
BOARD OF EDUCATION OF ALLEGANY COUNTY
FINANCIAL REPORT
AS OF JUNE 30, 2009 AND FOR THE YEAR THEN ENDED

BOARD OF EDUCATION OF ALLEGANY COUNTY

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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, 2009, 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 and 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, 2009, 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

November 3, 2009, 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 should be considered in 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-nine (49) through fifty-one (51), 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.

Heber, Michaels + Company

Cumberland, Maryland
November 3, 2009

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2009

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, 2009 and 2008, 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, two entities meet the criteria qualifying them as component units. The component units are the Allegany County Building Trades Education Foundation Inc. and the Allegany County Public Schools Foundation, Inc. The component units are 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 units are 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 \$4,561,966 (4.46%) during the fiscal year ended June 30, 2009. This increase is mainly attributed to revenues from the State of Maryland and related to school construction as a result of the completion of certain athletic facilities at Mountain Ridge High School.

Total Governmental Funds revenues for the fiscal year ended June 30, 2009, were \$131,822,507. This represents a decrease of \$8,016,018 (5.73%) under the prior fiscal year. While unrestricted state revenues increased \$4,369,979, there was a decrease of \$6,371,105 in school construction revenues mainly related to the completion of Mountain Ridge High School. Due to a reporting change required by the State of Maryland, on behalf of payments by the State for retirement expenses are no longer reported by the Board of Education. This change represents a decrease of \$6,142,125.

Total Governmental Funds expenses for the fiscal year ended June 30, 2009, were \$126,150,308. This represents a decrease of \$5,017,837 (3.83%) under the prior fiscal year. School construction expenses decreased by \$6,202,364 mainly related to the completion of Mountain Ridge High

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School. Due to a reporting change required by the State of Maryland, on behalf of payments by the State for retirement expenses are no longer reported by the Board of Education. This change represents a decrease of \$6,142,125. Other net increases in total expenses of \$7,326,652 are due mainly to increases in restricted grants, program increases and increases in negotiated salaries of all employees.

The Current Expense Fund total fund balance as of June 30, 2009, was \$8,467,468. This represents an increase of \$848,475 (11.14%) from the fund balance as of June 30, 2008.

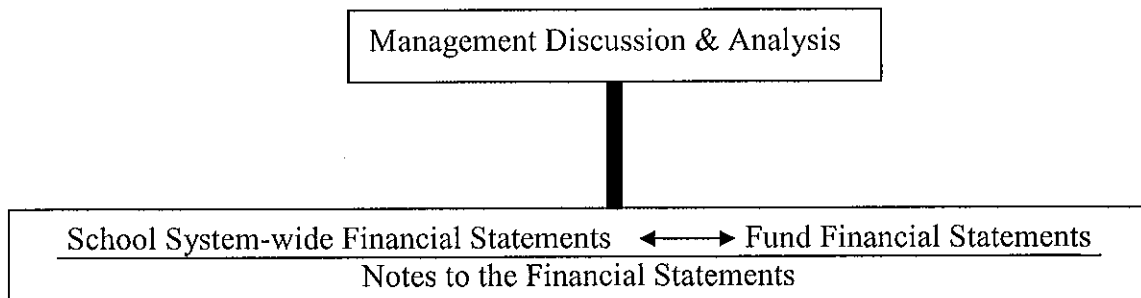
The Current Expense Fund undesignated fund balance as of June 30, 2009, was \$2,917,468. This represents an increase of \$848,475 (41.01%) from the undesignated fund balance as of June 30, 2008. A total of \$5.5 million of fund balance was designated for contingencies. The system will experience a slower rate of growth of state revenues as a result of a change in state funding formulas. This more than likely will cause the system to use the fund balance in its operating budget.

Current Expense Fund revenues exceeded the final budget by \$87,434 (0.08%).

Current Expense Fund expenses and transfers were under budget by \$761,041 (0.72%). This shortfall was mainly due to staffing efficiencies in regular and special education instructional wages.

The unrestricted General Fund budget increased by \$3,411,116 (3.06%) to \$115,000,611 compared to the \$111,589,495 budget for the period ended June 30, 2008.

BASIC FINANCIAL STATEMENTS



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

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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 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

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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 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.

	School System-wide Statements	Fund Statements	Budgetary Fund Statements
Measurement Focus	Economic Resources	Current Financial Resources	Current Financial Resources
Basis of Accounting	Accrual	Modified Accrual	Cash and Commitments
Budget	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, 2009, the School System's net assets increased by \$4,561,966. The increase in net assets is mainly attributed to revenues from the State of Maryland and related to the completion of building a new high school.

The unrestricted portion of net assets at June 30, 2009, of \$7,767,522 is the result of combining the unreserved fund balances of the Governmental Funds with the unreserved fund balances of the Business-type Activities.

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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 \$2,414,598 and is the amount we expect to pay beyond June 30, 2010. Historically, this liability was funded on a "pay as you go" basis from available current financial resources. This method is expected to continue.

	Total Cost of Services			Net Cost of Services		
	June 30, 2009	June 30, 2008	% Change	June 30, 2009	June 30, 2008	% Change
Administration	\$ 2,766,346	\$ 2,209,549	25.20%	\$ 2,697,077	\$ 2,199,798	22.61%
Mid-level administration	7,231,366	6,791,104	6.48%	6,896,887	6,468,530	6.62%
Instruction (regular and special education)	66,727,725	62,034,595	7.57%	58,628,388	54,480,206	7.61%
Student personnel and health services	1,215,160	1,109,940	9.48%	1,149,689	1,048,767	9.62%
Student transportation	5,901,804	5,980,876	-1.32%	5,785,204	5,911,961	-2.14%
Operation, maintenance and capital outlay	10,031,111	10,246,501	-2.10%	9,251,669	2,252,737	310.69%
Fixed charges	23,322,768	28,232,442	-17.39%	21,103,832	20,044,712	5.28%
Food service	5,514,623	5,625,949	-1.98%	1,080,503	1,081,233	-0.07%
Depreciation & other	4,695,035	4,278,708	9.73%	4,695,035	4,278,708	9.73%
Total	\$ 127,405,938	\$ 126,509,664	0.71%	\$ 111,288,284	\$ 97,766,652	13.83%

Results of operations for the School System as a whole are presented in the Statement of Activities. The cost of all governmental activities is \$127,405,938, of which \$1,563,757 was financed by users of the School System's programs. Grants and contributions from Federal and State governments for certain programs were \$14,553,897. This left a net cost of services of \$111,288,284.

The School System is fiscally dependent on local and state aid to fund its daily operations. Over 86% 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 11% of the School System's funding.

