

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**FINANCIAL REPORT**  
**AS OF JUNE 30, 2008 AND FOR THE YEAR THEN ENDED**

# BOARD OF EDUCATION OF ALLEGANY COUNTY

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	3-16
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	27
NOTES TO FINANCIAL STATEMENTS	28-45

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget  
and Actual – General Fund 46

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget  
and Actual – Special Revenue Funds – Restricted (Current Expense) and Food Service 47

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION 48

SUPPLEMENTAL INFORMATION

School Activities Increases, Decreases and Balances by School 49

Statement Concerning Debt Service Fund for Public School Construction 50

INDEPENDENT AUDITORS' REPORT

Board of Education of Allegany County  
Cumberland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland, a component unit of Allegany County, Maryland, as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education of Allegany County's management. 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards prescribed by the Maryland State Board of Education. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland as of June 30, 2008, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated

December 2, 2008, on our consideration of the Board of Education of Allegany County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages three (3) through sixteen (16) and forty-six (46) through forty-eight (48), are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Allegany County, Maryland's basic financial statements. The accompanying information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Board of Education of Allegany County, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Huber, Michaels + Company*

Cumberland, Maryland  
December 2, 2008

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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Our discussion and analysis of The Board of Education of Allegany County's financial performance provides an overview of the School System's financial activities for the fiscal years ended June 30, 2008 and 2007, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

At the end of fiscal year 2008, the Board implemented GASB Statement Number 39; Determining Whether Certain Organizations are Component Units. This statement addresses the conditions under which institutions should include associated fundraising or research foundations as component units in their financial statements. Under the previous accounting standards, the Board had no component units. Under the new standards, one entity meets criteria qualifying it as a component unit. The component unit is the Allegany County Public Schools Foundation, Inc. The component unit is included in the accompanying financial statements in a separate column. However, the following discussion and analysis does not include their financial condition and activities. Separately issued financial statements for the component unit is available as discussed in Note 1 of the financial statements.

The goal of Management's Discussion and Analysis (MD&A) is for the School System's financial managers to provide the reader an easy-to-understand overview and analysis of the school district's financial position and results of operations for the year based on currently known facts, decisions, and conditions.

### **FINANCIAL HIGHLIGHTS**

On a system-wide basis the net assets of the School System increased by \$10,755,151 (11.74%) during the fiscal year ended June 30, 2008. This increase is mainly attributed to revenues from the State of Maryland and related to school construction as a result of the construction in process of the athletic facilities at Mountain Ridge High School which was opened in August 2007.

Total Governmental Funds revenues for the fiscal year ended June 30, 2008, were \$139,838,525. This represents an increase of \$255,860 (0.18%) over the prior fiscal year. While state funding increased, there was a large decrease in school construction related to the construction of Mountain Ridge High School.

Total Governmental Funds expenses for the fiscal year ended June 30, 2008, were \$131,168,145. This represents a decrease of \$4,084,537 (3.02%) under the prior fiscal year. This was mostly due to school construction costs for the new Mountain Ridge High School.

The Current Expense Fund total fund balance as of June 30, 2008, was \$7,618,993. This represents an increase of \$2,507,506 (49.06%) from the fund balance as of June 30, 2007.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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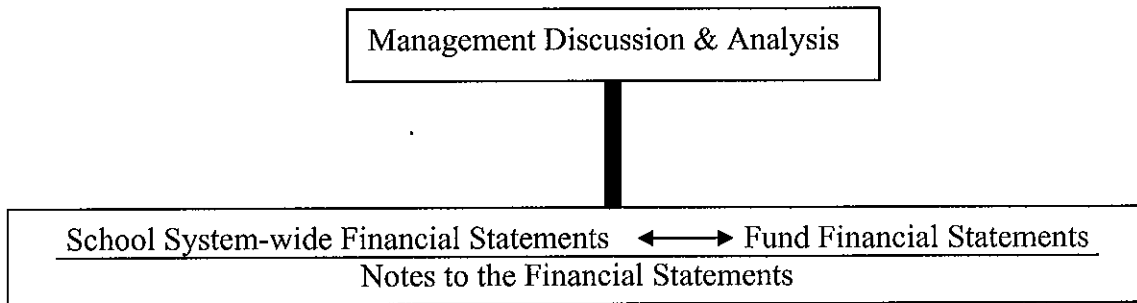
The Current Expense Fund undesignated fund balance as of June 30, 2008, was \$2,068,993. This represents an increase of \$907,506 (78.13%) from the undesignated fund balance as of June 30, 2007. A total of \$5.5 million of fund balance was designated for contingencies. The system will experience a slower rate of growth of state revenues as a result of a change in state funding formulas. A number of construction projects are planned in the near future that will more than likely require the use of fund balance. The system will also have a large increase in textbook expenditures scheduled in FY 2011 as part of the textbook cycle replacement program.

Current Expense Fund revenues, net of on behalf of payments by the State of Maryland, fell short of the final budget by \$55,753 (0.05%).

Current Expense Fund expenses and transfers, net of on behalf of payments by the State of Maryland, were under budget by \$2,963,259 (2.66%). This shortfall was mainly due to staffing efficiencies in instructional wages and lower special education costs on non-public placements.

The unrestricted General Fund budget, net of on behalf payments, increased by \$13,933,702 (14.27%) to \$111,589,495 compared to the \$97,655,793 budget for the period ended June 30, 2007.

**BASIC FINANCIAL STATEMENTS**



The illustration above represents the minimum requirements for the general-purpose external financial statements.

**School System-wide Financial Statements**

In addition to the MD&A, the System-wide Financial Statements are the other primary addition to financial reporting under GASB Statement No. 34. The System-wide perspective is designed to provide readers with a complete financial view of the entity known as The Board of Education of Allegany County. The financial presentation of this perspective is similar to a private sector

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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business. An analysis of the School System as a whole and as to whether it is better off as a result of the year's activities is reflected in the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* presents information on all of the assets and liabilities of the School System with the difference between the two reported as *net assets*. Over time, increases or decreases in the System's net assets are one indicator as to whether the System's financial health is improving or deteriorating. Keep in mind to consider other non-financial factors to assess the overall health of the System. The *Statement of Activities* presents information showing how the School System's net assets changed during the most recent fiscal year.

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid. This means that any change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (like earned, but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

### **Fund Financial Statements**

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Education of Allegany County uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The School System's funds are comprised of three categories: government funds, proprietary funds and fiduciary funds. Government funds include the unrestricted General Fund, restricted General Fund, Food Service and School Construction Funds. Proprietary funds include the Information Technology Fund and the Allconet Fund. Fiduciary funds include School Activities and Retiree Insurance Benefit Plan Funds.

The measurement focus of these statements is current financial resources; therefore, the emphasis is placed on the cash flows of the organization within the reporting period or in the near future. Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of The Board of Education of Allegany County, open encumbrances are excluded from expenditures in all funds, except for the restricted General Fund, and the State of Maryland's contribution to the Teacher's Retirement System is added to revenue and expenditures.

Budgetary presentation of individual fund financial information, utilizing the current financial resources, measurement focus and the budgetary basis of accounting, is presented as part of the



**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

**Management's Discussion and Analysis (MD&A)**

**June 30, 2008**

Fund Financial Statements as well. In these statements, available cash flows of the School System are measured, as well as the commitment to acquire goods or services with such cash flows.

This is the legal basis upon which the budget is adopted so budget comparisons are provided.

The table below presents the differences in the presentation of the basic financial statements.

	<b>School System-wide Statements</b>	<b>Fund Statements</b>	<b>Budgetary Fund Statements</b>
<b>Measurement Focus</b>	Economic Resources	Current Financial Resources	Current Financial Resources
<b>Basis of Accounting</b>	Accrual	Modified Accrual	Cash and Commitments
<b>Budget</b>	No	No	Yes

**Fiduciary Responsibility - School Activity Fund and Retiree Insurance Benefit Plan Fund**

The School System is the trustee, or fiduciary, for two fiduciary funds: the School Activity Fund and the Retiree Insurance Benefit Plan Fund. These funds are reported as separate Agency Funds. We exclude these activities from The Board of Education of Allegany County's other financial statements because their assets cannot be used to finance the School System's activities. We are responsible for ensuring that the assets reported in the School Activity Fund and Retiree Insurance Benefit Plan Fund are used for their intended purpose.

During the fiscal year ended June 30, 2008, the School System's net assets increased by \$10,755,151. The increase in net assets is mainly attributed to revenues from the State of Maryland and related to the construction in process of building a new high school.

The unrestricted portion of net assets at June 30, 2008, of \$6,948,141 is the result of combining the unreserved fund balances of the Governmental Funds with the unreserved fund balances of the Business-type Activities.

We are committed by employee agreements to pay most employees at retirement their earned, unused sick leave up to 140 days at \$30 per day. The long-term portion of unused sick leave is \$2,528,023 and is the amount we expect to pay beyond June 30, 2009. Historically, this liability was funded on a "pay as you go" basis from available current financial resources. This method is expected to continue.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

	Total Cost of Services			Net Cost of Services		
	June 30, 2008	June 30, 2007	% Change	June 30, 2008	June 30, 2007	% Change
Administration	\$ 2,209,549	\$ 2,033,672	8.65%	\$ 2,199,798	\$ 2,010,861	9.40%
Mid-level administration	6,791,104	6,256,241	8.55%	6,468,530	6,042,078	7.06%
Instruction (regular and special education)	62,034,595	58,535,117	5.98%	54,480,206	50,495,120	7.89%
Student personnel and health services	1,109,940	1,122,521	-1.12%	1,048,767	1,074,056	-2.35%
Student transportation	5,980,876	5,350,431	11.78%	5,911,961	5,278,247	12.01%
Operation, maintenance and capital outlay	10,246,501	9,135,317	12.16%	2,252,737	(13,233,022)	-117.02%
Fixed charges	28,232,442	25,578,506	10.38%	20,044,712	18,556,446	8.02%
Food service	5,625,949	5,404,758	4.09%	1,081,233	723,902	49.36%
Depreciation & other	4,278,708	3,386,409	26.35%	4,278,708	3,386,409	26.35%
<b>Total</b>	<b>\$ 126,509,664</b>	<b>\$ 116,802,972</b>	<b>8.31%</b>	<b>\$ 97,766,652</b>	<b>\$ 74,334,097</b>	<b>31.52%</b>

Results of operations for the School System as a whole are presented in the Statement of Activities. The cost of all governmental activities is \$126,509,664, of which \$1,713,880 was financed by users of the School System's programs. Grants and contributions from Federal and State governments for certain programs were \$27,029,132. This left a net cost of services of \$97,766,652.

