

**BOARD OF EDUCATION OF  
CHARLES COUNTY, MARYLAND  
La Plata, Maryland**

**ANNUAL FINANCIAL REPORT  
June 30, 2011**

**TABLE OF CONTENTS**

	<b>PAGES</b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1
<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	3
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	5
<b>Basic Financial Statements</b> .....	20
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets .....	21
Statement of Activities .....	22
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds .....	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	26
Statement of Fiduciary Net Assets – Trust and Agency Funds .....	27
Statement of Changes in Fiduciary Net Assets .....	28
Notes to Financial Statements .....	29
<b>REQUIRED SUPPLEMENTARY INFORMATION</b> .....	50
Schedule of Funding Progress – Pension and Retiree Health Plans .....	51
Schedule of Employer Contributions – Pension and Retiree Health Plans .....	51
<b>General Fund</b>	
Schedule of Revenues and Expenditures – Budget and Actual – Non-GAAP Budgetary Basis .....	53
Notes to Required Supplementary Information .....	54

**TABLE OF CONTENTS**  
(CONTINUED)

	<b>PAGES</b>
<b>OTHER SUPPLEMENTARY INFORMATION .....</b>	<b>55</b>
Schedule of Revenues – Budget and Actual – Non-GAAP Budgetary Basis – General Fund .....	56
Schedule of Expenditures – Budget and Actual – Non-GAAP Budgetary Basis – General Fund .....	57
Combining Balance Sheet – Capital Projects Fund.....	59
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Fund.....	60
Schedule of Revenues, Expenditures, and Encumbrances Non-GAAP Basis – Special Revenue – Restricted Programs Fund.....	61
Schedule of Revenues, Expenditures, and Encumbrances – Budget and Actual – Non-GAAP Budgetary Basis – Special Revenue – Food Service Fund.....	62
Schedule of Changes in Net Assets and Liabilities Student Activities Fund – Agency Fund.....	63
Combining Schedule of Fiduciary Net Assets – Retiree Health and Pension Trust Funds.....	64
Combining Schedule of Changes in Fiduciary Net Assets – Retiree Health and Pension Trust Funds.....	65

## Independent Auditor's Report

Members of the Board  
Board of Education of Charles County, Maryland  
La Plata, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles County, as of and for the year ended June 30, 2011, which collectively comprise The Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Clifton Gunderson LLP*

Baltimore, Maryland  
September 30, 2011

**Independent Auditor's 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***

Members of the Board  
Board of Education of Charles County  
La Plata, Maryland

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County (the Board) as of and for the year ended June 30, 2011, which collectively comprise the Board of Education of Charles County's basic financial statements and have issued our report thereon dated September 30, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*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. We consider the deficiencies described below to be material weaknesses in internal control over financial reporting.

## **Finding 2011 – 1: PRIOR PERIOD ADJUSTMENT**

In prior years, the compensated absences balance was calculated based on a query using age as the determining factor which resulted in the inclusion of some employees that were not eligible to receive sick leave since they had yet to meet the service requirement portion of the Board's sick leave policy. This resulted in compensated absences being overstated at June 30, 2010. A material adjustment was necessary to adjust beginning net assets to correct amount. We recommend the Board establish formal procedures to ensure that compensated absences are properly calculated and recorded in accordance with all aspects of Board's policy.

### *Management's Response*

The Board had been using the same methodology for estimating compensated absences based on age for several decades. During fiscal year 2011, the Board adjusted the calculation to incorporate both age and years of service. This new method aligned the calculation with the negotiated agreement and resulted in a lower compensated absences balance with an offsetting increase to net assets. The Board will continue to calculate compensated absences based on age and service requirements for each bargaining unit.

## **Finding 2011 – 2: Misappropriation of Assets**

During the year, management identified certain computers and other technology materials that were misappropriated due to theft. This misappropriation was referred to external authorities and appropriate legal action was taken against the employee. It was determined by management and the authorities that the misappropriated materials were purchased using federal funds. Management reviewed the policies and procedures related to the purchasing and inventory of equipment and made revisions or additions as determined necessary.

### ***Recommendation***

We recommend that the Board and management continue to review current policies and procedures and make appropriate revisions to ensure that the appropriate levels of management approval and subsequent oversight is obtained for all purchases.

### *Management's Response*

The seven actions below have previously been implemented to address this finding.

1. The Board instituted a procedure to limit access to on-line purchasing systems which includes approval by delegated authority.
2. The Purchasing Manager sends a monthly report of all on-line purchases to each school and central office department manager for their review.
3. A formalized review of monthly expenditure reports with department and division management is conducted.
4. The Board formalized and codified sensitive item inventory procedures and ensures departmental adherence to required inventory procedures.
5. Delegated authority was reviewed and streamlined.
6. The Board is requiring full signatures on all approval documents rather than abbreviations. Signature cards are kept in Accounts Payable, Budget and Purchasing.
7. The Board hired an internal audit firm to conduct independent reviews for high risk areas.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of 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*.

The Board's response to the findings identified in our audit are described above. We did not audit the Board's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Baltimore, Maryland  
September 30, 2011

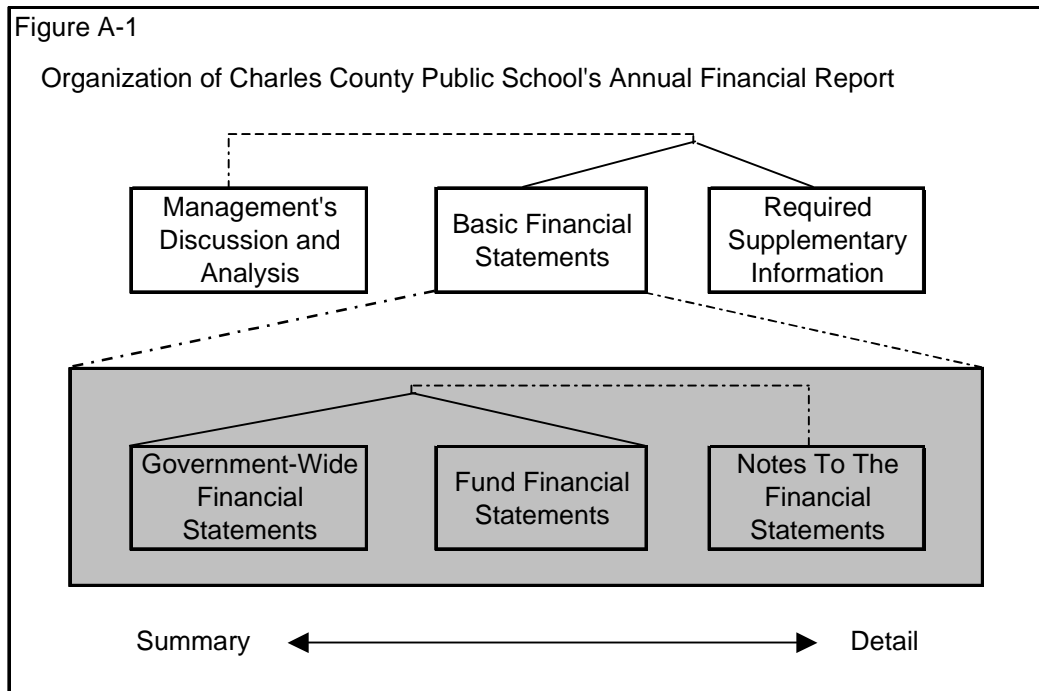


**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

Our discussion and analysis of the Charles County Public School's (the School System) financial performance provides an overview of the financial activities for the fiscal year ending June 30, 2011. The information in this section should be used in conjunction with the financial statement notes and the required supplementary information.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



The basic financial statements include two kinds of statements (government-wide and fund statements) that present different views of the School System:

**Government-Wide Statements**

The government-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting (recognition of revenues when they are earned and expenses when a liability is incurred).

The Statement of Net Assets reports the residual between the School System's assets and liabilities. Presenting the net assets is one way to measure the School System's financial health or position.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

The Statement of Activities reports the current year's revenues and expenses regardless of when cash is received or paid. This statement will show how the School System changed in the current fiscal year. All of the School System's basic services are included in this statement, such as regular and special education, transportation, and administration. County appropriations and state formula aid finance most of these services.

The two government-wide statements report the School System's net assets and how they have changed. When reading the statements, the reader should consider the following:

- Over a period of time, increases or decreases in the School System's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the School System's overall health, you need to consider additional non-financial factors such as changes in the School System's local appropriation, student enrollment growth, and the condition of school buildings and other facilities.

### **Fund Financial Statements**

Overall, these statements focus on individual parts of the School System, reporting the School System's operations in more detail than the government-wide statements.

The fund financial statements provide more detailed information about the School System's funds, focusing on its most significant or "major" funds (not the School System as a whole). Funds are accounting devices the School System uses to keep track of the sources and uses of funds in particular programs. The School System may use funds for the following reasons.

- To comply with state and federal law requirements.
- To control and manage resources designated for specific activities or objectives.

The School System has two kinds of funds:

- Governmental Funds: Most of the School System's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School System's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to explain the relationship (or differences) between them.
- Fiduciary Funds: The School System is the trustee for assets that belong to others, such as the pension, OPEB, and student activities funds. The School System is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those for whom the assets belong. The School System excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

The financial statements also include notes that explain some of the information in the statements and provide more relevant data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School System's budget for the year.

