THE BOARD OF EDUCATION OF CAROLINE COUNTY

FINANCIAL REPORT

JUNE 30, 2016

CONTENTS

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

TGM GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tgmgroupllc.com

INDEPENDENT AUDITORS' REPORT

The Board of Education of Caroline County
Denton, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County, a component unit of Caroline County, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The Board of Education of Caroline County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

955 Mt. Hermon Road | Salisbury, MD 21804 | 410-742-1328 | 1-888-546-1574
114 Bay Street, Building A | PO Box 627 | Easton, MD 21601 | 410-822-4008

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress by valuation date and schedule of employer contributions, schedule of the proportionate share of the net pension liability, and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Caroline County's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016 on our consideration of The Board of Education of Caroline 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Board of Education of Caroline County's internal control over financial reporting and compliance.

TGM Group LLC

Salisbury, Maryland
September 29, 2016

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

TGM GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS
www.tgmgroupllc.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Education of Caroline County
Denton, Maryland

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The Board of Education of Caroline County's basic financial statements, and have issued our report thereon dated September 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Board of Education of Caroline County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Board of Education of Caroline County's internal control. Accordingly, we do not express an opinion on the effectiveness of The Board of Education of Caroline County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

955 Mt. Hermon Road | Salisbury, MD 21804 | 410-742-1328 | 1-888-546-1574
114 Bay Street, Building A | PO Box 627 | Easton, MD 21601 | 410-822-4008

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Board of Education of Caroline County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of The Board of Education of Caroline County in a separate letter dated September 29, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TGM Group LLC

Salisbury, Maryland
September 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE BOARD OF EDUCATION OF CAROLINE COUNTY
Denton, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2016

Our discussion and analysis of The Board of Education of Caroline County's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2016. This discussion and analysis is intended to serve as an introduction to the basic financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. One of the requirements of the Management's Discussion and Analysis (MD&A) is to provide a comparison of the current year results with the results of the prior year.

The intent of MD&A is to present an analysis of the Board's financial activities based on currently known facts, decisions and conditions.

OVERVIEW OF THE FINANCIAL STATEMENTS

District-wide Financial Statements

The first set of financial statements, the *district-wide statements*, are designed to provide readers with a complete picture regarding the financial status of the Board of Education of Caroline County. The district-wide statements include the *statement of net position* and the *statement of activities*. The *statement of net position* presents information on all of the assets and liabilities of the Board, with the difference between the two reported as net position. The *statement of activities* reports revenues and expenses; it presents information showing how the Board's net position changed during the most recent fiscal year.

In the *statement of net position* and the *statement of activities*, the Board's activities are divided into two categories:

> Governmental Activities - Most of the Board's programs and services are included here, such as instruction, administration, special education, pupil personnel services, health services, pupil transportation, operation and maintenance of plant, fixed charges, community services, school activities, and capital outlay.
>
> Business-type activities - The Board's food service operation is reported as a business-type activity. Fees are charged to staff, students, and visitors to help cover the costs of the food service operation.

The *district-wide statements*, measure the change in total economic resources during the period and are presented on a full accrual basis. This means that any change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The District-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided.

Fund Financial Statements

The second set of statements, the *fund financial statements*, view the government as a collection of separate funds. 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 Caroline County uses fund accounting to ensure and demonstrate compliance with fiscal requirements. The Board's activities are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

> Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on an entity's financial position and change in financial position. The governmental fund statements provide a detailed short-term view of the Board's operations and the services it provides. This information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. The Board's major governmental funds are the general fund, capital projects fund, and school activity fund.
>
> 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 near future. Accordingly, the modified accrual basis of accounting is used.
>
> Proprietary funds - Proprietary funds are used to account for the business-type activities of a government. The Board's food service fund falls under this classification since a significant portion of the funding is provided through user charges.
>
> Fiduciary funds - Fiduciary funds are used to account for resources held by the government as either a trustee (a party that administers property for a beneficiary) or an agent (one who acts on behalf of another). The Board's fiduciary funds consist of funds accumulating for retirees health benefits and an agency fund.

Fund financial statements are also unrelated to budget, therefore budget comparisons are not provided in the presentation.

A budgetary presentation of individual fund financial information is presented as part of the required supplementary information. The budgetary statements utilize the current financial resources measurement focus. In these statements, available cash flows of the Board are measured as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are reported as expenditures.

THE BOARD OF EDUCATION OF CAROLINE COUNTY AS A WHOLE

The largest portion of the Board's net position reflects the investment in capital assets such as land, buildings, vehicles and equipment. These capital assets are used to provide services to the students and citizens of Caroline County and are not available for future spending.

Figure 1-1
Statement of Net Position

	June 30, 2016	June 30, 2015	$ Change	% Change
Current and other assets	16,152,596	15,605,223	547,373	3.51%
Capital assets	90,284,100	86,936,322	3,347,778	3.85%
Total Assets	106,436,696	102,541,545	3,895,151	3.80%
Deferred outflows of resources	1,019,721	480,850	538,871	112.07%
Current and other liabilities	9,514,040	9,697,777	(183,737)	-1.89%
Long-term liabilities	46,048,099	40,656,295	5,391,804	13.26%
Total Liabilities	55,562,139	50,354,072	5,208,067	10.34%
Deferred inflows of resources	348,293	350,526	-2,233	-0.64%
Net investment in capital assets	86,242,176	82,327,360	3,914,816	4.76%
Unrestricted	(34,696,191)	(30,009,563)	(4,686,628)	15.62%
Total Net Position	51,545,985	52,317,797	(771,812)	-1.48%

Net position can be used to serve as an indicator of a district's financial position. As illustrated in figure 1-1, the Boards total net position at the close of the fiscal year was $51.5 million, which represents a decrease of approximately $.8 million from the prior year. The increase in capital assets is due primarily to costs associated with the renovation of the Preston Elementary School. The large fluctuation in long-term liabilities was caused by an increase in the Board's net OPEB (other post-employment benefits) obligation and net pension liability.

Results of operations for the Board as a whole are presented in the table below.

Figure 1-2
Statement of Activities

	June 30, 2016	June 30, 2015	$ Change	% Change
Revenues				
Program Revenues				
Charges for services	4,779,670	4,269,458	510,212	11.95%
Operating grants and contributions	10,977,953	10,197,122	780,831	7.66%
Capital grants and contributions	4,864,719	9,286,138	(4,421,419)	-47.61%
General Revenues				
County	13,765,180	13,437,486	327,694	2.44%
State aid	49,058,301	47,398,863	1,659,438	3.50%
Investment earnings	16,321	3,754	12,567	334.76%
Other	714,321	239,305	475,016	198.50%
Total Revenues	84,176,465	84,832,126	(655,661)	-0.77%
Expenses				
Administration	1,974,061	1,759,242	214,819	12.21%
School management and support	4,911,747	4,772,334	139,413	2.92%
Instructional salaries and wages	26,129,153	25,681,781	447,372	1.74%
Textbooks and instructional supplies	1,074,564	1,122,799	(48,235)	-4.30%
Other instructional costs	4,241,417	4,201,460	39,957	0.95%
Special education	7,332,073	7,060,698	271,375	3.84%
Pupil personnel services	552,674	604,162	(51,488)	-8.52%
Health services	717,889	678,934	38,955	5.74%
Pupil transportation	3,676,595	3,758,828	(82,233)	-2.19%
Operation of plant	3,953,640	3,939,606	14,034	0.36%
Maintenance of plant	869,671	879,224	(9,553)	-1.09%
Fixed charges	19,303,790	18,663,787	640,003	3.43%
Community Services	939,533	416,079	523,454	125.81%
Capital outlay	233,632	88,286	145,346	164.63%