The School System is fiscally dependent on local and state aid to fund its daily operations. Over 78% of the School System's Governmental Activities comes from these sources. State aid is largely formula-driven based on student population and wealth. Local revenue, provided by the Allegany County Government, is dependent upon the economic condition of the County. Most of the operating and capital grant funding is from the State and County governments and Federal grants passing through the State. These operating and capital grants represent approximately 19% of the School System's funding.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY  
Maryland**

**Management's Discussion and Analysis (MD&A)  
June 30, 2008**

**Condensed Statement of Net Assets**

	Governmental Activities			Business-type Activities			Total School System		
	June 30, 2008	June 30, 2007	% Change	June 30, 2008	June 30, 2007	% Change	June 30, 2008	June 30, 2007	% Change
Current and other assets	\$ 34,941,687	\$ 30,677,848	13.90%	\$ 175,826	\$ 183,874	-4.38%	\$ 36,117,513	\$ 30,861,722	13.79%
Capital assets	89,955,988	85,095,804	5.71%	186,705	138,366	34.94%	90,142,693	85,234,170	5.76%
Total Assets	\$ 124,897,675	\$ 115,773,652	7.88%	\$ 362,531	\$ 322,240	12.50%	\$ 125,260,206	\$ 116,095,892	7.89%
Current and other liabilities	\$ 20,319,318	\$ 21,894,935	-7.20%	\$ 28,306	\$ 2,606	986.19%	\$ 20,347,624	\$ 21,887,541	-7.08%
Long-term liabilities	2,528,023	2,588,943	-1.59%				2,528,023	2,588,943	-1.59%
Total Liabilities	\$ 22,847,341	\$ 24,483,878	-6.61%	\$ 28,306	\$ 2,606	986.19%	\$ 22,875,647	\$ 24,466,484	-6.50%
Net assets:									
Invested in capital assets, net of related debt	\$ 89,955,988	\$ 85,095,804	5.71%	\$ 186,705	\$ 138,366	34.94%	\$ 90,142,693	\$ 85,234,170	5.76%
Restricted	5,293,725	3,149,807	68.07%				5,293,725	3,149,807	68.07%
Unrestricted	6,800,621	3,064,163	121.84%	147,520	181,268	-18.62%	6,946,141	3,245,431	114.09%
Total Net Assets	\$ 102,050,334	\$ 91,309,774	11.76%	\$ 334,225	\$ 319,634	4.56%	\$ 102,384,569	\$ 91,629,408	11.74%

**Changes in Net Assets from Operating Results**

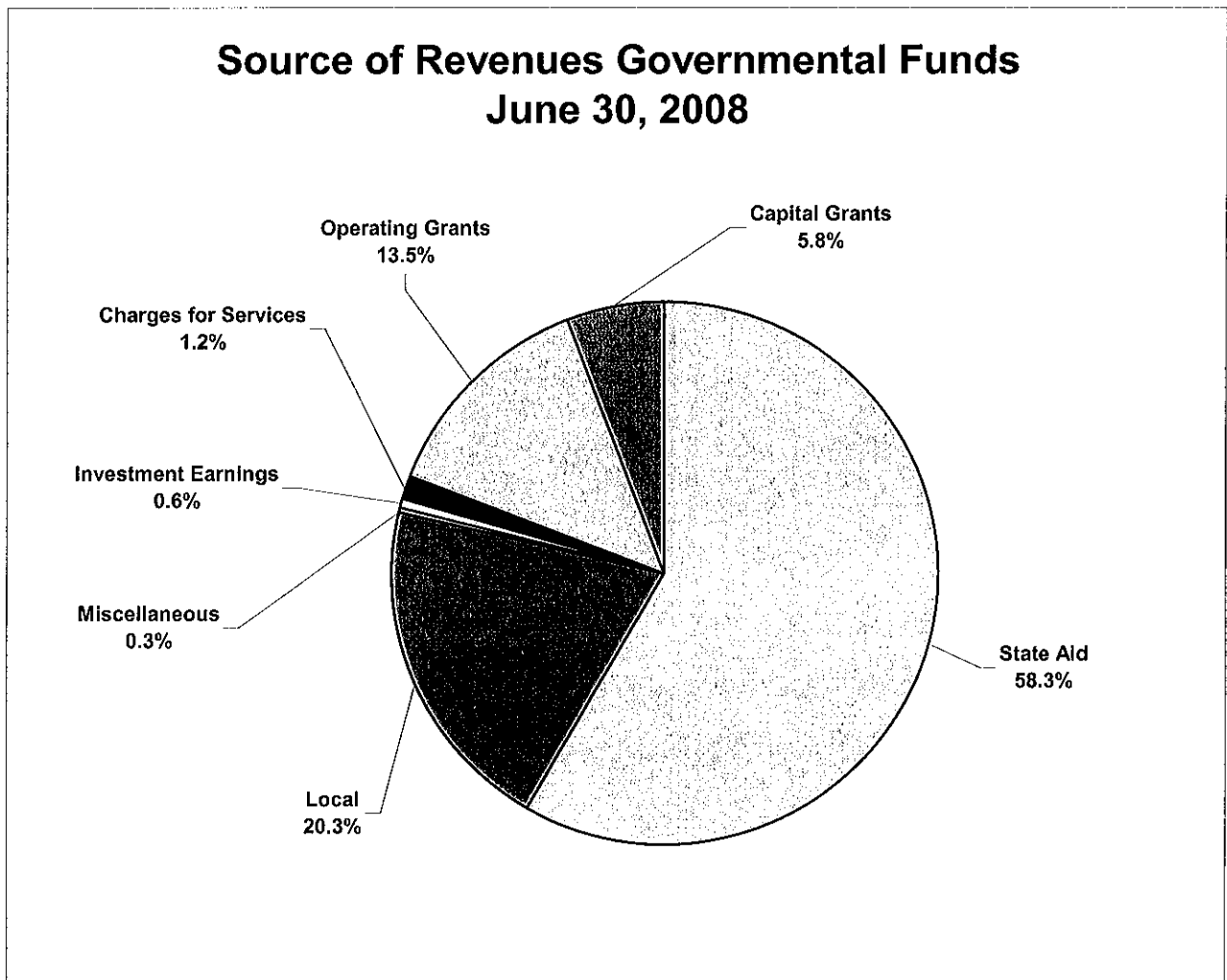
	Governmental Activities			Business-type Activities			Total School System		
	June 30, 2008	June 30, 2007	% Change	June 30, 2008	June 30, 2007	% Change	June 30, 2008	June 30, 2007	% Change
Program revenues:									
Charges for services	\$ 1,713,880	\$ 1,954,164	-12.30%	\$ 707,844	\$ 674,000	5.02%	\$ 2,421,724	\$ 2,628,164	-7.85%
Operating grants and contributions	18,891,660	17,882,543	5.64%				18,891,660	17,882,543	5.64%
Capital grants and contributions	8,137,472	22,632,168	-64.04%				8,137,472	22,632,168	-64.04%
General revenues:									
County government	28,380,000	27,380,000	3.65%				28,380,000	27,380,000	3.65%
Grants and contributions(unrestricted)	81,288,145	68,357,303	18.92%				81,288,145	68,357,303	18.92%
Other	(1,160,933)	1,195,745	-197.06%	20,420	21,021	(601)	(1,140,513)	1,216,786	-193.73%
Total Revenues	\$ 137,250,224	\$ 139,401,923	-1.54%	\$ 728,264	\$ 695,021	4.78%	\$ 137,978,488	\$ 140,096,944	-1.51%
Administration	\$ 2,209,549	\$ 2,033,672	8.65%				2,209,549	2,033,672	8.65%
Mid-level administration	6,791,104	6,256,241	8.55%				6,791,104	6,256,241	8.55%
Instructor(regular and special education)	62,034,595	58,535,117	5.98%				62,034,595	58,535,117	5.98%
Student personnel and health services	1,109,940	1,122,521	-1.12%				1,109,940	1,122,521	-1.12%
Student transportation	5,980,876	5,350,431	11.78%				5,980,876	5,350,431	11.78%
Operation, maintenance and capital outlay	9,135,317	9,135,317	12.16%				10,246,501	9,135,317	12.16%
Fixed charges	28,232,442	25,578,506	10.38%				28,232,442	25,578,506	10.38%
Food service	5,625,949	5,404,758	4.09%				5,625,949	5,404,758	4.09%
Depreciation & other	4,278,708	3,386,409	26.35%				4,992,981	4,068,172	22.72%
Total Expenses	\$ 126,509,664	\$ 116,802,972	8.31%	\$ 713,673	\$ 681,763	4.68%	\$ 127,223,337	\$ 117,484,735	8.29%
Increase(decrease) in Net Assets	\$ 10,740,560	\$ 22,598,951	52.47%	\$ 14,591	\$ 13,258	-10.05%	\$ 10,755,151	\$ 22,612,209	52.44%

THE BOARD OF EDUCATION OF ALLEGANY COUNTY  
Maryland

Management's Discussion and Analysis (MD&A)  
June 30, 2008

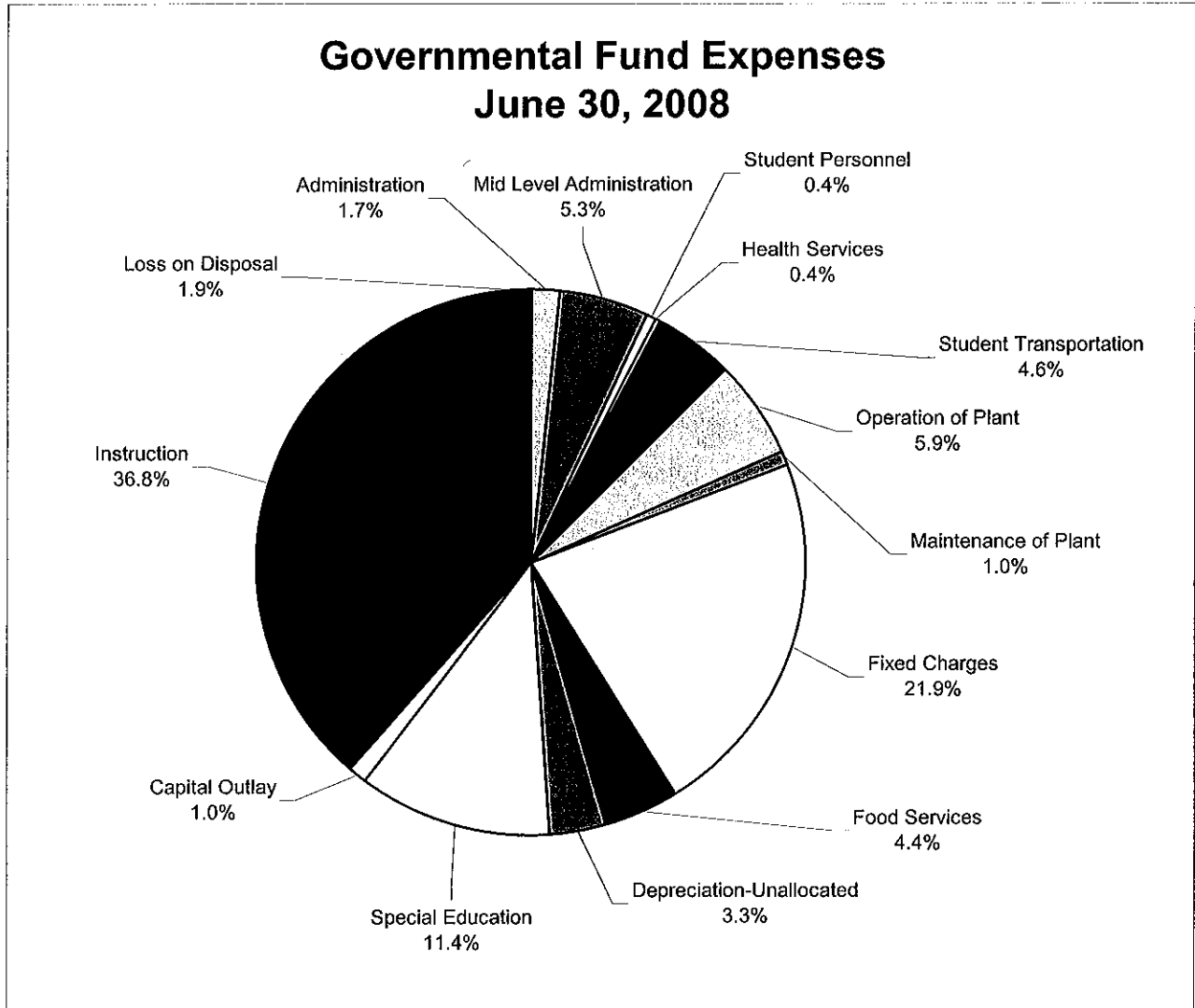
**GENERAL FUND (CURRENT EXPENSE) BUDGETARY HIGHLIGHTS**