Figure A-2 summarizes the major features of the School System's financial statements, including the portion of the School System's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School System (except fiduciary funds)	The activities of the School System that are not proprietary or fiduciary, such as special education and maintenance	Resources administered on behalf of someone else, such as school activity monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial flows focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; capital assets or long-term liabilities are not included	All assets and liabilities, both short-term and long-term; funds may or may not contain capital assets
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues where cash is received during or soon after the end of the year to pay liabilities for current period; expenditures occur when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Financial Analysis of the School System as A Whole (Government-Wide)**

The School System's combined net assets as of June 30, 2011 totaled \$208.3 million, a decrease of \$15.3 million or 6.8 % less than last fiscal year as shown in the statement below.

**Condensed Statement of Net Assets (in millions of dollars)**

	<u>Governmental Activities</u>		<u>Total Percent</u>
	<u>2010</u>		<u>Change</u>
	<u>As Restated</u>	<u>2011</u>	<u>2010-2011</u>
<b>Assets</b>			
Current and other assets	\$ 59.3	\$ 62.0	4.6%
Capital assets	267.2	268.9	0.6%
<b>Total assets</b>	<u>\$ 326.5</u>	<u>\$ 330.9</u>	1.3%
<b>Liabilities</b>			
Long-term liabilities	\$ 64.1	\$ 80.6	25.7%
Other liabilities	38.8	42.0	8.2%
<b>Total liabilities</b>	<u>\$ 102.9</u>	<u>\$ 122.6</u>	19.1%
<b>Net Assets</b>			
Invested in capital assets	\$ 267.2	\$ 268.9	0.6%
Unrestricted	(43.6)	(60.6)	39.0%
<b>Total net assets</b>	<u>\$ 223.6</u>	<u>\$ 208.3</u>	(6.8)%

The major portion of the School System's assets, \$268.9 million (81.3%) reflects the investment in capital assets (land, land improvements, buildings, equipment and construction). These assets include school buildings, relocatable classrooms, land for athletic fields, playgrounds, and equipment in the school classrooms and other buildings. The unrestricted net assets decreased due to an additional increase in OPEB obligation for the current year of \$15.9 million as described in Note 6 of the financial statements.

Changes In Net Assets: The School System's net assets decreased by \$15.3 million in 2011 as opposed to a decrease of \$13.6 million in 2010.

- The School System's revenues of \$354.7 million decreased \$7.5 million (2.1%) over last year, largely due to lower revenues in Capital Grants of \$4.6 million (-26.7%). This decrease was mostly due to the reduction in projects and revenue from State Construction in Progress.
- Expenses totaled \$370 million or \$5.8 million less than fiscal year 2010. The School System reduced spending to compensate for the reduction of the State Foundation grant revenues and in anticipation of reduced revenues in FY2012.
  - Planning and construction decreased \$7 million (-90.9%) over fiscal year 2010.
  - Transportation increased \$2.2 million due to increased fuel costs for buses.
  - Instruction decreased \$3.6 million due to salary savings and reduced spending in materials of instruction.
  - The Food Service Expense increase of \$700,000 resulted from a purchase of new point of sale computer software and hardware and increase in commodity food allowances to purchase more commodity food.

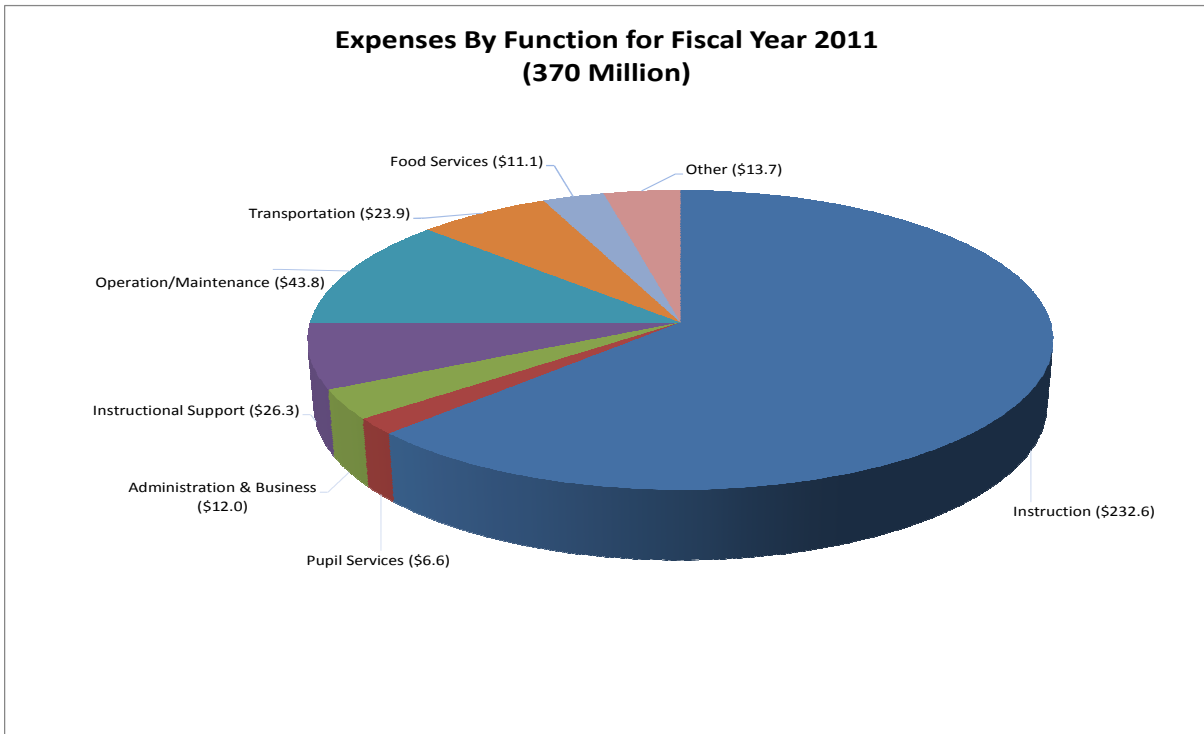
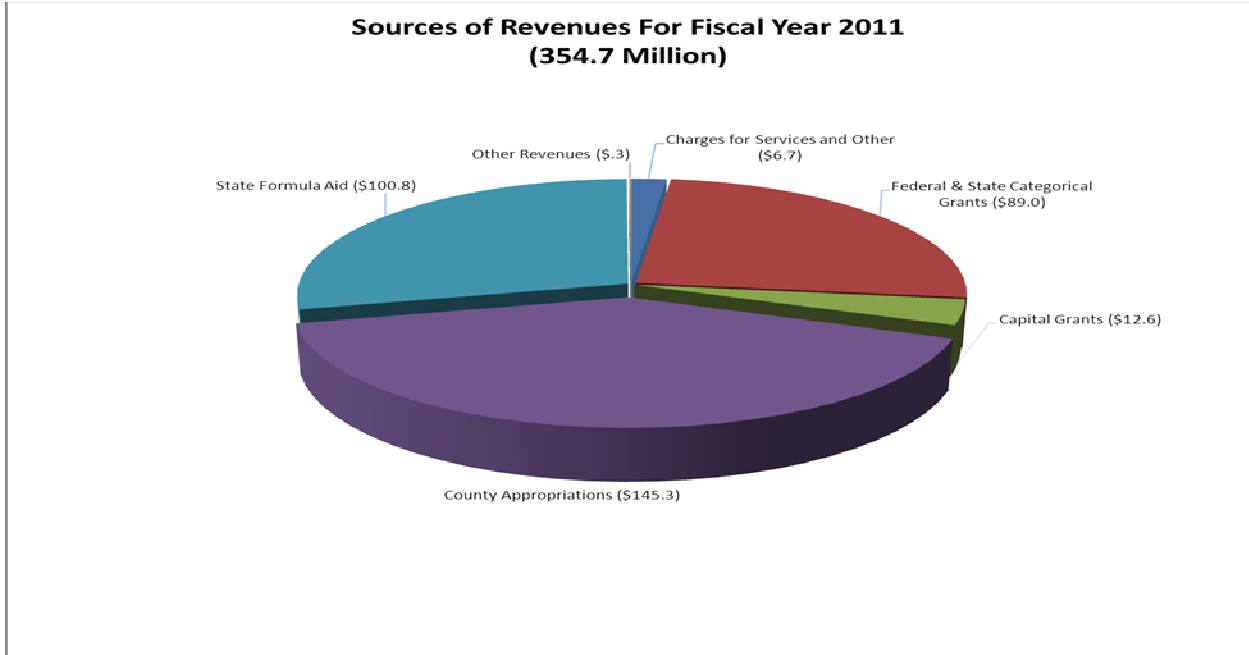
**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Changes in Net Assets (in millions of dollars)**