School activity	1,050,281	933,988	116,293	12.45%
On-behalf state retirement	4,344,011	4,305,046	38,965	0.91%
Food services	3,643,546	3,237,137	406,409	12.55%
Total Expenses	84,948,277	82,103,391	2,844,886	3.47%
Change in Net Position	(771,812)	2,728,735	(3,500,547)	-128.28%
Net Position End of Year	51,545,985	52,317,797	(771,812)	-1.48%

As shown in figure 1-2, there was a significant drop in the amount of revenue received for capital projects. This is due to the fact that the Preston Elementary renovation project was in the final stages of completion compared to the prior year when it was in full swing. The other large fluctuation on the revenue side was the increase in the state aid. State aid is direct mandated funding, which is calculated on a yearly basis by the Maryland State Department of Education Division of Business Services. This funding is formula driven based on student enrollment, FARMS (Free and Reduced Price Meals) and wealth data.

The largest variances on the expenditure side took place in instructional salaries and wages, fixed charges and community services. Spending for instructional salaries and wages increased as a result of step increases for employees as well as new teaching positions that were added to the budget. Spending for fixed charges increased due to the benefit costs associated with these new positions, increases in health insurance premiums, the phase in of the local share of teacher pension costs and the Board’s contribution to the Maryland Association of Boards of Education Pooled OPEB Investment Trust. Community services increased due to the expansion of Pre-K programs at Greensboro Elementary School and Federalsburg Elementary School.

FUND PERFORMANCE

As mentioned earlier, funds are self-balancing sets of accounts used by the Board to control and manage money for particular purposes. The balance sheet for the Board's governmental funds is shown on page 20, and the results of operations are presented on page 21. As shown by the results of operations, the fund balance for the general fund increased by $995,545 and the fund balance for the school construction fund decreased by $546,224.

The Food Service program is designed to be self-funded. As shown on page 23, the food service program generated a profit of $73,278. A variety of enhancements including: internal catering, new and innovative menu items, a larger selection of fresh fruits and vegetables and more scratch cooked meals, have been implemented to ensure this program remains fiscally sound.

The general fund statement of revenues, expenditures, and changes in fund balance on a budgetary basis is shown on pages 48-51. The largest percentage of the general fund unrestricted expenditures was spent on instructional salaries and wages and fixed charges.

It is critical for the reader to understand that the county appropriation and unrestricted state revenues account for approximately 92% of the total operating budget. Local revenue, provided by the Caroline County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding equal to the prior year's per pupil contribution times the current year projected enrollment. State aid is largely formula driven based on student enrollment and wealth. Both of these revenue streams are stable and highly predictable.

Additional revenues include: state and federal restricted revenue, interest revenue and E-rate rebates. It is important to note that restricted federal and state revenues may be one-time and tend to vary from one year to the next. Recurring but unpredictable are the E-rate rebates received from the Federal Communications Commission.

On the budgetary statements for both the general fund and the food services fund, the original budget is the same as the final budget. The Board follows a policy of not amending the original budget until our financial report has been issued. The Board notifies the county in advance of any categories that are over budget. After the financial report has been issued, any necessary changes are presented to the County for approval.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2016, the Board had invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment. As shown in figure 1-3, these assets totaled $129.3 million (net of depreciation).

Figure 1-3
Capital Assets - Governmental Activities

	June 30, 2016	June 30, 2015	$ Change	% Change
Construction in progress and land	17,655,063	12,393,113	5,261,950	42.46%
Buildings and improvements	106,804,141	106,688,353	115,788	0.11%

Furniture and equipment	1,810,181	1,774,931	35,250	1.99%
Software	675,517	675,517	-	0.00%
Vehicles	2,389,791	2,094,848	294,943	14.08%
Total capital assets	129,334,693	123,626,762	5,707,931	4.62%

Construction projects that caused the amount of capital assets to increase include the renovation of Preston Elementary School and energy upgrades at various locations. Replacement maintenance and transportation vehicles were also purchased. More detailed information about the Board's capital assets can be found in Note 5 of the financial statements.

School District's in Maryland are fiscally dependent on the state and county governments. Thus, the Board of Education of Caroline County has ownership of its assets, but does not issue the debt associated with them. Accordingly, the Board carries no bond rating. As mentioned in the notes to the financial statements, the Board has capital lease obligations for energy equipment upgrades.

FACTORS BEARING ON THE BOARD'S FUTURE

At the time these financial statements were prepared and audited, the Board was aware of the following circumstances that could affect its financial health in the future:

- Caroline County continues to cope with overcrowding in many of the schools. In addition, several of the buildings are in need of renovation. Funding for capital projects is shared by the State and County Government.

- Beginning with fiscal year 2009, the system was required to adhere to the standard issued by the Government Accounting Standards Board (GASB) for reporting other post-employment benefits (OPEB) known as GASB 45. GASB 45 requires the measurement and disclosure of OPEB expenses as well as the associated accrued financial obligations. While we have the vehicle to invest funds through the OPEB Investment Trust administered by the Maryland Association of Boards of Education, funding of the obligation is optional and dependent upon the current economic climate. As a result, the unfunded liability associated with other post-employment benefits continues to grow.

- Funding the net pension liability, in accordance with GASB 68, now recognized in the government-wide financial statements, becomes a concern. GASB 68 is an accounting standard for all governmental agencies that addresses pension obligations to retirees.

Under GASB 68, the Board must recognize the pension cost and liability of future pension obligations that have been earned by current and retired employees. Currently, pension costs for retirees and active employees are expensed when paid. This practice is expected to continue especially with the economic conditions our funding entities face at this time. Whether or not this liability is funded in the future may affect our budget, and the bond rating of county and state governments.

- Starting in July 2012, with the passage of SB1301, the state phased in a requirement for Boards of Education to pay to the State Retirement and Pension System trust fund a specified percentage of the normal cost. The "normal cost" is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The bill also specified an additional maintenance of effort (MOE) payment required by each county during the phase-in period (fiscal years 2013 through 2016) to assist in funding these new costs. Beginning in fiscal year 2017, Boards of Education will assume responsibility for the normal cost of teacher pensions based upon current salaries. Starting with fiscal year 2017, County Governments are only required to incorporate the amount of their fiscal year 2016 additional MOE payment into the annual MOE calculation.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the Board's finances and to demonstrate its compliance and show its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Erin B. Thornton, Comptroller, 410-479-3263 ext. 124 or Milton E. Nagel, Assistant Superintendent for Administrative Services, 410-479-1210 ext. 125, at The Board of Education of Caroline County, 204 Franklin Street, Denton, Maryland 21629.

FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 13,531,975	$ 157,323	$ 13,689,298
Accounts receivable:			
Federal funds from State of Maryland	1,355,224	123,949	1,479,173
State of Maryland	446,348	13,620	459,968
Internal balances	53,012	(53,012)	-
Other	180,276	562	180,838
External parties (fiduciary fund)	301,832	-	301,832
Inventory	-	41,487	41,487
Non depreciable capital assets	17,655,063	-	17,655,063
Depreciable capital assets, net	72,466,122	162,915	72,629,037
TOTAL ASSETS	105,989,852	446,844	106,436,696
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 6)	1,019,721	-	1,019,721
LIABILITIES			
Accounts payable:			
Vendors	681,177	24,988	706,165
State of Maryland	16,155	-	16,155
Accrued payroll	4,917,025	109,736	5,026,761
Other accrued expenses	2,797,479	-	2,797,479
Unearned revenue - Federal	270,511	-	270,511
Unearned revenue - other	181,009	-	181,009
Long-term liabilities:			
Due within one year	515,960	-	515,960
Due in more than one year	46,048,099	-	46,048,099
TOTAL LIABILITIES	55,427,415	134,724	55,562,139
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 6)	348,293	-	348,293
NET POSITION			
Net investment in capital assets	86,079,261	162,915	86,242,176
Unrestricted	(34,845,396)	149,205	(34,696,191)
TOTAL NET POSITION	$ 51,233,865	$ 312,120	$ 51,545,985

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Administration	$ 1,974,061	$ -	$ 108,335	$ -
School management and support	4,911,747	-	89,717	-
Instructional salaries and wages	26,129,153	-	1,110,734	-
Textbooks and instructional supplies	1,074,564	-	394,871	-
Other instructional costs	4,241,417	-	804,535	-
Special education	7,332,073	-	2,004,562	-
Pupil personnel services	552,674	-	9,817	-
Health services	717,889	-	105,875	-
Pupil transportation	3,676,595	-	96,244	109,820
Operation of plant	3,953,640	-	19,971	-
Maintenance of plant	869,671	-	2,156	-
Fixed charges	19,303,790	-	938,653	-
Community services	939,533	-	948,472	-
School activity expenditures	1,050,281	1,062,846	-	-
On-behalf State Retirement contributions	4,344,011	-	4,344,011	-
Capital outlay	233,632	-	-	4,754,899
Total Governmental Activities	81,304,731	1,062,846	10,977,953	4,864,719
Business-Type Activities				
Food Services	3,643,546	3,716,824	-	-
Total Business-Type Activities	3,643,546	3,716,824	-	-
Totals	$ 84,948,277	$ 4,779,670	$ 10,977,953	$ 4,864,719

General Revenues
Caroline County
State of Maryland
Investment earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Expenses) Revenue and changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (1,865,726)	$ -	$ (1,865,726)
(4,822,030)	-	(4,822,030)
(25,018,419)	-	(25,018,419)
(679,693)	-	(679,693)
(3,436,882)	-	(3,436,882)
(5,327,511)	-	(5,327,511)
(542,857)	-	(542,857)
(612,014)	-	(612,014)
(3,470,531)	-	(3,470,531)
(3,933,669)	-	(3,933,669)
(867,515)	-	(867,515)
(18,365,137)	-	(18,365,137)
8,939	-	8,939
12,565	-	12,565
-	-	-
4,521,267	-	4,521,267
(64,399,213)	-	(64,399,213)
-	73,278	73,278
-	73,278	73,278
(64,399,213)	73,278	(64,325,935)
13,765,180	-	13,765,180
49,058,301	-	49,058,301
16,217	104	16,321
714,321	-	714,321
63,554,019	104	63,554,123
(845,194)	73,382	(771,812)
52,079,059	238,738	52,317,797
$ 51,233,865	$ 312,120	$ 51,545,985

THE BOARD OF EDUCATION OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
ASSETS			
Cash and investments	$ 12,186,889	$ 884,108	$ 460,978
Accounts receivable:			
Federal funds from State of Maryland	1,355,224	-	-
State of Maryland	446,348	-	-
Other Board of Education funds	1,222,156	-	-
Other	180,276	-	-
TOTAL ASSETS	$ 15,390,893	$ 884,108	$ 460,978
LIABILITIES AND FUND BALANCES			
Accounts payable:			
Vendors	$ 681,177	$ -	$ -
State of Maryland	16,155		
Other Board of Education funds	-	867,312	-
Accrued payroll	4,917,025	-	-
Accrued leave	14,387	-	-
Accrued voluntary retirement incentive	169,412	-	-
Other accrued expenses	2,797,479	-	-
Unearned revenue - Federal	270,511	-	-
Unearned revenue - other	150,990	-	30,019
TOTAL LIABILITIES	9,017,136	867,312	30,019
COMMITMENTS AND CONTINGENCIES			
FUND BALANCES			
Assigned to:			
Accrued leave	717,492	-	-
School construction projects	-	16,796	-
School activities	-	-	430,959
Other purposes (encumbrances)	629,832	-	-
Unassigned	5,026,433	-	-
TOTAL FUND BALANCES	6,373,757	16,796	430,959
TOTAL LIABILITIES AND FUND BALANCES	$ 15,390,893	$ 884,108	$ 460,978

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

Total Governmental Funds
$ 13,531,975
1,355,224
446,348
1,222,156
180,276
$ 16,735,979
$ 681,177
16,155
867,312
4,917,025
14,387
169,412
2,797,479
270,511
181,009
9,914,467
717,492
16,796
430,959
629,832
5,026,433
6,821,512
$ 16,735,979

Total Governmental Funds Balances		$ 6,821,512
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		90,121,185
Deferred outflows of resources - pensions (see Note 6)		1,019,721
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Accrued leave	(717,492)	
Capital leases	(4,041,924)	
Net pension liability	(4,170,028)	
Post-employment benefits	(37,450,816)	
		(46,380,260)
Deferred inflows of resources - pensions (see Note 6)		(348,293)
Net Position of Governmental Activities		$ 51,233,865

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
REVENUES			
County Appropriation	$ 13,765,180	$ 1,767,213	$ -
State of Maryland	49,058,301	-	-
Restricted Federal revenues	5,313,544	-	-
Restricted State revenues	1,126,190	2,972,686	-
Restricted other revenues	209,207	-	-
On-behalf State Retirement contributions	4,344,011	-	-
Other sources	741,025	1,044	-
School activity revenues	-	-	1,062,846
TOTAL REVENUES	74,557,458	4,740,943	1,062,846
EXPENDITURES			
Current:			
Administration	1,903,793	-	-
School management and support	4,886,290	-	-
Instructional salaries and wages	26,089,830	-	-
Instructional textbooks and supplies	1,074,564	-	-
Other instructional costs	2,118,826	-	-
Special education	7,332,073	-	-
Pupil personnel services	552,674	-	-
Health services	717,889	-	-
Pupil transportation	3,686,502	-	-
Operation of plant	4,316,633	-	-
Maintenance of plant	930,177	-	-
Fixed charges	14,152,144	-	-
Community services	948,472	-	-
School activity expenditures	-	-	1,050,281
On-behalf State Retirement contributions	4,344,011	-	-
Capital outlay	508,035	5,287,167	-
TOTAL EXPENDITURES	73,561,913	5,287,167	1,050,281
Net change in Fund Balances	995,545	(546,224)	12,565
Fund balances, beginning	5,378,212	563,020	418,394
Fund balances, ending	$ 6,373,757	$ 16,796	$ 430,959

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

Total Governmental Funds
$ 15,532,393
49,058,301
5,313,544
4,098,876
209,207
4,344,011
742,069
1,062,846
80,361,247
1,903,793
4,886,290
26,089,830
1,074,564
2,118,826
7,332,073
552,674
717,889
3,686,502
4,316,633
930,177
14,152,144
948,472
1,050,281
4,344,011
5,795,202
79,899,361
461,886
6,359,626
$ 6,821,512