The Current Expense Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures. These categories are Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services, Food Services, and Capital Outlay. The legal level of budgetary control is at the category level.



THE BOARD OF EDUCATION OF ALLEGANY COUNTY  
Maryland

Management's Discussion and Analysis (MD&A)  
June 30, 2008



**Fund Performance**

Funds are self-balancing sets of accounts used by the School System to control and manage money for particular purposes.

**General Fund – Unrestricted**

A schedule of changes between the original and final budgets for the year ended June 30, 2008, is presented below. The net change resulted in a \$4,100,000 decrease. The school system removed from its original budget the on behalf retirement payments made by the State of Maryland based on State requirements.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>
County Appropriation	\$ 28,380,000	\$ 28,380,000	\$	\$	\$
State	86,433,736	81,483,736		4,950,000	(4,950,000)
Federal		350,000	350,000		350,000
Local	271,665	271,665			
Earnings on investments	202,000	702,000	500,000		500,000
Other Sources	2,094	2,094			
Prior year's fund balance	400,000	400,000			
<b>Total Revenues</b>	<u>\$ 115,689,495</u>	<u>\$ 111,589,495</u>	<u>\$ 850,000</u>	<u>\$ 4,950,000</u>	<u>\$ (4,100,000)</u>
Administration	\$ 2,206,362	\$ 2,068,964	\$	\$ 137,398	\$ (137,398)
Mid-Level Administration	6,702,563	6,839,961	137,398		137,398
Instructional Salaries	39,702,623	39,342,623		360,000	(360,000)
Textbooks	2,481,071	2,557,081	91,210	15,200	76,010
Other Instructional Costs	2,172,418	2,470,618	298,200		298,200
Special Education	13,242,791	13,242,791			
Student Personnel Services	631,025	539,515		91,510	(91,510)
Student Health Services	587,050	587,050			
Student Transportation	5,969,908	6,089,408	119,500		119,500
Operation of Plant	9,427,712	8,316,212	69,000	1,180,500	(1,111,500)
Maintenance of Plant	1,697,520	1,697,520			
Fixed Charges	25,407,060	20,183,360	350,000	5,573,700	(5,223,700)
Food Services	775,200	1,135,700	360,500		360,500
Capital Outlay	4,686,192	6,518,692	1,850,000	17,500	1,832,500
<b>Total Expenditures</b>	<u>\$ 115,689,495</u>	<u>\$ 111,589,495</u>	<u>\$ 3,275,808</u>	<u>\$ 7,375,808</u>	<u>\$ (4,100,000)</u>

Local and state revenues account for over 98% of the total General Fund unrestricted revenue. Both are stable and highly predictable.

**Budget Variances**

Below is a table listing positive and negative budget variances for the year ended June 30, 2008 as a supplement to the narrative discussion below the chart.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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**Unrestricted General Fund Budget to Actual Variances**

<b>Budget Variance Descriptions:</b>	<b>Positive (Negative)</b>
<b>Revenues:</b>	
Medicare Part D	(48,632)
Increase in investment revenues	167,036
Special Education private placements	(195,591)
Other revenue variances	<u>21,434</u>
<b>Total Revenue Variances</b>	<b>\$ (55,753)</b>
<b>Expenditures and Interfund Transfers:</b>	
Mid Level Staffing Efficiencies	260,479
Mid Level Travel and Equipment Efficiencies	106,765
Staffing efficiencies - Outdoor School	107,626
Savings in Instructional Salaries due to staffing efficiencies	991,033
Savings in Student Transportation	133,791
Savings in Special Education	1,255,432
Other expenditure variances	<u>108,133</u>
<b>Total Expenditures and Interfund Transfers Variances</b>	<b><u>2,963,259</u></b>
<b>Total Positive Variance - Unrestricted General Fund</b>	<b><u>\$ 2,907,506</u></b>

**Revenues:**

For the year ended June 30, 2008, total unrestricted general fund revenues resulted in an unfavorable variance of \$55,753.

Medicare Part D revenues show an unfavorable variance of \$48,632. The system is self insured for health insurance purposes. As a result, the system qualifies for the Medicare Part D program that reimburses the system for a portion of prescription drug benefits provided to Medicare eligible retirees. The Government Accounting Standards Board (GASB) has issued a technical bulletin requiring recipients of Medicare Part D funds to show these proceeds as revenue. The system puts these funds back into its health insurance reserve.

The school system competitively bids investments among local financial institutions ensuring the best and most competitive rate on investments. The school system also anticipated the Federal Reserve would cut interest rates sooner than they were reduced. These factors resulted in a \$167,036 positive variance.

Special education private placement revenue was less than anticipated and therefore resulted in a shortfall of \$195,591. The shortfall is mainly due to fewer students being served and the varying

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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expenses and the split between the local board and the state with the students in the program. The budget for Special Education private placement is an estimate based on the anticipated state formula and number of students served.

Other revenues exceeded budgeted amounts creating a net favorable variance in the amount of approximately \$21,434.

**Expenditures and Inter-fund transfers:**

For the year ended June 30, 2008, total unrestricted general fund expenditures resulted in a positive variance of \$2,963,259.

Mid-level administration resulted in a favorable variance of \$367,244. There were 2 less coordinating teacher positions charged to mid-level administration than budgeted resulting in a favorable variance of \$136,065. Staffing efficiencies from retirements and moves within the school system saved \$52,322 resulting in a favorable budget variance. The system lost two valuable members of its staff in mid-level administration due to death, \$72,092 resulted in savings and a favorable budget variance due to restructuring one position and not filling the other. A positive budget variance of \$63,507 resulted in mid-level administration due to actual travel expenditures being under budget. The system implemented a new travel program with Enterprise Rent-A-Car that significantly reduces travel costs. Personnel in mid-level administration are often called upon to travel to various state meetings. Lower equipment purchases resulted in a savings of \$17,365. All other savings totaled \$25,893.

Instruction salaries resulted in a favorable budget variance of \$1,098,659. A favorable variance of \$107,626 resulted in wages being lower than budgeted in two new outdoor school programs. The system also generated a favorable variance of \$82,956 with the number of positions resulting in retirement being greater than budgeted. Use of the sick leave bank resulted in a favorable variance of \$50,000. Fewer positions than budgeted were moved from the standard professional salary scale to the advanced professional salary scale resulting in a savings and favorable budget variance of \$45,547. Unused sick leave resulted in a favorable variance of \$135,480. Staffing efficiencies resulted in a favorable variance of \$677,050

Student Transportation resulted in a favorable variance of \$133,791. The system implemented two new transportation programs for elementary and middle school after school programs and activity buses for high school programs. These programs were new for the fiscal year and usage was less than projected.

Special education resulted in a positive budget variance of \$1,255,432. A total of \$496,927 of savings resulted in non-public placements due to a lower number of students requiring service. Anticipated grant shortfall never materialized resulting in a favorable budget variance of



**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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\$521,775. Staffing efficiencies resulted in savings of \$243,736. All other accounts exceeded budget by \$7,006.

Other expenditures fell short of budgeted amounts creating a net favorable variance in the amount of approximately \$108,133.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At June 30, 2008, the School System had \$159,465,421 invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment. Capital assets increased \$1,286,190 from the same time last year, net of disposals. The total net cost of assets after depreciation was \$90,142,693. Total depreciation expense for the year ended June 30, 2008 was \$4,765,927.

Declining enrollments led the system to consolidate two high schools. In August 2007, Mountain Ridge High School was opened and is the first newly constructed high school in over 50 years in Allegany County. The final cost of the facility is estimated to be in excess of \$40 million dollars. Work continues on the athletic facilities.

The system and the foundation are jointly continuing in their \$10 million fundraising efforts to renovate and upgrade athletic fields at high school campuses. They hope to raise money with private donations and will offer naming rights of the facilities and parts of the facilities to encourage such donations.

### ***Debt***

School systems in Maryland are in the uncommon position of owning assets, but not the debt associated with those assets, as we have no borrowing power. We are fully fiscally dependent on the state and county governments to incur debt to fund capital projects. Accordingly, the School System carries no bond rating and has no debt policy.

## **FACTORS IMPACTING THE SCHOOL SYSTEM**

Legislation from federal and state governments has impacted public education in Maryland. The State's Bridge to Excellence in Public Schools and the Federal No Child Left Behind Acts established certain requirements for public school systems. These requirements include, but are

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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not limited to: all students in core academic subjects are taught by “highly qualified” teachers, all students must reach proficiency levels on State assessments by 2014, all economically disadvantaged children must have access to a pre-kindergarten program, new certification and assessment requirements for paraprofessionals, and extensive tracking and reporting requirements. All of these requirements have significant potential cost impacts associated with them.

The Master Plan for Allegany County Public Schools, required under the Act, provides a five-year action plan to guide the school system in preparing students to be contributing members of a democratic society. The plan directs the use of current and new State, Federal and local funds to eliminate achievement gaps among subgroups of students and to challenge each student to higher academic levels. The plan organizes and aligns research-based practices, instructional services, professional development and resource distribution to guide the Allegany County Public Schools. Budgets are now linked to Master Plan strategies.