	<u>Governmental Activities</u>		<u>Change</u>	<u>% Change</u>
	<u>2010</u>	<u>2011</u>		
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 7.0	\$ 6.7	(0.3)	(4.3)%
Operating grants and contributions	88.4	89.0	0.6	0.7%
Capital grants and contributions	17.2	12.6	(4.6)	(26.7)%
General revenues			-	
County appropriations	145.1	145.3	0.2	0.1%
State formula aid	104.3	100.8	(3.5)	(3.4)%
Other	<u>0.2</u>	<u>0.3</u>	<u>0.1</u>	50.0%
Total revenues	<u>362.2</u>	<u>354.7</u>	<u>(7.5)</u>	(2.1)%
<b>Expenditures</b>				
Instruction	236.2	232.6	(3.6)	(1.5)%
Support services				
Pupil services	6.4	6.6	0.2	3.1%
Administration	11.5	12.0	0.5	4.3%
Instructional support	25.9	26.3	0.4	1.5%
Operations and maintenance	42.6	43.8	1.2	2.8%
Transportation	21.7	23.9	2.2	10.1%
Food services	10.4	11.1	0.7	6.7%
Planning and construction	7.7	0.7	(7.0)	(90.9)%
Other	<u>13.4</u>	<u>13.0</u>	<u>(0.4)</u>	(3.0)%
Total expenditures	<u>375.8</u>	<u>370.0</u>	<u>(5.8)</u>	(1.5)%
<b>Decrease in net assets</b>	<u>\$ (13.6)</u>	<u>\$ (15.3)</u>	<u>(1.7)</u>	12.5%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Revenues and Expenditures by Source and Function**



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Governmental Activities**

The county appropriation for the operating budget in fiscal year 2011 was \$145.3 million or \$203,400 more than in fiscal year 2010 as shown on the Statement of Activities for fiscal years 2010 and 2011. Total cost of services decreased 1.5% from 2010. Also, the net cost of services decreased by \$1.5 million or -.6%, in fiscal year 2010 the net cost decreased by \$2.8 million or 1.1%.

Net Cost of Governmental Activities: The cost of the nine major School System activities (schedule shown below): Instruction, Instructional Support, Pupil Services, Administration, Transportation, Operation and Maintenance, Food Services, Planning and Construction and Other (Community Services, and unallocated depreciation) are reflected in the table below. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the impact on the School System by each of the activities. General revenues, including county appropriations and state aid, must support the net cost of the School System's activities.

**Net Cost of Government Activities (in millions of dollars)**

	<b>Total Cost of Services</b>			<b>Percentage Change</b>		<b>Net Costs of Services</b>			<b>Percentage Change</b>	
	<b>2010</b>	<b>2011</b>	<b>2010 - 2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010 - 2011</b>	<b>2010</b>	<b>2011</b>
Instruction	\$ 236.2	\$ 232.6	-1.5%	\$ 164.7	\$ 162.9	-1.1%				
Pupil services	6.4	6.6	3.1%	6.4	6.6	3.1%				
Administration	11.5	12.0	4.3%	10.2	11.1	8.8%				
Instructional support	25.9	26.3	1.5%	25.0	25.0	0.0%				
Operations and maintenance	42.6	43.8	2.8%	42.1	43.2	2.6%				
Transportation	21.7	23.9	10.1%	12.2	14.5	18.9%				
Food services	10.4	11.1	6.7%	0.1	0.7	600.0%				
Planning and construction	7.7	0.7	-90.9%	(9.7)	(14.2)	46.4%				
Other	13.4	13.0	-3.0%	12.2	11.9	-2.5%				
<b>Total</b>	<b>\$ 375.8</b>	<b>\$ 370.0</b>	<b>-1.5%</b>	<b>\$ 263.2</b>	<b>\$ 261.7</b>	<b>-0.6%</b>				

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**Financial Highlights**  
**Financial Analysis of the School System's Funds**

The general fund is the operating fund for the School System. On a GAAP basis the School System ended the fiscal year with a general fund balance of \$10.2 million. Most of the fund balance consists of purchase order encumbrances; subsequent year expenditures; a reserve for uninsured health claims, reserves for inventory and other GAAP related accounting requirements.

The total governmental funds consist of the General, Restricted Programs (restricted by purpose and source of funds), Food Service, and Capital Projects. Capital Projects receive their funding on a reimbursement basis and the negative fund balance is due to the timing of the reimbursement. The School System reported a total governmental funds balance of \$13.0 million as compared to last year's combined ending balance of \$14.6 million or \$1.6 million less than last year.



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**Changes in Fund Balance - Governmental Funds - GAAP Basis**

	<u>General</u> <u>Fund</u>	<u>Restricted</u> <u>Programs Fund</u>	<u>Food</u> <u>Service Fund</u>	<u>Capital</u> <u>Projects</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>					
State of Maryland	\$ 164,250,740	\$ 1,673,614	\$ 218,610	\$ 7,467,538	\$ 173,610,502
Federal government	965,980	16,405,667	4,587,520	-	21,959,167
Other sources	1,858,240	1,088,551	5,456,679	-	8,403,470
Local sources	<u>145,296,600</u>	<u>314,164</u>	<u>-</u>	<u>5,135,863</u>	<u>150,746,627</u>
Total revenues	<u>312,371,560</u>	<u>19,481,996</u>	<u>10,262,809</u>	<u>12,603,401</u>	<u>354,719,766</u>
<b>EXPENDITURES</b>					
Current:					
Administration	8,252,210	390,801	-	-	8,643,011
Mid-level administration	19,751,384	1,163,272	-	-	20,914,656
Instructional salaries	120,266,068	3,730,323	-	-	123,996,391
Materials of instruction	4,019,229	895,708	-	-	4,914,937
Other costs of instruction	1,636,568	826,672	-	-	2,463,240
Special education	27,836,809	5,274,576	-	-	33,111,385
Student personnel services	3,105,210	1,415	-	-	3,106,625
Health service	2,609,830	14,156	-	-	2,623,986
Transportation	23,200,587	244,883	-	-	23,445,470
Operations	26,132,009	25,965	-	-	26,157,974
Maintenance	5,936,503	50,213	-	-	5,986,716
Food service	-	146,206	8,857,405	-	9,003,611
Community service	690,766	970,510	-	-	1,661,276
Fixed charges	70,748,382	3,000,335	1,647,756	-	75,396,473
Capital outlay	<u>425,038</u>	<u>1,842,606</u>	<u>-</u>	<u>12,603,401</u>	<u>14,871,045</u>
Total expenditures	<u>314,610,593</u>	<u>18,577,641</u>	<u>10,505,161</u>	<u>12,603,401</u>	<u>356,296,796</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(2,239,033)	904,355	(242,352)	-	(1,577,030)
<b>FUND BALANCES, BEGINNING OF YEAR</b>					
	<u>12,473,231</u>	<u>475,176</u>	<u>1,808,952</u>	<u>(156,271)</u>	<u>14,601,088</u>
<b>FUND BALANCES, END OF YEAR</b>					
	<u>\$ 10,234,198</u>	<u>\$ 1,379,531</u>	<u>\$ 1,566,600</u>	<u>\$ (156,271)</u>	<u>\$ 13,024,058</u>

Excess of revenues over expenditures resulted in increases or (decreases) in fund balances. Further analysis and explanation of Fund Balance (see Note 12)

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**Budget Adjustments**

The School System's final budget for General Fund requires total revenues to be equal to total expenditures. Final results for the year yielded an actual \$728,969 surplus. The surplus was due primarily to planned savings related to salaries and employee benefits, Materials of Instruction and utilities. The following provides a synopsis of the intra-category changes as it relates to the source and use of budgetary funds.

**REVENUES**

Total revenues were \$6.8 million less than anticipated budgetary levels due to State and Other sources. State revenues were \$4.4 million less than budget due to held funding of the foundation program related to the Ed Jobs federal grant to be used for FY2012 funding formula. Other sources of revenue were \$2.6 million less than budget due to not transferring the prior year fund balance. Revenue shortfalls were offset by federal impact aid recognized revenues. The revenues are recognized when received and exceeded budget amounts by \$196,000.

**EXPENDITURES**

All revenue shortfalls were offset by total planned expenditure savings of \$7.5 million from unfilled positions, turnover (including associated employee benefits), utilities, and materials of instruction throughout the School System.

**General Fund Budgetary Highlights – Non-GAAP**

Over the course of the year, the School System revised the annual operating budget several times. These budget amendments fall into three categories:

- Intra-category transfers to align budgets within the expenditure category. These changes require county government notification and are generally done as needed throughout the year.
- Inter-category transfers to fund categories over budget. According to state law, no expenditure category can exceed approved budget amounts. Inter-category budget transfers require Board and county government approval, and are generally done once a year.
- Revenue budget changes require approval; when they provide a source of funding for expenditure categories, or a transfer from fund balance.