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**Management's Discussion and Analysis (MD&A)
June 30, 2009**

Condensed Statement of Net Assets

	Governmental Activities			Business-type Activities			Total School System		
	June 30, 2009	June 30, 2008	% Change	June 30, 2009	June 30, 2008	% Change	June 30, 2009	June 30, 2008	% Change
Current and other assets	\$ 37,714,305	\$ 34,941,687	7.93%	\$ 172,303	\$ 175,828	-2.00%	\$ 37,886,608	\$ 35,117,513	7.89%
Capital assets	92,098,851	89,955,988	2.38%	233,262	186,705	24.94%	92,332,113	90,142,693	2.43%
Total Assets	\$ 129,813,156	\$ 124,897,675	3.94%	\$ 405,565	\$ 362,531	11.87%	\$ 130,218,721	\$ 125,260,206	4.95%
Current and other liabilities	\$ 20,836,726	\$ 20,319,318	2.55%	\$ 20,872	\$ 28,306	-26.26%	\$ 20,857,598	\$ 20,347,624	2.51%
Long-term liabilities	2,414,598	2,328,023	4.49%				2,414,598	2,528,023	-4.48%
Total Liabilities	\$ 23,251,324	\$ 22,647,341	1.77%	\$ 20,872	\$ 28,306	-26.26%	\$ 23,272,196	\$ 22,875,647	396,549
Net assets:									
Invested in capital assets, net of related debt	\$ 92,098,851	\$ 89,955,988	2.38%	\$ 233,262	\$ 186,705	24.94%	\$ 92,332,113	\$ 90,142,693	2.43%
Restricted	6,846,890	5,293,725	29.34%	151,431	147,520	2.65%	6,846,890	5,293,725	29.34%
Unrestricted	7,616,091	6,800,621	11.99%	384,693	334,225	15.10%	7,767,522	6,948,141	11.79%
Total Net Assets	\$ 106,561,832	\$ 102,050,334	4.42%	\$ 810,481	\$ 728,264	11.29%	\$ 106,946,525	\$ 102,384,559	4.56%

Changes in Net Assets from Operating Results

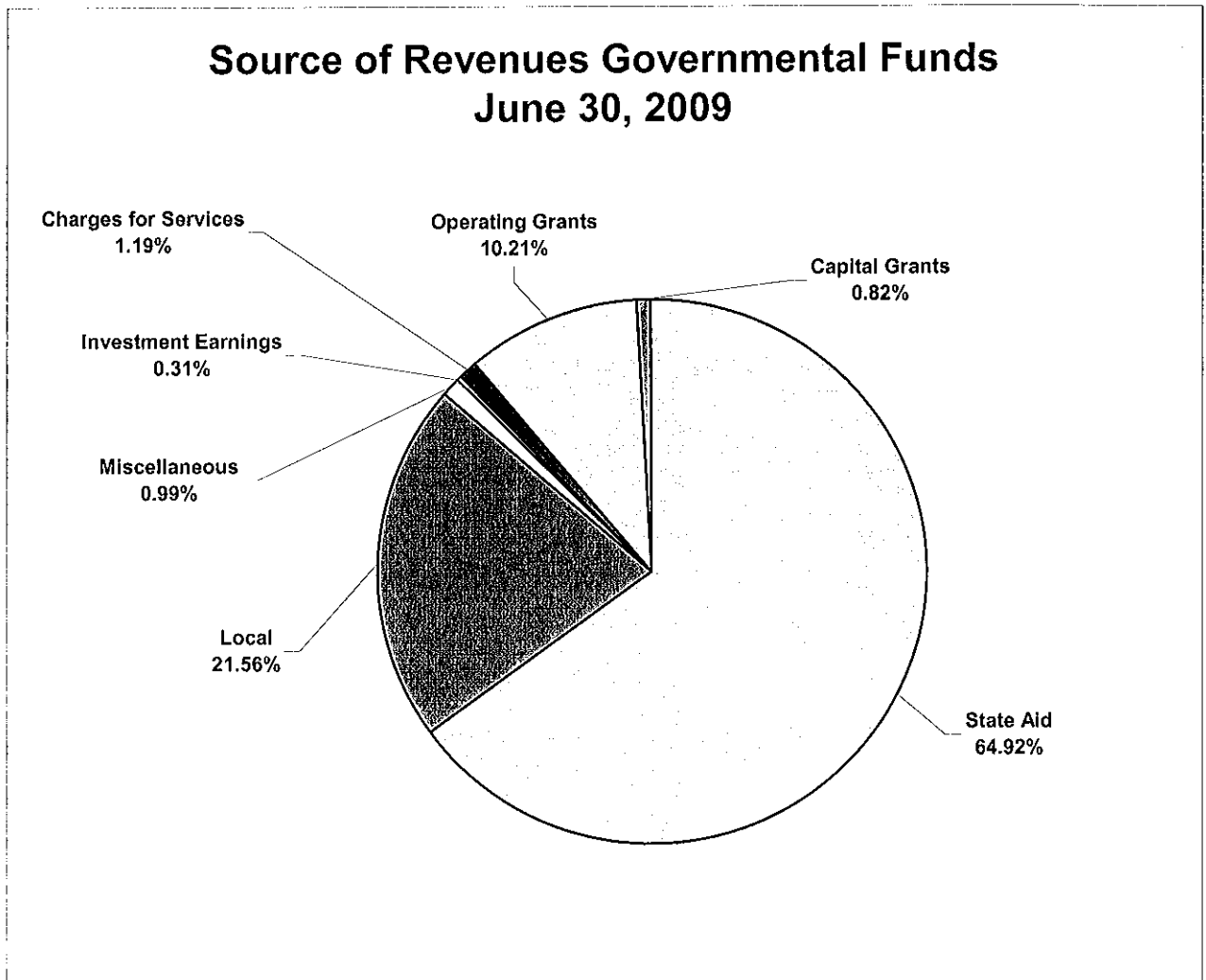
	Governmental Activities			Business-type Activities			Total School System		
	June 30, 2009	June 30, 2008	% Change	June 30, 2009	June 30, 2008	% Change	June 30, 2009	June 30, 2008	% Change
Program revenues:									
Charges for services	\$ 1,563,757	\$ 1,713,880	-8.76%	\$ 789,978	\$ 707,844	11.60%	\$ 2,353,735	\$ 2,421,724	-2.81%
Operating grants and contributions	13,477,136	18,891,660	-28.66%				13,477,136	18,891,660	-28.66%
Capital grants and contributions	1,076,761	8,137,472	-86.77%				1,076,761	8,137,472	-86.77%
General revenues:									
County government	28,450,000	28,380,000	0.25%				28,450,000	28,380,000	0.25%
Grants and contributions(unrestricted)	86,688,124	81,288,145	5.38%				86,688,124	81,288,145	5.38%
Other	1,691,658	(1,180,933)	-245.72%	20,503	20,420	0.41%	1,712,161	(1,140,513)	-250.12%
Total Revenues	\$ 131,917,436	\$ 137,250,224	-3.89%	\$ 810,481	\$ 728,264	11.29%	\$ 132,727,917	\$ 137,978,468	5,250,571
Administration	\$ 2,766,346	\$ 2,209,549	25.20%				2,766,346	2,209,549	25.20%
Mid-level administration	7,231,366	6,791,104	6.48%				7,231,366	6,791,104	6.48%
Instruction(regular and special education)	66,727,725	62,034,595	7.57%				66,727,725	62,034,595	7.57%
Student personnel and health services	1,215,160	1,109,940	9.46%				1,215,160	1,109,940	9.48%
Student transportation	5,901,804	5,980,876	-1.32%				5,901,804	5,980,876	-1.32%
Operation, maintenance and capital outlay	10,031,111	10,246,501	-2.10%				10,031,111	10,246,501	-2.10%
Fixed charges	23,322,768	28,232,442	-17.38%				23,322,768	28,232,442	-17.39%
Food service	5,514,623	5,625,949	-1.96%				5,514,623	5,625,949	-1.98%
Depreciation & other	4,695,035	4,278,708	9.73%				4,695,048	4,992,381	-9.27%
Total Expenses	\$ 127,405,938	\$ 126,509,664	0.71%	\$ 760,013	\$ 713,673	6.49%	\$ 128,165,951	\$ 127,223,337	942,614
Increase(decrease) in Net Assets	\$ 4,511,498	\$ 10,740,580	58.00%	\$ 50,468	\$ 14,591	-245.88%	\$ 4,561,966	\$ 10,755,151	57.58%