Net change in fund balances-total Governmental Funds		$ 461,886
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Fixed asset additions	5,790,059	
Current year depreciation	(2,461,678)	
Total		3,328,381
In governmental fund financial statements, proceeds from a sale are shown as an increase in financial resources. In government wide financial statements, gain or loss is calculated and reported.		(11,530)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in accrued leave		(39,323)
Increase in pension expense		(426,501)
Increase in post-employment benefits		(4,894,557)
Early retirement incentive		169,412
Repayment of capital lease obligations and long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		567,038
Change in net position of Governmental Activities		$ (845,194)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2016

	Business-Type Activities Food Services
ASSETS	
Current assets:	
Cash and investments	$ 157,323
Accounts receivable:	
Federal funds from State	123,949
State funds receivable	13,620
Other recievables	562
Inventory	41,487
Total current assets	336,941
Capital assets, net	162,915
TOTAL ASSETS	499,856
LIABILITIES	
Current liabilities:	
Accounts payable	24,988
Accrued payroll	109,736
Other Board of Education funds	53,012
TOTAL LIABILITIES	187,736
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Net investment in capital assets	162,915
Unrestricted	149,205
TOTAL NET POSITION	$ 312,120

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

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

	Business-Type Activities Food Services
OPERATING REVENUES	
Sale of meals	$ 715,709
Federal assistance	2,477,464
State assistance	264,708
USDA donated commodities	207,860
Other sources	51,083
TOTAL OPERATING REVENUES	3,716,824
OPERATING EXPENSES	
Food	1,857,938
Salaries and wages	1,020,484
Fixed charges	360,563
Contracted services	24,948
Supplies and materials	121,782
Other charges	22,011
USDA donated commodities	207,860
Depreciation	20,474
Additional equipment	7,486
TOTAL OPERATING EXPENSES	3,643,546
OPERATING INCOME	73,278
NON-OPERATING REVENUES	
Interest income	104
Change in net position	73,382
Net position beginning of year	238,738
Net position end of year	$ 312,120

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
FOOD SERVICE FUND
Year Ended June 30, 2016

CASH FLOWS FROM OPERATIONS:	
Receipts from students	$ 715,709
Operating grants received	2,772,010
Other operating receipts	52,638
Payments to food and other suppliers	(2,062,761)
Payments to employees and employee related benefits	(1,377,857)
Net cash provided by operating activities	99,739
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash transfers to other Board funds	27,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of equipment	(51,401)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	104
Net increase in cash	75,985
Cash and investments, beginning of year	81,338
Cash and investments, end of year	$ 157,323

Reconciliation of operating income to net cash provided by operating activities:

Operating income	$ 73,278
Adjustments:	
Depreciation	20,474
(Increase) decrease in assets:	
Federal receivables	23,344
State receivables	6,494
Other receivables	1,555
Inventory	6,047
Increase (decrease) in liabilities:	
Accounts payable	(34,643)
Accrued payroll	3,190
Total adjustments	26,461
Net cash provided by operating activities	$ 99,739

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Retiree Benefit Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 882,944	$ -
Accounts receivable:		
Contribution receivable	142,149	-
Federal funds from State	-	253,704
State of Maryland	-	109,244
Other	-	485
TOTAL ASSETS	1,025,093	$ 363,433
LIABILITIES		
Accounts payable:		
Vendors	-	$ 5,195
State of Maryland	-	53,444
Unearned revenue - other	-	2,962
Other Board of Education funds	-	301,832
TOTAL LIABILITIES	-	$ 363,433
NET POSITION		
Held in trust for other post-employment benefits	$ 1,025,093	

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

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIREE BENEFIT TRUST FUND
Year Ended June 30, 2016

	Retiree Benefit Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 142,149
TOTAL ADDITIONS	142,149
DEDUCTIONS	
Investment loss	9,321
Administrative expenses	6,791
TOTAL DEDUCTIONS	16,112
Change in net position	126,037
Net position held in trust for other post-employment benefits beginning of year	899,056
Net position held in trust for other post-employment benefits end of year	$ 1,025,093

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

Note 1. The Board of Education of Caroline County and Its Significant Accounting Policies

The Board of Education of Caroline County (the "Board") is empowered by Title 13A of the Code of Maryland Regulations to fulfill the elementary and secondary educational needs of students in Caroline County, Maryland (the "County").

Financial Reporting Entity

The Board is the basic level of government that has financial accountability and control over all activities related to the public school education in Caroline County, Maryland. The Board receives funding from local, State and Federal government sources and must comply with the requirements of these funding source entities.

The Board is a component unit of Caroline County, Maryland and is included in the County's reporting entity. This conclusion has been reached based on the following criteria: (1) The County is responsible for approving the Board's budget and establishing spending limitations and; (2) The Board cannot issue bonded debt, but the County can and does issue bonds to finance school system operations. In addition, there are no component units which are included in the Board's reporting entity.

Note 2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Board's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the Board. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The statement of net position 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 business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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, with certain limited exceptions. 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 general revenues of the Board.

Note 2. Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. In addition, the Board has presented the School Activities Fund as a major fund because the Board believes this fund is significant to the Board as a whole.

B. Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's major governmental funds:

General Fund - The General Fund is the general operating fund of the Board. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Board administers the construction and repair of public schools and uses the School Construction Fund to record the revenues from the County and other governmental units and the expenditures in connection therewith.

School Activities Fund – The School Activities Fund is used to account for revenues and expenditures at the schools for, among other things, student insurance and pictures, athletics, clubs and other student activities, and principals' miscellaneous expenditures.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Board's major enterprise fund is:

Food service fund – This fund accounts for the financial transactions related to the food service operations of the Board.

FIDUCIARY FUNDS

Agency funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Note 2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Retiree benefit trust fund – This fund consists of contributions of the Board to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions within the meaning of Governmental Accounting Standards Board Statement Numbers 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and is reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Fiduciary funds are not reported in the government-wide financial statements.

C. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included on the statement of net position.

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

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

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 the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Note 2. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: interest, tuition, grants, fees and rentals.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The budget is prepared on the budgetary basis of accounting. The budget establishes a limit on the amounts that the Board may appropriate and sets annual limits as to the amount of expenditures at a level of control selected by the Board. The legal level of control has been established by the Board at the object level within each fund and function.

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted.

F. Inventory

On government-wide financial statements and the fund financial statements of proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Note 2. Summary of Significant Accounting Policies (continued)

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) 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 five thousand dollars. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15 – 50 years	N/A
Furniture and Equipment	5 – 20 years	15 years
Vehicles	6 – 12 years	6 years
Software	5 years	5 years

H. Compensated Absences

ACCRUED LEAVE

Employees are allowed to carryover up to 20 days of unused vacation. The Board of Education expenses the cost of vacations as they are earned and the accrued leave account presented in the balance sheet represents vacations earned but not taken at year-end. Compensated absences are reported as accrued in the government wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees, which would be included in accrued leave.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government–wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Note 2. Summary of Significant Accounting Policies (continued)

J. Net Position

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

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Board has one item that qualifies for reporting in this category. The Board recognizes a deferred outflow of resources related to its pension obligation (Note 6) for changes in assumptions, for the net difference between projected and actual investment earnings on pension plan investments, and for contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item that qualifies for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension obligation (Note 6) for differences in actual and expected experience and the net difference between projected and actual investment earnings on pension plan investments. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

The deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

L. Fund Balance Reserves

Fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable (i.e. inventory or long term receivables), restricted (by external parties or legislation), committed (by the highest level of authorities of the government), assigned (i.e. residual amounts in other funds), and unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board. Assigned fund balances is a limitation imposed by a designee of the Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Proprietary fund equity is classified the same as in the government-wide statements.

