469	2,869,038	18,765,839
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,568,777	\$ 4,174,727	\$ 7,301,914	\$ 45,045,418

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, 2018

Total Governmental Funds Balances \$ 18,765,839

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements 305,273,884

Deferred outflows of resources not reported in the governmental fund financial statements:

Pensions	3,697,878	
OPEB	254,609	
		3,952,487

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:

Accrued compensated absences	(2,463,143)	
Net pension liability	(7,859,569)	
Net OPEB liability	(94,522,172)	
Capital lease payable	(2,588,476)	
		(107,433,360)

Deferred inflows of resources not reported in the governmental fund financial statements:

Pensions	(843,829)	
OPEB	(1,937,726)	
		(2,781,555)

Net Position of Governmental Activities \$ 217,777,295

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, 2018

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	Total Governmental Funds
REVENUES				
Wicomico County appropriations				
Operations	\$ 43,605,002	\$ -	\$ -	\$ 43,605,002
Other local revenue	745,815	410,575	-	1,156,390
State of Maryland	143,877,541	1,077,390	19,805,442	164,760,373
State of Maryland retirement and pension contribution	11,817,123	-	-	11,817,123
Federal through state	-	12,909,267	-	12,909,267
Other sources	134,682	22,340	10,330,922	10,487,944
TOTAL REVENUES	200,180,163	14,419,572	30,136,364	244,736,099
EXPENDITURES				
Current:				
Administration	5,128,861	437,033	-	5,565,894
School management and support	12,628,020	184,856	-	12,812,876
Instructional salaries and wages	70,740,826	4,222,096	-	74,962,922
Textbooks and instructional supplies	2,951,548	723,456	-	3,675,004
Other instructional costs	1,751,260	1,030,147	-	2,781,407
Special education	16,602,211	3,074,316	-	19,676,527
Student personnel services	2,485,475	374,088	-	2,859,563
Health services	1,474,586	12,181	-	1,486,767
Student transportation	8,670,608	312,797	-	8,983,405
Operation of plant and equipment	14,990,207	2,055	-	14,992,262
Maintenance of plant	4,114,325	19,572	-	4,133,897
Fixed charges	39,783,203	2,188,910	-	41,972,113
Community services	102,706	744,847	-	847,553
Capital outlay	6,941,007	15,000	30,280,139	37,236,146
Debt service				
Capital lease principal	1,652,485	-	-	1,652,485
Capital lease interest	32,754	-	-	32,754
State of Maryland share of retirement and pension contribution	11,817,123	-	-	11,817,123
TOTAL EXPENDITURES	201,867,205	13,341,354	30,280,139	245,488,698
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,687,042)	1,078,218	(143,775)	(752,599)
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance settlement	32,353	-	-	32,353
Capital lease issuance	1,681,686	-	-	1,681,686
Interfund transfers - special revenue	976,394	(976,394)	-	-
Interfund transfers - food services	(600,000)	-	-	(600,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,090,433	(976,394)	-	1,114,039
Net change in fund balances	403,391	101,824	(143,775)	361,440
Fund balances - beginning of year	15,160,941	230,645	3,012,813	18,404,399
Fund balances - end of year	\$ 15,564,332	\$ 332,469	\$ 2,869,038	\$ 18,765,839

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, 2018

Net change in fund balances-total Governmental Funds \$ 361,440

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	36,650,031	
Current year depreciation	<u>(11,762,858)</u>	24,887,173

Current year loss on disposal of capital assets (61,854)

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	(99,832)
Increase in net OPEB liability	(527,667)
Increase in net pension liability	(3,052,270)
Increase in deferred outflows	2,372,850
Increase in deferred inflows	(1,668,843)

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:

(29,201)

Change in net position of Governmental Activities \$ 22,181,796

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, 2018

	Business-Type Activities
	<u>Food Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,330
Due from other funds	2,259,418
Due from other governments	336,239
Accounts receivable - other	<u>53,986</u>
Total current assets	<u>2,650,973</u>
Capital assets, net	<u>602,381</u>
TOTAL ASSETS	<u><u>3,253,354</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	139,961
Unearned revenue	<u>40,991</u>
Total current liabilities	180,952
TOTAL LIABILITIES	<u>180,952</u>
NET POSITION	
Net investment in capital assets	602,381
Unrestricted	<u>2,470,021</u>
TOTAL NET POSITION	<u><u>\$ 3,072,402</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, 2018

	Business-Type Activities
	<u>Food Service</u>
OPERATING REVENUES	
Food service sales	\$ 1,171,569
OPERATING EXPENSES	
Salaries and wages	2,524,034
Contracted services	148,178
Supplies and materials	3,991,374
Other charges	1,203,692
Depreciation	65,131
TOTAL OPERATING EXPENSES	<u>7,932,409</u>
OPERATING LOSS	(6,760,840)
NON-OPERATING REVENUES (EXPENSES)	
State of Maryland:	
Reimbursement of food costs	175,032
Federal through State:	
Reimbursement of food costs	5,832,687
Donation of food commodities	453,286
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,461,005</u>
Change in net position before contributions and transfers	(299,835)
Transfers	<u>600,000</u>
Change in net position	300,165
Net position - beginning of year	<u>2,772,237</u>
Net position - end of year	<u>\$ 3,072,402</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 966,896
Cash payments to employees for services, fringe benefits	(2,895,764)
Cash payments for health and other insurances	(838,239)
Cash payments to suppliers for goods and services	(3,453,966)
Cash payments for facility use and maintenance	(148,178)
Net cash used in operating activities	(6,369,251)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Nonoperating grants received	6,007,719
Interfund transfers	600,000
Net cash provided by noncapital financing activities	6,607,719
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of equipment	(215,606)
Principal payment on capital lease obligation	(22,862)
Net cash used in capital and related financing activities	(238,468)
Net change in cash	-
Cash and investments - beginning of year	1,330
Cash and investments - end of year	\$ 1,330

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

Operating Loss	\$ (6,760,840)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	65,131
Commodities used	453,286
(Increase) decrease in assets:	
Inventories	8,879
Receivables	(204,673)
(Decrease) increase in liabilities:	
Accounts payable and accrued liabilities	73,653
Unearned revenue and due to other governments	(4,687)
Total adjustments	391,589
Net cash used in operating activities	\$ (6,369,251)

Noncash items:

Donation of food commodities	\$ 453,286
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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, 2018

	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	\$ 8,900,082	\$ -	\$ 40,749
Due from other governmental units	-	205,334	515,199
Accounts receivable	-	-	2,250
Trust investments			
Government bonds	8,015,366	-	-
Commercial paper	242,405	-	-
Mortgage loans	754,767	-	-
Corporate bonds	4,308,475	-	-
Common stock	27,021,530	6,372	-
Other	70,676	-	-
	<hr/>		
Total assets	49,313,301	211,706	558,198
	<hr/>		
LIABILITIES			
Accounts payable	1,058	52	32,982
Due to school activity groups	-	-	525,216
	<hr/>		
Total liabilities	1,058	52	558,198
	<hr/>		
NET POSITION			
Restricted for pensions and other post-employment benefits	49,312,243	-	-
Restricted for scholarships	-	211,654	-
	<hr/>		
Total net position	\$ 49,312,243	\$ 211,654	\$ -
	<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, 2018

	Pension and Retiree Health Plan <u>Trust Funds</u>	Private Purpose Trust Fund - Scholarship <u>Memorials</u>
ADDITIONS		
Contributions:		
Donations	\$ -	\$ 33,779
Employer contributions	5,305,054	-
Plan member contributions	338,571	-
Total contributions	5,643,625	33,779
Investment earnings:		
Interest and dividends	1,123,246	2,795
Less: investment-related expense	(71,496)	-
Change in fair value of investments	2,032,086	956
Total investment earnings	3,083,836	3,751
Total additions	8,727,461	37,530
DEDUCTIONS		
Scholarships, etc.	-	39,164
Pension benefit payments	5,674,623	-
Administrative expenses	136,831	-
Total deductions	5,811,454	39,164
Change in net position	2,916,007	(1,634)
Net position - beginning of year	46,396,236	213,288
Net position - end of year	\$ 49,312,243	\$ 211,654

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, except agency funds which have no measurement focus, 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 five 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 year's 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 2018 unassigned fund balance becomes assigned fund balance for fiscal year 2020.

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, 2018, 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, 2018, encumbrances outstanding totaled \$5,864,774, compared to \$4,496,904 in the prior year, and included the following functions:

Function	Amount
Administration	\$ 164,026
School management and support	65,316
Textbooks and instructional supplies	207,156
Other instructional costs	104,191
Special education	141,318
Student personnel services	31,929
Health services	3,931
Student transportation	518,041
Operation of plant and equipment	550,297
Maintenance of plant	960,996
Fixed charges	2,562
Community services	79,751
Capital outlay	3,035,260
Total encumbrances	\$ 5,864,774

Note 2. Cash and Investments

Deposits and Investments Other Than Pension Funds:

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

The policy requires collateralization for certificates of deposit and repurchase agreements. Such collateral must be at least 102% of fair value of principal and accrued interest. The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local boards of education be fully collateralized. The Board's policy requires collateral to be held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland and acceptable collateral as specified under Section 6-202 of the same document.

These collateralization requirements are established to reduce custodial risk which is the risk that in the event of a bank failure, the Board's deposits may not be returned to it.

At June 30, 2018, the Board's non-pension funds were invested as follows:

	Carrying Value	Bank Balance
Cash	\$ 393,183	\$ 2,324,999
Investments - cash equivalents	32,137,700	32,137,700

At June 30, 2018, the Board had bank deposits totaling \$2,324,999 with a carrying value of \$393,183. 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, 2018, 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	2,074,999
Uninsured and collateral held by pledging bank's trust department not in the Board's name	-
	\$ 2,324,999

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.

At June 30, 2018, the Board's School Activities Fund, an agency fund, had bank deposits totaling \$187,947 with a carrying value of \$40,749. As of June 30, 2018, these bank deposits were fully insured.

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 \$32,137,700 at June 30, 2018 with \$5,176,640 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. Cash deposits of pension and other trust funds in excess of amounts insured by the FDIC are subject to custodial credit risk.

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. The Trustees review, on an annual basis, the financial status, objectives and guidelines, and current, short term and long term capital market expectations to manage interest rate risk and credit risk.