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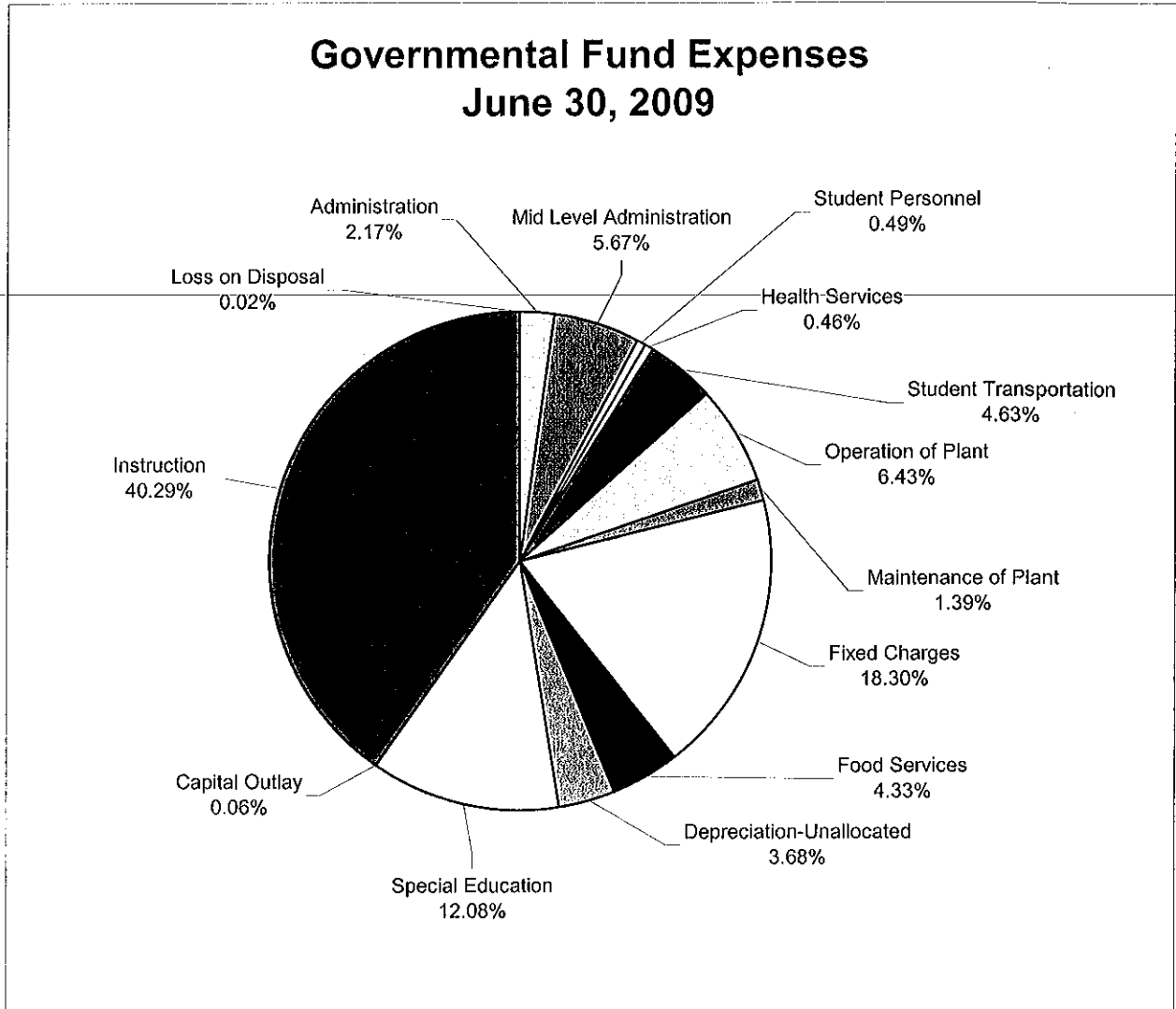
GENERAL FUND (CURRENT EXPENSE) BUDGETARY HIGHLIGHTS

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.



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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, 2009, is presented below. The net change resulted in a \$200,000 increase.

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	Original Budget	Final Budget	Additions	Reductions	Total Change
County Appropriation	\$ 28,450,000	\$ 28,450,000	\$	\$	\$
State	85,518,375	85,518,375			
Federal	350,000	350,000			
Local	278,236	278,236			
Earnings on investments	202,000	202,000			
Other Sources	2,000	202,000	200,000		200,000
Total Revenues	\$ 114,800,611	\$ 115,000,611	\$ 200,000	\$	\$ 200,000
Administration	\$ 2,353,187	\$ 2,446,637	\$ 93,450	\$	\$ 93,450
Mid-Level Administration	7,089,660	6,909,660		180,000	(180,000)
Instructional Salaries	42,779,349	41,323,500		1,455,849	(1,455,849)
Textbooks	3,739,894	3,546,894	60,000	253,000	(193,000)
Other Instructional Costs	2,335,041	2,546,041	263,000	52,000	211,000
Special Education	13,109,041	12,309,041		800,000	(800,000)
Student Personnel Services	549,657	561,787	12,130		12,130
Student Health Services	622,318	622,318			
Student Transportation	6,307,926	5,947,319		360,607	(360,607)
Operation of Plant	9,406,657	8,886,657		520,000	(520,000)
Maintenance of Plant	1,858,044	1,769,843		88,201	(88,201)
Fixed Charges	21,742,395	21,999,472	1,100,000	842,923	257,077
Food Services	800,200	1,000,200	200,000		200,000
Capital Outlay	2,107,242	5,131,242	3,024,000		3,024,000
Total Expenditures	\$ 114,800,611	\$ 115,000,611	\$ 4,752,580	\$ 4,552,580	\$ 200,000

Local and state revenues account for over 99% 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, 2009 as a supplement to the narrative discussion below the chart.

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Unrestricted General Fund Budget to Actual Variances

Budget Variance Descriptions:

	Positive (Negative)	
Revenues:		
Medicare Part D	(37,582)	
Special Education Private Placements	139,748	
Other Revenue Variances	<u>(14,732)</u>	
Total Revenue Variances		\$ 87,434
Expenditures and Interfund Transfers:		
Savings in FICA	203,126	
Retiree Health Benefit Savings	200,138	
Instructional Travel	46,685	
Private Placements	(319,764)	
Utility Savings	173,166	
Instructional and Special Education Labor Savings	502,973	
Other expenditure variances	<u>(45,283)</u>	
Total Expenditures and Interfund Transfers Variances		<u>761,041</u>
Total Positive Variance - Unrestricted General Fund		<u>\$ 848,475</u>

Revenues:

For the year ended June 30, 2009, total unrestricted general fund revenues resulted in a positive variance of \$87,434.

Medicare Part D revenues show an unfavorable variance of \$37,582. 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.

Special education private placement revenue was up due to having more students qualifying for special placement. There was a positive budget variance of \$139,748. The increase is mainly due to more students being served and the split between the local board and the state. The budget for Special Education private placement is an estimate based on the anticipated state formula and number of students served.

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Other revenues were under budgeted amounts creating a net unfavorable variance in the amount of \$14,732.

Expenditures and Inter-fund transfers:

For the year ended June 30, 2009, total unrestricted general fund expenditures resulted in a positive variance of \$761,041.

The school system manages closely its labor costs. Labor savings due to fewer positions being needed resulted in savings of \$502,973. The special education budget category is where the largest savings in labor compared to budget resulted. Budgeting special education is particularly challenging due to the changes in the student population and the changing needs of the students. Grants in special education are sometimes able to absorb charges that are budgeted locally. Overall, lower labor costs resulted in lower FICA expenditures by \$203,126.

The system is self insured for employee and retiree medical charges. Retirees are eligible for retiree benefits through a retiree subsidy program that ended June 30, 2002. In this program retirees receive an annual check. A newer program called the Retiree Insurance Fund was established July 1, 2002 in which retirees qualify for a benefit based upon years of experience. Participants are eligible to be reimbursed if they buy their insurance from another carrier and can show proof of purchase. The savings in retiree health benefits was the result of retirees not receiving as large of a benefit based upon lower reimbursable insurance costs.