**Food Service Budget to Actual – Non-GAAP**

Budget to actual – Non-GAAP Budgetary Basis statement can be found in the Other Supplementary Information section towards the end of this report.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

**General Fund Budget and Actual - Non-GAAP Budgetary Basis**

	2011			Variances Positive (Negative)	2010
	Original Budget	As Amended Budget	Actual		Actual
<b>REVENUES</b>					
State of Maryland	\$ 144,314,320	\$ 144,314,320	\$ 139,861,837	\$ (4,452,483)	\$ 144,541,071
Federal government	770,000	770,000	965,980	195,980	897,064
Other sources	4,419,080	4,419,080	1,858,240	(2,560,840)	1,889,115
Local sources	145,296,600	145,296,600	145,296,600	-	145,093,200
Total revenues	<u>294,800,000</u>	<u>294,800,000</u>	<u>287,982,657</u>	<u>(6,817,343)</u>	<u>292,420,450</u>
<b>EXPENDITURES</b>					
Administration	8,321,601	8,321,601	8,014,724	306,877	7,984,160
Mid-level administration	20,429,504	20,429,504	19,693,222	736,282	20,123,227
Instructional salaries	121,898,801	121,858,801	120,266,068	1,592,733	121,432,565
Materials of instruction	4,755,083	4,755,083	3,196,707	1,558,376	4,695,945
Other costs of instruction	2,163,468	2,163,468	1,525,855	637,613	1,693,024
Special education	28,127,797	28,127,797	27,835,295	292,502	27,829,594
Student personnel services	3,087,642	3,106,642	3,105,210	1,432	3,030,626
Health service	2,628,700	2,649,700	2,609,830	39,870	2,606,687
Transportation	22,963,851	23,103,851	23,103,156	695	21,045,286
Operations	24,751,512	24,611,512	23,827,916	783,596	25,770,290
Maintenance	6,174,065	6,174,065	6,015,986	158,079	5,286,649
Community service	707,696	707,696	690,766	16,930	1,454,779
Capital outlay	1,034,493	1,034,493	1,009,474	25,019	1,067,713
Fixed charges	47,755,787	47,755,787	46,359,479	1,396,308	47,138,886
Total expenditures	<u>294,800,000</u>	<u>294,800,000</u>	<u>287,253,688</u>	<u>7,546,312</u>	<u>291,159,431</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728,969</u>	<u>\$ (14,363,655)</u>	<u>\$ 1,261,019</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**Capital Asset and Long-Term Debt**

**Capital Assets**

During the year, the School System completed several building projects. The projects were:

<b>Project Description</b>	<b>Cost (in millions)</b>
Additions to buildings (PA system, broiler replacement systems, fire alarm systems, CTE classroom renovations, eight room trailer additional cost and miscellaneous maintenance projects).	\$ 3.0
Full Day Kindergarten additions/renovations	<u>4.8</u>
<b>Total</b>	<u><u>\$ 7.8</u></u>

During fiscal year 2011, capital assets increased \$ 13.8 million, which was a 2.9% change from fiscal year 2010. Some of the changes were as follows:

- Land value increased due to the donation of 5.1497 acres on Radio Station Road.
- Land Improvements increased due to new playground equipment, paving, wetland creation, sidewalk replacement, a new digital sign, tennis court repair and resurfacing, track repair, curb and gutter replacement, a new memorial garden, and a walkway at Nanjemoy Creek.
- The construction in progress included full day kindergarten additions at 3 schools (1.8 million at Dr. Brown Elementary School, 1.9 million at Indian Head Elementary School, and 1.9 million at Mt. Hope Elementary School), and 2.2 million for boiler replacement at Indian Head elementary school.
- Equipment and furniture increased due to technology equipment, the Spitz Dome project, replacement vehicles and lawn equipment at several schools.

**Capital Assets (in millions of dollars)**

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2010</b>	<b>2011</b>	<b>2010 - 2011</b>
Land	\$ 16.7	\$ 16.8	\$ 0.1
Land improvements	8.2	8.7	0.5
Buildings	413.3	421.1	7.8
Construction in progress	9.2	14.1	4.9
Equipment and furniture	27.2	27.7	0.5
Accumulated depreciation	<u>(207.4)</u>	<u>(219.7)</u>	<u>(12.3)</u>
<b>Total</b>	<u><u>\$ 267.2</u></u>	<u><u>\$ 268.7</u></u>	<u><u>\$ 1.5</u></u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

The School System's fiscal year 2012 capital improvement program budget includes spending another \$13.2 million for capital projects, principally in three areas:

- \$400,000 towards construction for full day kindergarten additions.
- \$2.9 million for boiler and various maintenance projects; bi-directional antenna, etc.
- \$9.9 million towards construction for St. Charles High School.

Over the next five years, the School System anticipates opening a new elementary school, a new high school and completing three full day kindergarten additions.

**Long-Term Debt**

At year-end, the School System had \$81.5 million in long-term debt. Compensated absences in accumulated vacation and sick leave for the School System's employees available upon termination accounted for \$7.3 million of the debt. The School System also has an obligation of \$74.2 million for post-employment benefits other than pensions (OPEB). More detailed information about the School System's long-term liabilities is presented in Note 10 of the financial statements.

**Factors Expected To Have an Effect on Future Operations**

The stalled economy continues to present funding challenges for local education. Enrollment growth in the county remains flat although many schools are at or above capacity. Like most states, Maryland used federal stimulus funding to fill budget gaps for education; however, the majority of this funding ended this year with the remainder expiring next year. The President announced new programs to create and protect jobs, but the stalemate in the House and Senate may offset any real gains. Furthermore, the impact of additional federal funding for the School System may be offset by state, local or federal budget cuts in other programs.

It appears that we can expect several more years of slow growth and budget uncertainty. This unstable economic environment is made worse by legislative changes, mandates and county imposed restrictions which change the allocation of remaining resources. Continued legislative proposals for relaxing maintenance of effort laws, transferring teacher retirement obligations to school systems, health insurance coverage requirements, and binding arbitration requirements will have negative impacts on school system funding.

Funding other post-retirement benefits (OPEB) in accordance with GASB 45 remains a concern, but a lower budget priority. The Board of Education is committed to honoring union contracts, which provide health insurance benefits to current and retired employees. Changes have been made to help control costs, but these changes have little impact on the unfunded liability. Until the economy improves, funding this obligation is anticipated to be extremely difficult going forward.

The classified pension plan presents another area for concern. While the brief turnaround in the markets have resulted in the returns meeting the targeted benchmarks, making significant improvements in funding ratios will require additional contributions or reductions in benefits. We have addressed this problem in part by funding amounts in excess of the annual required contribution, and by eliminating late retirement benefits.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

The past several years of budget cuts or flat funding has had a detrimental impact on our investment in technology. In 2011 the School System acquired a five year technology loan to bring our infrastructure up to minimum standards, but a sizable annual investment is still required.

The county has deferred opening a new high school to the fall of 2013 because of economic reasons; however, the new school will still require major operating and startup costs. The funding source for these costs has not been fully identified. This fall the Board of Education and the County Commissioners will begin discussions geared towards resolving funding issues related to growth, new school construction, systemic repairs and renovations of existing infrastructure, and longer-term employee compensation and benefit plans.

In spite of current concern, the School System continues to do an excellent job managing and allocating resources. The School System did not have deficits or over expenditures in any category and was able to generate a small fund balance through savings initiatives. The School System presented a balanced budget for FY2012 and avoided staff layoffs or furloughs. We were able to provide modest improvements in salaries, maintain important programs, and keep class sizes at effective levels.

It is our expectation that many of the current and future issues will be resolved should the economy rebound quickly and in a substantive way.

**Contacting the School System's Financial Management**

This financial report is designed to provide the School System's citizens, taxpayers, customers, and investors and creditors with a general overview of the School System's finances and to demonstrate the School System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Superintendent of Finance, Business Administration and Technology, Charles County Public Schools, P.O. Box 2770, La Plata, Maryland 20646.

## **BASIC FINANCIAL STATEMENTS**

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 45,074,506
Accounts receivable	
Federal	3,629,113
State of Maryland	3,076,721
Other sources	1,457,298
Inventories	839,675
Prepaid pension obligation	7,919,453
Capital assets	
Land and construction in progress	30,931,155
Other capital assets, net of depreciation	<u>237,951,524</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 330,879,445</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 6,934,216
Accrued salaries and fringe benefits	23,431,339
Payroll taxes and withholding payable	44,769
Other liabilities	131,533
Payable for health insurance	2,220,000
Unearned revenue	8,291,398
Noncurrent liabilities:	
Due within one year	930,000
Due in more than one year	<u>80,593,663</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 122,576,918</u></b>
<b>NET ASSETS</b>	
Invested in capital assets	\$ 268,882,679
Unrestricted	<u>(60,580,152)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 208,302,527</u></b>

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



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

	Program Revenues				Net Revenue (Expenses) and Changes in Net Assets
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>INSTRUCTION</b>					
Regular education	\$ 191,510,719	\$ 798,974	\$ 54,556,371	\$ -	\$ (136,155,374)
Special education	<u>41,056,259</u>	<u>397,507</u>	<u>13,862,698</u>	<u>-</u>	<u>(26,796,054)</u>
Total instruction	<u>232,566,978</u>	<u>1,196,481</u>	<u>68,419,069</u>	<u>-</u>	<u>(162,951,428)</u>
<b>SUPPORT SERVICES</b>					
Pupil services	6,588,502	-	15,571	-	(6,572,931)
Administration	12,034,291	-	966,327	-	(11,067,964)
Instructional support	26,342,529	-	1,387,967	-	(24,954,562)
Operation and maintenance	43,805,242	366,786	198,243	-	(43,240,213)
Transportation	23,809,650	-	9,275,999	-	(14,533,651)
Community services	1,892,185	18,660	1,152,884	-	(720,641)
School lunch services	11,136,596	5,163,356	5,270,206	-	(703,034)
Planning and construction	723,060	-	2,290,213	12,603,401	14,170,554
Unallocated depreciation expense	<u>11,146,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,146,128)</u>
Total support services	<u>137,478,183</u>	<u>5,548,802</u>	<u>20,557,410</u>	<u>12,603,401</u>	<u>(98,768,570)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 370,045,161</u>	<u>\$ 6,745,283</u>	<u>\$ 88,976,479</u>	<u>\$ 12,603,401</u>	<u>(261,719,998)</u>
<b>GENERAL REVENUES</b>					
County appropriations					145,296,600
State aid not restricted to specific purposes					100,810,667
Earnings on investment					54,256
Miscellaneous					<u>233,094</u>
					<u>246,394,617</u>
<b>CHANGE IN NET ASSETS</b>					(15,325,381)
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>					<u>223,627,908</u>
<b>NET ASSETS, END OF YEAR</b>					<u>\$ 208,302,527</u>