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	\$ 4,394,337	\$ 12,235	\$ 113,590	\$ 4,379,920	\$ 8,900,082
Government bonds	3,766,329	42,579	388,097	3,818,361	8,015,366
Commercial paper (less than 1 year)	-	242,405	-	-	242,405
Mortgage loans	-	219,744	535,023	-	754,767
Corporate bonds	1,548,080	936,728	474,113	1,349,554	4,308,475
Common stock	12,826,146	-	2,546,298	11,649,086	27,021,530
Other	-	12,235	58,441	-	70,676
Total	<u>\$ 22,534,892</u>	<u>\$ 1,465,926</u>	<u>\$ 4,115,562</u>	<u>\$ 21,196,921</u>	<u>\$ 49,313,301</u>

Corporate bonds held at June 30, 2018 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	11.96%		57.60%	10.02%
AA+				
AA	2.27%		2.11%	
AA-	12.89%	18.33%		22.92%
A+	8.13%			7.46%
A	42.27%		4.82%	47.75%
A-	22.48%	20.00%		11.85%
BBB+				
BBB		25.00%	19.29%	
BBB-		36.67%		
BB			11.16%	
B			2.76%	
Not Rated			2.26%	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Cash and Investments (Continued)

PENSION TRUST:

BNY Mellon:

Corporate bond issues held at June 30, 2018 are as follows:

Par Value	Description	Coupon Rate	Due
\$125,000	Burlington Northern Sante Fe LLC	3.45%	09/15/21
\$200,000	Cisco Systems Inc.	2.13%	03/01/19
\$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
\$175,000	JP Morgan Chase & Co.	2.30%	08/15/21
\$185,000	Johnson & Johnson	5.15%	07/15/18
\$135,000	PPG Industries Inc.	2.30%	11/15/19
\$30,000	Pharmacia Corp.	8.70%	10/15/21
\$275,000	Qualcomm Inc.	3.00%	05/20/22
\$200,000	Schwab Charles Corp.	4.45%	07/22/20

AETNA:

Corporate bond issues held at June 30, 2018 are as follows:

	<u>Percent of Holdings</u>
AT&T Inc.	25.00%
Deutsche Bank	20.00%
Credit Suisse	20.00%
Berkshire Hathaway Inc.	18.33%
Charter Communications	16.67%

401(a):

Janus:

Corporate bond issues held at June 30, 2018 are as follows:

	<u>Percent of Holdings</u>
Janus Balanced Fund T (JABAX) Average duration 5.36 years	100.00%

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, 2018 are as follows:

Par Value	Description	Coupon Rate	Due
\$100,000	Burlington Northern Santa Fe LLC	3.45%	09/15/21
\$160,000	Cisco Systems Inc.	2.13%	03/01/19
\$135,000	Covidien Intl	3.20%	06/15/22
\$15,000	Dupont El De Nemours	6.00%	07/15/18
\$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
\$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

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, 2018, the Board had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Government bonds	\$ 8,015,366	\$ -	\$ -	\$ 8,015,366
Mortgage loans	-	-	754,767	754,767
Corporate bonds	-	4,308,475	-	4,308,475
	8,015,366	4,308,475	754,767	13,078,608
Equity Securities:				
Common stock	27,021,530	-	-	27,021,530
Other investments:				
Commercial paper	242,405	-	-	242,405
Other	-	-	70,676	70,676
	242,405	-	70,676	313,081
Total investment by fair value level	\$ 35,279,301	\$ 4,308,475	\$ 825,443	\$ 40,413,219

Note 3. Interfund Receivables and Payables

At June 30, 2018, the interfund account balances are as follows:

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES:		
General Fund		
Due to Food Service Fund	\$ -	\$ 2,259,418
Due to Special Revenue Fund	-	2,137,140
Due from Capital Projects Fund	203,412	-
Due to School Activities Fund	-	515,199
Due to Trust Fund	-	205,334
Special Revenue Fund		
Due from General Fund	2,137,140	-
Capital Projects Fund		
Due to General Fund	-	203,412
BUSINESS-TYPE ACTIVITIES		
Enterprise Fund		
Due from General Fund	2,259,418	-
FIDUCIARY NET POSITION		
Due from General Fund	720,533	-
TOTAL ALL FUNDS	\$ 5,320,503	\$ 5,320,503

Due to/from other funds represent advances of cash for operating needs. Transfers of \$600,000 from the General Fund to the Food Services Fund are to supplement wages and benefits. Transfers of \$976,394 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	\$ -	\$ 1,663,639	\$ -	\$ 1,663,639	\$ 322,934
Due from State	33,427	215,708	4,595,664	4,844,799	13,305
Due from local and other	-	55,237	2,706,250	2,761,487	-
Total due from other governmental agencies	<u>\$ 33,427</u>	<u>\$ 1,934,584</u>	<u>\$ 7,301,914</u>	<u>\$ 9,269,925</u>	<u>\$ 336,239</u>
Due to Federal	\$ -	\$ 67,370	\$ -	\$ 67,370	\$ -
Due to State	30,656	31,582	-	62,238	-
Due to local and other	-	230	-	230	-
Total due to other governmental agencies	<u>\$ 30,656</u>	<u>\$ 99,182</u>	<u>\$ -</u>	<u>\$ 129,838</u>	<u>\$ -</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017		Additions	Deductions	Transfers	Balance June 30, 2018
Governmental Activities						
Capital Assets, not being depreciated						
Land	\$ 4,079,740	\$ 192,000	\$ -	\$ -	\$ -	\$ 4,271,740
Construction in progress	13,367,745	32,147,789	-	(1,396,720)	-	44,118,814
Total capital assets, not being depreciated	<u>17,447,485</u>	<u>32,339,789</u>	<u>-</u>	<u>(1,396,720)</u>	<u>-</u>	<u>48,390,554</u>
Capital assets, being depreciated						
Buildings and improvements	346,676,568	412,944	(554,897)	1,396,720	-	347,931,335
Furniture and equipment	42,425,917	3,701,946	(8,417,294)	-	-	37,710,569
Vehicles	3,845,445	195,352	(164,436)	-	-	3,876,361
Total capital assets, being depreciated	<u>392,947,930</u>	<u>4,310,242</u>	<u>(9,136,627)</u>	<u>1,396,720</u>	<u>-</u>	<u>389,518,265</u>
Less accumulated depreciation:						
Buildings and improvements	(94,584,760)	(8,237,865)	537,862	-	-	(102,284,763)
Furniture and equipment	(33,605,598)	(3,139,796)	8,383,925	-	-	(28,361,469)
Vehicles	(1,756,492)	(385,197)	152,986	-	-	(1,988,703)
Total accumulated depreciation	<u>(129,946,850)</u>	<u>(11,762,858)</u>	<u>9,074,773</u>	<u>-</u>	<u>-</u>	<u>(132,634,935)</u>
Total capital assets, being depreciated, net	<u>263,001,080</u>	<u>(7,452,616)</u>	<u>(61,854)</u>	<u>1,396,720</u>	<u>-</u>	<u>256,883,330</u>
Governmental activities capital assets, net	<u>\$ 280,448,565</u>	<u>\$ 24,887,173</u>	<u>\$ (61,854)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,273,884</u>
Business-type activities						
Equipment	\$ 2,303,801	\$ 215,606	\$ (932,441)	\$ -	\$ -	\$ 1,586,966
Accumulated depreciation	(1,851,895)	(65,131)	932,441	-	-	(984,585)
Business-type activities capital assets, net	<u>\$ 451,906</u>	<u>\$ 150,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,381</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 143,362
Instructional services	10,589,654
Special Education	23,941
Student Personnel Services	14,650
Health Services	4,893
Student transportation	353,223
Operation of plant and equipment	563,937
Maintenance of plant	64,820
Community Services	<u>4,378</u>
Total governmental depreciation expense	<u>11,762,858</u>

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

Food service	<u>65,131</u>
Total business-type depreciation expense	<u>65,131</u>
Total depreciation expense	<u><u>\$ 11,827,989</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, 2018, the health insurance reserve had the following activity:

Balance at July 1, 2017	\$ 5,911,625
Subsidy for rate increase	(810,000)
Insurance settlement - 2017	32,353
Interest earned	73,278
Consulting and other expenditures	<u>(30,616)</u>
Balance at June 30, 2018	<u><u>\$ 5,176,640</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, 2017, the Board's share of the consortium's settlement was a surplus of \$32,353. These amounts were included as other financing sources (uses) during the year ended June 30, 2018.

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, Mason Securities, 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). As of July 1, 2017, approximately 850 retirees were receiving benefits and 1,913 active employees are participating in the plan. There were no terminated plan participants entitled to but not yet receiving benefits.

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 \$4.52 million to the plan, including approximately \$3.83 million for current claim costs (approximately 70% of total premiums) and an additional \$686 thousand to pre-fund benefits. Plan members receiving benefits contributed approximately 30% of total premiums, through their required contributions of \$215 per month for retirees-only coverage (if under 65), \$143 per month for retirees-only coverage (if 65 or older) and \$1,153 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Liability

The Board's total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board's total OPEB liability, fiduciary net position, and the resulting net OPEB liability as of June 30, 2018:

Total OPEB liability		
Service cost	\$	3,600,890
Interest cost		4,816,701
Changes in benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(2,260,680)
Benefit payments		(3,830,557)
Net change in total OPEB liability	\$	<u>2,326,354</u>
Total OPEB liability, beginning of year, as restated		<u>113,392,739</u>
Total OPEB liability, end of year (a)	\$	<u><u>115,719,093</u></u>
Plan fiduciary net position		
Contribution - employer	\$	4,516,695
Net investment income		1,184,552
Benefit payments		(3,830,557)
Administrative expense		(72,003)
Net change in fiduciary net position	\$	<u>1,798,687</u>
Fiduciary net position, beginning of year		<u>19,398,234</u>
Fiduciary net position, end of year (b)	\$	<u><u>21,196,921</u></u>
Net OPEB Liability (a-b)	\$	<u><u>94,522,172</u></u>
Fiduciary net position as a % of total OPEB liability		18.32%
Covered employee payroll	\$	115,383,585
Net OPEB liability as of % of payroll		81.92%

Payments for the net OPEB obligation have typically been liquidated in the General Fund in prior years. For the fiscal year ended June 30, 2018, the Board recognized an OPEB expense of \$6,727,479.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Funding Status and Funding Progress

As of the most recent actuarial valuation date, the plan was 18.32% funded. The total OPEB liability for benefits was \$115,719,093 and the actuarial value of assets was \$21,196,921 resulting in a net OPEB liability of \$94,522,172. The covered payroll (annual payroll of active employees covered by the plan) was \$115,383,585 and the ratio of the net OPEB liability to the covered payroll was 81.92%.

The Board's funding progress is summarized as follows:

Measurement Date	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	Net OPEB Liability as a Percentage of Covered Payroll (a-b)/c
June 30, 2017	\$ 113,392,739	\$ 19,398,234	\$ 93,994,505	17.11%	\$ 111,445,147	84.34%
June 30, 2018	115,719,093	21,196,921	94,522,172	18.32%	115,383,585	81.92%

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 2017 actuarial valuation study, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.45% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets of 7.25% and municipal bond rates of 3.6% at the beginning of the year and 6.50% and 3.9% at the end of the year, respectively. The GO Bond Buyer Index was used to approximate the yields on the 20-year municipal bonds rated AA or higher. The healthcare cost trend rate assumes subsequent premiums increasing 5% annually. Implicit in the investment return, salary scale and trend rate assumption is an underlying general rate of inflation assumption of 2.5%.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Additional information as of the latest actuarial valuation follows:

Actuarial	Entry Age Normal
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	4.45% for obligation; based on a blended rate of the long-term rate of return of 6.50% and municipal bond rates of 3.9% at the end of the year.
Medical Trend	Annual healthcare cost trend 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.