Note 2. Summary of Significant Accounting Policies (continued)

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

N. Estimates

The preparation of 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.

O. Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund, the Board considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

P. Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Transfers are fund balance amounts reserved and/or designated in the prior year that received County approval to be spent on capital projects.

Q. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. Encumbrances outstanding at June 30, 2016 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled $629,832.

Note 3. Cash and Investments

At June 30, 2016, the Board of Education had bank deposits with various commercial banks totaling $3,035,978 (carrying value $1,664,190). As required by law, the depository is to pledge securities in addition to FDIC insurance at least equal to that amount on deposit at all times. The depository banks pledge collateral for specific accounts that are held in the Board's name at the Bank of New York Mellon. As of June 30, 2016, bank deposits were fully collateralized. Investments of $12,025,108 (carrying value $12,025,108) consist solely of U.S. Government Securities made through the State of Maryland Local Government Investment Pool which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The MLGIP is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A., which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a semi-annual basis and provide suggestions to enhance the pool. The MLGIP is rated AAAm by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, banker's acceptance or money market funds.

Note 3. Cash and Investments (continued)

The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities.

At June 30, 2016, the Board has an agreement with its primary bank to maintain a cash balance of $200,000 in lieu of payment of service fees.

Reconciliation to Statement of Net Position:

Cash at carrying value	$	1,664,190
Investments		12,025,108
Total cash and investments	$	13,689,298

Note 4. Interfund Receivables and Payables

	Due From Other Funds	Due To Other Funds
General Fund	$ 1,222,156	$ -
School Construction Fund	-	867,312
Food Service - Enterprise Fund	-	53,012
External Parties - Fiduciary Fund	-	301,832
	$ 1,222,156	$ 1,222,156

Due to/from other funds represent advances of cash for operating needs. There were no transfers during the year.

Note 5. Capital Assets

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

	Balance June 30, 2015	Additions	Deductions	Transfers	Balance June 30, 2016
Governmental Activities					
Capital Assets, not being depreciated					
Construction in progress	$12,211,026	$ 5,238,708	$ -	$ -	$17,449,734
Land	182,087	23,242	-	-	205,329
Total capital assets, not being depreciated	12,393,113	5,261,950	-	-	17,655,063
Capital assets, being depreciated					
Buildings and improvements	106,688,353	115,788	-	-	106,804,141
Furniture and equipment	1,774,931	35,250	-	-	1,810,181
Software	675,517	-	-	-	675,517
Vehicles	2,094,848	377,071	(82,128)	-	2,389,791
Total capital assets, being depreciated	111,233,649	528,109	(82,128)	-	111,679,630
Less accumulated depreciation:					
Buildings and improvements	(33,741,356)	(2,202,700)	-	-	(35,944,056)
Furniture and equipment	(1,137,212)	(65,046)	-	-	(1,202,258)
Software	(630,372)	(18,131)	-	-	(648,503)
Vehicles	(1,313,488)	(175,801)	70,598	-	(1,418,691)
Total accumulated depreciation	(36,822,428)	(2,461,678)	70,598	-	(39,213,508)
Total capital assets, being depreciated, net	74,411,221	(1,933,569)	(11,530)	-	72,466,122
Governmental activities capital assets, net	$86,804,334	$ 3,328,381	$ (11,530)	$ -	$90,121,185

	Balance June 30, 2015	Additions	Deductions	Transfers	Balance June 30, 2016
Business-type activities					
Equipment	$ 953,657	$ 51,401	$ (23,200)	$ -	$ 981,858
Software	27,122	-	-	-	27,122
Vehicles	55,670	-	-	-	55,670
Total capital assets, being depreciated	1,036,449	51,401	(23,200)	-	1,064,650
Less accumulated depreciation:					
Equipment	(835,933)	(16,398)	23,200	-	(829,131)
Software	(27,122)	-	-	-	(27,122)
Vehicles	(41,406)	(4,076)	-	-	(45,482)
Total accumulated depreciation	(904,461)	(20,474)	23,200	-	(901,735)
Business-type activities capital assets, net	$ 131,988	$ 30,927	$ -	$ -	$ 162,915

Depreciation expense was charged to governmental functions as follows:

Administration	$ 70,268
School management and support	25,457
Other instructional costs	2,208,127
Pupil transportation	109,231
Maintenance of plant	48,595
Total depreciation expense	$ 2,461,678

Note 6. Pension Plans

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

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

Generally, all regular employees of the Board participate in the Employees' Retirement and Pension Systems (Employees' Systems). Teachers employed by the Board generally participate in the Teachers' Retirement and Pensions Systems (Teachers' Systems). Both the Employees' Systems and the Teachers' Systems (collectively the Systems) are cost sharing multiple-employer defined benefit pension plans.

Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems

General Plan Policies

The Teachers' Retirement System of the State of Maryland was established on August 1, 1927 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. In this regard, teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Until December 31, 2004, existing members of the Teachers' Retirement System had the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. Until December 31, 2004, existing members of the Employees' Retirement System had the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System.

Significant Plan Benefits and Policies

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

Note 6. Pension Plans (continued)

Teachers' and Employees' Retirement Systems

Retirement Benefits:

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e. average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

Vested Allowance:

A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions. Members terminating employment before attaining retirement age and before completing 5 years of creditable service are refunded their accumulated contributions plus earned interest.

Employee Contributions:

Members of the Teachers' and Employees' Retirement System are required to contribute to the systems a fixed percentage of their regular salaries and wages (e.g. 7% or 5%, depending on the COLA option selected). The contributions are deducted from each member's salary and wage payment and are remitted to the systems on a regular, periodic basis.

Teachers' and Employees' Pension System

Pension Benefits:

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

Vested Allowance:

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

Note 6. Pension Plans (continued)

Employee Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2016. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

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

Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems

Employer Contributions:

For the year ended June 30, 2016 the Board's total payroll for all employees was $43,565,805. Total covered payroll was $34,560,151. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the Board will be paying 100% of the normal cost for each teacher. The related payment for fiscal year ending 2016 was $1,480,175. In addition, the State of Maryland contributed $4,344,011 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2016, the Board reported expense of $408,942 related to the Employees' Systems in the fund financial statements.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Because the State of Maryland pays the unfunded liability for the Teachers' Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. The Board is required to record a liability for the Employees' Systems.

At June 30, 2016, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

	2016
Board's proportionate share of the net pension liability (Employees' Systems)	$ 4,170,028
State's proportionate share of the net pension liability (Teachers' Systems)	42,446,720
Total	$ 46,616,748

Note 6. Pension Plans (continued)

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

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.

2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.

3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.

4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. At June 30, 2015, the Board's proportion was approximately .0200659%.

For the year ended June 30, 2016, the Board recognized pension expense of $2,315,618 in the government-wide financial statements. $1,889,117 was recognized in the fund financial statements. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015 Balance Amortization			2014 Balance Amortization	
	Deferred Outflows		Deferred Inflows	Deferred Outflows	Deferred Inflows
Year End June 30,	Net Difference in Investment Earnings	Change in Assumptions	Actual and Expected Experience	Change in Assumptions	Net Difference in Investment Earnings
2017	$ 91,824	$ 42,863	$ (17,536)	$ 11,581	$ (87,632)
2018	91,823	42,863	(17,536)	11,581	(87,631)
2019	91,823	42,863	(17,536)	11,581	(87,631)
2020	91,823	42,863	(17,535)	-	-
2021	-	37,291	(15,256)	-	-
Total	$ 367,293	$ 208,743	$ (85,399)	$ 34,743	$ (262,894)

In addition, there is $408,942 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2015 and 2014 is being amortized over a closed five year period.