The system entered into a new travel program where vehicles are rented rather than reimbursing at the IRS standard mileage rate as negotiated in employee contracts. This program has proved very beneficial and has decreased travel by almost 50% for trips to Baltimore and Annapolis where most state meetings are held.

With the increase in revenue in special education non-public placements, an increase in cost associated with those students resulted in an unfavorable budget variance of \$319,764. The cost for these students is split between the local board and the state based upon a formula for students in the program.

The system employs an energy manager to help the system consume energy efficiently by stressing efficient building shut down and start up procedures. The energy management program has expanded with focusing not only on energy usage, but how the system purchases energy. The system has entered into a purchasing cooperative for electricity and actively manages natural gas purchases by locking in prices with an energy advisor. The system benefited from falling energy prices during the fiscal year. Utility savings resulted in a favorable variance of \$173,166.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the School System had \$166,476,636 invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment. Capital assets increased \$7,011,215 from the same time last year, net of disposals. The total net cost of assets after depreciation was \$92,332,113. Total depreciation expense for the year ended June 30, 2009 was \$5,331,899.

The system and the foundation are jointly continuing in their \$10 million fundraising efforts to renovate and upgrade athletic fields at high school campuses. Work is scheduled to begin in November 2009 on the largest project at Greenway Avenue Stadium.

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 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, and 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.

THE BOARD OF EDUCATION OF ALLEGANY COUNTY
Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2009

Beginning in fiscal year 2003, State government enacted the Bridge to Excellence in Public Schools Act (the Act). The Act provided increased funding to all public schools. In 2007 the Act was changed to reduce the rate of increase of state expenditures. Currently, the state budget has a structural deficit. State law requires a balanced budget each year for state government. The state currently pays the employer's share of teacher pensions on behalf of the school system. Several proposals have been offered to shift this cost either to the county government or to the local school system. Since a majority of the funding for the school system comes from the state government, factors impacting the state budget could eventually impact the local school system. The ability to secure additional funding from the county government is limited since Allegany County is the poorest jurisdiction in the state of Maryland as measured by wealth per pupil.

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 school system is undertaking a comprehensive feasibility study of the secondary schools in the city of Cumberland. A feasibility study is needed for school construction projects that seek state funding. The study is expected to be completed in early 2010. The system has two capital improvement projects to renovate two middle schools within the city of Cumberland with an approximate cost of \$56 million. The system was required to fund part of the construction of Mountain Ridge High School by county government for costs exceeding a stated dollar amount. All costs funded by the school system were not eligible for state funding.

The system has implemented a new accounting 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, not disclosures and required supplementary information in the financial reports of state and local government 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 joined the Maryland Association of Boards of Education OPEB trust. This trust is a multi employer trust for public school systems in Maryland that wish to join the trust. There are nine jurisdictions that have chosen to participate. Management feels the trust gives the system access to investment possibilities and investment management that otherwise would not have been available to the organization if it had its own trust. The system has chosen to fund the GASB 45 accounting standard.

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

**Management's Discussion and Analysis (MD&A)
June 30, 2009**

**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, 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, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Allegany County Public Schools Foundation, Inc.	Allegany County Building Trades Education Foundation, Inc.
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 15,451,896	\$ -	\$ 15,451,896	\$ 534,653	\$ 238,981
Investments	20,003,167		20,003,167		
Accounts receivable	2,213,182	2,340	2,215,522	5,840	
Pledges receivable				86,040	
Accrued interest receivable			-		
Inventory	216,023		216,023		
Internal balances	(169,963)	169,963	-		
Total Current Assets	37,714,305	172,303	37,886,608	626,533	238,981
Noncurrent Assets:					
Pledges receivable				150,100	
Non-depreciable capital assets	5,329,064	58,051	5,387,115		121,938
Depreciable capital assets, net of depreciation	86,769,787	175,211	86,944,998		
Total Noncurrent Assets	92,098,851	233,262	92,332,113	150,100	121,938
TOTAL ASSETS	\$ 129,813,156	\$ 405,565	\$ 130,218,721	\$ 776,633	\$ 360,919
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 6,115,534	\$ 6	\$ 6,115,540	\$ -	\$ -
Salaries and benefits payable	1,450,214	20,866	1,471,080		
Deferred revenues	2,376,471		2,376,471		
Accrued hospital insurance	8,915,047		8,915,047		
Current portion of long-term debt	123,404		123,404		
Other current liabilities	1,856,056		1,856,056		
Total Current Liabilities	20,836,726	20,872	20,857,598	-	-
Noncurrent Liabilities:					
Long-term portion of compensated absences	2,414,598		2,414,598		
TOTAL LIABILITIES	23,251,324	20,872	23,272,196	-	-
NET ASSETS					
Invested in capital assets, net of related debt	92,098,851	233,262	92,332,113		
Restricted for:					
Capital projects	6,630,867		6,630,867	750,677	
Food inventories	216,023		216,023		
Other			-	15,712	
Unrestricted	7,616,091	151,431	7,767,522	10,244	360,919
TOTAL NET ASSETS	106,561,832	384,693	106,946,525	776,633	360,919
TOTAL LIABILITIES & NET ASSETS	\$ 129,813,156	\$ 405,565	\$ 130,218,721	\$ 776,633	\$ 360,919

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, 2009

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Total	Allegany County Public Schools Foundation, Inc.	Allegany County Building Trades Education Foundation, Inc.
Primary government								
Governmental activities:								
Administration	\$ 2,766,346	\$ -	\$ 53,711	\$ 15,558	\$ (2,697,077)	\$ (2,697,077)	\$ -	\$ -
Mid-level administration	723,136		334,479		(6,896,887)	(6,896,887)		
Instruction - salaries	44,735,242		3,415,874		(41,319,368)	(41,319,368)		
Instruction - textbooks & instructional supplies	3,935,169		471,959		(3,463,210)	(3,463,210)		
Instruction - other	2,662,649		869,477	180,135	(1,613,037)	(1,613,037)		
Student personnel services	625,977		64,147		(561,830)	(561,830)		
Health services	589,183		1,324		(587,859)	(587,859)		
Student transportation	5,901,804		116,600		(5,785,204)	(5,785,204)		
Operation of plant and equipment	8,190,289		1,258		(8,189,031)	(8,189,031)		
Maintenance of plant	1,769,121				(1,769,121)	(1,769,121)		
Fixed charges	23,322,768		2,218,936	778,184	(21,103,832)	(21,103,832)		
Capital outlay	71,701		-		706,483	706,483		
Special education	15,394,665		3,161,892		(12,232,773)	(12,232,773)		
Food Service	5,514,623	1,563,737	2,767,479	102,884	(1,080,503)	(1,080,503)		
Unallocated depreciation expense	4,695,035	1,563,737			(4,695,035)	(4,695,035)		
Total Governmental Activities	127,405,938	13,477,136	13,477,136	1,076,761	(111,288,284)	(111,288,284)	-	-
Business-type activities:								
ALCONET	26,209	64,000			37,791	37,791		
Information Technology	733,804	725,978			(7,826)	(7,826)		
Total Business-type Activities	760,013	789,978	-	-	29,965	29,965	-	-
Total Primary Government	\$ 128,165,951	\$ 2,357,735	\$ 13,477,136	\$ 1,076,761	\$ (111,288,284)	\$ (111,288,284)	\$ -	\$ -
Component unit								
Allegany County Public Schools Foundation, Inc.	263,204		24,891	210,621			(27,692)	14,660
Allegany County Building Trades Education Foundation, Inc.	61,432		76,092					
Total Component Unit	\$ 324,636	\$ -	# \$ 100,983	\$ 210,621	\$ -	\$ -	\$ (27,692)	\$ 14,660
General Revenues:								
County appropriation:								
Regular								
Grants, subsidies, and contributions not restricted					28,450,000	28,450,000		
Investment earnings					85,658,124	85,658,124		
Miscellaneous income					414,113	414,113	7,494	213
Loss on disposal of fixed assets					1,304,039	1,324,542		
					(26,494)	(26,494)		
Total General Revenues, Special Items, Extraordinary Items and Transfers					115,799,782	115,820,285	7,494	213
Change in Net Assets					4,511,498	4,561,966	(20,198)	14,873
Net Assets - July 1, 2008					102,050,334	102,384,559	796,831	346,046
Net Assets - June 30, 2009					\$ 106,561,832	\$ 106,946,525	\$ 776,633	\$ 360,919