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

Changes in assumptions in the latest actuarial valuation include a reduction of the investment rate of return from 7.25% to a blended rate of the long-term rate of return of 6.50% and municipal bond rates of 3.9%.

Sensitivity of the Total and Net OPEB Liability

The following table presents the Board's total and net OPEB liability using the discount rate of 4.45%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>Discount Rate</u>	<u>Board's Net OPEB Liability</u>
1% decrease	3.45%	\$ 113,964,182
Current discount rate	4.45%	\$ 94,522,172
1% increase	5.45%	\$ 79,346,715

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

The following table presents the Board's total and net OPEB liability using the healthcare trend rate of 5.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>Health Care Trend Rate</u>	<u>Board's Net OPEB Liability</u>
1% decrease	4.00%	\$ 77,361,286
Current trend rate	5.00%	\$ 94,522,172
1% increase	6.00%	\$ 116,980,415

Deferred Inflows/Outflows of Resources related to OPEB

At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ (1,937,726)
Net difference between projected and actual investment earnings on OPEB plan investments	254,609	-
Difference between actual and expected experience	-	-
Board contributions subsequent to measurement date	-	-
Total	<u>\$ 254,609</u>	<u>\$ (1,937,726)</u>

The deferred outflows of resources related to the net difference between projected and actual investment earnings on OPEB plan investments are being amortized over the service life of 5 years. The deferred inflows of resources related to the changes in assumptions are being amortized over the service life of 7 years. The following table shows the remaining amortization of these balances:

Year End June 30,	<u>DEFERRED OUTFLOWS</u>	<u>DEFERRED INFLOWS</u>
	Asset (gain)/loss	Change in Assumptions
2019	\$ 63,652	\$ (322,954)
2020	63,652	(322,954)
2021	63,652	(322,954)
2022	63,653	(322,954)
2023	-	(322,955)
Thereafter	-	(322,955)
	<u>\$ 254,609</u>	<u>\$ (1,937,726)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 8. Risk Management

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

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

Note 9. Pension Plans

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

Teachers' Retirement System and the Teachers' Pension System

Plan Description

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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, 2018 were \$11,817,123. On-behalf payments are recognized as revenues and expenditures in the Board's general fund. The Board has no contingent liability for funding deficits in the system should such occur.

In addition to the above contribution, during fiscal year 2018, 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 2018, the Board contributed \$4,537,812 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

The State of Maryland contributed \$11,817,123 on behalf of the Board while the Board contributed \$4,537,812 during fiscal year 2018 as a direct result of Maryland Senate Bill 1301. On-behalf payments are recognized as revenues and expenditures in the Board's general fund.

Teachers' Pension System

Retirement Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

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

Employee and Employer Contributions:

Effective July 1, 2011, members of the Teachers' Pension System are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2018. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

For members enrolled on and after July 1, 2011, the employee contribution is 7%; vesting requires ten years of eligible service; service retirement is at age 65 with ten years of eligibility service or based on the Rule of 90 (age and service must equal 90); early service retirement is age 60 with 15 years of eligibility service; average final compensation is a five year average; and the benefit multiplier per year is 1.5%.

The State of Maryland contributed \$11,817,123 on behalf of the Board while the Board contributed \$4,537,812 during fiscal year 2018 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, 2018 and payroll covered under the Teachers' Retirement and Pension Systems is as follows:

Total payroll	\$ 124,378,370
Payroll covered under the plan	\$ 103,580,906

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 \$4,537,812 for the year ended June 30, 2018, the Board's required portion of the normal cost.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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:

		2018
Board's proportionate share of the net pension liability (Employees' Systems)	\$	-
State's proportionate share of the net pension liability (Teachers' Systems)		<u>131,826,350</u>
Total	\$	131,826,350

The net pension liability was measured as of June 30, 2017, 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, 2018 related to the System.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 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	21 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.65% general, 3.15% wage
Salary Increases	3.15% to 9.15% including inflation
Investment Rate of Return	7.50%
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.

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2017 valuation:

- Salary increase assumption changed from 3.30% - 9.20% to 3.15% - 9.15%, including inflation
- Inflation assumption changed from 2.70% to 2.65% for general and 3.20% to 3.15% for wage
- Investment rate of return assumption changed from 7.55% to 7.50%

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	36%	5.3%
Private Equity	11%	7.0%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	8%	3.1%
Total	100%	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

Discount rate

A single discount rate of 7.50% 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 7.50%. 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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

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.

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/her 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, 2018 and payroll covered, as of the latest actuarial valuation, under the Plan is as follows:

Total payroll	\$ 124,378,370
Payroll covered under the plan	\$ 10,069,862

Plan membership at July 1, 2017, the date of the latest actuarial valuation, consisted of 297 active plan members, 163 retirees and beneficiaries receiving benefits, and 21 terminated plan participants entitled to but not yet receiving benefits.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (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	June 30, 2018
Total pension liability				
Service cost	\$ 842,490	\$ 854,284	\$ 772,678	\$ 775,125
Interest	1,849,338	1,898,022	1,850,305	1,960,374
Benefit payments	(1,250,672)	(1,502,818)	(1,456,131)	(1,558,362)
Change in assumption	-	(260,240)	-	2,233,672
Experience (gain) loss	-	19,531	401,563	643,334
Net change in total pension liability	1,441,156	1,008,779	1,568,415	4,054,143
Total pension liability - beginning	23,786,836	25,227,992	26,236,771	27,805,186
Total pension liability - ending (a)	25,227,992	26,236,771	27,805,186	31,859,329
Plan fiduciary net position				
Contribution - employer	722,205	753,562	759,739	788,359
Contribution - plan member	381,911	399,334	403,598	338,571
Net investment income	88,504	(400,584)	2,646,737	1,402,062
Benefit payments	(1,250,672)	(1,502,591)	(1,456,131)	(1,476,723)
Administrative expenses	(49,433)	(65,984)	(52,785)	(50,396)
Net change in plan fiduciary net position	(107,485)	(816,263)	2,301,158	1,001,873
Plan fiduciary net position - beginning	21,620,477	21,512,992	20,696,729	22,997,887
Plan fiduciary net position - ending (b)	21,512,992	20,696,729	22,997,887	23,999,760
Net pension liability (a - b)	\$ 3,715,000	\$ 5,540,042	\$ 4,807,299	\$ 7,859,569

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

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%
2018	496,192	788,359	(292,167)	10,069,862	7.83%

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)

Deferred Inflows/Outflows of Resources

At June 30, 2018, 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	\$ 1,861,393	\$ (148,709)
Net difference between projected and actual investment earnings on pension plan investments	1,021,634	(695,120)
Difference between actual and expected experience	814,851	-
Total	\$ 3,697,878	\$ (843,829)

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:

	2018 BALANCE AMORTIZATION			2017 BALANCE AMORTIZATION		2016 BALANCE AMORTIZATION		
	DEFERRED OUTFLOWS			DEFERRED OUTFLOWS	DEFERRED INFLOWS	DEFERRED OUTFLOWS		DEFERRED INFLOWS
	Net Difference in Investment Earnings	Actual and Expected Experience	Change in Assumptions	Actual and Expected Experience	Net Difference in Investment Earnings	Net Difference in Investment Earnings	Actual and Expected Experience	Change in Assumptions
Year End June 30,								
2019	50,206	107,222	372,279	66,927	(231,707)	410,404	2,758	(37,177)
2020	50,206	107,222	372,279	66,927	(231,706)	410,404	2,758	(37,177)
2021	50,207	107,222	372,279	66,927	(231,707)	-	2,757	(37,177)
2022	50,207	107,223	372,278	66,928	-	-	2,757	(37,178)
2023	-	107,223	372,278	-	-	-	-	-
	200,826	536,112	1,861,393	267,709	(695,120)	820,808	11,030	(148,709)

Funding Status and Funding Progress

As of the most recent actuarial valuation date, the plan was 75.33% funded. The total pension liability for benefits was \$31,859,329 and the plan fiduciary net position was \$23,999,760 resulting in a net pension liability of \$7,859,569. The covered payroll (annual payroll of active employees covered by the plan) was \$10,069,862 and the ratio of the net pension liability to the covered payroll was 78.05%.

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)

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	6.50%
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.

Changes in assumptions used in the latest actuarial valuation include a reduction of the investment rate of return from 7.25% to 6.50%.

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:	6.50%

Based on the current Investment Policy and Funding Policy, the Plan is projected not to deplete; therefore, the same rate of 6.50% 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 6.50%, 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 (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	11,205,814	7,859,569	5,004,923

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. Pension Plans (Continued)

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.97%. 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, 2018, 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	\$ 4,115,562	\$ 24,000,818	\$ 21,196,921	\$ 49,313,301
Total assets	4,115,562	24,000,818	21,196,921	49,313,301
LIABILITIES				
Current liabilities	-	1,058	-	1,058
NET POSITION				
Held in trust for retirement and other benefits	\$ 4,115,562	\$ 23,999,760	\$ 21,196,921	\$ 49,312,243

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	\$ -	\$ 1,126,930	\$ 4,516,695	\$ 5,643,625
Net investment earnings	497,222	1,402,062	1,184,552	3,083,836
Total additions	497,222	2,528,992	5,701,247	8,727,461
DEDUCTIONS				
Pension benefit payments	367,343	1,476,723	3,830,557	5,674,623
Administrative expenses	14,432	50,396	72,003	136,831
Total deductions	381,775	1,527,119	3,902,560	5,811,454
Change in net position	115,447	1,001,873	1,798,687	2,916,007
Net position - beginning of year	4,000,115	22,997,887	19,398,234	46,396,236
Net position - end of year	\$ 4,115,562	\$ 23,999,760	\$ 21,196,921	\$ 49,312,243

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, 2018:

GOVERNMENTAL ACTIVITIES	Capital Assets
Vehicles:	
2016	\$ 121,179
2017	121,109
2018	119,360
Computers:	
2016	1,831,543
2017	1,572,158
2018	1,562,326
Total	<u>\$ 5,327,675</u>

Approximate future minimum lease commitments are as follows:

GOVERNMENTAL ACTIVITIES

Fiscal Year Ending	Computers/Vehicles			Total
	2018	2017	2016	
June 30, 2019	\$ 431,250	\$ 431,250	\$ 498,250	\$ 1,360,750
June 30, 2020	431,250	431,250	-	862,500
June 30, 2021	431,250	-	-	431,250
	1,293,750	862,500	498,250	2,654,500
Less: interest	(43,314)	(15,935)	(6,775)	(66,024)
Present value of future minimum lease payments	<u>\$ 1,250,436</u>	<u>\$ 846,565</u>	<u>\$ 491,475</u>	<u>\$ 2,588,476</u>