Note 6. Pension Plans (continued)

Actuarial Assumptions

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.95% general, 3.45% wage
Salary increases	3.45% to 10.70%, including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Investments

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

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

Discount rate

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

Note 6. Pension Plans (continued)

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Boards Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Net Pension
1% decrease	6.55%	$ 5,893,695
Current discount rate	7.55%	$ 4,170,028
1% increase	8.55%	$ 2,740,764

Note 7. Other Post-Employment Benefits

Plan Description

The Caroline County Public Schools Post-Retirement Medical and Life Insurance Benefits Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the Board. The Plan provides medical, prescription drug, dental, and vision benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, age 62 with 5 years of service, age 63 with 4 years of service, age 64 with 3 years of service, age 65 with 2 years of service, or 30 years of service regardless of age. In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2014, the census date of the last actuarial valuation, approximately 349 retirees and their beneficiaries were receiving benefits, and an estimated 684 active employees are potentially eligible to receive future benefits.

Funding Policy

The Board provides dental and basic major medical insurance (Medicare supplemental program for those over 65) for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees and to make such coverage available on a 100% reimbursement basis for dependents, spouses and non-eligible retirees. Eligible retirees are all employees who are under 65 years old and hired after July 1, 2013 with fifteen years of service in Caroline County; teachers who are under 65 years old, hired before July 1, 2013, and retired after July 1, 1977 with five years of service in Caroline County; and classified employees who are under 65 years old, hired before July 1, 2013, and retired after July 1, 1981 with five years of service in Caroline County. At age 65, eligible retirees with at least fifteen years of service will receive free Medicare Supplementary Program coverage, up to the dollar amount of the current individual insurance allowance. The Board pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2016, the Board paid for coverage of 358 retirees at a total cost to the Board of $2,259,294.

In May 2009, the Board created the Retiree Benefit Trust of the Board of Education of Caroline County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and welfare benefits for employee services that have already occurred. The Board intends the contributions to the Trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement Number

Note 7. Other Post-Employment Benefits (continued)

45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB Statements 43 and 45.

Contributions by the Board are solely dependent on the governmental entities that provide funding for the Board. Employee and retiree contributions are not permitted. The Assistant Superintendent for Administrative Services and the Comptroller are the trustees of the Trust with final authority in all matters pertaining to the Trust.

In May 2009, the Board entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education in Maryland to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes only. Each member of the MABE Pool is required to designate a member Trustee who is a trust of the member trust. The member trustee of the MABE Pool shall ensure that the MABE Pool keep such records as are necessary in order to maintain a separation of the assets of the Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in the respective Financial Report using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available. The Pool issues a publicly available audited report. The report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, MD 21401 or calling (410) 841-5414.

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual other post-employment benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined within 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 cost each year plus any unfunded liability amortized over a period not to exceed thirty years. The net OPEB obligation at the beginning of the fiscal year is $32,556,259. The Board pays post-retirement medical benefits (normal cost) from the General Fund, not from the Trust.

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

Annual required contribution	$ 7,535,000
Adjustment to annual required contribution	(1,490,000)
Interest on net OPEB obligation	1,251,000
Annual OPEB cost	7,296,000
Payments to retirees from general fund	(2,259,294)
Prefunding contributions	(142,149)
Increase in net OPEB obligation	4,894,557
Net OPEB obligation at beginning of year	32,556,259
Net OPEB obligation at end of year	$ 37,450,816

Note 7. Other Post-Employment Benefits (continued)

The Board's OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 5,534,000	24.47%	$ 4,179,911
June 30, 2010	6,032,000	24.63%	8,726,415
June 30, 2011	6,032,000	30.48%	12,919,609
June 30, 2012	6,407,000	24.20%	17,776,095
June 30, 2013	6,425,000	31.29%	22,190,553
June 30, 2014	6,815,000	19.99%	27,643,426
June 30, 2015	6,904,000	28.84%	32,556,259
June 30, 2016	7,296,000	32.91%	37,450,816

Funding Status and Funding Progress

As of July 1, 2015, the actuarial accrued liability (AAL) for benefits was $84.3 million with $962,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $83.4 million. The annual payroll of active employees covered by the Plan was $35 million and the ratio of the UAAL to covered payroll was 241.08%. As of June 30, 2016, there was $1,025 thousand held in trust for other post-employment benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions 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, is designated to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of net assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the cost method used was the projected unit credit, with linear pro-ration to assumed benefit commencement date. Assets are valued using market value of assets. The actuarial assumptions include a 4% investment return per annum and a 3.5% payroll increase. The projected annual healthcare cost trend rate is 5.7% initially, reduced by decrements to an ultimate rate of 3.8% and is based on Society of Actuaries Long Term Medical Trend Model. The UAAL is being amortized over a closed twenty-three year period based on a level percentage of projected payrolls.

Note 8. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the Maryland Association of Boards of Education Group Insurance Pool (the Pool) was formed when several Maryland boards of education joined together to pool their casualty risks. Property insurance coverage was added in 1988. The Board pays an annual premium to the Pool that is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims that exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participating boards on a pro rata basis.

The Board continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. The Board purchases health insurance from a provider through a modified retrospective rating arrangement agreement. The Board is a member of the Eastern Shore of Maryland Educational Consortium Health Insurance Alliance (the Alliance), a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that the Alliance be self-sustaining through member premiums. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 16% as a recommended conservative reserve. As of January 15, 2016, the Board’s funds held by ESMEC exceeded the recommended reserve by $2,486,854. All funds held by ESMEC are restricted to being used only for health care expenses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Capital Leases

The Board has entered into non-cancelable leases that transfer ownership at the end of the lease, thus the Board has recorded the lease obligations and the related assets in the appropriate funds.

Capital lease obligations at June 30, 2016 consist of the following:

Energy equipment, bank, interest at 4.78%; payable in semiannual installments of $47,080, including interest through 2017	$	134,747
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately $42,000 to $470,000 through October 2025		2,313,022
Energy equipment, General Capital Management, Inc., interest at 3.126%; payable in annual installments ranging from approximately $111,000 to $175,000 through October 2029		1,594,155
	$	4,041,924

Note 9. Capital Leases (continued)

Future minimum lease payments under these capital leases, which will be funded from the General Fund, are as follows:

2017	$	475,644
2018		446,220
2019		429,168
2020		542,757
2021		564,665
2022-2026		1,778,949
2027-2029		669,490
		4,906,893
Less amounts representing interest		864,969
Present value of net minimum lease payments	$	4,041,924

Interest expense on the above capital leases was approximately $154,000 for the year ended June 30, 2016.

The cost of items acquired under capital lease arrangements, as included in capital assets and construction in progress, totaled $5,845,672 and the related accumulated depreciation was $743,612 at June 30, 2016.

Note 10. Long-Term Liabilities

Changes in long-term liabilities were as follows:

	Beginning	Additions	Reductions	Ending	Due within one year
Capital leases	$ 4,608,962	$ -	$ 567,038	$ 4,041,924	$ 332,161
Retirement incentive plan	338,824	-	169,412	169,412	169,412
Compensated absences	898,385	567,567	734,073	731,879	14,387
Net pension liability	3,202,423	967,605	-	4,170,028	-
Net OPEB obligation	32,556,259	4,894,557	-	37,450,816	-
	$ 41,604,853	$ 6,429,729	$ 1,470,523	$ 46,564,059	$ 515,960

Long-term liabilities are generally liquidated by the General Fund.