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<u>General Fund</u>	<u>Restricted Programs Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 42,632,189	\$ -	\$ 2,421,273	\$ 21,044	\$ 45,074,506
Accounts receivable:					
Federal	67,308	3,279,899	281,906	-	3,629,113
State of Maryland	362,243	390,311	18,469	2,305,698	3,076,721
Other sources	1,026,871	116,525	48,370	265,532	1,457,298
Due from other funds	83,338	2,754,283	-	-	2,837,621
Inventories	<u>557,737</u>	<u>-</u>	<u>281,938</u>	<u>-</u>	<u>839,675</u>
<b>TOTAL ASSETS</b>	<u>\$ 44,729,686</u>	<u>\$ 6,541,018</u>	<u>\$ 3,051,956</u>	<u>\$ 2,592,274</u>	<u>\$ 56,914,934</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,476,237	\$ 786,314	\$ 161,036	\$ 510,629	\$ 6,934,216
Accrued salaries and fringe benefits	22,053,142	940,506	437,691	-	23,431,339
Payroll taxes and withholdings payable	44,769	-	-	-	44,769
Due to other governments	-	107,864	-	-	107,864
Due to other funds	-	-	623,374	2,237,916	2,861,290
Payable for health insurance	2,220,000	-	-	-	2,220,000
Unearned revenue	<u>4,701,340</u>	<u>3,326,803</u>	<u>263,255</u>	<u>-</u>	<u>8,291,398</u>
 Total liabilities	 <u>34,495,488</u>	 <u>5,161,487</u>	 <u>1,485,356</u>	 <u>2,748,545</u>	 <u>43,890,876</u>
<b>FUND BALANCE (DEFICIT)</b>					
Nonspendable - inventory	557,737	-	281,938	-	839,675
Restricted	-	1,379,531	-	-	1,379,531
Assigned	4,803,978	-	1,284,662	-	6,088,640
Unassigned	<u>4,872,483</u>	<u>-</u>	<u>-</u>	<u>(156,271)</u>	<u>4,716,212</u>
 Total fund balance(deficit)	 <u>10,234,198</u>	 <u>1,379,531</u>	 <u>1,566,600</u>	 <u>(156,271)</u>	 <u>13,024,058</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 44,729,686</u>	<u>\$ 6,541,018</u>	<u>\$ 3,051,956</u>	<u>\$ 2,592,274</u>	<u>\$ 56,914,934</u>

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

**Total Fund Balances - Governmental Funds** \$ 13,024,058

**Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

The cost of capital assets	\$ 488,590,125	
Accumulated depreciation	<u>(219,707,446)</u>	268,882,679

Prepaid pension obligation is not recognized in the governmental funds but is recognized in the Statement of Activities.	7,919,453
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Long-term liabilities, including net other postemployment obligations and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consisted of:

Net OPEB obligation	(74,261,988)	
Compensated absences	<u>(7,261,675)</u>	<u>(81,523,663)</u>

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 208,302,527**

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Restricted Programs Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
State of Maryland	\$ 164,250,740	\$ 1,673,614	\$ 218,610	\$ 7,467,538	\$ 173,610,502
Federal government	965,980	16,405,667	4,587,520	-	21,959,167
Other sources	1,858,240	1,088,551	5,456,679	-	8,403,470
Local sources	<u>145,296,600</u>	<u>314,164</u>	<u>-</u>	<u>5,135,863</u>	<u>150,746,627</u>
Total revenues	<u>312,371,560</u>	<u>19,481,996</u>	<u>10,262,809</u>	<u>12,603,401</u>	<u>354,719,766</u>
<b>EXPENDITURES</b>					
Current:					
Administration	8,252,210	390,801	-	-	8,643,011
Mid-level administration	19,751,384	1,163,272	-	-	20,914,656
Instructional salaries	120,266,068	3,730,323	-	-	123,996,391
Materials of instruction	4,019,229	895,708	-	-	4,914,937
Other costs of instruction	1,636,568	826,672	-	-	2,463,240
Special education	27,836,809	5,274,576	-	-	33,111,385
Student personnel services	3,105,210	1,415	-	-	3,106,625
Health service	2,609,830	14,156	-	-	2,623,986
Transportation	23,200,587	244,883	-	-	23,445,470
Operations	26,132,009	25,965	-	-	26,157,974
Maintenance	5,936,503	50,213	-	-	5,986,716
Food service	-	146,206	8,857,405	-	9,003,611
Community service	690,766	970,510	-	-	1,661,276
Fixed charges	70,748,382	3,000,335	1,647,756	-	75,396,473
Capital outlay	<u>425,038</u>	<u>1,842,606</u>	<u>-</u>	<u>12,603,401</u>	<u>14,871,045</u>
Total expenditures	<u>314,610,593</u>	<u>18,577,641</u>	<u>10,505,161</u>	<u>12,603,401</u>	<u>356,296,796</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,239,033)	904,355	(242,352)	-	(1,577,030)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>12,473,231</u>	<u>475,176</u>	<u>1,808,952</u>	<u>(156,271)</u>	<u>14,601,088</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 10,234,198</u>	<u>\$ 1,379,531</u>	<u>\$ 1,566,600</u>	<u>\$ (156,271)</u>	<u>\$ 13,024,058</u>

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

**Total Net Change in Fund Balances - Governmental Funds** \$ (1,577,030)

**Amounts Reported for Governmental Activities in the  
Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Assets capitalized during the year	\$ 15,087,390	
Depreciation expense for the year	(13,270,895)	
Net book value of assets disposed of during the year	<u>(180,000)</u>	
		1,636,495

Prepaid pension obligation is not recognized in the governmental funds but is recognized in the Statement of Activities. This is the increase in prepaid pension obligation for the year.		1,302,558
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OPEB costs reported in the Statement of Activities do not require the use of current financial resources and, are not reported as expenditures in governmental funds.		(15,940,852)
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In the Statement of Activities, certain operating expenses, such as compensated absences, are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended.		<u>(746,552)</u>
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**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ (15,325,381)**

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**TRUST AND AGENCY FUNDS**  
**June 30, 2011**

	<b>Pension and Retiree Health Trust Funds</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,985,878	\$ 2,053,394
Investments, at fair value with fiscal agent	72,385,125	-
Contribution receivable	3,486,421	-
Due from other funds	23,669	-
<b>TOTAL ASSETS</b>	<b>81,881,093</b>	<b>2,053,394</b>
<b>LIABILITIES</b>		
Due to student groups	-	2,053,394
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>\$ 2,053,394</b>
<b>NET ASSETS</b>		
Held in trust for retiree health/pension benefits	<b>\$ 81,881,093</b>	

(Schedules of funding progress and employer contributions are presented on page 45.)

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2011**

	<b><u>Pension and Retiree Health Trust Funds</u></b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 17,385,097
Plan members	<u>2,403,785</u>
Total contributions	<u>19,788,882</u>
 Investment earnings:	
Interest and dividends	1,646,599
Net increase in fair value of investments	<u>17,129,435</u>
Total investment earnings	18,776,034
Less investment loss	<u>290,645</u>
Net investment gain	<u>18,485,389</u>
Total additions	<u>38,274,271</u>
 <b>DEDUCTIONS</b>	
Benefits paid to members	11,034,707
Administrative expenses	<u>8,785,867</u>
Total deductions	<u>19,820,574</u>
 <b>CHANGE IN PLAN NET ASSETS</b>	 18,453,697
 <b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	 <u>63,427,396</u>
 <b>TOTAL NET ASSETS, END OF YEAR</b>	 <u>\$ 81,881,093</u>

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education of Charles County, Maryland (the Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 reporting principles.

The Board of Education of Charles County, Maryland is a component unit of the County Commissioners of Charles County, Maryland (the County). The Board's financial statements are an integral part of the financial statements of The County Commissioners of Charles County, Maryland. This conclusion has been reached based on the following criteria: (1) The County Commissioners are responsible for approving the Board's budget and establishing spending limitations; (2) The County Commissioners are responsible for levying taxes and collecting and distributing the funds to the Board; (3) The Board cannot issue bonded debt, but the County can and does issue bonds to finance school system capital projects.

All amounts appearing in the basic financial statements and the tabular presentations within the notes to the financial statements are stated in U.S. dollars.

The following is a summary of the more significant accounting policies of the Board.