Interest expense related to the above capital leases, with interest rates ranging from 1.09% to 3.17%, was approximately \$33,000 for the year ended June 30, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 12. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning			Ending Balance	Due Within One Year	Long Term Portion
	Balance	Additions	Reductions			
Accrued compensated absences	\$ 2,615,385	\$ 417,170	\$ 282,349	\$ 2,750,206	\$ 287,063	\$ 2,463,143
Capital leases	2,559,275	1,681,686	1,652,485	2,588,476	1,321,846	1,266,630
Net pension liability	4,807,299	3,052,270	-	7,859,569	-	7,859,569
Net OPEB liability, as restated	93,994,505	527,667	-	94,522,172	-	94,522,172
Total	<u>\$ 103,976,464</u>	<u>\$ 5,678,793</u>	<u>\$ 1,934,834</u>	<u>\$ 107,720,423</u>	<u>\$ 1,608,909</u>	<u>\$ 106,111,514</u>

BUSINESS-TYPE ACTIVITIES	Beginning			Ending Balance	Due Within One Year	Long Term Portion
	Balance	Additions	Reductions			
Capital leases	<u>\$ 22,862</u>	<u>\$ -</u>	<u>\$ 22,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018. Unearned revenue at June 30, 2018 consists of the following:

Medical assistance provider payments	\$ 3,126,315
Various other state and federal programs	<u>318,021</u>
	<u>\$ 3,444,336</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, 2018, \$20,673,981 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, 2018 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 15. Prior Period Restatement

During fiscal year 2018, the Board implemented Governmental Accounting Standard Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and in accordance, has applied its effects retroactively. The statement's objective is to improve the accounting and financial reporting for postemployment benefits other than pensions (OPEB) as well as to improve the information provided by employers about financial support for OPEB (see Note 7).

The following table is a summary of the effects of these changes on net position as of June 30, 2018.

	<u>GOVERNMENTAL ACTIVITIES</u>
	Net Position
<u>June 30, 2017, as previously reported</u>	<u>\$ 291,057,561</u>
<u>Adjustment to net OPEB liability</u>	<u>(95,462,062)</u>
<u>June 30, 2017, as restated</u>	<u>\$ 195,595,499</u>

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:

Measurement Date	Total OPEB Liability (a)	Fiduciary Net Position (b)	Unfunded Net OPEB Liability (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2017	\$ 113,392,739	\$ 19,398,234	\$ 93,994,505	17.11%	\$ 111,445,147	84.34%
June 30, 2018	115,719,093	21,196,921	94,522,172	18.32%	115,383,585	81.92%

Schedule of Employer Contributions:

	2018
Actuarially determined contribution	\$ 7,257,099
Contribution in relation to actuarially-determined contribution	4,516,695
Contribution deficiency (excess)	2,740,404
Covered-employee payroll	115,383,585
Contributions as a percentage of covered-employee payroll	3.91%

Schedules are intended to provide 10-year trend information. Additional years will be displayed as available. GASB No. 75 was implemented in fiscal year 2018.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
Retiree Health Insurance Plan Trust

	2018
Total OPEB liability	
Service cost	\$ 3,600,890
Interest cost	4,816,701
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(2,260,680)
Benefit payments	<u>(3,830,557)</u>
Net change in total OPEB liability	\$ 2,326,354
Total OPEB liability, beginning of year, as restated	<u>113,392,739</u>
Total OPEB liability, end of year (a)	<u><u>\$ 115,719,093</u></u>
Plan fiduciary net position	
Contribution - employer	\$ 4,516,695
Net investment income	1,184,552
Benefit payments	(3,830,557)
Administrative expense	<u>(72,003)</u>
Net change in fiduciary net position	\$ 1,798,687
Fiduciary net position, beginning of year	<u>19,398,234</u>
Fiduciary net position, end of year (b)	<u><u>\$ 21,196,921</u></u>
Net OPEB Liability (a-b)	<u><u>\$ 94,522,172</u></u>
Fiduciary net position as a % of total OPEB liability	18.32%
Covered employee payroll	\$ 115,383,585
Net OPEB liability as of % of payroll	81.92%
Annual money-weighted rate of return	5.84%

*Schedules are intended to provide 10-year trend information. Additional years will be displayed as available.
GASB No. 75 was implemented in fiscal year 2018.*

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	2018
Board's proportion of the net pension liability	0.00000%	0.00000%	0.00000%	0.00000%
Board's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	<u>87,166,955</u>	<u>119,020,880</u>	<u>144,047,412</u>	<u>131,826,350</u>
Total	<u>\$ 87,166,955</u>	<u>\$ 119,020,880</u>	<u>\$ 144,047,412</u>	<u>\$ 131,826,350</u>
Board's covered payroll	\$ 95,262,765	\$ 98,572,456	\$ 100,247,573	\$ 103,580,906
Board's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
The total pension liability as a percentage of plan fiduciary net position	0.19%	0.26%	0.32%	0.27%

Schedules are intended to provide 10-year trend information. Additional years will be displayed as available. Information presented is for the liability as of the ending of the prior fiscal year.

THE BOARD OF EDUCATION OF WICOMICO COUNTY

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

	2015	2016	2017	2018
Contractually required contributions	\$ 3,524,616	\$ 4,052,348	\$ 4,223,295	\$ 4,537,812
Contributions in relation to the contractually required contribution	3,524,616	4,052,348	4,223,295	4,537,812
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 95,262,765	\$ 98,572,456	\$ 100,247,573	\$ 103,580,906
Contributions as a percentage of covered payroll	3.70%	4.11%	4.21%	4.38%

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	June 30, 2018
Total pension liability				
Service cost	\$ 842,490	\$ 854,284	\$ 772,678	\$ 775,125
Interest	1,849,338	1,898,022	1,850,305	1,960,374
Benefit payments	(1,250,672)	(1,502,818)	(1,456,131)	(1,558,362)
Change in assumption	-	(260,240)	-	2,233,672
Experience (gain) loss	-	19,531	401,563	643,334
Net change in total pension liability	1,441,156	1,008,779	1,568,415	4,054,143
Total pension liability - beginning	23,786,836	25,227,992	26,236,771	27,805,186
Total pension liability - ending (a)	25,227,992	26,236,771	27,805,186	31,859,329
Plan fiduciary net position				
Contribution - employer	722,205	753,562	759,739	788,359
Contribution - plan member	381,911	399,334	403,598	338,571
Net investment income	88,504	(400,584)	2,646,737	1,402,062
Benefit payments	(1,250,672)	(1,502,591)	(1,456,131)	(1,476,723)
Administrative expenses	(49,433)	(65,984)	(52,785)	(50,396)
Net change in plan fiduciary net position	(107,485)	(816,263)	2,301,158	1,001,873
Plan fiduciary net position - beginning	21,620,477	21,512,992	20,696,729	22,997,887
Plan fiduciary net position - ending (b)	21,512,992	20,696,729	22,997,887	23,999,760
Net pension liability (a - b)	\$ 3,715,000	\$ 5,540,042	\$ 4,807,299	\$ 7,859,569
Annual money-weighted rate of return	0.41%	-1.90%	12.11%	5.97%

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%
June 30, 2018	31,859,329	23,999,760	7,859,569	75.33%	10,069,862	78.05%

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%
2018	496,192	788,359	(292,167)	10,069,862	7.83%

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, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Wicomico County appropriation	\$ 43,605,002	\$ 43,605,002	\$ 43,605,002	\$ -
Total Wicomico County appropriation	43,605,002	43,605,002	43,605,002	-
Other local:				
Tuition - nonresident pupils	20,000	20,000	19,179	(821)
Tuition - other	23,700	23,700	20,392	(3,308)
Student payments/fees	71,000	71,000	80,802	9,802
Earnings on investments	90,000	90,000	368,054	278,054
Rental of school facilities	95,000	95,000	112,178	17,178
Miscellaneous	111,000	111,000	145,210	34,210
Total other local	410,700	410,700	745,815	335,115
State of Maryland revenues:				
Current expense aid	74,764,811	74,764,811	74,764,811	-
Guaranteed tax base	6,567,920	6,567,920	6,567,920	-
Special education	7,698,549	7,698,549	7,698,549	-
Transportation	5,341,079	5,341,079	5,397,465	56,386
Miscellaneous	4,755	4,755	-	(4,755)
Non-public placement	260,000	260,000	211,390	(48,610)
Aging schools	106,627	106,627	-	(106,627)
Limited English proficient	4,867,270	4,867,270	4,867,270	-
Compensatory education	44,370,136	44,370,136	44,370,136	-
Total State of Maryland revenues	143,981,147	143,981,147	143,877,541	(103,606)
Other sources:				
Out of county living	30,000	30,000	61,404	31,404
Total other sources	30,000	30,000	61,404	31,404
TOTAL REVENUES	188,026,849	188,026,849	188,289,762	262,913
EXPENDITURES				
Administration	5,169,784	5,169,784	5,032,834	136,950
School management and support	13,033,749	13,033,749	12,670,408	363,341
Instructional salaries	71,621,217	71,621,217	70,740,826	880,391
Textbooks and instructional supplies	2,906,184	2,906,184	2,900,919	5,265
Other instruction costs	2,017,488	2,017,488	1,882,005	135,483
Student personnel services	2,608,627	2,608,627	2,516,471	92,156
Health services	1,590,321	1,590,321	1,476,891	113,430
Student transportation	9,165,601	9,165,601	9,100,877	64,724

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2018
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (continued)				
Operation of plant and equipment	\$ 14,187,621	\$ 14,187,621	\$ 14,168,580	\$ 19,041
Maintenance of plant	4,416,985	4,416,985	4,278,731	138,254
Fixed charges	39,058,705	39,058,705	38,945,149	113,556
Community services	176,486	176,486	167,522	8,964
Capital outlay	8,702,768	8,702,768	8,669,180	33,588
Special education	16,887,296	16,887,296	16,707,203	180,093
Food service	600,000	600,000	600,000	-
TOTAL EXPENDITURES	192,142,832	192,142,832	189,857,596	2,285,236
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(4,115,983)	(4,115,983)	(1,567,834)	2,548,149
OTHER FINANCING SOURCES (USES)				
Appropriation from June 30, 2017 fund balance	2,935,983	2,935,983	2,935,983	-
Interfund transfers	1,180,000	1,180,000	1,335,172	(155,172)
TOTAL OTHER FINANCING SOURCES (USES)	4,115,983	4,115,983	4,271,155	(155,172)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 2,703,321	\$ 2,703,321