Beginning in fiscal year 2003, the State government enacted the Bridge to Excellence in Public Schools Act (the Act). The Act provides increased funding to all public schools. In 2007 during a special session of the General Assembly, per pupil amounts used in the funding formulas were frozen for FY09 and FY10. The special session legislation also redefined the inflation factor so that future increases into the system would be less than if the legislation had not been enacted. This is expected to impact the school system since a majority of funding is provided by state government. The school system does not expect to be able to secure additional funding from county government to offset what would be lost from state government since Allegany County is now the poorest jurisdiction in the state of Maryland as measured by wealth per pupil which is used in the state wide funding formulas. The General Assembly also implemented during the special session the Geographical Cost of Education Index (GCEI). The system would not receive any funds under the GCEI component.

The organization ranks near the bottom in teacher salaries according to state wide comparisons. We expect this because Allegany County is a rural county and higher salaries can be attained in the metropolitan Washington / Baltimore corridor. Nonetheless, we view teacher salaries as competitive for entering the profession as compared to other professions requiring a four year degree. The ability to significantly increase salaries could be hampered with structural budget deficits at the state level. This could impact teacher recruiting efforts as the system expects to replace a large percentage of teachers in the near future because of retirement eligibility of the workforce.

The system continues to be challenged with increasing and volatile energy prices. The system employs an energy manager to focus on utilization of energy in order to cut down on usage when possible. The system also joined a purchasing cooperative to purchase electricity. Volatility in diesel fuel prices impacts greatly the amount spent for transportation. The system may need to designate a portion of fund balance to cover unanticipated energy costs.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2008**

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Beginning with fiscal year 2009, the system is required to adhere to the new standard issued by the Government Accounting Standards Board (GASB) for reporting other post employment benefits known as GASB 45. GASB 45 stipulates standards for the measurement, recognition, and display of other post-retirement benefit (OPEB) expenses and related liabilities and assets, note disclosures and required supplementary information in the financial reports of state and local governmental employers. GASB 45 requires the measurement and disclosure of actuarial accrued liabilities and funded status. Under GASB 45 the system will not only be reporting (OPEB) expenses, but the associated accrued financial obligations. Funding of the obligation is optional. The system will also be required to disclose the funded status of the benefits as of the most recent valuation and to present as Required Supplementary Information (RSI) multi-year trend information about funding progress.

**CONTACT THE BOARD OF EDUCATION OF ALLEGANY COUNTY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the School System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Randall P. Bittinger CPA, Director of Finance, (301) 759-2024, [boardfinance@allconet.org](mailto:boardfinance@allconet.org), at The Board of Education of Allegany County, 108 Washington Street, Cumberland, Maryland 21502.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF NET ASSETS**

**June 30, 2008**

	Primary Government			Component Unit Allegany County Public Schools Foundation, Inc.
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 24,321,274	\$ -	\$ 24,321,274	\$ 527,032
Investments	8,000,000		8,000,000	
Accounts receivable	2,582,073		2,582,073	4,380
Pledges receivable				94,692
Accrued interest receivable			-	
Inventory	214,166		214,166	
Internal balances	(175,826)	175,826	-	
<b>Total Current Assets</b>	<u>34,941,687</u>	<u>175,826</u>	<u>35,117,513</u>	<u>626,104</u>
<b>Noncurrent Assets:</b>				
Pledges receivable				226,550
Non-depreciable capital assets	7,033,985		7,033,985	
Depreciable capital assets, net of depreciation	82,922,003	186,705	83,108,708	
<b>Total Noncurrent Assets</b>	<u>89,955,988</u>	<u>186,705</u>	<u>90,142,693</u>	<u>226,550</u>
<b>TOTAL ASSETS</b>	<u>124,897,675</u>	<u>362,531</u>	<u>125,260,206</u>	<u>852,654</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	4,512,483	12,116	4,524,599	
Salaries and benefits payable	3,387,130	16,190	3,403,320	
Deferred revenues	2,127,463		2,127,463	
Accrued hospital insurance	8,424,166		8,424,166	
Current portion of long-term debt	122,611		122,611	
Other current liabilities	1,745,465		1,745,465	
Due to Allegany County Board of Education			-	55,823
<b>Total Current Liabilities</b>	<u>20,319,318</u>	<u>28,306</u>	<u>20,347,624</u>	<u>55,823</u>
<b>Noncurrent Liabilities:</b>				
Long-term portion of compensated absences	2,528,023		2,528,023	
<b>TOTAL LIABILITIES</b>	<u>22,847,341</u>	<u>28,306</u>	<u>22,875,647</u>	<u>55,823</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	89,955,988	186,705	90,142,693	
Restricted for:				
Capital projects	5,079,559		5,079,559	768,994
Food inventories	214,166		214,166	
Other			-	17,314
Unrestricted	6,800,621	147,520	6,948,141	10,523
<b>TOTAL NET ASSETS</b>	<u>\$ 102,050,334</u>	<u>\$ 334,225</u>	<u>\$ 102,384,559</u>	<u>\$ 796,831</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>							
<b>Governmental activities:</b>							
Administration	\$ 2,209,549	\$ 9,751	\$ -	\$ (2,199,798)	\$ -	\$ (2,199,798)	\$ -
Mid-level administration	6,791,104	322,574	-	(6,468,530)	-	(6,468,530)	-
Instruction - salaries	41,420,014	3,216,970	-	(38,203,044)	-	(38,203,044)	-
Instruction - textbooks & instructional supplies	2,929,568	458,936	-	(2,470,632)	-	(2,470,632)	-
Instruction - other	2,950,658	1,121,167	10,320	(1,819,171)	-	(1,819,171)	-
Student personnel services	552,035	60,192	-	(491,843)	-	(491,843)	-
Health services	557,905	981	-	(556,924)	-	(556,924)	-
Student transportation	5,980,876	68,915	-	(5,911,961)	-	(5,911,961)	-
Operation of plant and equipment	7,646,099	1,379	-	(7,644,720)	-	(7,644,720)	-
Maintenance of plant	1,337,544	-	-	(1,337,544)	-	(1,337,544)	-
Fixed charges - direct	22,090,317	2,045,605	-	(20,044,712)	-	(20,044,712)	-
- on-behalf payments	6,142,125	6,142,125	-	-	-	-	-
Capital outlay	1,262,858	396	7,991,989	6,729,527	-	6,729,527	-
Special education	14,734,355	2,746,996	-	(11,987,359)	-	(11,987,359)	-
Food Service	5,625,949	2,695,673	135,163	(1,081,233)	-	(1,081,233)	-
Unallocated depreciation expense	4,278,708	-	-	(4,278,708)	-	(4,278,708)	-
<b>Total Governmental Activities</b>	<b>126,509,664</b>	<b>18,891,660</b>	<b>8,137,472</b>	<b>(97,766,652)</b>	<b>-</b>	<b>(97,766,652)</b>	<b>-</b>
<b>Business-type activities:</b>							
ALLCONET	39,034	50,920	-	11,886	-	11,886	-
Information Technology	674,639	656,924	-	(17,715)	-	(17,715)	-
<b>Total Business-type Activities</b>	<b>713,673</b>	<b>707,844</b>	<b>-</b>	<b>(5,829)</b>	<b>-</b>	<b>(5,829)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 127,223,337</b>	<b>\$ 18,891,660</b>	<b>\$ 8,137,472</b>	<b>\$ (97,766,652)</b>	<b>\$ (5,829)</b>	<b>\$ (97,772,481)</b>	<b>\$ -</b>
<b>Component unit</b>							
Allegany County Public Schools Foundation, Inc.	118,351	54,883	362,616	-	-	-	299,148
<b>General Revenues:</b>							
County appropriation:							
Regular							
Grants, subsidies, and contributions not restricted				28,380,000		28,380,000	
Investment earnings				81,288,145		81,288,145	
Miscellaneous income				870,250		870,250	12,524
Loss on disposal of fixed assets				416,965	20,420	437,385	
				(2,448,148)		(2,448,148)	
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>				<b>108,507,212</b>	<b>20,420</b>	<b>108,527,632</b>	<b>12,524</b>
<b>Change in Net Assets</b>				<b>10,740,560</b>	<b>14,591</b>	<b>10,755,151</b>	<b>311,672</b>
<b>Net Assets - July 1, 2007</b>				<b>91,309,774</b>	<b>319,634</b>	<b>91,629,408</b>	<b>485,159</b>
<b>Net Assets - June 30, 2008</b>				<b>\$ 102,050,334</b>	<b>\$ 334,225</b>	<b>\$ 102,384,559</b>	<b>\$ 796,831</b>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2008

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	School Construction	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,798,957	\$ -	\$ 13,413	\$ 5,508,904	\$ 24,321,274
Investments	8,000,000				8,000,000
Accounts receivable	528,324	592,397	91,505	1,369,847	2,582,073
Inventory - food			214,166		214,166
Internal receivables		1,953,015	107,038	1,039,362	3,099,415
<b>TOTAL ASSETS</b>	<b>27,327,281</b>	<b>2,545,412</b>	<b>426,122</b>	<b>7,918,113</b>	<b>38,216,928</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	867,879	86,746	30,980	1,259,461	2,245,066
Salaries and benefits payable	3,005,509	331,203	50,418		3,387,130
Internal payables	5,542,658				5,542,658
Deferred revenues		2,127,463			2,127,463
Accrued hospital insurance	8,424,166				8,424,166
Current portion of long-term debt	122,611				122,611
Other current liabilities	1,745,465				1,745,465
<b>TOTAL LIABILITIES</b>	<b>19,708,288</b>	<b>2,545,412</b>	<b>81,398</b>	<b>1,259,461</b>	<b>23,594,559</b>
<b>FUND BALANCES</b>					
Reserved for food inventories			214,166		214,166
Reserved for capital projects				5,079,559	5,079,559
Unreserved - designated for unemployment benefits	50,000				50,000
Unreserved - designated for contingencies	5,500,000				5,500,000
Unreserved - designated for equipment			110,500		110,500
Unreserved - undesignated					
General Fund	2,068,993				2,068,993
Special Revenue Fund - Food Service			20,058		20,058
Capital Projects Fund				1,579,093	1,579,093
<b>TOTAL FUND BALANCES</b>	<b>7,618,993</b>	<b>-</b>	<b>344,724</b>	<b>6,658,652</b>	<b>14,622,369</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 27,327,281</b>	<b>\$ 2,545,412</b>	<b>\$ 426,122</b>	<b>\$ 7,918,113</b>	<b>\$ 38,216,928</b>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2008

**Total Fund Balances - Governmental Funds** \$ 14,622,369

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$158,850,368 and the accumulated depreciation is \$68,893,220. 89,955,988

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences. (2,528,023)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** \$ 102,050,334