Note 11. Operating Lease

The Board leases administrative copy machines, computer equipment, and office space over terms ranging from three to five years.

Approximate future minimum lease commitments are as follows:

Fiscal year ending June 30,

2017	$	120,430
2018		13,472
2019		-
2020		-
2021		-

Rent expense, under these leases, totaled approximately $327,000 for the year ended June 30, 2016.

Note 12. Required Fund Disclosures

The Food Service Fund had an excess of actual expenditures over budgeted expenditures of $434,288 for the year ended June 30, 2016.

Note 13. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. In the opinion of the Board, there are no approved contracts that would have a material effect on the financial statements.

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Board.

There are various legal claims pending against the Board that arise in the normal course of the Board's activities. In the opinion of legal counsel and management, the ultimate disposition of these various claims will have no adverse impact on the financial position of the Board.

The Board has active school construction projects as of June 30, 2016. At June 30, 2016, the Board's commitments with contractors were as follows:

Projects	Expenditures to Date	Remaining Commitments
Preston Elementary School	$ 16,120,878	$ 1,686,251

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
County appropriation	$ 13,765,180	$ 13,765,180	$ 13,765,180	$ -
State revenues:				
Current expense	26,316,645	26,316,645	26,316,645	-
Transportation	2,635,432	2,635,432	2,635,432	-
Guaranteed tax base	908,120	908,120	908,120	-
Handicapped children	2,306,222	2,306,222	2,306,222	-
Limited English proficiency	1,824,819	1,824,819	1,824,819	-
Supplemental grant	966,820	966,820	979,064	12,244
Compensatory education	14,087,999	14,087,999	14,087,999	-
Total state revenues	49,046,057	49,046,057	49,058,301	12,244
Other sources:				
Tuition	23,000	23,000	6,875	(16,125)
Interest income	10,000	10,000	17,263	7,263
Miscellaneous	432,000	432,000	716,887	284,887
Total other sources	465,000	465,000	741,025	276,025
Total unrestricted revenues	63,276,237	63,276,237	63,564,506	288,269
Restricted revenues:				
Restricted Federal revenues	4,605,665	4,605,665	5,274,123	668,458
Restricted State revenues	945,265	945,265	1,126,190	180,925
Restricted other revenues	-	-	209,207	209,207
Total restricted revenues	5,550,930	5,550,930	6,609,520	1,058,590
TOTAL REVENUES	68,827,167	68,827,167	70,174,026	1,346,859
EXPENDITURES				
Administration:				
Salaries and wages	1,112,218	1,112,218	1,137,805	(25,587)
Contracted services	259,077	259,077	373,016	(113,939)
Supplies and materials	114,950	114,950	105,009	9,941
Other charges	205,557	205,557	271,117	(65,560)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2016
(Continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
Equipment	$ 2,000	$ 2,000	$ 3,937	$ (1,937)
Transfers	-	-	(84,293)	84,293
Total Administration	1,693,802	1,693,802	1,806,591	(112,789)
School management and support:				
Salaries and wages	4,114,013	4,114,013	4,151,406	(37,393)
Contracted services	4,500	4,500	3,044	1,456
Supplies and materials	134,082	134,082	130,908	3,174
Other charges	350,648	350,648	508,152	(157,504)
Equipment	11,301	11,301	3,063	8,238
Total school management and support	4,614,544	4,614,544	4,796,573	(182,029)
Instructional salaries and wages:				
Salaries and wages	26,391,650	26,391,650	24,979,096	1,412,554
Instructional textbooks and supplies:				
Supplies and materials	850,141	850,141	708,463	141,678
Other instructional costs:				
Contracted services	458,775	458,775	610,276	(151,501)
Other charges	147,350	147,350	143,618	3,732
Equipment	837,392	837,392	911,311	(73,919)
Transfers	51,400	51,400	(18,896)	70,296
Total other instructional costs	1,494,917	1,494,917	1,646,309	(151,392)
Special education:				
Salaries and wages	3,726,235	3,726,235	4,006,432	(280,197)
Contracted services	54,916	54,916	35,884	19,032
Supplies and materials	60,868	60,868	56,121	4,747
Other charges	28,500	28,500	20,366	8,134
Equipment	8,341	8,341	6,077	2,264
Transfers	1,296,005	1,296,005	1,202,632	93,373
Total special education	5,174,865	5,174,865	5,327,512	(152,647)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2016
(Continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
Pupil personnel services:				
Salaries and wages	$ 503,428	$ 503,428	$ 517,826	$ (14,398)
Contracted services	7,550	7,550	13,562	(6,012)
Supplies and materials	12,450	12,450	8,536	3,914
Other charges	10,100	10,100	9,183	917
Total pupil personnel services	533,528	533,528	549,107	(15,579)
Health services:				
Salaries and wages	602,278	602,278	581,817	20,461
Contracted services	10,000	10,000	5,128	4,872
Supplies and materials	27,200	27,200	15,434	11,766
Other charges	4,500	4,500	3,373	1,127
Equipment	5,500	5,500	6,262	(762)
Total health services	649,478	649,478	612,014	37,464
Pupil transportation:				
Salaries and wages	1,461,023	1,461,023	1,479,307	(18,284)
Contracted services	2,296,280	2,296,280	1,775,409	520,871
Supplies and materials	220,836	220,836	168,859	51,977
Other charges	51,664	51,664	43,129	8,535
Equipment	246,716	246,716	215,291	31,425
Total pupil transportation	4,276,519	4,276,519	3,681,995	594,524
Operation of plant:				
Salaries and wages	1,704,896	1,704,896	1,753,042	(48,146)
Contracted services	359,623	359,623	291,180	68,443
Supplies and materials	233,650	233,650	235,213	(1,563)
Other charges	1,611,810	1,611,810	1,800,140	(188,330)
Equipment	10,000	10,000	232,645	(222,645)
Total operation of plant	3,919,979	3,919,979	4,312,220	(392,241)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2016
(Continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
Maintenance of plant:				
Salaries and wages	$ 529,807	$ 529,807	$ 529,924	$ (117)
Contracted services	208,400	208,400	182,704	25,696
Supplies and materials	113,500	113,500	81,905	31,595
Other charges	16,010	16,010	16,162	(152)
Equipment	60,086	60,086	115,942	(55,856)
Total maintenance of plant	927,803	927,803	926,637	1,166
Fixed charges:				
Insurance and employee benefits	12,524,667	12,524,667	13,213,490	(688,823)
	12,524,667	12,524,667	13,213,490	(688,823)
Capital outlay:				
Contracted services	18,000	18,000	13,070	4,930
Building improvements	206,344	206,344	618,734	(412,390)
Total capital outlay	224,344	224,344	631,804	(407,460)
TOTAL EXPENDITURES OF LOCAL AND UNRESTRICTED FUNDS	63,276,237	63,276,237	63,191,811	84,426
Restricted programs				
Restricted Federal programs	4,605,665	4,605,665	5,274,123	(668,458)
Restricted State programs	945,265	945,265	1,126,190	(180,925)
Restricted other programs	-	-	209,207	(209,207)
Total restricted programs	5,550,930	5,550,930	6,609,520	(1,058,590)
TOTAL UNRESTRICTED AND RESTRICTED EXPENDITURES	68,827,167	68,827,167	69,801,331	(974,164)
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	$ 372,695	$ 372,695