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL

SPECIAL REVENUE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Federal sources	\$ 13,132,953	\$ 13,132,953	\$ 12,909,267	\$ (223,686)
State sources	832,142	832,142	1,077,390	245,248
Local and other sources	565,934	565,934	432,915	(133,019)
TOTAL REVENUES	14,531,029	14,531,029	14,419,572	(111,457)
EXPENDITURES				
Administration	777,680	777,680	437,033	340,647
School management and support	197,550	197,550	184,856	12,694
Instructional salaries	4,217,594	4,217,594	4,222,096	(4,502)
Textbooks and instructional supplies	549,038	549,038	723,456	(174,418)
Other instruction costs	1,009,988	1,009,988	1,030,147	(20,159)
Special education	3,515,557	3,515,557	3,074,316	441,241
Student personnel services	62,954	62,954	374,088	(311,134)
Health services	12,057	12,057	12,181	(124)
Student transportation	318,773	318,773	312,797	5,976
Operation of plant and equipment	-	-	2,055	(2,055)
Maintenance of plant	-	-	19,572	(19,572)
Fixed charges	3,368,593	3,368,593	2,188,910	1,179,683
Community services	501,245	501,245	744,847	(243,602)
Capital outlay	-	-	15,000	(15,000)
TOTAL EXPENDITURES	14,531,029	14,531,029	13,341,354	1,189,675
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	-	-	1,078,218	1,078,218
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	-	(976,394)	(976,394)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ 101,824	\$ 101,824

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, 2018	General Fund June 30, 2018	General Fund June 30, 2018
GAAP Basis	\$ 200,180,163	\$ 201,867,205	\$ 2,090,433
Changes in asset account balances not accounted for on Budgetary Statement:			
Health insurance rate stabilization reserve activity:			
Proceeds from insurance settlement	-	-	(32,353)
Subsidy for rate increase	-	(810,000)	-
Interest earned on health care reserve	(73,278)	-	-
Other expenditures	-	(30,616)	-
Appropriation from June 30, 2017	-	-	2,935,983
Transfers to other funds recorded as budgetary expenditures	-	958,778	958,778
Encumbrances recorded as expenditures:			
Established in current year	-	5,864,774	-
Reversed from prior year	-	(4,493,736)	-
Revenues recorded based on encumbered expenditures:			
Established in current year	-	-	-
Reversed from prior year	-	-	-
State share of retirement and pension contribution	(11,817,123)	(11,817,123)	-
Capital outlay funded by capital leases	-	(1,681,686)	(1,681,686)
Budgetary Basis	<u>\$ 188,289,762</u>	<u>\$ 189,857,596</u>	<u>\$ 4,271,155</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Comparison Schedule (Continued)

Budget Calendar

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

Approximate Date	Procedure Performed
Early September	Board determines budget priorities and Superintendent and staff meet to review these priorities.
Late September	Budget Manager distributes request packets to all employees having budget responsibility.
October	Board members and staff make presentations of budget projections to various community groups in an effort to maintain their involvement and request their ideas and input for budget development process.
Early November	Employees with budget responsibility must turn in all budget worksheets noting new funding, reductions and/or funding realignments to Budget Manager to commence budget compilation and also to their Director for review.
Mid-November	Superintendent and Budget Team begin meetings to review/modify all budget submissions.
Late December	Comptroller reviews with Superintendent preliminary ongoing "Cost of Doing Business" submissions.
Early January	Board holds a Public Hearing to receive public input for the unrestricted operating budget.
Mid January	Superintendent instructs Budget Manager regarding budget requests to compile for submission to the Board & determines with Assistant Superintendents their priority order.
January - February	Budget work sessions with Board, Superintendent and staff.
Early March	Board adopts the Proposed Budget at their regular scheduled meeting and submits the Proposed Budget to the Wicomico County Council.
April	Wicomico County Council has a public hearing to review their budget.
Late May	Board holds a second Public Hearing to receive additional public input for the unrestricted operating budget.
Late May	Wicomico County Council adopts their Expense Budget & notifies the Board of Education of our appropriation.
Early June	Superintendent and staff begin work to revise the proposed budget (if required) based on the actual appropriation from the Wicomico County Council.
Mid-June	Superintendent and staff submit their budget recommendations to the Board of Education for their review.
Late June	Board of Education adopts the Approved Budget at a special meeting.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Post-Employment Health Care Benefits

Changes in Benefit Terms:

There were no significant changes to benefit terms during the year.

Changes in Assumptions:

- Investment rate of return was changed from 7.25% to a blended rate of the long-term rate of return of 6.50% and municipal bond rates of 3.9%

Method and Assumptions used in Calculations of Actuarially Determined Contributions:

Actuarial	Entry Age Normal
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	4.45% for obligation; based on a blended rate of the long-term rate of return of 6.50% and municipal bond rates of 3.9% at the end of the year.
Medical Trend	Annual healthcare cost trend 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 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 2017 valuation:

- Salary increase assumption changed from 3.30% - 9.20% to 3.15% - 9.15%, including inflation
- Inflation assumption changed from 2.70% to 2.65% for general and 3.20% to 3.15% for wage
- Investment rate of return assumption changed from 7.55% to 7.50%

Method and Assumptions used in Calculations of Actuarially Determined Contributions:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.65% general, 3.15% wage
Salary Increases	3.15% to 9.15% including inflation
Investment Rate of Return	7.50%
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:

- Investment rate of return assumption changed from 7.25% to 6.50%

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	6.50%
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.

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Administration:				
Salaries and wages	\$ 3,711,545	\$ 3,711,545	\$ 3,664,409	\$ 47,136
Contracted services	1,109,742	1,109,742	1,043,189	66,553
Supplies and materials	139,500	139,500	138,188	1,312
Other charges	164,471	164,471	143,215	21,256
Equipment	-	-	-	-
Transfers	44,526	44,526	43,833	693
Total administration	5,169,784	5,169,784	5,032,834	136,950
School management and support:				
Salaries and wages	11,314,713	11,314,713	10,970,470	344,243
Contracted services	1,036,795	1,036,795	1,021,384	15,411
Supplies and materials	144,706	144,706	141,821	2,885
Other charges	510,974	510,974	510,956	18
Equipment	-	-	-	-
Transfers	26,561	26,561	25,777	784
Total school management and support	13,033,749	13,033,749	12,670,408	363,341
Instructional salaries and wages	71,621,217	71,621,217	70,740,826	880,391
Textbooks and instructional supplies	2,906,184	2,906,184	2,900,919	5,265
Other instructional costs:				
Contracted services	968,842	801,754	756,600	45,154
Other charges	302,593	302,593	267,736	34,857
Equipment	87,700	7,700	7,698	2
Transfers	658,353	905,441	849,971	55,470
Total other instructional costs	2,017,488	2,017,488	1,882,005	135,483
Special education:				
Salaries and wages	15,745,316	15,745,316	15,745,292	24
Contracted services	118,457	247,457	236,676	10,781
Supplies and materials	144,173	144,173	141,677	2,496
Other charges	90,200	90,200	82,761	7,439
Equipment	-	-	-	-
Transfers	789,150	660,150	500,797	159,353
Total special education	\$ 16,887,296	\$ 16,887,296	\$ 16,707,203	\$ 180,093

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2018
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Student personnel services:				
Salaries and wages	\$ 1,916,859	\$ 1,915,659	\$ 1,855,899	\$ 59,760
Contracted services	653,400	653,400	627,911	25,489
Supplies and materials	16,550	16,550	13,704	2,846
Other charges	18,995	18,995	15,329	3,666
Equipment	-	-	-	-
Transfers	2,823	4,023	3,628	395
Total student personnel services	2,608,627	2,608,627	2,516,471	92,156
Health services				
Salaries and wages	1,515,622	1,514,122	1,411,512	102,610
Contracted services	14,000	14,000	3,314	10,686
Supplies and materials	54,526	54,526	54,448	78
Other charges	4,350	5,850	5,794	56
Equipment	-	-	-	-
Transfers	1,823	1,823	1,823	-
Total health services	1,590,321	1,590,321	1,476,891	113,430
Student transportation:				
Salaries and wages	1,036,249	1,101,249	1,094,428	6,821
Contracted services	7,500,736	7,231,736	7,185,963	45,773
Supplies and materials	136,250	136,250	136,250	-
Other charges	148,543	148,543	137,267	11,276
Equipment	342,000	542,000	542,000	-
Transfers	1,823	5,823	4,969	854
Total pupil transportation	9,165,601	9,165,601	9,100,877	64,724
Operation of plant:				
Salaries and wages	5,966,839	5,751,839	5,750,569	1,270
Contracted services	1,905,859	1,780,859	1,767,938	12,921
Supplies and materials	1,090,927	1,210,927	1,210,006	921
Other charges	5,095,370	5,360,370	5,359,267	1,103
Equipment	125,000	77,000	76,911	89
Transfers	3,626	6,626	3,889	2,737
Total operation of plant	14,187,621	14,187,621	14,168,580	19,041
Maintenance of plant:				
Salaries and wages	1,511,059	1,511,059	1,389,856	121,203
Contracted services	1,923,376	1,923,376	1,922,555	821
Supplies and materials	825,700	809,700	795,065	14,635
Other charges	13,850	15,850	14,275	1,575
Equipment	143,000	157,000	156,980	20
Total maintenance of plant	\$ 4,416,985	\$ 4,416,985	\$ 4,278,731	\$ 138,254

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2018

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fixed charges:				
Insurance and employee benefits	\$ 39,058,705	\$ 39,058,705	\$ 38,945,149	\$ 113,556
Community services:				
Salaries and wages	40,980	40,980	36,852	4,128
Contracted services	54,881	54,881	50,839	4,042
Supplies and materials	15,471	15,471	14,815	656
Other charges	46,916	46,916	46,916	-
Equipment	18,238	18,238	18,100	138
Total community services	176,486	176,486	167,522	8,964
Capital outlay:				
Salaries and wages	719,092	719,092	687,717	31,375
Contracted services	1,469,133	1,419,133	1,418,788	345
Supplies and materials	303,200	449,950	449,820	130
Other charges	8,500	10,500	8,818	1,682
Equipment	6,202,843	6,104,093	6,104,037	56
Transfers	-	-	-	-
Total capital outlay	8,702,768	8,702,768	8,669,180	33,588
Food service:				
Transfers	600,000	600,000	600,000	-
TOTAL EXPENDITURES	192,142,832	192,142,832	189,857,596	2,285,236
TOTAL APPROPRIATIONS AND EXPENDITURES	\$ 192,142,832	\$ 192,142,832	\$ 189,857,596	\$ 2,285,236

THE BOARD OF EDUCATION OF WICOMICO COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
 CAPITAL PROJECTS - BUDGETARY BASIS
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
State sources	\$ 11,847,200	\$ 11,847,200	\$ 19,805,442	\$ 7,958,242
Local and other sources	8,608,000	8,608,000	10,330,922	1,722,922
TOTAL REVENUES	20,455,200	20,455,200	30,136,364	9,681,164
EXPENDITURES				
Capital outlay	21,455,200	21,455,200	30,280,139	(8,824,939)
TOTAL EXPENDITURES	21,455,200	21,455,200	30,280,139	(8,824,939)
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	\$ -	\$ -	\$ 856,225	\$ 856,225