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

BOARD OF EDUCATION OF ALLEGANY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	School Construction	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,232,111	\$ -	\$ 27,741	\$ 2,192,044	\$ 15,451,896
Investments	18,003,167			2,000,000	20,003,167
Accounts receivable	795,480	768,604	61,285	587,813	2,213,182
Inventory - food			216,023		216,023
Internal receivables		1,909,816		3,646,829	5,556,645
TOTAL ASSETS	32,030,758	2,678,420	305,049	8,426,686	43,440,913
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	537,556	104,257	6,218	284,930	932,961
Salaries and benefits payable	1,227,267	197,692	25,255		1,450,214
Internal payables	10,908,712		469		10,909,181
Deferred revenues		2,376,471			2,376,471
Accrued hospital insurance	8,915,047				8,915,047
Current portion of long-term debt	123,404				123,404
Other current liabilities	1,851,304		4,752		1,856,056
TOTAL LIABILITIES	23,563,290	2,678,420	36,694	284,930	26,563,334
FUND BALANCES					
Reserved for food inventories			216,023		216,023
Reserved for capital projects				6,630,867	6,630,867
Unreserved - designated for unemployment benefits	50,000				50,000
Unreserved - designated for contingencies	5,500,000				5,500,000
Unreserved - undesignated					
General Fund	2,917,468				2,917,468
Special Revenue Fund - Food Service			52,332		52,332
Capital Projects Fund				1,510,889	1,510,889
TOTAL FUND BALANCES	8,467,468	-	268,355	8,141,756	16,877,579
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,030,758	\$ 2,678,420	\$ 305,049	\$ 8,426,686	\$ 43,440,913

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, 2009

Total Fund Balances - Governmental Funds **\$ 16,877,579**

**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 \$165,764,719 and the accumulated depreciation is \$73,665,868. 92,098,851

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. (2,414,598)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 106,561,832**

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, 2009

	General Fund (Current Expense) Unrestricted	(Current Expense) Restricted	Food Service	School Construction	Total Governmental Funds
REVENUES					
County - regular appropriation	\$ 28,450,000	\$ 2,250	\$ -	\$ 109,693	\$ 28,561,943
State - direct	85,658,124	1,311,975	194,325	354,489	87,518,913
Federal - direct	312,418		297,472		609,890
- received through State		7,836,580	2,378,566		10,215,146
- received through Pass-Thru Agency		1,197,408		314,002	1,511,410
Other revenue	667,503	112,851	1,589,748	1,035,103	3,405,205
TOTAL REVENUES	115,088,045	10,461,064	4,460,111	1,813,287	131,822,507
EXPENDITURES					
Administration	2,488,741	69,269			2,558,010
Mid-level administration	6,896,887	334,479			7,231,366
Instruction - salaries	41,432,793	3,415,874			44,848,667
Instruction - textbooks & instructional supplies	3,463,210	471,959			3,935,169
Instruction - other	2,417,723	1,049,612			3,467,335
Student personnel services	561,830	64,147			625,977
Health services	587,859	1,324			589,183
Student transportation	6,025,103	116,600			6,141,703
Operation of plant and equipment	8,531,246	1,258			8,532,504
Maintenance of plant	1,778,879				1,778,879
Fixed charges	17,937,393	1,906,518			19,843,911
Capital outlay	219,184			5,397,075	5,616,259
Special education	12,232,773	3,161,892			15,394,665
Food Service			5,586,680		5,586,680
TOTAL EXPENDITURES	104,573,621	10,592,932	5,586,680	5,397,075	126,150,308
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,514,424	(131,868)	(1,126,569)	(3,583,788)	5,672,199
OTHER FINANCING SOURCES (USES)					
Interfund transfers	(9,545,949)	(50,000)	1,050,200	5,066,892	(3,478,857)
Intrafund transfers	(120,000)	181,868			61,868
TOTAL OTHER FINANCING SOURCES (USES)	(9,665,949)	131,868	1,050,200	5,066,892	(3,416,989)
NET CHANGE IN FUND BALANCES	848,475	-	(76,369)	1,483,104	2,255,210
FUND BALANCE - JULY 1, 2008	7,618,993	-	344,724	6,658,652	14,622,369
FUND BALANCE - JUNE 30, 2009	\$ 8,467,468	\$ -	\$ 268,355	\$ 8,141,756	\$ 16,877,579

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, 2009

Total Net Change in Fund Balance - Governmental Funds \$ 2,255,210

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

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 \$113,425. 113,425

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	5,281,592	
	Capital Outlays	<u>7,459,894</u>	2,178,302

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 \$35,439. (35,439)

TOTAL CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,511,498

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, 2009

	<u>Information Technology Fund</u>	<u>Allconet Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Accounts receivable	\$ 150	\$ 2,190	\$ 2,340
Internal receivables	<u>130,520</u>	<u>39,443</u>	<u>169,963</u>
Total Current Assets	<u>130,670</u>	<u>41,633</u>	<u>172,303</u>
Noncurrent Assets:			
Construction in progress	58,051		58,051
Machinery and equipment, net of depreciation	<u>104,209</u>	<u>71,002</u>	<u>175,211</u>
Total Noncurrent Assets	<u>162,260</u>	<u>71,002</u>	<u>233,262</u>
TOTAL ASSETS	<u>292,930</u>	<u>112,635</u>	<u>405,565</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	6	6
Salaries and benefits payable	<u>20,866</u>		<u>20,866</u>
Total Current Liabilities	<u>20,866</u>	<u>6</u>	<u>20,872</u>
TOTAL LIABILITIES	<u>20,866</u>	<u>6</u>	<u>20,872</u>
NET ASSETS			
Invested in capital assets, net of related debt	162,260	71,002	233,262
Unrestricted	<u>109,804</u>	<u>41,627</u>	<u>151,431</u>
TOTAL NET ASSETS	<u>272,064</u>	<u>112,629</u>	<u>384,693</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 292,930</u>	<u>\$ 112,635</u>	<u>\$ 405,565</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, 2009

	<u>Information Technology Fund</u>	<u>Allconet Fund</u>	<u>Total</u>
OPERATING REVENUES			
County - regular appropriation	\$ 360,334	\$ -	\$ 360,334
- special appropriation	-		-
Other sources	<u>15,310</u>	<u>64,000</u>	<u>79,310</u>
Total Operating Revenues	<u>375,644</u>	<u>64,000</u>	<u>439,644</u>
OPERATING EXPENSES			
Salaries and wages	454,827		454,827
Contracted services	109,577	4,475	114,052
Supplies and materials	17,150	21	17,171
Other charges	117,581	69	117,650
Equipment replacement	4,960	1,049	6,009
Depreciation	<u>29,709</u>	<u>20,595</u>	<u>50,304</u>
Total Operating Expenses	<u>733,804</u>	<u>26,209</u>	<u>760,013</u>
Operating Income (Loss)	(358,160)	37,791	(320,369)
NON-OPERATING REVENUE			
Transfers	350,334		350,334
Other revenue	<u>20,503</u>		<u>20,503</u>
Total Non-operating Revenues	<u>370,837</u>	<u>-</u>	<u>370,837</u>
Change in Net Assets	12,677	37,791	50,468
TOTAL NET ASSETS - JULY 1, 2008	<u>259,387</u>	<u>74,838</u>	<u>334,225</u>
TOTAL NET ASSETS - JUNE 30, 2009	<u>\$ 272,064</u>	<u>\$ 112,629</u>	<u>\$ 384,693</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, 2009**