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>General Fund (Current Expense) Unrestricted</b>	<b>(Current Expense) Restricted</b>	<b>Food Service</b>	<b>School Construction</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
County - regular appropriation	\$ 28,380,000	\$ 9,000	\$ -	\$ 390,280	\$ 28,779,280
State - direct	81,288,145	1,100,913	222,582	150,867	82,762,507
- on behalf, retirement	6,142,125				6,142,125
Federal - direct	301,368		279,005	49,830	630,203
- received through State		7,933,691	2,329,249		10,262,940
- received through Pass-Thru Agency		697,265		7,401,012	8,098,277
Other revenue	1,164,229	74,909	1,731,652	192,403	3,163,193
<b>TOTAL REVENUES</b>	<b>117,275,867</b>	<b>9,815,778</b>	<b>4,562,488</b>	<b>8,184,392</b>	<b>139,838,525</b>
<b>EXPENDITURES</b>					
Administration	2,104,028	9,751			2,113,779
Mid-level administration	6,472,717	322,574			6,795,291
Instruction - salaries	38,243,964	3,216,970			41,460,934
Instruction - textbooks & instructional supplies	2,470,632	458,936			2,929,568
Instruction - other	2,366,157	1,131,487			3,497,644
Student personnel services	491,843	60,192			552,035
Health services	556,924	981			557,905
Student transportation	5,955,617	68,915			6,024,532
Operation of plant and equipment	7,879,133	1,379			7,880,512
Maintenance of plant	1,394,413				1,394,413
Fixed charges - direct	17,617,223	1,744,237			19,361,460
- on-behalf payments	6,142,125				6,142,125
Capital outlay	384,169	396		11,599,439	11,984,004
Special education	11,987,359	2,746,996			14,734,355
Food Service			5,739,588		5,739,588
<b>TOTAL EXPENDITURES</b>	<b>104,066,304</b>	<b>9,762,814</b>	<b>5,739,588</b>	<b>11,599,439</b>	<b>131,168,145</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>13,209,563</b>	<b>52,964</b>	<b>(1,177,100)</b>	<b>(3,415,047)</b>	<b>8,670,380</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers	(10,702,057)		1,135,700	6,837,500	(2,728,857)
Intrafund transfers		(52,964)			(52,964)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,702,057)</b>	<b>(52,964)</b>	<b>1,135,700</b>	<b>6,837,500</b>	<b>(2,781,821)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,507,506</b>	<b>-</b>	<b>(41,400)</b>	<b>3,422,453</b>	<b>5,888,559</b>
<b>FUND BALANCE - JULY 1, 2007</b>	<b>5,111,487</b>	<b>-</b>	<b>386,124</b>	<b>3,236,199</b>	<b>8,733,810</b>
<b>FUND BALANCE - JUNE 30, 2008</b>	<b>\$ 7,618,993</b>	<b>\$ -</b>	<b>\$ 344,724</b>	<b>\$ 6,658,652</b>	<b>\$ 14,622,369</b>

The accompanying notes are an integral part of these financial statements.



BOARD OF EDUCATION OF ALLEGANY COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<b>Total Net Change in Fund Balance - Governmental Funds</b>					\$ 5,888,559
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>					
Accrued interest is not reported in governmental funds as income. However, in the statement of activities, the accrued interest income is reported as current income.					
The net amount of accrued interest receivable is an decrease of \$49,103.					
					(49,103)
Long-term accrued compensated absences are not reported in governmental funds as a liability. However, in the statement of activities, the long-term absences are reported as current expense.					
The net amount of long term accrued compensated absences is a decrease of \$40,920.					
					40,920
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period.					
	Depreciation expense		4,713,870		
	Capital Outlays		<u>12,060,288</u>		
					7,346,418
Governmental funds report the proceeds from the sale of capital assets as income. However, in the statement of activities the sale of capital assets are reported net of the remaining book value of the assets as either a gain or loss. The remaining book value of assets disposed of during the year was \$2,486,234.					
					<u>(2,486,234)</u>
<b>TOTAL CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>					<u>\$ 10,740,560</u>

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2008**

	<u>Information Technology Fund</u>	<u>Allconet Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Internal receivables	\$ 169,272	\$ 6,554	\$ 175,826
<b>Total Current Assets</b>	<u>169,272</u>	<u>6,554</u>	<u>175,826</u>
<b>Noncurrent Assets:</b>			
Machinery and equipment, net of depreciation	<u>118,421</u>	<u>68,284</u>	<u>186,705</u>
<b>Total Noncurrent Assets</b>	<u>118,421</u>	<u>68,284</u>	<u>186,705</u>
<b>TOTAL ASSETS</b>	<u><u>287,693</u></u>	<u><u>74,838</u></u>	<u><u>362,531</u></u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	12,116		12,116
Salaries and benefits payable	<u>16,190</u>		<u>16,190</u>
<b>Total Current Liabilities</b>	<u>28,306</u>	<u>-</u>	<u>28,306</u>
<b>TOTAL LIABILITIES</b>	<u>28,306</u>	<u>-</u>	<u>28,306</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	118,421	68,284	186,705
Unrestricted	<u>140,966</u>	<u>6,554</u>	<u>147,520</u>
<b>TOTAL NET ASSETS</b>	<u>259,387</u>	<u>74,838</u>	<u>334,225</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 287,693</u></u>	<u><u>\$ 74,838</u></u>	<u><u>\$ 362,531</u></u>

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Information Technology Fund</u>	<u>Allconet Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
County - regular appropriation	\$ 328,464	\$ -	\$ 328,464
- special appropriation	-	-	-
Other sources	<u>                    </u>	<u>50,920</u>	<u>50,920</u>
<b>Total Operating Revenues</b>	<u>328,464</u>	<u>50,920</u>	<u>379,384</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	447,563		447,563
Contracted services	70,668	24,400	95,068
Supplies and materials	9,213		9,213
Other charges	107,993	13	108,006
Equipment replacement	180	1,586	1,766
Depreciation	<u>39,022</u>	<u>13,035</u>	<u>52,057</u>
<b>Total Operating Expenses</b>	<u>674,639</u>	<u>39,034</u>	<u>713,673</u>
Operating Income (Loss)	(346,175)	11,886	(334,289)
<b>NON-OPERATING REVENUE</b>			
Transfers	328,460		328,460
Other revenue	<u>20,420</u>	<u>                    </u>	<u>20,420</u>
<b>Total Non-operating Revenues</b>	<u>348,880</u>	<u>-</u>	<u>348,880</u>
Change in Net Assets	2,705	11,886	14,591
<b>TOTAL NET ASSETS - JULY 1, 2007</b>	<u>256,682</u>	<u>62,952</u>	<u>319,634</u>
<b>TOTAL NET ASSETS - JUNE 30, 2008</b>	<u>\$ 259,387</u>	<u>\$ 74,838</u>	<u>\$ 334,225</u>

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Information Technology Fund</u>	<u>Allconet Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 348,884	\$ 50,920
Cash received from quasi-external operation transactions with other funds	328,460	-
Cash paid to suppliers	(177,344)	(25,999)
Cash payments to employees	(432,573)	-
<b>Net Cash Provided by Operating Activities</b>	<u>67,427</u>	<u>24,921</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Change in due to/from other funds	<u>26,514</u>	<u>(18,466)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of equipment	<u>(93,941)</u>	<u>(6,455)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(93,941)</u>	<u>(6,455)</u>
Net change in Cash	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Change in net assets</b>	\$ 2,705	\$ 11,886
Adjustments to reconcile change in nets assets to net cash provided by operations:		
Depreciation	39,022	13,035
Change in assets and liabilities		
Decrease (increase) in account receivable	-	-
Increase (decrease) in accounts payable	10,710	-
Increase (decrease) salaries & benefits payable	14,990	-
<b>Total Adjustments</b>	<u>64,722</u>	<u>13,035</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 67,427</u>	<u>\$ 24,921</u>

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008**

	<u>School Activities</u>	<u>Retiree Insurance Benefit Plan</u>	<u>Shared Grants</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,198,225	\$ -	\$ -	\$ 1,198,225
Investments	572,972	4,086,235		4,659,207
Accounts receivable	26,777		145,938	172,715
Internal receivables		2,348,036		2,348,036
<b>TOTAL ASSETS</b>	<u>1,797,974</u>	<u>6,434,271</u>	<u>145,938</u>	<u>8,378,183</u>
<b>LIABILITIES</b>				
Accounts payable	26,803	517	65,320	92,640
Deferred revenue	1,771,171			1,771,171
Internal payables			80,618	80,618
<b>TOTAL LIABILITIES</b>	<u>1,797,974</u>	<u>517</u>	<u>145,938</u>	<u>1,944,429</u>
<b>NET ASSETS</b>				
Designated for future retiree benefits		6,433,754		6,433,754
<b>TOTAL NET ASSETS</b>	<u>-</u>	<u>6,433,754</u>	<u>-</u>	<u>6,433,754</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,797,974</u>	<u>\$ 6,434,271</u>	<u>\$ 145,938</u>	<u>\$ 8,378,183</u>

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>School Activities</u>	<u>Retiree Insurance Benefit Plan</u>	<u>Shared Grants</u>	<u>Total Fiduciary Funds</u>
<b>ADDITIONS</b>				
Student activity revenues	\$ 3,062,532	\$ -	\$ -	\$ 3,062,532
Transfers		2,728,857		2,728,857
Earnings on investment		201,229		201,229
Grants received on behalf of others			190,820	190,820
<b>DEDUCTIONS</b>				
Student activity expenses	3,062,532			3,062,532
Retiree benefits		618,981		618,981
Grants passed to other agencies			190,820	190,820
Other		303		303
<b>CHANGE IN NETS ASSETS</b>	-	2,310,802	-	2,310,802
<b>NET ASSETS - JULY 1, 2007</b>	1,698,166	4,122,952	-	5,821,118
Prior Period Adjustment	(1,698,166)			(1,698,166)
<b>NET ASSETS - JULY 1, 2007, as restated</b>	-	4,122,952	-	4,122,952
<b>NET ASSETS - JUNE 30, 2008</b>	<u>\$ -</u>	<u>\$ 6,433,754</u>	<u>\$ -</u>	<u>\$ 6,433,754</u>

The accompanying notes are an integral part of these financial statements.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - REPORTING ENTITY

The Board of Education of Allegany County, Maryland ("Board") is an elected group constituting an on-going entity which has governance responsibilities over all activities related to public elementary and secondary school education within its jurisdiction, Allegany County, Maryland ("County"). The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. The Board is included as a component unit of Allegany County, Maryland as defined in Generally Accepted Accounting Principles (GAAP) since the Board is fiscally dependent on Allegany County, Maryland. In evaluating how to define the Board, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibilities. Based upon the application of these criteria, the Allegany County Public Schools Foundation, Inc. has been identified as a component unit for inclusion in the reporting entity.

The Allegany County Public Schools Foundation, Inc. is a legally, separate, tax-exempt entity that acts primarily as a fund-raising organization to supplement resources that are available to the Board in support of its programs. The Board does not control the timing or the amount of the receipts from the organization. The resources and income of the organization are restricted to the activities of the Board by the donors. Because the restricted resources held by the organization can only be used by, or for the benefit of, the Board, the organization meets the criteria of a component unit of the Board as set forth in Governmental Accounting Standards Board (GASB) Statement 39. Therefore, the organization is discretely presented in the Board's financial statements.