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	\$ 30,136,364	\$ 30,280,139	\$ -
Appropriation from fund balance	-	-	1,000,000
Budgetary Basis	\$ 30,136,364	\$ 30,280,139	\$ 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, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
REVENUES				
Local sources	\$ 1,155,980	\$ 1,155,980	\$ 1,171,569	\$ 15,589
State sources	160,000	160,000	175,032	15,032
Federal sources	6,181,311	6,181,311	6,285,973	104,662
TOTAL REVENUES	7,497,291	7,497,291	7,632,574	135,283
EXPENDITURES				
Salaries and wages	2,546,007	2,546,007	2,524,034	21,973
Contracted services	162,825	162,825	141,255	21,570
Supplies and materials	4,222,055	4,222,055	4,059,655	162,400
Other charges	1,206,591	1,206,591	1,159,503	47,088
Capital outlay	435,854	435,854	372,430	63,424
TOTAL EXPENDITURES	8,573,332	8,573,332	8,256,877	316,455
OPERATING LOSS	(1,076,041)	(1,076,041)	(624,303)	451,738
OTHER RESOURCES				
Interfund Transfer	600,000	600,000	600,000	-
Appropriation from fund balance	476,041	476,041	476,041	-
TOTAL OTHER RESOURCES	1,076,041	1,076,041	1,076,041	-
EXCESS OF REVENUES AND OTHER RESOURCES OVER EXPENDITURES	\$ -	\$ -	\$ 451,738	\$ 451,738

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	\$ 7,632,574	\$ 7,932,409	\$ 600,000
Appropriation from fund balance	-	-	476,041
Encumbrances established in current year	-	158,055	-
Encumbrances reversed from prior year	-	(6,924)	-
Principal payments on capital lease obligation	-	22,862	-
Depreciation of capital assets	-	(65,131)	-
Capital asset current year additions	-	215,606	-
Budgetary Basis	\$ 7,632,574	\$ 8,256,877	\$ 1,076,041

THE BOARD OF EDUCATION OF WICOMICO COUNTY
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PENSION AND RETIREE HEALTH PLAN TRUST FUNDS
 June 30, 2018

	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	\$ 113,590	\$ 4,406,572	\$ 4,379,920	\$ 8,900,082
Trust investments				
Government bonds	388,097	3,808,908	3,818,361	8,015,366
Commercial paper	-	242,405	-	242,405
Mortgage loans	535,023	219,744	-	754,767
Corporate bonds	474,113	2,484,808	1,349,554	4,308,475
Common stock	2,546,298	12,826,146	11,649,086	27,021,530
Other	58,441	12,235	-	70,676
Total assets	<u>4,115,562</u>	<u>24,000,818</u>	<u>21,196,921</u>	<u>49,313,301</u>
LIABILITIES				
Advanced contributions	-	1,058	-	1,058
NET POSITION				
Held in Trust for:				
Retirement and other benefits	<u>4,115,562</u>	<u>23,999,760</u>	<u>21,196,921</u>	<u>49,312,243</u>
Total net position	<u>\$ 4,115,562</u>	<u>\$ 23,999,760</u>	<u>\$ 21,196,921</u>	<u>\$ 49,312,243</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, 2018

	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	\$ -	\$ 788,359	\$ 4,516,695	\$ 5,305,054
Plan member contributions	-	338,571	-	338,571
Total contributions	-	1,126,930	4,516,695	5,643,625
Investment earnings:				
Interest and dividends	213,538	519,640	390,068	1,123,246
Less: investment-related expense	-	(71,496)	-	(71,496)
Change in fair value of investments	283,684	953,918	794,484	2,032,086
Net investment earnings	497,222	1,402,062	1,184,552	3,083,836
Total additions	497,222	2,528,992	5,701,247	8,727,461
DEDUCTIONS				
Pension benefit payments	367,343	1,476,723	3,830,557	5,674,623
Administrative expenses	14,432	50,396	72,003	136,831
Total deductions	381,775	1,527,119	3,902,560	5,811,454
Change in net position	115,447	1,001,873	1,798,687	2,916,007
Net position - beginning of year	4,000,115	22,997,887	19,398,234	46,396,236
Net position - end of year	\$ 4,115,562	\$ 23,999,760	\$ 21,196,921	\$ 49,312,243

THE BOARD OF EDUCATION OF WICOMICO COUNTY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
 Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
ASSETS				
Cash	\$ 39,089	\$ 2,569,399	\$ 2,567,739	\$ 40,749
Accounts receivable	1,716	2,250	1,716	2,250
Due from other funds	467,647	47,552	-	515,199
Total assets	508,452	2,619,201	2,569,455	558,198
LIABILITIES				
Accounts payable	75,425	32,982	75,425	32,982
Due to school activity groups	433,027	2,586,219	2,494,030	525,216
Total liabilities	\$ 508,452	\$ 2,619,201	\$ 2,569,455	\$ 558,198

STATISTICAL SECTION

STATISTICAL SECTION

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

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Financial Trends

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

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Debt Capacity

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

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Demographic and Economic Information

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

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

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Schedule 1

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

	Fiscal Year									
	<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>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 302,685,408
Restricted for rate stabilization reserve	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	4,484,708
Restricted for capital projects	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	2,869,038
Restricted for special revenue	58,598	69,098	42,376	70,148	39,472	82,569	125,557	169,673	230,645	332,469
Unrestricted	<u>2,710,967</u>	<u>7,179,201</u>	<u>7,426,651</u>	<u>4,672,241</u>	<u>4,623,352</u>	<u>3,163,824</u>	<u>2,160,123</u>	<u>3,827,921</u>	<u>5,730,119</u>	<u>(92,594,328)</u>
Total governmental activities net position	<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>\$ 291,057,562</u>	<u>\$ 217,777,295</u>
Business-type activities										
Net investment in capital assets	\$ 280,752	\$ 493,125	\$ 357,236	\$ 375,722	\$ 355,062	\$ 329,436	\$ 362,483	\$ 410,432	\$ 429,044	\$ 602,381
Unrestricted for food service activities	<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>	<u>2,470,021</u>
Total business-type activities net position	<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>	<u>\$ 3,072,402</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 303,287,789
Restricted	12,940,218	12,689,812	12,398,978	11,718,164	11,693,277	11,142,197	7,581,817	7,338,762	7,438,153	7,686,215
Unrestricted	<u>3,369,487</u>	<u>7,762,564</u>	<u>8,284,037</u>	<u>6,019,428</u>	<u>6,069,392</u>	<u>4,624,394</u>	<u>3,682,704</u>	<u>5,633,281</u>	<u>8,073,312</u>	<u>(90,124,307)</u>
Total primary government net position	<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>\$ 293,829,799</u>	<u>\$ 220,849,697</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									
	<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>	<u>2018</u>
Expenses										
Governmental activities:										
Administration	\$ 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	\$ 7,514,341
Instructional services	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	145,259,804
Special education	22,825,693	24,784,670	24,399,942	24,337,038	24,512,359	25,399,267	26,032,772	27,053,349	27,529,358	28,490,163
Student personnel services	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	3,925,616
Health services	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	2,160,034
Student transportation	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	10,039,390
Operation of plant and equipment	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	18,537,712
Maintenance of plant	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	4,882,614
Food services	-	-	-	-	-	14,543	44,111	22,887	3,574	-
Community services	244,869	200,977	173,022	189,562	252,724	322,234	307,821	378,034	777,353	1,111,875
Interest expense	-	-	84,209	39,654	36,646	31,034	29,925	23,729	31,256	32,754
Total governmental activities expenses	<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>214,516,972</u>	<u>221,954,303</u>
Business-type activities:										
Food services	\$ 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	\$ 7,932,409
Total business-type activities expenses	<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>	<u>7,932,409</u>
Total primary government expenses	<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>\$ 222,150,080</u>	<u>\$ 229,886,712</u>
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ -	\$ -	\$ -	\$ 20,945	\$ 19,929	\$ 22,133	\$ 19,523	\$ 27,822	\$ 24,250	\$ 122,209
Instructional services	2,182,980	1,938,036	623,603	518,654	227,821	301,483	183,092	551,875	204,722	181,777
Operation of plant and equipment	94,019	57,072	51,488	15,218	41,736	58,017	110,906	86,286	124,562	121,659
Community services	44,404	44,404	44,404	44,404	44,434	44,434	44,434	44,511	44,542	44,574
Operating grants and contributions										
Administration	1,140,928	1,261,966	1,309,717	1,113,104	1,204,957	1,131,134	813,603	859,567	905,083	972,091
Instructional services	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	16,214,511
Special education	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	13,935,205
Student personnel services	132,563	169,790	189,101	182,023	168,667	154,491	164,441	249,836	552,706	731,298
Health services	133,715	150,005	178,180	167,820	138,869	168,140	171,528	166,130	161,855	154,853
Student transportation	394,968	273,704	368,789	363,994	300,212	265,147	5,393,111	5,655,997	5,672,422	5,826,816
Operation of plant and equipment	646,365	571,504	683,368	676,380	1,773,778	597,958	605,286	600,984	590,787	563,573
Maintenance of plant	128,784	143,650	169,993	166,840	461,233	141,642	156,207	130,157	145,095	155,122
Food Services	-	-	-	-	-	14,308	44,111	22,887	2,814	-
Community services	707	3,301	4,168	4,710	62,590	120,173	107,768	182,716	594,685	990,629
Capital grants and contributions	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	30,136,364
Total governmental activities program revenues	<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>	<u>\$ 70,150,681</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)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014*	2015	2016	2017	2018
Program Revenues (continued)										
Business-type activities:										
Charges for services	\$ 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	\$ 1,171,569
Operating grants and contributions	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	6,461,005
Capital grants and contributions	-	-	-	-	-	-	-	26,917	6,042	-
Total business-type activities program revenues	5,934,394	6,057,427	6,286,900	6,507,361	6,644,402	6,543,623	6,753,177	7,385,193	7,539,553	7,632,574
Total primary government program revenues	\$ 79,922,500	\$ 72,443,982	\$ 54,255,001	\$ 43,173,993	\$ 47,976,049	\$ 80,511,672	\$ 65,445,021	\$ 61,228,747	\$ 62,010,895	\$ 77,783,255
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (151,803,622)
Business-type activities	(672,561)	(718,488)	(611,866)	(241,713)	(596,807)	(686,096)	(579,942)	(344,272)	(93,555)	(299,835)
Total primary government net expense	\$ (111,249,340)	\$ (127,555,878)	\$ (140,775,829)	\$ (148,411,136)	\$ (148,352,074)	\$ (122,628,250)	\$ (143,952,099)	\$ (151,804,735)	\$ (160,139,186)	\$ (152,103,457)
General Revenues and Other Changes in Net Position										
Governmental activities:										
State of Maryland	\$ 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	\$ 130,570,137
Wicomico County appropriation	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	43,605,002
Other revenue	91,273	203,870	131,922	100,364	60,151	48,771	145,210	102,173	205,659	410,279
Investment earnings	278,256	20,364	27,206	7,271	10,701	-	-	-	-	-
Transfers	(750,000)	(855,704)	(750,000)	(750,000)	(675,000)	(675,000)	(675,000)	(675,000)	(650,000)	(600,000)
Total governmental activities	151,537,486	155,958,397	145,646,391	142,500,400	150,567,106	156,027,469	155,047,356	160,600,533	167,642,303	173,985,418
Business-type activities:										
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	750,000	855,704	750,000	750,000	675,000	675,000	675,000	675,000	650,000	600,000
Total business-type activities	750,000	855,704	750,000	750,000	675,000	675,000	675,000	675,000	650,000	600,000
Total primary government	\$ 152,287,486	\$ 156,814,101	\$ 146,396,391	\$ 143,250,400	\$ 151,242,106	\$ 156,702,469	\$ 155,722,356	\$ 161,275,533	\$ 168,292,303	\$ 174,585,418
Change in Net Position										
Governmental activities	\$ 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	\$ 22,181,796
Business-type activities	77,439	137,216	138,134	508,287	78,193	(11,096)	95,058	330,728	556,445	300,165
Total primary government	\$ 41,038,146	\$ 29,258,223	\$ 5,620,562	\$ (5,160,736)	\$ 2,890,032	\$ 34,074,219	\$ 11,770,257	\$ 9,470,798	\$ 8,153,117	\$ 22,481,961