	<u>Information Technology Fund</u>	<u>Allconet Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 370,687	\$ 61,810
Cash received from quasi-external operation transactions with other funds	350,334	-
Cash paid to suppliers	(236,072)	(5,608)
Cash payments to employees	(450,150)	-
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	34,799	56,202
	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in due to/from other funds	38,752	(32,889)
	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of equipment	(73,551)	(23,313)
	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(73,551)	(23,313)
	<hr/>	<hr/>
Net change in Cash	-	-
Cash and cash equivalents, beginning of year	-	-
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ -	\$ -
	<hr/>	<hr/>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 12,677	\$ 37,791
Adjustments to reconcile change in nets assets to net cash provided by operations:		
Depreciation	29,709	20,595
Change in assets and liabilities		
Decrease (increase) in account receivable	(150)	(2,190)
Increase (decrease) in accounts payable	(12,114)	6
Increase (decrease) salaries & benefits payable	4,677	-
	<hr/>	<hr/>
Total Adjustments	22,122	18,411
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$ 34,799	\$ 56,202
	<hr/>	<hr/>

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, 2009

	<u>School Activities</u>	<u>Retiree Insurance Benefit Plan</u>	<u>Shared Grants</u>	<u>Retiree Health Plan Trust</u>	<u>Total Fiduciary Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,347,169	\$ -	\$ -	\$ 558,575	\$ 1,905,744
Investments	581,436	4,263,833			4,845,269
Accounts receivable	34,710				34,710
Internal receivables		5,182,572			5,182,572
TOTAL ASSETS	<u>1,963,315</u>	<u>9,446,405</u>	<u>-</u>	<u>558,575</u>	<u>11,968,295</u>
LIABILITIES					
Accounts payable	31,925	5,402			37,327
Deferred revenue	1,931,390				1,931,390
Internal payables					-
TOTAL LIABILITIES	<u>1,963,315</u>	<u>5,402</u>	<u>-</u>		<u>1,968,717</u>
NET ASSETS					
Designated for future retiree benefits		9,441,003			9,441,003
Held in trust for retiree health plan benefits				558,575	558,575
TOTAL NET ASSETS	<u>-</u>	<u>9,441,003</u>	<u>-</u>	<u>558,575</u>	<u>9,999,578</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,963,315</u>	<u>\$ 9,446,405</u>	<u>\$ -</u>	<u>\$ 558,575</u>	<u>\$ 11,968,295</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, 2009

	<u>School Activities</u>	<u>Retiree Insurance Benefit Plan</u>	<u>Shared Grants</u>	<u>Retiree Health Plan Trust</u>	<u>Total Fiduciary Funds</u>
ADDITIONS					
Student activity revenues	\$ 2,755,911	\$ -	\$ -	\$ -	\$ 2,755,911
Transfers		3,478,857			3,478,857
Earnings on investment		279,658		41,775	321,433
Grants received on behalf of others			51,459		51,459
Contributions				525,019	525,019
<hr/>					
DEDUCTIONS					
Student activity expenses	2,755,911				2,755,911
Retiree benefits		750,141			750,141
Grants passed to other agencies			51,459		51,459
Administrative expenses				8,219	8,219
Other		1,125			1,125
					<hr/>
CHANGE IN NET ASSETS	-	3,007,249	-	558,575	3,565,824
NET ASSETS - JULY 1, 2008	<hr/> -	<hr/> 6,433,754	<hr/> -	<hr/> -	<hr/> 6,433,754
NET ASSETS - JUNE 30, 2009	<hr/> <u>\$ -</u>	<hr/> <u>\$ 9,441,003</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 558,575</u>	<hr/> <u>\$ 9,999,578</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. and the Allegany County Building Trades Education Foundation, Inc. have been identified as component units 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 Building Trades Education Foundation Inc. is a legally, separate tax-exempt entity that have students with the assistance of local contractors and trade unions, build houses as part of their curriculum. The proceeds from the sale of these houses will be used to purchase materials for construction of additional houses and materials and equipment for other instructional programs at the Career Center. Because of the Foundation's relationship with the Board of Education, the organization meets the criteria of a component unit of the board as set forth in Governmental Accounting Standards Board (GASB 30). Therefore, the organization is discretely present in the Board's financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY (Continued)

Both the Allegany County Public Schools Foundation, Inc. and the Allegany County Building Trades Education Foundation Inc. are a public nonprofit organizations that report 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.

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

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

The Allegany County Building Trades Education 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).

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

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, are 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.

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.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Fund Types (Continued)

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.

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.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Fund Type (Continued)

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.

Retiree Health Plan Trust

The Retiree Health Plan Trust is used to account for assets held in trust for future retirees' medical expenses.

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.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

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 (i.e., revenues) and decreases (i.e., 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 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.

BOARD OF EDUCATIONS OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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 EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Encumbrances (Continued)

At June 30, 2009, \$ 6,630,867 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, 2009 is \$216,023.

I. Compensated Absences

Accumulated earned vacation time is accrued when incurred. At June 30, 2009, \$1,720,385 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, 2009, \$123,404 has been accrued as the current portion of this liability on the Fund Balance Sheet. The long-term portion of \$2,414,598 has been recorded in the government-wide statement of net assets. Total compensated absences decreased in the current year by \$113,425 over the prior year total of \$2,528,023.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

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.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

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.

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.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Credit Risk

As of June 30, 2009, the Board has recorded receivables from various governmental units. As these receivables are believed to be completely collectable, 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.

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 \$297,472. 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.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance 6/30/08</u>	<u>Additions</u>	<u>Disposals and Transfers</u>	<u>Balance 6/30/09</u>
Governmental Activities				
Non-depreciable assets:				
Land	\$ 4,002,794	\$ -	\$ -	\$ 4,002,794
Construction-in-progress	3,031,191	1,075,343	(2,780,264)	1,326,270
Total Non-depreciable assets	<u>7,033,985</u>	<u>1,075,343</u>	<u>(2,780,264)</u>	<u>5,329,064</u>
Depreciable assets:				
Land Improvements	2,605,798	3,799,453	-	6,405,251
Buildings and Improvements	138,255,266	2,519,315	-	140,774,581
Furniture, Equipment, and Vehicles	10,955,319	2,846,047	(545,543)	13,255,823
Total Depreciable assets	<u>151,816,383</u>	<u>9,164,815</u>	<u>(545,543)</u>	<u>160,435,655</u>
Less accumulated depreciation:				
Land Improvements	(155,454)	(252,239)	-	(407,693)
Buildings and Improvements	(63,416,068)	(3,810,220)	-	(67,226,288)
Furniture, Equipment, and Vehicles	(5,322,858)	(1,219,133)	510,104	(6,031,887)
Total accumulated depreciation	<u>(68,894,380)</u>	<u>(5,281,592)</u>	<u>510,104</u>	<u>(73,665,868)</u>
Total capital assets being depreciated	<u>82,922,003</u>	<u>3,883,223</u>	<u>(35,439)</u>	<u>86,769,787</u>
Governmental Activities Capital Assets, Net	<u>\$ 89,955,988</u>	<u>\$ 4,958,566</u>	<u>\$ (2,815,703)</u>	<u>\$ 92,098,851</u>
 Business-Type Activities				
Non-depreciable assets:				
Construction-in-progress	-	58,051	-	58,051
Total Non-depreciable assets	<u>-</u>	<u>58,051</u>	<u>-</u>	<u>58,051</u>
Depreciable assets:				
Furniture, Equipment, and Vehicles	\$ 615,053	\$ 38,813	\$ -	\$ 653,866
Less accumulated depreciation	(428,348)	(50,307)	-	(478,655)
Business-Type Activities Capital Assets, Net	<u>\$ 186,705</u>	<u>\$ 46,557</u>	<u>\$ -</u>	<u>\$ 233,262</u>

* Depreciation was charged to governmental functions as follows:

Administration	\$ 184,987
Student transportation	176,931
Operation of plant and equipment	54,209
Maintenance of plant	139,603
Food Service	30,827
Unallocated	4,695,035
Total Depreciation Expense	<u>\$ 5,281,592</u>

The insurance value of capital assets as of June 30, 2009 is \$346,783,616.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

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 5% of earnable compensation. 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 11.26% and 7.37% 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, 2009, 2008, 2007, 2006, and 2005 were \$ 955,884, \$993,118, \$866,800, \$758,376, and \$792,988 respectively, equal to the required contributions for each year.