The Allegany County Public Schools Foundation, Inc. is a public nonprofit organization that reports under FASB standards including FASB Statement No. 117, *Financial Reporting for Not-for Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Limited modifications have been made to the organization's financial statement format for inclusion in the Board's financial statements.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

Complete financial statements of the component unit can be obtained from the administrative office:

Allegheny County Public Schools Foundation, Inc.  
108 Washington Street P.O. Box 1724  
Cumberland, MD 21502

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

##### **A. Basis of Presentation**

The Board's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental (primarily supported by County appropriations and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net assets presents the financial condition of the governmental and business-type activities of the Board at year-end. 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 the single business-type activity of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.



## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

*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 this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each enterprise and governmental fund was a major fund and is presented in a separate column. Fiduciary funds are reported by type.

#### **B. Fund Accounting**

The accounts of the Board are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and account groups are used by the Board:

#### *Governmental Fund Types*

##### Current Expense Fund - Unrestricted

The Current Expense Fund - Unrestricted is the general operating fund of the Board. All financial resources, except those required to be accounted for in another fund, are accounted for in this fund.

##### Current Expense Fund - Restricted and Food Service Fund

The Current Expense Fund - Restricted and Food Service Fund are special revenue funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. In the event an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are used first.

##### School Construction Fund

The School Construction Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### *Proprietary Fund Types*

##### Information Technology Fund

The Information Technology Fund is an enterprise fund used to account for financing of services provided by the Information Technology Fund to other departments of the Board and to other governments within Allegany County.

##### Allconet Fund

The Allconet Fund is an enterprise fund used to account for financing of services provided by the Allconet Fund to departments of the Board, to other governments, and non-profits within Allegany County.

#### *Fiduciary Fund Type*

##### School Activities Fund

The School Activities Fund is an expendable trust fund used to account for assets held by the Board in a trustee capacity for various student groups.

##### Retiree Insurance Benefit Plan Fund

The Retiree Insurance Benefit Plan Fund is an expendable trust fund used to account for assets held by the Board in a trustee capacity for future retirees' medical expenses.

##### Shared Grants

The Shared Grants Fund is used to account for assets held by the Board in a trustee capacity for pass through to another county when Allegany County Board of Education receives a multi-county grant.

#### **C. Measurement Focus**

*Government-wide Financial Statements* The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Board are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

***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 (e.g., revenues and other financing sources) and uses (e.g., 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is reported using the economic resources measurement focus.

#### **D. 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 modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

The modified accrual basis of accounting is used by all governmental fund types and the fiduciary fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A six month availability period is used for revenue recognition for all governmental and fiduciary fund revenues. Expenditures are recorded when the related fund liability is incurred.

The proprietary fund is accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

incurred. All GASB pronouncements are followed in the proprietary fund. FASB, APB Opinions and ARB's issued before November 30, 1989 are followed to the extent they do not contradict GASB. FASB pronouncements issued after November 30, 1989 that are developed for business entities are followed to the extent that they do not contradict GASB.

The Board reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Board before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, where both revenue recognition criteria are met or when the Board has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### **E. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for all funds except the School Activities Fund. Annual operating budgets are adopted by the Board each fiscal year through passage of an annual budget and amended as required for all funds. Budget amendments requiring a change between categories requires approval by the Board and by the County. The budget is prepared using the same basis of accounting as is used to record actual revenues and expenditures/expenses with a few exceptions. At the request of the Maryland State Department of Education, on-behalf retirement payments made by the State of Maryland are not included in the final budgeted amounts of revenue and expenditures. The other exceptions are in the Proprietary Fund Type – Information Technology Fund and the Governmental Fund Type - School Construction Fund. The Proprietary Fund Type – Information Technology Fund prepares its budget on the modified accrual basis but prepares its statements on the accrual basis. The Governmental Fund Type - School Construction Fund prepares its budget on the modified accrual basis but does not account for revenues from state committed funds for projects that have not begun. Budgetary control is exercised at the department level. Budgets presented in the financial statements reflect all amendments.

#### **F. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the restricted governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

## BOARD OF EDUCATIONS OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

At June 30, 2008, \$ 5,079,559 of School Construction fund balance has been reserved to cover expected appropriations for specific construction projects. Expenditures in excess of total appropriations for a project are closed out against the unreserved portion of fund balance at the end of the project.

#### **G. Post Retirement Health Care Benefits**

The Board is reimbursed 100% by all retired employees that elect to continue coverage under their health care plan. In accordance with the Board of Education Policy Manual and the Health Care Insurance Contract, all employees covered at the time they retire can elect to continue their coverage at their own expense. The reimbursements the Board receives are netted with the premiums for the retirees. In 1992 and 2000, new policies were implemented to subsidize a portion of the retirees' health care costs. These policies are further described in Note 11.

#### **H. Inventories**

Materials, supplies, and textbooks purchased from Unrestricted and Restricted Current Expense Funds are not inventoried. Food Service Fund inventories consist of food and supplies located in the individual schools and in the central warehouse. Purchased food and supplies are valued at current cost. The value of donated food is determined from U.S. Department of Agriculture price lists. Inventory on hand at the end of the period is recorded as an asset and a corresponding reservation of the fund balance is made. The amount on hand as of June 30, 2008 is \$214,166.

#### **I. Compensated Absences**

Accumulated earned vacation time is accrued when incurred. At June 30, 2008, \$1,618,027 has been accrued and included in accrued expenditures and withholdings on the Fund Balance Sheet.

During the year ended June 30, 1994, the Board implemented the provisions of the Governmental Accounting Standards Board's Statement No. 16, Accounting for Compensated Absences. This statement requires the recording of accumulated unused sick leave if such amounts will be paid as termination benefits. At June 30, 2008, \$122,611 has been accrued as the current portion of this liability on the Fund Balance Sheet. The long-term portion of \$2,528,023 has been recorded in the government-wide statement of net assets. Total compensated absences decreased in the current year by \$31,074 over the prior year total of \$2,681,708.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

The Board only pays benefits to employees who terminate employment upon reaching the required retirement age or death. Benefits are not paid to employees who terminate prior to reaching their defined retirement age.

#### **J. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Interfund balances have no set repayment schedule and are generally not expected to be repaid within one year.

#### **L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the 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 assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of three thousand dollars. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

All reported capital assets except land 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land	N/A	N/A
Buildings and Improvements	7-50 years	N/A
Furniture, Equipment, and Vehicles	5-20 years	5-20 years

**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 for services provided by the Information Technology and Allconet Funds to other entities within Allegany County. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

**N. Statement of Cash Flows**

For purposes of the statement of cash flows, the Information Technology and Allconet Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**O. Credit Risk**

As of June 30, 2008, the Board has recorded receivables from various governmental units. As these receivables are believed to be completely collectable, neither an allowance for doubtful accounts is not recorded, nor are the receivables collateralized.

**P. Estimates**

The preparation of the financial statements in conformity with 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.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Disposals and Transfers</u>	<u>Balance 6/30/08</u>
<b>Governmental Activities</b>				
Non-depreciable assets:				
Land	\$ 2,557,989	\$ 1,454,505	\$ (9,700)	\$ 4,002,794
Construction-in-progress	<u>35,077,646</u>	<u>2,908,656</u>	<u>(34,955,111)</u>	<u>3,031,191</u>
Total Non-depreciable assets	<u>37,635,635</u>	<u>4,363,161</u>	<u>(34,964,811)</u>	<u>7,033,985</u>
Depreciable assets:				
Land Improvements	699,518	2,043,751	(137,471)	2,605,798
Buildings and Improvements	110,714,812	37,060,884	(9,520,430)	138,255,266
Furniture, Equipment, and Vehicles	<u>8,561,899</u>	<u>3,547,603</u>	<u>(1,154,183)</u>	<u>10,955,319</u>
Total Depreciable assets	<u>119,976,229</u>	<u>42,652,238</u>	<u>(10,812,084)</u>	<u>151,816,383</u>
Less accumulated depreciation:				
Land Improvements	(25,665)	(129,789)	-	(155,454)
Buildings and Improvements	(66,884,360)	(3,743,882)	7,212,174	(63,416,068)
Furniture, Equipment, and Vehicles	<u>(5,606,035)</u>	<u>(840,199)</u>	<u>1,123,376</u>	<u>(5,322,858)</u>
Total accumulated depreciation	<u>(72,516,060)</u>	<u>(4,713,870)</u>	<u>8,335,550</u>	<u>(68,894,380)</u>
Total capital assets being depreciated	<u>47,460,169</u>	<u>37,938,368</u>	<u>(2,476,534)</u>	<u>82,922,003</u>
Governmental Activities Capital Assets, Net	<u>\$ 85,095,804</u>	<u>\$ 42,301,529</u>	<u>\$ (37,441,345)</u>	<u>\$ 89,955,988</u>
 <b>Business-Type Activities</b>				
Furniture, Equipment, and Vehicles	\$ 567,367	\$ 100,396	\$ (52,710)	\$ 615,053
Less accumulated depreciation	<u>(429,001)</u>	<u>(52,057)</u>	<u>52,710</u>	<u>(428,348)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 138,366</u>	<u>\$ 48,339</u>	<u>\$ -</u>	<u>\$ 186,705</u>

\* Depreciation was charged to governmental functions as follows:

Administration	\$ 95,770
Student transportation	158,902
Operation of plant and equipment	42,799
Maintenance of plant	116,167
Food Service	21,524
Unallocated	<u>4,278,708</u>
Total Depreciation Expense	<u>\$ 4,713,870</u>

The insurance value of capital assets as of June 30, 2008 is \$333,545,710.



**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - POSSIBLE FUTURE AUDIT ADJUSTMENTS OF REVENUE**

Revenue is subject to periodic state or federal audits and possible future adjustments. Any adjustments resulting from such audits will be recorded in the year assessed.

**NOTE 5 - FOOD SERVICE EXPENDITURES**

Included in revenue and expenditures of the Food Service Fund is the value of USDA donated commodities used during the year of \$279,005. This amount includes the value of the donated commodities plus costs to process the commodities into useable form.

**NOTE 6 - PENSION PLAN**

**Plan Description**

The Board contributes to the State Retirement and Pension System (SRPS), a cost sharing multiple-employer defined benefit pension plan administered by the State of Maryland. SRPS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Article 73B of the Annotated Code of the State of Maryland assigns the authority to establish and amend benefit provisions to the SRPS Board of Trustees. The State of Maryland issues a publicly available financial report that includes financial statements and required supplementary information for SRPS. That report may be obtained by writing to Maryland State Retirement and Pension System, 301 West Preston Street, Baltimore, Maryland 21502.

**Funding Policy**

Members of the retirement systems entering on or after July 1, 1973 are required to contribute 5% or 7%, based on personal election, of earnable compensation; members before that date contribute the lesser of 5% of earnable compensation or the percentage they were contributing prior to July 1, 1973.