**Reporting Entity**

The main criterion used in determining the entity for financial reporting purposes is whether the Board is financially accountable for any governmental department, agency, institution, commission, public authority, or other organization. As part of that criterion, the following factors were considered:

- Financial benefit or burden
- Appoints a voting majority of the component unit board
- Designation of management
- Ability to impose its will
- Fiscally dependent

Based on these factors, no other organizations exist that should have been included in these financial statements.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Board.

The Statement of Activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct *expenses* are those that are clearly identifiable with a specific program. *Program revenues* include: 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function.



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

Revenues and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues are recognized in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Special revenue (food services) fund revenue includes the value of commodities donated by the United States Department of Agriculture which were received during the fiscal year. Expenditures include the value of commodities consumed during the fiscal year.

The Board reports the following funds:

- **General Fund** - The General Fund is the Board's primary operating fund. It accounts for all financial resources of the Board, except those required to be accounted for in another fund.
- **Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific purposes. The Board has the following Special Revenue Funds: the Restricted Programs Fund which consists of individual funds for state, local, and federal grants restricted for specific purposes and the Food Service Fund.
- **Capital Projects Funds** - The Capital Improvement Program Fund and the School Construction Fund are used to account for the acquisition or construction of major capital facilities. The two funds are considered to be sub-funds established for capital projects and are considered as one major fund for purposes of presentation in the fund financial statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

- **Fiduciary Fund** – This represents trust and agency funds which are used to account for assets held by the Board in a trust or agency capacity. These include:
  - a. Pension Trust Fund – The Pension Trust Fund is used to account for activities of the Board's administered retirement system.
  - b. Retiree Health Trust Fund – This fund was established to record other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Charles County Public Schools.
  - c. Agency Funds – Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, Agency Funds report only assets and liabilities. This type of fund is used to account for the transactions of the student activities funds which are the direct responsibility of the principal of each respective school.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**Budgets and Budgetary Accounting**

The following procedures are used by the Board in establishing the budgetary data reflected in the financial statements:

1. Subsequent to March, the Board submits to Charles County Commissioners a proposed operating budget for the fiscal year starting the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The approved budget is returned to the Board by the County Commissioners prior to June 30.
3. Legal budgetary control is employed for the General Fund only. The Capital Projects budget and the Special Revenue - Restricted Program are prepared on a project length basis and program basis, respectively, and, accordingly, annual budgetary comparisons are not presented in the financial statements. The Special Revenue – Food Service Fund budget is adopted by the Board for management purposes only, and is not subject to and under the control of the Charles County Commissioners. Accordingly, budgetary comparisons are not presented as required supplementary information, but are shown as other supplementary information.
4. Budgets are prepared and adopted on a budgetary basis which differs from GAAP due to the inclusion of encumbrances as expenditures and the usage of budget surplus as a revenue source to balance the budget.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting (Continued)**

5. The Board may transfer funds between major categories with approval by the County Commissioners. The Board has the authority to transfer funds between objects (i.e., salaries and wages, contracted services, supplies and materials) within the major categories, but must notify the County of such action. In accordance with Education Article 5-105 of the Annotated Code of Maryland, the Board may not exceed the appropriation by category without transfer and approval by the County.
6. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

The budgeted amounts reflected in the accompanying financial statements recognized budget transfers made within budget categories during the year, all of which were properly reported and/or approved, as applicable. There were no budget amendments or transfers between categories for 2011 fiscal year.

**Inventories**

Inventories are valued at the lower of cost or market. Cost for supplies inventory is determined using the weighted average method, while cost for food service inventory is determined using the first-in, first-out method. Inventory in the General and Special Revenue Funds consists of expendable supplies held for consumption and certain school equipment not placed in service as of year-end. The cost is recorded as an expenditure item at the time the individual inventory items are used rather than when purchased. In the fund financial statements, these inventories are classified as non-spendable which indicates that they do not constitute available expendable resources.

**Due To/From Other Funds**

Interfund balances result from transactions that constitute reimbursements to a fund, typically the General Fund, for expenditures initially made from it that are applicable to another fund. These amounts are eliminated in the Government Wide Statement of Net Assets.

**Compensated Absence**

Employees earn annual leave at the rate of 15 - 24 days per year, depending upon the length of service and the position held by the employee. There is no requirement that annual leave be taken, but the maximum permissible accumulation is 50 days. Upon retirement, classified employees are paid for any accumulated annual leave not to exceed 50 days at the employee's current wage rate. Upon termination for any reason other than retirement, classified employees are paid for any accumulated annual leave not to exceed 30 days at the employee's current wage rate. Upon termination, professional employees, other than ten and eleven month employees such as teachers, librarians, counselors, and speech therapists, are paid for all accrued, but unused annual leave.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absence** (Continued)

Employees earn sick leave at the rate of one day per month of employment, for ten and eleven month professional employees. There is no limit on the accumulation of sick leave. At termination, employees are not paid for accumulated sick leave unless they retire with 10 years of service in Charles County. The rate of sick leave reimbursement is a maximum of \$90 per day, for no more than 100 days of sick leave for certificated and \$90 per day, for no more than 100 days of sick leave for noncertificated employees.

The entire compensated absence liability is reported on the government-wide financial statements. For the governmental fund financial statements, the amount of accumulated vacation and sick leave is only recorded if the amounts are payable due to resignations or retirements.

**Unearned Revenue**

Revenues received before being earned are recorded as unearned revenue. The unearned revenue in the General Fund consists of tuition payments received in advance of summer school. The unearned revenues recorded in the Special Revenue Funds represent funds and commodities received in excess of expenditures incurred in connection with the federal financial assistance programs.

**Fund Balance**

The Board has adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, this statement clarifies the definitions of the general fund, special revenue fund type, and permanent fund type as applicable to the Board. This statement changes the fund balance classifications reported on the Governmental Fund Balance Sheet and requires expanded disclosure of the Board's policies and procedures as it relates to authority levels, spending policy, and reporting of encumbrances.

This statement requires that governmental fund balance amounts be properly reported within one of the fund balance categories listed below.

*Nonspendable* – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaids.

*Restricted* – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

*Committed* – Includes fund balance amounts that can be used only for the specific purposes determined by formal action (Board resolution) of the Board of Education Directors (the Board's highest level of decision-making authority). Similar action of the Board is required to modify or rescind such commitments.

*Assigned* – Includes fund balance amounts that are intended to be used by the Board for specific purposes as determined by the Assistant Superintendent of Finance. The authority to assign funds has been granted to the Assistant Superintendent of Finance by the Board of Education Directors. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.

*Unassigned* – Represents the residual classification for the Board's general fund and includes all spendable amounts not contained in the four classifications described above.

**Order of Fund Balance Spending Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

**Deposits and Investments**

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Maryland Local Government Investment Pool (MLGIP).

Investments are reported at fair value. Changes in the fair value of investments are recorded in investment income. The MLGIP's reported value is basically the same as the fair value of the Fund's shares.

**Capital Assets**

Capital assets, which include land, land improvements, building, and furniture and equipment, are reported in the government-wide financial statements. The Board defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets** (Continued)

Buildings and improvements and furniture and equipment of the Board are depreciated using the straight-line method over the following estimated lives:

<b>Assets</b>	<b>Years</b>
Buildings and improvements	30
Land improvements	10
Furniture and equipment	5-10

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Assets. The Board's long-term obligations include compensated absences, other post employment benefits obligation and capital lease payable.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH AND INVESTMENTS**

Various cash accounts and short-term investments are held by the Board. The Board has engaged an independent third party as custodian for securities collateralizing repurchase agreements.

**Deposits**

At year-end, the carrying amount of the Board's combined deposits including amounts invested in repurchase agreements was \$13,490,284 and the bank balance was \$22,372,087. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The Board of Education is required to comply with the investment policy of Charles County Government. This policy authorizes the Board to invest in short-term United States Government securities, repurchase agreements, the Maryland Local Government Investment Pool, and certificate of deposits.

The Pension and Retiree Health Trust Funds are authorized to invest in repurchase agreements, domestic and foreign equities, obligations of the United States and its agencies, securities issued or guaranteed by a foreign government or corporation, marketable corporate bonds, collateralized obligations, commercial paper, bankers' acceptances, certificates of deposit, commercial paper, money market funds, mutual funds, guaranteed insurance contracts, limited partnerships, venture-capital investments, and real estate investments.

The Retiree Health Trust investments are invested in the Maryland Association of Board of Educations Pooled OPEB Trust (MABE Trust). The MABE Trust is administered by the Maryland Association of Board of Education, and is a wholly-owned instrumentality of its members. The nine members who are the sole contributions to the MABE Trust are the boards of education of the following counties in Maryland: Allegany, Carroll, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

The assets of the MABE Trust are managed by Wells Fargo Advisors and consist of money market funds, U.S. government securities, fixed income securities, mortgage-backed securities, equity securities, mutual funds, and certificates of deposits. At June 30, 2011, the pooled assets of the MABE Trust were valued at \$70,120,111 in total, of which the Board's share was \$9,439,538.

The Board is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Institutional Investments. The pool has an AAAM rating from Standards and Poors and maintains a \$1.00 per share value. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares.