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS BY VALUATION DATE

Actuarial Valuation Date **	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	$ -	$ 63,588,000	$ 63,588,000	0.00%	$ 35,427,815	179.49%
July 1, 2009	128,510	67,769,000	67,640,490	0.19%	37,664,864	179.59%
July 1, 2010	131,379	75,003,000	74,871,621	0.18%	38,007,682	196.99%
July 1, 2011	278,927	79,089,000	78,810,073	0.35%	35,359,702	222.88%
July 1, 2012	301,000	71,837,000	71,536,000	0.42%	37,446,711	191.03%
July 1, 2013	650,534	76,218,000	75,567,466	0.85%	32,957,476	229.29%
July 1, 2014	899,345	80,164,000	79,264,655	1.12%	33,545,377	236.29%
July 1, 2015	1,025,093	84,344,000	83,318,907	1.22%	34,560,151	241.08%

** The actuarial reports are based on data as of July 1, 2006, April 1, 2009, November 1, 2011 and July 1, 2014.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2009	$ 5,534,000	24.47%	$ 4,179,911
June 30, 2010	6,032,000	24.63%	8,726,415
June 30, 2011	6,032,000	30.48%	12,919,609
June 30, 2012	6,407,000	24.20%	17,776,095
June 30, 2013	6,425,000	31.29%	22,190,553
June 30, 2014	6,815,000	19.99%	27,643,426
June 30, 2015	6,904,000	28.84%	32,556,259
June 30, 2016	7,296,000	32.91%	37,450,816

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Board's Proportion (Percentage) of the NPL A	Board's Proportionate Share of the NPL B	State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Employee Payroll D	Proportionate Share as a Percentage of Covered Payroll (B / D)	Plan's Total Fiduciary Net Position E	Plan's Total Pension Liability F	Plan's Fidcuciary Net Position as a Percentage of Total Pension Liability (E / F)
2015	June 30, 2014	0.0180451%	$ 3,202,423	$32,296,888	$ 35,499,311	$ 33,545,377	9.55%	$45,339,988,000	$63,086,719,000	71.87%
2016	June 30, 2015	0.0200659%	$ 4,170,028	$42,446,720	$ 46,616,748	$ 34,560,151	12.07%	$45,789,840,000	$66,571,552,000	68.78%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2016

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Measurement Date	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	June 30, 2014	$ 1,721,938	$ 1,721,938	$ -	$ 33,545,377	5.13%
2016	June 30, 2015	$ 1,889,117	$ 1,889,117	$ -	$ 34,560,151	5.47%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

Note 1. Budgetary Comparison Schedule

The Board of Education annually adopts budgets for the General Fund and Food Service Fund. All appropriations are legally controlled at the departmental level for the General Fund and the Food Service Fund.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. The budgetary schedule for the Food Service Fund is included in the additional supplementary information section. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Adjustments necessary to convert the results of operations and fund balances at the end of the year on the GAAP basis to the budgetary basis are as follows:

	June 30, 2016 GENERAL FUND		
	Revenues and other financing sources	Expenditures and other financing uses	Fund Balance
GAAP BASIS	$ 74,557,458	$ 73,561,913	$ 6,373,757
Encumbrances at June 30, 2015	(42,171)	(46,403)	-
Encumbrances at June 30, 2016	2,750	629,832	(627,082)
Payments made on-behalf of the Board by the State of Maryland	(4,344,011)	(4,344,011)	-
BUDGETARY BASIS	$ 70,174,026	$ 69,801,331	$ 5,746,675

	June 30, 2016 FOOD SERVICE FUND		
	Revenues	Expenditures	Fund Balance
GAAP BASIS	$ 3,716,928	$ 3,643,546	$ 312,120
Capital asset additions	-	51,401	(51,401)
Commodities donated by the State of Maryland	(207,860)	(207,860)	-
BUDGETARY BASIS	$ 3,509,068	$ 3,487,087	$ 260,719

Note 2. Required Fund Disclosures

The General Fund had an excess of actual expenditures over budgeted expenditures of $974,164 for the year ended June 30, 2016 attributable to an increase in grant funds. Additional revenues of $1,346,859 provided for the excess expenditures as restricted expenditures were over budget by $1,058,590 and unrestricted expenditures were under budget by $84,426.

Note 3. Pensions

Change in Benefit Terms

There were no benefit changes during the year.

Note 3. Pensions (continued)

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2014 valuation:

- Investment return assumption changed from 7.65% to 7.55%
- Inflation assumption changed from 2.90% to 2.70%

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years for State system
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary increases	3.45% to 10.70%, including inflation
Investment rate of return	7.55%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CAROLINE COUNTY
SCHOOL ACTIVITIES FUND

BALANCE SHEET AND STATEMENT OF
REVENUES, EXPENDITURES AND FUND BALANCE
June 30, 2016

		June 30, 2015	**Year Ended June 30, 2016**						
Fund title	Fund Number	Fund Balance	Revenues	Expenditures	Transfers	Cash	Receivables	Payables	Fund Balance
Central Office	100	$ 8,460	$ 29,307	$ 16,653	$ (6,266)	$ 14,848	$ -	$ -	$ 14,848
Administration and Faculty	150	4,935	16,094	15,428	100	5,701	-	-	5,701
Athletics	200	101,608	328,756	316,058	(18,449)	95,857	-	-	95,857
Graduating Class Activities	250	44,287	75,887	79,926	15,659	55,907	-	-	55,907
Clubs, Groups and Organizations	300	61,359	104,537	105,442	(1,412)	59,042	-	-	59,042
School Publications	350	14,776	41,813	32,628	264	24,225	-	-	24,225
General Instruction Fund	400	78,410	279,032	277,043	66	80,465	-	-	80,465
Additional Sports Materials, Supplies, Equipment and Expenses	600	-	-	-	-	-	-	-	-
School General Fund	650	104,559	187,420	207,103	10,038	94,914	-	-	94,914
Certificate of deposit		-	-	-	-	30,019	-	-	-
Total		$ 418,394	$ 1,062,846	$ 1,050,281	$ -	$ 460,978	$ -	$ -	$ 430,959

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES AND EXPENSES - BUDGETARY BASIS
FOOD SERVICES FUND
Year Ended June 30, 2016

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Sale of meals	$ 707,599	$ 707,599	$ 715,709	$ 8,110
Federal assistance	2,075,000	2,075,000	2,477,464	402,464
State assistance	180,000	180,000	264,708	84,708
Interest income	200	200	104	(96)
Other	90,000	90,000	51,083	(38,917)
TOTAL REVENUES	3,052,799	3,052,799	3,509,068	456,269
EXPENDITURES				
Current:				
Food	1,467,000	1,467,000	1,857,938	(390,938)
Depreciation	-	-	20,474	(20,474)
Salaries and wages	968,101	968,101	1,020,484	(52,383)
Supplies and materials	362,448	362,448	360,563	1,885
Fixed charges	75,500	75,500	24,948	50,552
Contracted services	103,000	103,000	121,782	(18,782)
Other charges	21,750	21,750	22,011	(261)
Capital outlay	55,000	55,000	58,887	(3,887)
TOTAL EXPENDITURES	3,052,799	3,052,799	3,487,087	(434,288)
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	$ 21,981	$ 21,981