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 \$204,372 in programs and projects to the Board's students.

NOTE 8 - CASH AND INVESTMENTS

Deposits

At June 30, 2009, the carrying amount of the Board's bank deposits was \$12,690,675 and the various bank balances were \$14,119,543. Of the bank balances, \$13,935,634 was covered by depository insurance and \$183,909 was covered by collateral held at various banks in the Board's name. Total market value of these pledged securities at June 30, 2009 was \$4,949,341. Included in cash and cash equivalents is \$3,758,132 of money market funds invested in U.S government obligations.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CASH AND INVESTMENTS (Continued)

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, 2009, 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	24,848,436	31,854	20,554,719	4,241,863	20,000

Of the Board's investments in certificates of deposits, \$16,812 was covered by federal depository insurance and \$24,831,624 was uninsured but collateralized by securities held by the counterparty's trust department.

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 OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CASH AND INVESTMENTS (Continued)

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, 2009 was \$31,971 and the bank balance was \$32,566. The entire bank balance was covered by federal depository insurance. Included in cash and cash equivalents is \$22,682 of money market funds invested in U.S. government obligations and \$480,000 in certificates of deposit. The certificates of deposit are covered by FDIC insurance and the money market is covered by collateral held at the bank in the Foundation's name.

Board of Education Discretely Presented Component Unit – Allegany County Building Trades Educational 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, 2009 was \$238,981 and the bank balance was \$239,091. The entire bank balance was covered by federal depository insurance.

NOTE 9 - ON-BEHALF PAYMENTS

The State of Maryland paid \$6,756,060 into the State Retirement and Pension System of Maryland on behalf of the Board.

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 \$1,092,135 of which \$586,850 is paid by the Board and the remainder is funded by the Allegany County Government. The on-behalf spending by the County has not been recorded in these 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 \$8,915,047 in accrued expenses on the balance sheet to cover incurred but not reported claims. This amount increased by \$ 490,881 over the prior year amount of

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS
(Continued)

\$8,424,166, and was based on total claims paid of \$14,642,646 and \$14,528,626 for 2009 and 2008, 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 \$275,000, the insurance company will reimburse the Board for the excess. 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, 2009. 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, 2009 the Board continued construction of the Mountain Ridge High School project. The school was finished and opened August of 2007 for the FY09 school year. The stadium and related sports facilities were substantially completed as of June 30, 2009. The total cost of the project is expected to be in excess of \$46,000,000. As of June 30, 2009, \$45,497,798 has been expended toward the project. Of the construction contract, \$1,900,000 is being funded by the Board and the remainder by Allegany County and the State of Maryland.

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 2009, a maximum subsidy for all retirees of \$375,000 was approved by the Board.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

The total annual amount of the subsidy for the 2008-2009 fiscal year is as follows for 199 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	\$16,505	\$112,496
30 or more years	\$22,007	\$223,992

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 \$3,478,857 toward the fund during the fiscal year ended June 30, 2009. 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 and printing 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, 2009:

Year ending June 30:	
2010	\$ 262,682
2011	253,166
2012	226,116
2013	173,595
2014	<u>145,978</u>
Total minimum payments require	<u>\$ 1,061,537</u>

Rental expenditures for the year ended June 30, 2009 is \$252,988.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - FUND BALANCE

A surplus fund balance of \$8,467,468 existed in the Current Expense Fund Type, Unrestricted fund, as of June 30, 2009. The surplus consisted of a \$50,000 designation for unemployment benefits, \$5,500,000 designated for contingencies, and an undesignated surplus of \$2,917,468.

NOTE 14 - ACCOUNTS RECEIVABLE

Total accounts receivable of Governmental Funds in the financial statements as of June 30, 2009 is \$2,213,182. This total consists of the following components:

County Government	\$ 31,693
State Government	1,210,732
Federal Government	695,223
Other Local Education Agencies	200,696
Other	<u>74,838</u>
Total	<u>\$ 2,213,182</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

NOTE 16 - STADIUM FUNDS (Continued)

The activity for the year ended June 30, 2009 is as follows:

Balance, beginning of year	\$ 163,227
Add: Ticket surcharge collections	23,443
Interest	4,982
Tower rent	12,000
Less: Expenditures	<u>(148)</u>
Balance, end of year	<u>\$ 203,504</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, 2009 is as follows:

Balance, beginning of year	\$ 6,411
Add: Ticket surcharge collections	6,378
Interest	264
Less: Expenditures	<u>(0)</u>
Balance, end of year	<u>\$ 13,053</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, 2009 was \$67,983. Of the total grant, \$16,524 was Allegany County's share and was reported in the Restricted Current Expense Fund. The remaining \$51,459 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 - POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS

The Board provides medical benefits including prescription drug to eligible employees who retire from the Allegany County Public School System. The employer's contributions are financed on a pay-as-you-go basis through negotiated agreements with employee bargaining groups, and the future payment for these benefits is contingent upon annual approval of the operating budget. Details of the post-retirement benefits are as follows:

Medical Benefits – Retirees are eligible for continued membership of the school system's group medical plans provided they have at least 15 years service with the Allegany County Public Schools and retire directly from the school system. The retiree pays the premiums for these benefits but is eligible for a reduction of the premium based upon years of service and age.

Annual OPEB Cost and Net OPEB Obligation. The Board's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's Annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Components of Net OPEB Obligation

Annual Required Contribution	\$698,000
Interest on Net OPEB Obligation	0
Adjustment to Annual Required Contribution	0
Annual OPEB Cost (Expense)	<u>\$698,000</u>
Contributions Made	<u>-1,125,800</u>
Increase in Net Obligation	<u><u>(\$427,800)</u></u>
Net OPEB Obligation (BOY)	\$0
Net OPEB Obligation (EOY)	(\$427,800)

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 18 - POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB for 2008-2009 is as follows:

Fiscal Year		OPEB Cost	Net OPEB
<u>Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2009	698,000	161.3%	(427,800)