The fair value as determined above is based on a quoted market price at June 30, 2011.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

A summary of cash and investments at June 30, 2011 is as follows:

	<b>Total Governmental Funds</b>	<b>Total Fiduciary Funds</b>	<b>Total</b>	<b>Weighted Average Maturity in Years</b>
Cash on hand	\$ 1,000	\$ -	\$ 1,000	N/A
Deposits	2,718,509	2,271,763	4,990,272	N/A
Repurchase agreements - overnight	8,500,012	-	8,500,012	N/A
Money market mutual funds	-	5,765,464	5,765,464	N/A
MLGIP	33,854,985	-	33,854,985	N/A
MABE Trust	-	9,439,538	9,439,538	N/A
U.S. Government & agencies	-	13,555,108	13,555,108	3.6%
Corporate bonds	-	168,631	168,631	10.3%
Equity mutual funds	-	18,714,603	18,714,603	N/A
Common stocks	-	16,575,129	16,575,129	N/A
Mortgage-backed securities	-	13,934,161	13,934,161	27.0%
<b>Total</b>	<b><u>\$ 45,074,506</u></b>	<b><u>\$ 80,424,397</u></b>	<b><u>\$ 125,498,903</u></b>	

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2011:

	<b>S&amp;P Ratings</b>						
	<b>AAA</b>	<b>BBB+</b>	<b>B+</b>	<b>B</b>	<b>CCC</b>	<b>CCC-</b>	<b>Unrated</b>
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,990,272
Repurchase agreements - overnight	-	-	-	-	-	-	8,500,012
Money market mutual funds	-	-	-	-	-	-	5,765,464
MLGIP	33,854,985	-	-	-	-	-	-
MABE Trust	-	-	-	-	-	-	9,439,538
U.S. obligations	-	-	-	-	-	-	13,555,108
Corporate bonds	-	50,456	-	51,675	-	57,440	9,060
Mortgage backed securities	-	-	-	-	-	-	13,934,161
<b>Grand total</b>	<b><u>\$ 33,854,985</u></b>	<b><u>\$ 50,456</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 51,675</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 57,440</u></b>	<b><u>\$ 56,193,615</u></b>
	<b>FMV</b>	<b>Less than 1</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-15 Years</b>	<b>16-20 Years</b>	<b>20+ Years</b>
Deposits	\$ 4,990,272	\$ 4,990,272	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements - overnight	8,500,012	8,500,012	-	-	-	-	-
Money market mutual funds	5,765,464	5,765,464	-	-	-	-	-
MLGIP	33,854,985	33,854,985	-	-	-	-	-
MABE Trust	9,439,538	7,258,061	589,971	484,248	-	-	1,107,258
U.S. obligations	13,555,108	-	1,465,646	5,468,345	3,682,717	1,806,104	1,132,296
Corporate bonds	168,631	-	77,721	-	60,735	-	30,175
Mortgage backed securities	13,934,161	-	-	-	-	-	13,934,161
<b>Grand total</b>	<b><u>\$ 90,208,171</u></b>	<b><u>\$ 60,368,794</u></b>	<b><u>\$ 2,133,338</u></b>	<b><u>\$ 5,952,593</u></b>	<b><u>\$ 3,743,452</u></b>	<b><u>\$ 1,806,104</u></b>	<b><u>\$ 16,203,890</u></b>



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**Investment Rate Risk**

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the Board's exposure to fair value losses arising from increasing interest rates, the Board's investment policy limits the term of investment maturities, other than the Fiduciary Funds investments, to overnight repurchase agreements and requires that collateral securities underlying the repurchase agreements have a market value equal to the cost of the agreement.

Interest income is reported as general revenue in the Statement of Activities.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. In this regard, the Board limits its investments, other than Fiduciary Funds investments, to overnight deposits that are insured or collateralized with securities held by a custodial in the Board's name and investments in the MLGIP. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Balance at June 30, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at June 30, 2011</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 16,687,486	\$ 261,125	\$ (98,910)	\$ 16,849,701
Construction-in-progress	<u>9,221,764</u>	<u>12,170,151</u>	<u>(7,310,461)</u>	<u>14,081,454</u>
Total capital assets, not being depreciated	<u>25,909,250</u>	<u>12,431,276</u>	<u>(7,409,371)</u>	<u>30,931,155</u>
<b>Capital assets being depreciated</b>				
Buildings and improvements	413,251,560	7,924,673	(35,200)	421,141,033
Land improvements	8,250,343	506,874	-	8,757,217
Furniture and equipment	<u>27,261,305</u>	<u>1,535,042</u>	<u>(1,035,627)</u>	<u>27,760,720</u>
Total capital assets being depreciated	<u>448,763,208</u>	<u>9,966,589</u>	<u>(1,070,827)</u>	<u>457,658,970</u>
<b>Less – accumulated depreciation</b>				
Buildings and improvements	(181,660,466)	(11,032,121)	-	(192,692,587)
Land improvements	(5,945,057)	(375,937)	-	(6,320,994)
Furniture and equipment	<u>(19,820,765)</u>	<u>(1,862,837)</u>	<u>989,737</u>	<u>(20,693,865)</u>
Total accumulated depreciation	<u>(207,426,288)</u>	<u>(13,270,895)</u>	<u>989,737</u>	<u>(219,707,446)</u>
Total capital assets, being depreciated, net	<u>241,336,920</u>	<u>(3,304,306)</u>	<u>(81,090)</u>	<u>237,951,524</u>
<b>Capital assets, net</b>	<u>\$ 267,246,170</u>	<u>\$ 9,126,970</u>	<u>\$ (7,490,461)</u>	<u>\$ 268,882,679</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

Depreciation expenses were charged to functions of the Board as follows:

<b>Governmental activities</b>		
Regular education	\$	605,084
Special education		14,298
Supporting services:		
Pupil services		6,322
Health services		5,306
Administration		84,921
Instructional support		50,615
Operation and maintenance of facilities		564,082
Transportation		104,841
Community services		5,270
School lunch services		60,779
Planning and construction		623,248
Unallocated		<u>11,146,129</u>
<b>Total depreciation expense – governmental activities</b>	<b>\$</b>	<b><u>13,270,895</u></b>

The Board has active school construction projects at June 30, 2011, as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
New High School #2	\$ 9,107,611	\$ 223,964
Hanson Boiler	1,694,730	81,600
Other projects	<u>3,279,113</u>	<u>27,088</u>
<b>Total</b>	<b><u>\$ 14,081,454</u></b>	<b><u>\$ 332,652</u></b>

**NOTE 4 – RETIREMENT SYSTEM – STATE OF MARYLAND DESCRIPTION**

**Plan Description**

Substantially all of the Board's employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers Pension System of the State of Maryland or the Employees Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries. The State of Maryland pays a substantial portion of employer contributions on behalf of the Board. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 – RETIREMENT SYSTEM – STATE OF MARYLAND DESCRIPTION (CONTINUED)**

**Plan Description (Continued)**

The State Personnel and Pensions Article requires active members to contribute to the State System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. The Board of Education of Charles County is required to contribute at an actuarially determined rate. The State’s contributions on behalf of the Board for the years ended June 30, 2011, 2010, and 2009 were \$24,388,903, \$21,545,453, and \$17,068,178, respectively, which were equal to the required contributions for each year.

**NOTE 5 – RETIREMENT SYSTEM – DEFINED BENEFIT PLAN**

The Board of Education of Charles County Defined Benefit Plan (the Plan) is a single employer public employee retirement system which was established for the benefit of employees not covered by the Teachers Retirement System or the Teachers Pension System of the State of Maryland (the Systems). The Plan was created under authorization of the Board effective July 1, 1969. The Plan provides pension income based on average pay and years of service.

**Summary of Significant Accounting Policies**

The Statement of Plan Assets and Statement of Changes in Plan Net Assets are prepared on the accrual basis of accounting, with contributions recognized when due. Benefits and expenses are recognized when due and payable. Investments are reported at fair value.

The Plan is administered by Wells Fargo. Investments are managed by various market fund managers and an internal investment committee which includes an outside investment consultant.

The payroll for employees covered by the Plan for the year ended June 30, 2011 was \$18,823,101.

Membership in the Plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	239
Terminated plan members entitled to but not yet receiving benefits	18
Active plan members	504
Terminated due return of contributions	<u>165</u>
<b>Total</b>	<u><u>926</u></u>

**Funding Policy**

All employees not covered by the State System who work at least four hours per day and at least 10 months per year must join the Plan as a condition of employment. Participants are required to contribute 5% of their gross earnings to the Plan. Participants are eligible for full benefits upon retirement at age 60, the normal retirement date or age 55, the early retirement date. Full benefits in the Plan are defined as 1.5% of the Average Monthly Earnings multiplied by the years of continuous service through July 1, 1998, plus 1.8% of the Average Monthly Earnings multiplied by the years of continuous service after July 1, 1998 prior to the normal retirement date.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 5 – RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (CONTINUED)**

**Annual Pension Costs**

Although the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Board uses the minimum and maximum contribution rules of that law as a guideline for contributions. At July 1, 2010, the minimum and maximum contribution computed under ERISA was \$3,770,877 and \$5,523,768, respectively. For fiscal year 2011, the Board contributed \$5,523,768 to the Plan while participants contributed \$940,966. These contributions amounted to approximately 27.8% and 4.7% of covered payroll, respectively.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2008, the latest date available. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7% compounded annually; (b) projected annual salary increases of 5.5% annually; (c) actuarial cost method – frozen initial accrued liability method; and (d) asset valuation method – five-year phase-in of actual return over expected return.