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>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>	<u>2018</u>
General Fund										
Committed:										
Healthcare rate stabilization reserve	\$ 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	\$ 4,484,708
Assigned to:										
Healthcare rate stabilization reserve	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	691,932
Other purposes (encumbrances)	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	5,864,774
Subsequent year expenditures	800,000	300,000	4,000,000	300,000	300,000	300,000	1,868,130	1,579,344	2,935,983	2,316,429
Unassigned	<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>	<u>2,206,489</u>
Total General Fund	<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>	<u>\$ 15,564,332</u>
All Other Governmental Funds										
Restricted for fund purposes:										
Special Revenue	\$ 58,598	\$ 69,098	\$ 42,376	\$ 70,148	\$ 39,472	\$ 82,569	\$ 125,557	\$ 169,673	\$ 230,645	\$ 332,469
Capital projects	<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>	<u>2,869,038</u>
Total all other governmental funds	<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>	<u>\$ 3,201,507</u>
Total Governmental Funds	<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>	<u>\$ 18,765,839</u>

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

Source: The Board of Education of Wicomico County records.

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Wicomico County appropriations										
Operations	\$ 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	\$ 43,605,002
Pension	-	-	-	-	2,173,593	2,755,091	2,719,329	3,239,009	-	-
Other local revenue	2,821,160	2,367,826	1,047,033	857,362	536,623	600,630	762,766	1,053,001	1,026,479	1,156,390
State of Maryland	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	164,760,373
State of Maryland share of retirement and pension contribution	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	11,817,123
Federal through State	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	12,909,267
Transfer of bond proceeds from										
Wicomico County	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	9,306,833
Other	1,120,842	975,977	744,900	673,112	571,849	547,722	324,087	470,014	638,917	1,181,111
Total revenues	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	244,736,099
Expenditures										
Administration	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	5,565,894
School management and support	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	12,812,876
Instructional salaries	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	74,962,922
Textbooks and instructional supplies	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	3,675,004
Other instructional costs	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	2,781,407
Special education	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	19,676,527
Student personnel services	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	2,859,563
Health services	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	1,486,767
Student transportation	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	8,983,405
Operation of plant and equipment	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	14,992,262
Maintenance of plant	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	4,133,897
Fixed charges	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	41,972,113
Food service	-	-	-	-	-	10,667	42,660	22,887	2,576	-
Community services	244,373	188,790	159,171	174,484	228,780	281,756	270,734	318,433	606,815	847,553
Capital outlay	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	37,236,146
Debt service										
Capital lease principal	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	1,652,485
Capital lease interest	130,239	110,690	84,209	39,654	36,646	31,034	29,925	23,729	31,256	32,754
State of Maryland share of retirement and pension contribution	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	11,817,123
Total expenditures	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	245,488,698
Excess (deficiency) of revenues over (under) expenditures	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	(752,599)

Source: The Board of Education of Wicomico County records.

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>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>	<u>2018</u>
Other Financing Sources (Uses)										
Capital lease proceeds	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	1,681,686
Rate stabilization adjustment	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	32,353
Transfers to other funds	(750,000)	(750,000)	(750,000)	(750,000)	(675,000)	(675,000)	(675,000)	(675,000)	(650,000)	(600,000)
Transfer of savings plan funds to Wicomico County	-	(2,000,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>1,114,039</u>
Net change in fund balances	<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>	<u>\$ 361,440</u>
Debt service as a percentage of noncapital expenditures	1.2%	1.1%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%

Source: The Board of Education of Wicomico County records.

Schedule 5**The Board of Education of Wicomico County****General Fund (Unrestricted Current Expense)****Approved Operating Budgets****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
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	70,103,129	2,715,984	1,969,744	16,744,589	2,471,198	1,546,928
2018	5,169,784	13,033,749	71,621,217	2,906,184	2,017,488	16,887,296	2,608,627	1,590,321

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
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	37,727,112	650,000	175,881	5,994,941	184,442,841
2018	9,165,601	14,187,621	4,416,985	39,058,706	600,000	176,486	8,702,768	192,142,832

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. 75)

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year	
	<u>2017</u>	<u>2018</u>
Total OPEB liability	\$113,392,739	\$115,719,093
Fiduciary Net Position	\$19,398,234	\$21,196,921
Net OPEB Liability	\$93,994,505	\$94,522,172
Net Position as a % of total OPEB liability	17.11%	18.32%
Covered Payroll	\$111,445,147	\$115,383,585
UAAL as a % of covered payroll	84.34%	81.92%
Actuarially determined contribution	\$7,601,764	\$7,257,099
Contribution in relation to actuarially-determined contribution	\$4,152,290	\$4,516,695
Contribution deficiency (excess)	\$3,449,474	\$2,740,404
Contributions as a percentage of covered-employee payroll	3.73%	3.91%
Active employees participating	1,789	1,913
Retirees and Beneficiaries receiving benefits	742	850
Total Participants	2,531	2,763

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

GASB No. 75 was implemented in fiscal year 2018.

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,**

	<u>2014</u>	<u>2015</u>	<u>Year</u> <u>2016</u>	<u>2017</u>	<u>2018</u>
Active Participants	315	315	312	307	297
Retirees and Beneficiaries	156	156	155	156	163
Vested Terminees	13	13	20	17	21
Required New Contribution	615,285	569,976	683,328	578,971	496,192
Fiduciary Net Position	21,620,477	21,512,992	20,696,729	22,997,887	23,999,760
Current Year Employers Contribution	705,355	722,205	753,562	759,739	788,359
Current Year Contribution Less Required	90,070	152,229	70,234	180,768	292,167
Current Year Employees Contribution	372,056	381,911	399,334	403,598	420,210
Total Pension Liability (TPL)	23,786,836	25,227,992	26,236,771	27,805,186	31,859,329
Net Pension Liability (NPL)	2,166,359	3,715,000	5,540,042	4,807,299	7,859,569
Fiduciary New Position as a % of TPL	90.89%	85.27%	78.88%	82.71%	75.33%
Payroll Covered	9,186,822	9,616,697	10,005,366	10,146,618	10,069,862
NPL as a % of covered payroll	23.58%	38.63%	55.37%	47.38%	78.05%
Employer Contribution per Employees	2,239	2,293	2,415	2,475	2,654
Employee Contribution per Employees	1,181	1,212	1,280	1,315	1,415
Employer Contribution per Payroll Covered	7.68%	7.51%	7.53%	7.49%	7.83%
Employee Contribution per Payroll Covered	4.05%	3.97%	3.99%	3.98%	4.17%

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)
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	0.06%	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	0.06%	25.16
2017	2,559,275	22,862	2,582,137	N/A	N/A
2018	2,588,476	-	2,588,476	N/A	N/A

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

N/A - Not available

Source: The Board of Education of Wicomico County records.

Schedule 9**The Board of Education of Wicomico County
Enrollment by School Last Ten Years
as of September 30,**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Year 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Elementary Schools</u>										
Beaver Run	570	610	612	666	722	715	705	666	632	609
Chipman	432	436	426	399	373	380	418	322	429	405
Delmar	975	974	831	827	826	809	825	853	881	857
East Salisbury	357	363	370	403	387	391	444	445	461	499
Fruitland Intermediate	396	371	392	379	382	412	413	436	462	470
Fruitland Primary	477	474	485	506	533	503	531	509	485	468
Glen Avenue	285	285	273	334	317	266	268	415	425	415
North Salisbury	522	545	514	501	440	429	432	445	625	624
Northwestern	257	287	289	286	307	325	311	302	309	328
Pemberton	637	654	608	616	636	649	539	565	540	563
Pinehurst	415	438	462	491	496	483	494	514	522	564
Pittsville	231	236	211	220	217	226	140	147	166	178
Prince Street	548	561	581	493	544	600	651	711	747	786
West Salisbury	299	295	303	295	310	312	310	314	-	-
Westside Intermediate	451	474	465	496	484	437	451	406	411	406
Westside Primary	268	261	269	245	256	250	234	252	244	223
Wicomico Early Learning	-	-	-	-	-	-	-	-	-	-
Willards	287	276	291	303	292	329	411	390	362	350
Total Elementary Schools	<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>7,745</u>
<u>Middle Schools</u>										
Bennett	868	886	923	930	908	911	970	990	1,058	1,049
Mardela	281	269	282	292	294	285	283	288	293	317
Pittsville	209	231	236	260	247	247	232	241	232	234
Salisbury	879	848	849	925	927	871	838	795	752	656
Wicomico	683	713	708	639	655	660	657	700	710	729
Total Middle Schools	<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>2,985</u>
<u>High Schools</u>										
Bennett	1,313	1,282	1,307	1,374	1,406	1,351	1,405	1,477	1,499	1,542
Mardela	415	380	370	363	351	366	374	379	368	375
Parkside	1,256	1,217	1,137	1,125	1,095	1,130	1,114	1,151	1,158	1,191
Wicomico	1,209	1,188	1,126	1,087	1,036	1,034	1,029	1,016	1,059	1,043
Wicomico County Evening	70	65	62	65	48	60	66	61	59	72
Total High Schools	<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>	<u>4,223</u>
Total All Schools	<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>	<u>14,953</u>

Source: The Board of Education of Wicomico County records.