The board joined the Alternative Contributory Pension System (ACPS) on July 1, 2006. Members of the contributory pension systems are required to make contributions of 4% of earnable compensation. The system calls for contributions of 5% of earnable compensation for the year ending June 30, 2009. The Board is required to contribute at an actuarially determined rate for individuals in the employee retirement system and the employee contributory pension system. The current rates are 12.69% and 8.80% respectively. The contribution requirements of plan members and the Board are established and may be amended by the SRPS Board of Trustees. The Board contributions to SRPS for the years ended June 30, 2008, 2007, 2006, 2005, and 2004 were \$993,118, \$866,800, \$758,376, \$792,988, and \$641,390, respectively, equal to the required contributions for each year.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RELATED PARTIES**

The Board is closely related to Allegany County and the State of Maryland, and is dependent on these two sources for the major portion of its current expense funding. The amounts received and receivable during the year are disclosed within the financial statements.

The Board is closely related to the Allegany County Public Schools Foundation, Inc. in that the Board provides labor and certain administrative costs for the Foundation in exchange for the funds the Foundation provides to the Board's students. The Foundation provided \$60,942 in programs and projects to the Board's students.

**NOTE 8 - CASH AND INVESTMENTS**

**Deposits**

At June 30, 2008, the carrying amount of the Board's bank deposits was \$7,930,606 and the various bank balances were \$9,568,486. Of the bank balances, \$434,730 was covered by depository insurance and \$9,133,756 was covered by collateral held at various banks in the Board's name. Total market value of these pledged securities at June 30, 2008 was \$10,293,766. Included in cash and cash equivalents is \$17,588,893 of money market funds invested in U.S government obligations.

**Investments**

The Board's investment practices are governed by the Annotated Code of the State of Maryland. The Annotated Code limits the Board's investment activity to certificates of deposit, money market funds, instruments of the U.S. Treasury, and repurchase agreements secured by U.S. Treasury and other federal securities.

All investment revenue is recorded in the fund that held the investments during the year.

Market values are not materially different from carrying values for these investments.

As of June 30, 2008, the Board's investments and maturities are as follows:

	Fair Value	Investment Maturity in Months			
		Less Than 1	1-6	6-12	More Than 12
Certificates of Deposit	12,659,208	0	4,138,892	4,035,455	4,484,861

Of the Board's investments in certificates of deposits, \$281,187 was covered by federal depository insurance and \$12,378,021 was uninsured but collateralized by securities held by the counterparty's trust department.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk - In accordance with its investment policy, the Board manages its exposure to declines in fair values arising from interest rates by limiting the maturity date of securities to no more than 2 years from the date of purchase, unless it is matched to a specific cash flow requirement.

Credit Risk – The Board’s investment policy limits the investments of the portfolio to 5% of Bankers Acceptances, 5% to money market mutual funds, and 5% to commercial paper. The Board’s investment policy complies with Maryland state law limits.

Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-board’s name. All of the Board’s investments are covered by depository insurance and properly collateralized mitigating custodial credit risk.

#### **Board of Education Discretely Presented Component Unit – Allegany County Public Schools Foundation, Inc.**

Cash and cash equivalents are invested in interest bearing accounts at financial institutions and in money market funds. The carrying amount of the Foundation’s deposit as of June 30, 2008 was \$61,222 and the bank balance was \$127,449. Of the bank balance, \$100,000 was covered by federal depository insurance and \$27,449 was covered by collateral held at the bank in the Foundation’s name. Included in cash and cash equivalents is \$465,810 of money market funds invested in U.S. government obligations.

#### **NOTE 9 - ON-BEHALF PAYMENTS**

The State of Maryland paid \$6,142,125 into the State Retirement and Pension System of Maryland on behalf of the Board. This amount has been recognized as revenue and expenditures in the statement of activities and the statement of revenues, expenditures and changes in fund balances.

In addition, the Board receives support in the form of “on-behalf spending” from the Allegany County Government. School nurses are provided to the Board through the Allegany County Health Department at a total cost of \$975,395 of which \$541,803 is paid by the Board and the remainder is funded by the Allegany County Government. The Board also received support from the Allegany County Government in the form of a sheriff’s deputy at a cost to the County of \$39,361 for the DARE program which teaches drug awareness to students. The on-behalf spending by the County has not been recorded in these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS**

The Board is exposed to risks of loss from lawsuits, medical and dental insurance claims, workers' compensation claims, and property damage claims. The Board manages its risks for these claims in various ways. Risks of loss arising from property damage and errors and omissions have been transferred to the Board's insurance carrier through the purchase of set premium insurance. The Board retains the risk of loss for medical and dental claims and has included \$8,424,166 in accrued expenses on the balance sheet to cover incurred but not reported claims. This amount increased by \$1,018,076 over the prior year amount of \$7,406,090, and was based on total claims paid of \$14,528,626 and \$13,293,409 for 2008 and 2007, respectively. The Board does not include any other incremental costs in its basis. The Board's insurance consultant had advised that the recorded liability is sufficient. The Board purchased stop-loss insurance, however, so that if an individual claim exceeds \$250,000, the insurance company will reimburse the Board for the excess. Effective July 1, 2008, this amount increased to \$275,000. The Board participates in the Maryland Association of Boards of Education's risk pool to manage the risks for workers' compensation claims. The Board pays an annual premium into the pool and may participate in refunds or be assessed additional premiums based on the experience of the pool and the Board's individual experience. No additional amounts have been recorded in the financial statements for any additional assessments since it is unlikely that a material amount, if any, will be assessed.

The Board is exposed to a variety of threatened and pending litigations at June 30, 2008. A suit filed against the Board for violation of first amendment rights was settled with the Board paying certain legal fees after year end. The Board has since been reimbursed from its insurance carrier. No liability has been recorded for contingencies in the financial statements as the Board does not believe it is likely that a material liability will result from these claims that will not be covered by insurance, and no amount is determinable.

**Long-range facilities plan**

A long-range facilities plan for the future operation of County schools has been approved by vote by the School Board. Although no formal action has taken place at the current time, future school consolidations and possible new school constructions may happen as both a short-term and long-term plan. Funding for the plan would come from State, County, and the Board of Education's funds.

During the year ended June 30, 2008 the Board continued construction of the Mountain Ridge High School project. The school was finished and opened August of 2007 for the FY08 school year. The stadium and related sports facilities were not completed as of June 30, 2008. The total cost of the project is expected to be in excess of \$44,000,000. As of June 30, 2008, \$42,110,141 has been expended toward the project. \$2,006,933 of this amount is included as construction-in-progress in Note 3. Of the construction contract, \$1,900,000 is being funded by the Board and the remainder by Allegany County and the State of Maryland.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Since 1992, a new policy was implemented to subsidize a portion of the retiree's health care premiums. For 2008, a maximum subsidy for all retirees of \$355,000 was approved by the Board. The total annual amount of the subsidy for the 2007-2008 fiscal year is as follows for 205 retirees:

<u>Years of Service at Retirement</u>	<u>Total Premium Subsidy Paid</u>	
	<u>Under Age 65</u>	<u>Over Age 65</u>
25 - 29 years	\$17,601	\$105,558
30 or more years	\$23,468	\$208,373

In 2000, a retiree insurance benefit plan was established to subsidize a portion of future retirees' health care costs. Eligible employees retiring after June 30, 2002 will be covered under this plan. Eligible employees who retired prior to July 1, 2002 will continue to receive supplements under the plan described in the previous paragraph. The Board contributed \$2,728,857 toward the fund during the fiscal year ended June 30, 2008. Interest income is calculated and added to the fund balance. Annual benefits to be paid from the fund are to be determined by a plan oversight committee, consisting of five employee union representatives and four representatives appointed by the Board. The plan is presented within the financial statements as a Fiduciary Fund.

**NOTE 12 - LEASING ARRANGEMENTS**

The Board leases photocopy equipment under operating leases expiring during the next five years. In most cases, the Board expects that in the normal course of business, the leases option to purchase will be exercised or the leases will be replaced by other leases. Most of the operating leases have a fair market value buy-out option at the end of the lease term.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008:

Year ending June 30:	
2009	\$ 227,188
2010	178,386
2011	139,557
2012	86,906
2013	<u>27,713</u>
Total minimum payments required	<u>\$ 659,750</u>

Rental expenditures for the year ended June 30, 2008 is \$205,701.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - FUND BALANCE**

A surplus fund balance of \$7,618,993 existed in the Current Expense Fund Type, Unrestricted fund, as of June 30, 2008. The surplus consisted of a \$50,000 designation for unemployment benefits, \$5,500,000 designated for contingencies, and an undesignated surplus of \$2,068,993.

**NOTE 14 - ACCOUNTS RECEIVABLE**

Total accounts receivable of Governmental Funds in the financial statements as of June 30, 2008 is \$2,582,073. This total consists of the following components:

County Government	\$ 327,454
State Government	1,807,008
Federal Government	69,907
Other Local Education Agencies	207,017
Other	<u>170,687</u>
Total	<u>\$ 2,582,073</u>

**NOTE 15 - PLEDGES RECEIVABLE**

**Board of Education Discretely Presented Component Unit – Allegany County Public Schools Foundation, Inc.**

The Allegany County Public Schools Foundation recognizes pledges receivable from donors based upon written instructions from donors indicating their intention to make multi-year disbursements to the Foundation. Those pledges expected within the next twelve months are classified as current. The Foundation has no allowance for doubtful pledges. The Foundation sends a reminder notice to donors approximately one month before payment is expected based upon written instructions from the donors. Most pledges are for naming rights at the Allegany County Board of Education's facilities. No pledges are in arrears.

**NOTE 16 - STADIUM FUNDS**

***Greenway Avenue Stadium***

On August 13, 1996 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Greenway Avenue Stadium. The \$1 surcharge is also assessed on student ticket sales for the varsity football homecoming game. The funds are to be used to maintain, renovate, and upgrade Greenway Avenue Stadium. These funds are collected by Fort Hill and Allegany High Schools and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

The activity for the year ended June 30, 2008 is as follows:

Balance, beginning of year	\$ 120,636
Add: Ticket surcharge collections	24,915
Interest	4,676
Tower rent	13,000
Less: Expenditures	(0)
Balance, end of year	<u>\$ 163,227</u>

***Mountain Ridge Stadium***

On March 13, 2007 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Mountain Ridge Stadium. The funds are to be used to maintain, renovate, and upgrade Mountain Ridge Stadium. These funds are collected by Mountain Ridge High School and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

The activity for the year ended June 30, 2008 is as follows:

Balance, beginning of year	\$ 0
Add: Ticket surcharge collections	6,305
Interest	106
Less: Expenditures	(0)
Balance, end of year	<u>\$ 6,411</u>

**NOTE 17 - FIDUCIARY FUND – SHARED GRANTS**

At the request of the Maryland State Department of Education, the Board set up an additional fiduciary fund to account for grants that are given to one county and are to be shared with other counties. The Allegany County Board only reports the amount shared with the other counties in their fiduciary fund. The Allegany County Board reports their share of the grant in the Restricted Current Expense Fund. The Allegany County Board is sharing a grant with the Washington County Board of Education. The total amount of the shared grant expended during the year ended June 30, 2008 was \$551,211. Of the total grant, \$360,391 was Allegany County's share and was reported in the Restricted Current Expense Fund. The remaining \$190,820 was passed through to Washington County and was reported as a shared grant in the fiduciary fund.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 18 - PRIOR PERIOD ADJUSTMENT**

At the request of the Maryland State Department of Education, the Board was to reclassify the excess School Activities fund's net assets to deferred revenue because these funds are owned, operated, and managed by the student body and not the Board's. The purpose of the change is so the change in net assets does not affect the State of Maryland's Title I funding. The effect of the adjustment is a decrease in net assets of \$1,698,166 for the year ended June 30, 2008. If the adjustment had been made in the year ended June 30, 2007 it would have resulted in a decrease in student activities revenue of \$114,893, a decrease in change in net assets of \$114,893, and a decrease in beginning net assets of \$1,583,273.