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,670,000 and the actuarial value of the assets was \$0 resulting in an unfunded accrued liability (UAAL) of \$7,670,000. The covered payroll (annual payroll of active employees covered by the plan was \$57,102,000 and the ratio of the UAAL to the covered payroll was 13%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend used. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2008 was 30 years.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
REVENUES				
County - regular appropriation	\$ 28,450,000	\$ 28,450,000	\$ 28,450,000	\$ -
State - direct	85,518,375	85,518,375	85,658,124	139,749
Federal - direct	350,000	350,000	312,418	(37,582)
Other revenue	482,236	682,236	667,503	(14,733)
TOTAL REVENUES	<u>114,800,611</u>	<u>115,000,611</u>	<u>115,088,045</u>	<u>87,434</u>
EXPENDITURES				
Administration	2,353,187	2,446,637	2,488,741	(42,104)
Mid-level administration	7,089,660	6,909,660	6,896,887	12,773
Instruction - salaries	42,779,349	41,323,500	41,432,793	(109,293)
Instruction - textbooks & instructional supplies	3,739,894	3,546,894	3,463,210	83,684
Instruction - other	2,335,041	2,526,041	2,417,723	108,318
Student personnel services	549,657	561,787	561,830	(43)
Health services	622,318	622,318	587,859	34,459
Student transportation	6,307,926	5,947,319	6,025,103	(77,784)
Operation of plant and equipment	9,406,657	8,586,657	8,531,246	55,411
Maintenance of plant	1,858,044	1,769,843	1,778,879	(9,036)
Fixed charges	19,363,538	18,520,615	17,937,393	583,222
Capital outlay	797,242	264,350	219,184	45,166
Special education	13,109,041	12,309,041	12,232,773	76,268
TOTAL EXPENDITURES	<u>110,311,554</u>	<u>105,334,662</u>	<u>104,573,621</u>	<u>761,041</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,489,057</u>	<u>9,665,949</u>	<u>10,514,424</u>	<u>848,475</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(4,489,057)	(9,665,949)	(9,545,949)	120,000
Intrafund transfers			(120,000)	(120,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,489,057)</u>	<u>(9,665,949)</u>	<u>(9,665,949)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	848,475	848,475
FUND BALANCE - JULY 1, 2008	<u>7,618,993</u>	<u>7,618,993</u>	<u>7,618,993</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2009	<u>\$ 7,618,993</u>	<u>\$ 7,618,993</u>	<u>\$ 8,467,468</u>	<u>\$ 848,475</u>

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
BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - RESTRICTED (CURRENT EXPENSE) AND FOOD SERVICE
FOR THE YEAR ENDED JUNE 30, 2009

	Restricted				Food Service		
	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)	Final	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final			Amounts		
REVENUES							
County - regular appropriation	\$ -	\$ -	\$ 2,250	\$ 2,250	\$ -	\$ -	\$ -
State - direct	1,350,937	1,350,937	1,311,975	(38,962)	238,537	194,325	(44,212)
Federal - direct	8,021,507	8,021,507	9,033,988	1,012,481	360,642	297,472	(63,170)
- received through State & Pass-Thru Agencies					2,439,388	2,378,566	(60,822)
Other revenue	81,492	81,492	112,851	31,359	1,882,223	1,589,748	(292,475)
TOTAL REVENUES	9,453,936	9,453,936	10,461,064	1,007,128	4,920,790	4,460,111	(460,679)
EXPENDITURES							
Administration	32,764	32,764	69,269	(36,505)			
Mid-level administration	282,874	282,874	334,479	(51,605)			
Instruction - salaries	3,021,187	3,021,187	3,415,874	(394,687)			
Instruction - textbooks & instructional supplies	298,547	298,547	471,959	(173,412)			
Instruction - other	532,403	532,403	1,049,612	(517,209)			
Student personnel services	64,358	64,358	64,147	211			
Health services	-	-	1,324	(1,324)			
Student transportation	105,725	105,725	116,600	(10,875)			
Operation of plant and equipment	5,318	5,318	1,258	4,060			
Fixed charges	1,668,376	1,668,376	1,906,518	(238,142)			
Capital outlay	-	-	-	-			
Special education	3,442,384	3,442,384	3,161,892	280,492			
Food Service					5,720,990	5,586,680	134,310
TOTAL EXPENDITURES	9,453,936	9,453,936	10,592,932	(1,138,996)	5,720,990	5,586,680	134,310
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(131,868)	(131,868)	(800,200)	(1,126,569)	(326,369)
OTHER FINANCING SOURCES (USES)							
Intrafund transfers			(50,000)	(50,000)	800,200	1,050,200	250,000
Intrafund transfers			181,868	181,868			
NET CHANGE IN FUND BALANCES	-	-	-	-	-	(76,369)	(76,369)
FUND BALANCE - JULY 1, 2008	-	-	-	-	344,724	344,724	-
FUND BALANCE - JUNE 30, 2009	\$ -	\$ -	\$ -	\$ -	\$ 344,724	\$ 268,355	\$ (76,369)

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, 2009 the General Fund had an excess of revenues and overall shortfall of expenditures.

The excess of revenues occurred because of the increased number of students qualifying for placement. Costs for this program are funded by both state government and the local Board of Education. The budget is set on an anticipated formula and an estimated number of students to be served.

An unfavorable variance in Administration is mainly a result of additional unbudgeted legal fees and the payout of sick days and vacation due to retirement. An unfavorable variance resulted in Instructional Salaries due to overestimating staffing efficiencies during the year in which the final budget was reduced from the original budget. Fuel prices during the fiscal year decreased as the price of oil decreased. The system reduced its final budget as compared to the original budget. The system overestimated the impact of falling fuel prices and this caused an unfavorable variance in Student Transportation. An unfavorable variance in Maintenance occurred due to equipment being purchased for repairs and maintenance in the system.

Special Revenue Fund - Restricted

The Restricted Fund had an excess of revenues and expenditures over the budgeted amounts for the year ended June 30, 2009. The system received grants that were not budgeted or anticipated. The reason for the variances among the 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, 2009 had a shortfall in revenues and an excess of expenditures over appropriations.

The shortfall in revenues was largely due to decreased meal participation among students.

The decreased meal participation among students caused the system not to purchase as much food as anticipated.

BOARD OF EDUCATION OF ALLEGANY COUNTY

**SCHOOL ACTIVITIES FUND
INCREASES, DECREASES AND BALANCES BY SCHOOL
For Year Ended June 30, 2009**

	<u>Balances</u> <u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2009</u>
HIGH SCHOOLS				
Allegany	\$ 192,262	\$ 518,036	\$ 501,223	\$ 209,075
Center for Career and Technical Education	62,654	147,789	137,060	73,383
Fort Hill	178,812	612,533	606,560	184,785
Mountain Ridge	205,038	435,914	428,418	212,534
Alternative	2,879	23,883	20,353	6,409
Total High Schools	<u>641,645</u>	<u>1,738,155</u>	<u>1,693,614</u>	<u>686,186</u>
MIDDLE SCHOOLS				
Braddock	37,681	119,263	117,690	39,254
Mount Savage	69,798	130,472	125,525	74,745
Washington	88,342	104,533	96,729	96,146
Westmar	37,158	90,411	84,926	42,643
Total Middle Schools	<u>232,979</u>	<u>444,679</u>	<u>424,870</u>	<u>252,788</u>
ELEMENTARY SCHOOLS				
Beall	39,166	56,767	49,032	46,901
Bel Air	22,650	45,499	37,928	30,221
Cash Valley	37,593	37,299	42,571	32,321
Cresaptown	53,380	60,300	44,768	68,912
Flintstone-school	93,033	58,372	38,078	113,327
Flintstone-McLuckie	393,976	11,812	18,365	387,423
Frost	38,174	53,181	42,838	48,517
Georges Creek	57,689	92,049	86,601	63,137
John Humbird	39,299	45,078	35,363	49,014
Northeast	31,238	52,948	48,386	35,800
Parkside	9,958	43,503	36,675	16,786
South Penn	18,841	49,491	46,150	22,182
West Side	34,165	68,285	57,454	44,996
Westernport	27,385	58,711	53,217	32,879
Total Elementary Schools	<u>896,547</u>	<u>733,295</u>	<u>637,426</u>	<u>992,416</u>
TOTAL SCHOOLS	<u>\$ 1,771,171</u>	<u>\$ 2,916,129</u>	<u>\$ 2,755,910</u>	<u>\$ 1,931,390</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, 2009 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