Schedule 10

The Board of Education of Wicomico County

Enrollment by Grade Last Ten Years

as of September 30,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Year 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Elementary School										
Pre-Kindergarten	457	567	572	654	611	591	574	587	599	665
Kindergarten	1,191	1,151	1,174	1,150	1,331	1,233	1,216	1,194	1,156	1135
Grade 1	1,152	1,204	1,165	1,164	1,144	1,317	1,277	1,265	1,210	1172
2	1,143	1,130	1,154	1,150	1,150	1,120	1,279	1,253	1,238	1173
3	1,178	1,154	1,138	1,183	1,148	1,137	1,127	1,264	1,245	1244
4	1,146	1,171	1,165	1,161	1,150	1,139	1,135	1,125	1,270	1253
5	1,140	1,163	1,014	998	988	979	969	1,004	983	1103
Special Education	-	-	-	-	-	-	-	-	-	-
Total Elementary School	<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>7,745</u>
Middle School										
Grade 6	1,017	998	1,012	1,027	1,006	985	1,012	1,010	998	970
7	955	1,015	980	1,042	996	997	974	1,022	1,011	1004
8	948	934	1,006	977	1,029	992	994	982	1,037	1011
Special Education	-	-	-	-	-	-	-	-	-	-
Total Middle School	<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>2,985</u>
High School										
Grade 9	1,167	1,057	1,043	1,127	1,081	1,116	1,107	1,132	1,137	1193
10	1,086	1,065	962	963	1,016	962	1,031	1,044	1,058	1074
11	1,038	1,032	1,029	901	926	947	905	995	964	993
12	972	978	968	1,023	913	916	945	913	983	963
Special Education	-	-	-	-	-	-	-	-	-	-
Total High School	<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>	<u>4,223</u>
Total enrollment	14,590	14,619	14,382	14,520	14,489	14,431	14,545	14,790	14,889	14,953
Number of teachers ¹	1,083	1,087	1,072	1,078	1,084	1,084	1,095	1,109	1,124	1,139
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 2009-2018
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
General Fund:											
Administration	50.55	53.30	54.80	51.80	51.80	51.80	52.30	52.30	53.30	54.30	7.42%
School management and support	197.14	192.60	189.20	184.20	184.70	187.30	187.80	187.80	190.20	191.10	-3.06%
Instructional salaries	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	1,211.35	4.31%
Special education	320.27	320.35	317.05	317.05	326.30	331.27	332.77	330.77	337.37	344.47	7.56%
Student personnel services	21.70	23.70	24.20	25.20	25.50	27.16	26.50	27.50	28.00	30.00	38.25%
Health services	34.00	34.00	35.00	33.00	34.00	34.00	34.00	34.00	34.00	34.00	0.00%
Student transportation	9.41	8.91	8.91	7.00	7.00	7.00	8.00	8.00	8.00	9.00	-4.36%
Operation of plant and equipment	152.50	153.50	154.50	154.50	153.50	156.50	159.00	159.00	159.00	160.00	4.92%
Maintenance of plant	26.25	26.25	27.25	27.25	27.25	29.25	31.75	31.75	31.00	31.00	18.10%
Food service	-	-	-	-	-	-	-	-	-	-	-
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	7.75	6.75	6.75	7.75	7.75	7.75	7.75	9.50	8.50	(0.03)
Total	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	2,074.22	4.63%
Special Revenue Funds	203.49	206.62	203.07	202.87	168.55	168.46	159.03	170.08	174.60	178.08	-12.49%
Total all funds	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	2,252.30	3.04%

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	4,074,577	39,722	50,655	6.0%	
2017	N/A	N/A	N/A	51,487	5.7%	*
2018	N/A	N/A	N/A	51,218	6.0%	

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
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	3,945,200,647	0.0099	0.0140
2014	\$12,901	\$13,745	16	40,520,465	3,868,116,751	0.0105	0.0125
2015	\$13,094	\$13,893	15	40,396,119	3,824,721,607	0.0106	0.0127
2016	\$13,321	\$13,966	13	41,306,646	3,882,135,176	0.0106	0.0129
2017	\$13,358	\$14,256	15	41,933,294	3,986,712,303	0.0105	0.0129
2018	N/A	N/A	N/A	43,605,002	4,072,824,511	0.0107	0.0129

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

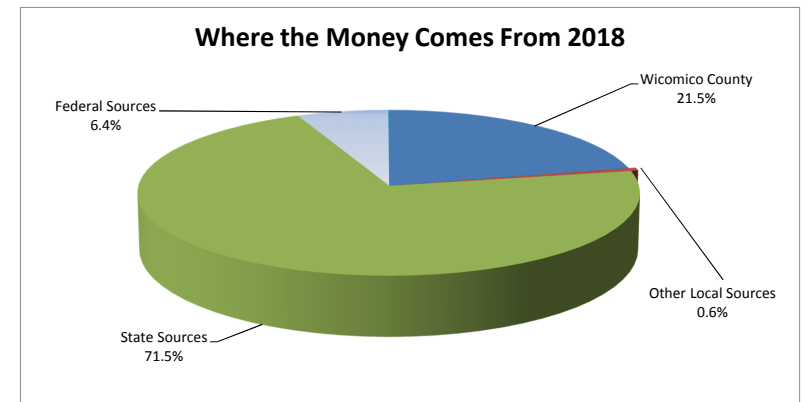
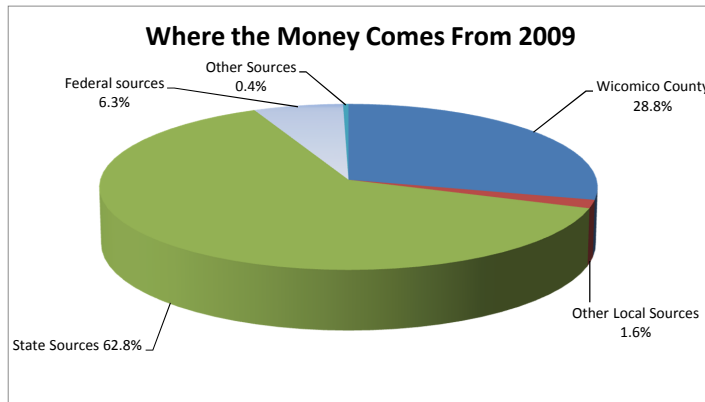
Fiscal Year	Transportation				Food Services						
	Total Miles Traveled	Number of School Bus Riders	Per Pupil Cost	State Average Per Pupil Cost	Breakfast			Lunches			% FARM Students per Enrollment
					# Served	% Paid	% Free & Reduced	# Served	% Paid	% Free & Reduced	
2008	2,020,500	12,698	544	867	644,090	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	617	698	899,122	14%	86%	1,325,315	14%	86%	60.66%
2017	2,096,832	13,086	619	721	918,360	14%	86%	1,327,695	13%	87%	59.83%
2018	1,929,677	12,752	N/A	N/A	966,381	15%	85%	1,334,374	13%	87%	N/A

Source: Maryland State Department of Education. (FY 2018 Number of School Bus Riders provided by WCBOE Transportation Dept. and FY2018 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)

	2009		2010		2011		2012		2013		2014		2015		2016		2017		2018	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Wicomico County Appropriations for Operations	50,204,655	28.8%	50,781,711	28.1%	43,196,892	25.1%	36,196,892	22.2%	37,000,000	21.0%	37,765,374	21.2%	37,676,790	20.7%	38,067,637	20.1%	41,933,294	21.4%	43,605,002	21.5%
for Local Share of State Pension	-	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%	-	0.0%
Other Local Sources	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%	1,156,390	0.6%
State Sources	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	70.7%	133,885,606	70.7%	140,311,029	71.7%	144,954,931	71.5%
Federal Sources	11,028,683	6.3%	13,556,335	7.5%	17,211,605	10.0%	11,664,252	7.1%	15,467,667	8.8%	12,069,052	6.8%	12,334,107	6.8%	12,887,634	6.8%	12,254,027	6.3%	12,909,267	6.4%
Other Sources	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%	157,022	0.1%
Total	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%	195,642,823	100.0%	202,782,612	100.0%



Source: The Board of Education of Wicomico County records.

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

	Year Constructed	Acreage	Sq Ft. area
<u>SCHOOLS:</u>			
BEAVER RUN ELEMENTARY	1958	16.14	58,893
CHIPMAN ELEMENTARY	1986	6.5	40,752
DELMAR ELEMENTARY	1978	10.2	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	2018	14.11	60,833
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 opens 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>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>	<u>2018</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	5	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	12	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.

Source: The Board of Education of Wicomico County records.

Schedule 17
The Board of Education of Wicomico County
Insurance Summary
7/01/17 - 6/30/18 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	7/01/17 - 6/30/18	Workers Compensation - Statutory Benefits; Employers Liability - \$1 million
Comprehensive General Liability	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal & Advertising Injury Liability	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$400,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Employee Benefit Plan Fiduciary Liability	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$400,000 each claim with \$400,000 annual maximum
Automobile Liability	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$400,000 combined single limit \$1 million combined single limit for contracted buses
Personal Injury Protection - MD	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$2,500 per covered person for any one accident
Maryland Uninsured Motorist	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$50,000 per accident
Automobile Physical Damage	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	actual cash value
Garage Keepers liability	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$100,000 per loss
Criminal Proceeding and Intentional Conduct Defense Fund	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$50,000 per covered person \$100,000 annual aggregate
Property and Boiler and Machinery	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$1 billion per occurrence with various sublimits
Equipment Breakdown	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$100 million per occurrence with various sublimits
Crime	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$2,500,000 per loss
Crime - Excess	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$2,500,000 per loss in excess of \$2,500,000 primary
School Board Legal Liability	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$5,000,000 per claim \$5,000,000 annual aggregate
Cyber	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$2,000,000 per claim \$2,000,000 annual aggregate
Excess Cyber	MABE Group Insurance Pool	N/A	7/01/17 - 6/30/18	\$3,000,000 per claim \$3,000,000 annual aggregate
Catastrophic Student Accident	AIG	SRG 0009151309	8/01/17 - 8/01/18	\$6,000,000 Medical Expense \$1,000,000 Catastrophic Cash
Fiduciary Responsibility Liability	Travelers	105970202	8/01/17 - 8/01/18	\$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	JXS0000027984000	8/01/17 - 8/01/18	\$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									
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	0.952	2.172	0.392	6,132,606,224	63,030,541	62,805,371	99.64%	648,498	63,453,869	100.67%	1,461,711	2.32%
2018 ⁴												

Notes:

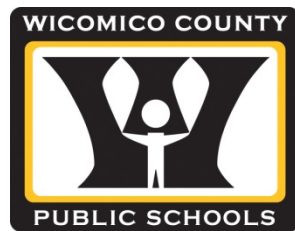
¹ Includes six month basis expressed as a full year equivalent.

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

³ Collections are net of refunds.

⁴ 2018 information is currently unavailable.

Source: Wicomico County Government Financial Statements



SUCCESS – Every Student, Every Day

Board of Education of Wicomico County
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