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Unrestricted			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES</b>				
County - regular appropriation	\$ 28,380,000	\$ 28,380,000	\$ 28,380,000	\$ -
State - direct	81,483,736	81,483,736	81,288,145	(195,591)
- on behalf, retirement	4,950,000	-	-	-
Federal - direct		350,000	301,368	(48,632)
Other revenue	475,759	975,759	1,164,229	188,470
<b>TOTAL REVENUES</b>	<b>115,289,495</b>	<b>111,189,495</b>	<b>111,133,742</b>	<b>(55,753)</b>
<b>EXPENDITURES</b>				
Administration	2,206,362	2,068,964	2,104,028	(35,064)
Mid-level administration	6,702,563	6,839,961	6,472,717	367,244
Instruction - salaries	39,702,623	39,342,623	38,243,964	1,098,659
Instruction - textbooks & instructional supplies	2,481,071	2,557,081	2,470,632	86,449
Instruction - other	2,172,418	2,470,618	2,366,157	104,461
Student personnel services	631,025	539,515	491,843	47,672
Health services	587,050	587,050	556,924	30,126
Student transportation	5,969,908	6,089,408	5,955,617	133,791
Operation of plant and equipment	9,427,712	7,916,212	7,879,133	37,079
Maintenance of plant	1,697,520	1,394,520	1,394,413	107
Fixed charges - direct	18,828,203	17,454,503	17,617,223	(162,720)
- on-behalf payments	4,950,000	-	-	-
Capital outlay	782,992	384,192	384,169	23
Special education	13,242,791	13,242,791	11,987,359	1,255,432
<b>TOTAL EXPENDITURES</b>	<b>109,382,238</b>	<b>100,887,438</b>	<b>97,924,179</b>	<b>2,963,259</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>5,907,257</b>	<b>10,302,057</b>	<b>13,209,563</b>	<b>2,907,506</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	(6,307,257)	(10,702,057)	(10,702,057)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>2,507,506</b>	<b>2,907,506</b>
<b>FUND BALANCE - JULY 1, 2007</b>	<b>5,111,487</b>	<b>5,111,487</b>	<b>5,111,487</b>	<b>-</b>
<b>FUND BALANCE - JUNE 30, 2008</b>	<b>\$ 4,711,487</b>	<b>\$ 4,711,487</b>	<b>\$ 7,618,993</b>	<b>\$ 2,907,506</b>

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures****Sources/inflows of resources**

Actual budgetary basis "general fund revenue" from the budgetary comparison schedule	\$ 111,133,742
Differences - budget to GAAP:	
Payments made directly to the state's retirement system by the state of Maryland on behalf of the Board is considered revenue for financial reporting purposes	6,142,125
<b>Total revenues reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds</b>	<b>117,275,867</b>

**Uses/outflows of resources**

Actual budgetary basis "general fund expenditure" from the budgetary comparison schedule	\$ 97,924,179
Differences - budget to GAAP:	
Payments made directly to the state's retirement system by the state of Maryland on behalf of the Board is considered an expense for financial reporting purposes	6,142,125
<b>Total expenditures reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds</b>	<b>104,066,304</b>

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALEGANY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS - RESTRICTED (CURRENT EXPENSE) AND FOOD SERVICE  
FOR THE YEAR ENDED JUNE 30, 2008

	Restricted			Food Service				
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>								
County - regular appropriation	\$ -	\$ -	\$ 9,000	\$ 9,000	\$ -	\$ -	\$ -	\$ -
State - direct	1,084,059	1,084,059	1,100,913	16,854	191,018	191,018	222,582	31,564
Federal - direct - received through State	8,569,263	8,569,263	8,630,956	61,693	240,000	240,000	279,005	39,005
Other revenue	94,412	94,412	74,909	(19,503)	2,290,899	2,290,899	2,329,249	38,350
<b>TOTAL REVENUES</b>	<u>9,747,734</u>	<u>9,747,734</u>	<u>9,815,778</u>	<u>68,044</u>	<u>4,937,258</u>	<u>4,937,258</u>	<u>5,739,588</u>	<u>(483,689)</u>
<b>EXPENDITURES</b>								
Administration	125,834	125,834	9,751	116,083				
Mid-level administration	188,607	188,607	322,574	(133,967)				
Instruction - salaries	3,063,684	3,063,684	3,216,970	(153,286)				
Instruction - textbooks & instructional supplies	377,017	377,017	458,936	(81,919)				
Instruction - other	717,788	717,788	1,131,487	(413,699)				
Student personnel services	-	-	60,192	(60,192)				
Health services	-	-	981	(981)				
Student transportation	92,100	92,100	68,915	23,185				
Operation of plant and equipment	10,738	10,738	1,379	9,359				
Fixed charges - direct	1,955,840	1,955,840	1,744,237	211,603				
Capital outlay	10,000	10,000	396	9,604				
Special education	3,206,126	3,206,126	2,746,996	459,130				
Food Service					5,712,458	5,712,458	5,739,588	(27,130)
<b>TOTAL EXPENDITURES</b>	<u>9,747,734</u>	<u>9,747,734</u>	<u>9,762,814</u>	<u>(15,080)</u>	<u>5,712,458</u>	<u>5,712,458</u>	<u>5,739,588</u>	<u>(27,130)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	52,964	52,964	(775,200)	(775,200)	(1,177,100)	(401,900)
<b>OTHER FINANCING SOURCES (USES)</b>								
Interfund transfers								
Intrafund transfers			(52,964)	(52,964)				
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-	-	-	(41,400)	(41,400)
<b>FUND BALANCE - JULY 1, 2007</b>	-	-	-	-	386,124	386,124	386,124	
<b>FUND BALANCE - JUNE 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,124</u>	<u>\$ 386,124</u>	<u>\$ 344,724</u>	<u>\$ (41,400)</u>

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**NOTE 19 - BUDGET TO ACTUAL VARIANCES**

***General Fund***

For the year ended June 30, 2008 the General Fund had an overall shortfall of both revenues and expenditures.

An unfavorable variance in Administration is mainly a result of additional unbudgeted legal fees.

Fixed Charges unfavorable budget variation is a result of an additional unbudgeted transfer to the Retiree Insurance Fund.

***Special Revenue Fund - Restricted***

The Restricted Fund had an excess of revenues and expenditures over the budgeted amounts for the year ended June 30, 2008. One reason for the variance is from additional grant funding available to the Board. The expenditures relating to this increase in funding were charged to the three instruction categories within the budget. The reason for the variances among expenditure categories is from the budget being prepared prior to the grants being awarded.

***Special Revenue Fund – Food Service***

The Food Service Special Revenue Fund for the year ended June 30, 2008 had a shortfall in revenues and an excess of expenditures over appropriations.

This negative variance is due mainly to increased costs of food and cleaning supplies due to the state of the economy.

Excess employee benefits also contributed to the overall unfavorable variance.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SCHOOL ACTIVITIES FUND  
INCREASES, DECREASES AND BALANCES BY SCHOOL  
For Year Ended June 30, 2008**

	<u>Balances June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2008</u>
<b>HIGH SCHOOLS</b>				
Allegany	\$ 182,068	\$ 546,990	\$ 536,796	\$ 192,262
Beall	146,097	15,675	161,772	0
Center for Career and Technical Education	70,675	133,321	141,342	62,654
Fort Hill	167,558	527,943	516,689	178,812
Mountain Ridge	970	693,901	489,833	205,038
Westmar	61,711	694	62,405	0
Alternative	1,920	10,640	9,681	2,879
<b>Total High Schools</b>	<u>630,999</u>	<u>1,929,164</u>	<u>1,918,518</u>	<u>641,645</u>
<b>MIDDLE SCHOOLS</b>				
Braddock	35,718	114,431	112,468	37,681
Mount Savage	51,277	142,191	123,670	69,798
Washington	94,687	148,932	155,277	88,342
Westmar	29,933	73,332	66,107	37,158
<b>Total Middle Schools</b>	<u>211,615</u>	<u>478,886</u>	<u>457,522</u>	<u>232,979</u>
<b>ELEMENTARY SCHOOLS</b>				
Beall	42,408	68,098	71,340	39,166
Bel Air	17,993	36,812	32,155	22,650
Cash Valley	38,208	45,678	46,293	37,593
Cresaptown	49,004	45,344	40,968	53,380
Flintstone-school	74,679	65,447	47,093	93,033
Flintstone-McLuckie	397,265	6,500	9,789	393,976
Frost	29,636	47,431	38,893	38,174
Georges Creek	52,986	80,434	75,731	57,689
John Humbird	28,503	41,324	30,528	39,299
Northeast	24,075	51,131	43,968	31,238
Parkside	7,801	52,953	50,796	9,958
South Penn	18,982	58,102	58,243	18,841
West Side	43,044	80,356	89,235	34,165
Westernport	30,968	47,877	51,460	27,385
<b>Total Elementary Schools</b>	<u>855,552</u>	<u>727,487</u>	<u>686,492</u>	<u>896,547</u>
<b>TOTAL SCHOOLS</b>	<u>\$ 1,698,166</u>	<u>\$ 3,135,537</u>	<u>\$ 3,062,532</u>	<u>\$ 1,771,171</u>

**STATEMENT CONCERNING DEBT SERVICE FUND  
FOR PUBLIC SCHOOL CONSTRUCTION**

Board of Education of Allegany County  
Cumberland, Maryland

Our audit of the basic financial statements of the Board of Education of Allegany County as of June 30, 2008 and for the year then ended was intended for the purpose of formulating an opinion on the basic financial statements taken as a whole. The Board of Education of Allegany County has no jurisdiction, direct or indirect, over the Debt Service Fund for Public School Construction, and the fund is, consequently, outside the scope of our audit. Therefore, detailed information with respect to the Debt Service Fund is not included in this report.

Maryland law passed in 1971 provides for payment by the State of all costs, in excess of available federal funds, of all approved public school construction and capital improvements projects in its counties and Baltimore City. In addition, the law provides for payment of principal and interest on debt issued by any subdivision for public school construction, if the debt was outstanding or obligated as of June 30, 1967.

Additional legislation passed during 1973 provides that the State will assume public school costs for debt obligated after June 30, 1967 on construction contracts let prior to July 1, 1967.

*Huber, Michaels + Company*