The difference between the expected return on assets and the actual return on assets is recognized over five years. Expected return is based on the actuarial valuation interest rate assumption as of the beginning of the fiscal year and the market value of assets as of the beginning of the year.

The Board's annual pension cost and prepaid pension obligation for the year ended June 30, 2011 were:

Annual required contribution	\$ 4,153,768
Interest on net pension obligation	(463,183)
Adjustment to annual required contribution	<u>530,625</u>
Annual pension cost	4,221,210
Contributions made	<u>(5,523,768)</u>
Increase in prepaid pension costs	(1,302,558)
Prepaid pension obligation, beginning of year	<u>(6,616,895)</u>
<b>Prepaid pension obligation, end of year</b>	<b><u>\$ (7,919,453)</u></b>

**Six-Year Trend Information**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Funded</u> <u>Percentage</u>
June 30, 2009	3,377,712	4,177,712	124%
June 30, 2010	3,770,877	6,032,806	160%
June 30, 2011	4,153,768	5,523,768	133%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 5 – RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (CONTINUED)**

**Annual Pension Costs (Continued)**

**Annual Pension Cost and Net Pension Obligation  
Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Prepaid
June 30, 2009	\$ 3,414,781	\$ 4,177,712	122.3%	\$ (4,399,810)
June 30, 2010	3,815,722	6,032,806	158.1%	(6,616,895)
June 30, 2011	4,221,210	5,523,768	130.9%	(7,919,453)

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
June 30, 2008	50,067,063	70,562,104	20,495,041	71.0%	18,241,021	112.4%
June 30, 2009	54,663,845	76,757,664	22,093,819	71.2%	19,864,036	111.2%
June 30, 2010	61,278,442	82,482,959	21,204,517	74.3%	19,808,871	107.0%

The funding method used for this plan is the Frozen Initial Accrued Liability (FIAL) method. Under this method, the employer is not required to report the AAL or the UAAL. For consistency, we show here the AAL and the UAAL based on the Entry Age Normal funding method. This is the practice that has been followed in prior years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above and as required supplementary information following the notes to the financial statements, presents 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.

Based on recommendations from the actuary, pension manager and pension committee, additional funding of \$1,370,000 was contributed in 2011 to improve the funded ratio and fund the early retirement option resulting from a negotiated agreement with an employees' union. The pension committee has established a minimum target of 80% for the funded ratio.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The Board provides medical, dental and life insurance benefits to eligible employees who retire from employment with the Charles County Public School System. The employer’s contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget. Details of the postemployment benefits provided are as follows:

**Funding Policy**

*Medical and Dental Benefits* - Retirees are eligible for continued membership in one of the school system’s group medical and dental plans provided that they have at least 10 years service with the Charles County Public Schools. The school system pays 75% of the premiums for these plans. The medical and dental benefits paid by the Board for the year ended June 30, 2011 was \$4,388,458. As of June 30, 2011, 716 eligible participants were receiving these benefits.

*Life Insurance Benefits* - The Board pays 75% of the life insurance premiums for retirees with at least 10 years of service. The amount of insurance coverage is based on the employees’ annual salary upon retirement. The life insurance benefits paid by the Board for the year ended June 30, 2011 was \$1,462,819. As of June 30, 2011, 337 eligible participants were receiving these benefits.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$	29,066,000
Interest on net OPEB obligation		2,916,000
Adjustment to annual required contribution		<u>(2,717,000)</u>
Annual OPEB cost		29,265,000
Contributions made		<u>(13,324,148)</u>
Increase in net OPEB obligation		15,940,852
Net OPEB obligation - beginning of year		<u>58,321,136</u>
<b>Net OPEB obligation - end of year</b>	<b>\$</b>	<b><u>74,261,988</u></b>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 26,902,000	16.6%	\$ 45,003,484
June 30, 2010	23,999,000	44.5%	58,321,136
June 30, 2011	29,265,000	41.1%	74,261,988

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(CONTINUED)**

**Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the Plan was 1.66% funded. The actuarial accrued liability for benefits was \$309,778,000, and the actuarial value of assets was \$5,155,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$304,623,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$184,000,000 and the ratio of the UAAL to the covered payroll was 166%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the projected unit credit method, with linear pro-ration to assumed benefit commencement method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5.8% after three years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 26 years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Projected unit credit method
Amortization Method	Level percentage of projected payroll over a 30-year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	4.0% per year compounded annually
Payroll Growth Rate	3.5%
Healthcare Cost Trend Rates:	
Medical	8.5% initial / 5.8% ultimate (not applicable to life insurance)
Dental	5.0%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 7 – TRUST FUNDS**

The condensed financial statements of the Board's trust funds are as follows:

<b>Condensed Statement of Net Assets</b>			
	<b>Retiree Health Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Total</b>
<b>Assets</b>			
Investments, including cash and cash equivalents	\$ 9,439,538	\$ 68,931,465	\$ 78,371,003
Other assets	2,023,669	1,486,421	3,510,090
<b>Total assets</b>	11,463,207	70,417,886	81,881,093
<b>Liabilities</b>			
	-	-	-
<b>Net Assets</b>			
<b>Held in trust for retiree health/pension benefits</b>	<b>\$ 11,463,207</b>	<b>\$ 70,417,886</b>	<b>\$ 81,881,093</b>

<b>Condensed Statement of Changes in Trust Fund Assets</b>			
	<b>Retiree Health Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions	\$ 13,324,148	\$ 6,464,734	\$ 19,788,882
Net Investment Gain	1,007,956	17,477,433	18,485,389
Total additions	14,332,104	23,942,167	38,274,271
<b>Deductions</b>			
Benefits paid	8,024,148	3,010,559	11,034,707
Administrative expenses	-	8,785,867	8,785,867
Total deductions	8,024,148	11,796,426	19,820,574
<b>Change in net assets</b>	6,307,956	12,145,741	18,453,697
<b>Net assets - beginning of year</b>	5,155,251	58,272,145	63,427,396
<b>Net assets - end of year</b>	<b>\$ 11,463,207</b>	<b>\$ 70,417,886</b>	<b>\$ 81,881,093</b>

**NOTE 8 – DEBT SERVICE**

**School Construction Debt**

The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the county and state governments. Accordingly, the Board does not record school construction debt service revenues, expenditures or outstanding school construction debt in statements prepared in accordance with GAAP.



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 9 – INTERFUND ACCOUNTS**

At June 30, 2011, the amounts due to and from other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 83,338	\$ -
Special revenue – food service	-	623,374
Agency fund	-	-
Retiree Health Plan Trust	23,669	-
Special revenue – restricted program	2,754,283	-
Capital projects – total	<u>-</u>	<u>2,237,916</u>
<b>Total</b>	<b><u>\$ 2,861,290</u></b>	<b><u>\$ 2,861,290</u></b>

**NOTE 10 – LONG-TERM LIABILITIES**

The following is an analysis of the changes in long-term debt for the year ended June 30, 2011:

	<u>Beginning Balance (As Restated)</u>	<u>Net Increase (Decrease)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 6,515,123	\$ 746,552	\$ 7,261,675	\$ 930,000
Net OPEB obligation	<u>58,321,136</u>	<u>15,940,852</u>	<u>74,261,988</u>	<u>-</u>
<b>Total long-term debt</b>	<b><u>\$ 64,836,259</u></b>	<b><u>\$ 16,687,404</u></b>	<b><u>\$ 81,523,663</u></b>	<b><u>\$ 930,000</u></b>

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

The Board is committed under various leases for the use of equipment. The leases cover annual and multi-year periods with various expiration dates through June 2014. These leases are considered to be operating leases for accounting purposes.

The future annual minimum lease payments due under these operating leases as of June 30, 2011 are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2012	\$ 576,045
2013	456,825
2014	<u>78,862</u>
<b>Total minimum lease payments</b>	<b><u>\$ 1,111,732</u></b>

Rental expenditures for the year ended June 30, 2011 amounted to approximately \$940,497.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Litigation**

Various claims and lawsuits are pending against the Board. The Board's attorneys estimate that potential claims against the Board not covered by insurance resulting from such litigation would not materially affect the financial statements of the Board.

**Health Insurance**

The Board entered into an agreement with BlueCross BlueShield of Maryland for health insurance under a claims made policy. The Board underwrites 75% of the cost of health insurance based on an estimate and the employees contribute 25%. Actual contribution rates by the Board may vary based on actual results. The policy arrangement includes a stop-loss provision for claims in excess of \$150,000. A liability in the amount of \$2,220,000 has been recorded for the estimated claims incurred but not reported at the end of the year.

**NOTE 12 – FUND BALANCE DEFICIT**

The Capital Projects Fund reflects a deficit unassigned fund balance for June 30, 2011 because revenues, provided by the State and County needed to liquidate encumbrances outstanding, are not received and recognized until invoices for goods and services rendered are received and approved by the Board. The deficit will be eliminated through future funding provided by local and state sources.

**NOTE 13 – RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Maryland Association of Boards of Education Group Liability Insurance Pool and the Workmen's Compensation Self-Insurance Fund.

These pools are self-insurance funds for the various member Maryland Boards of Education. The pools were organized for the purpose of minimizing the cost of insurance and related administrative expenses. Coverage is provided up to specified limits and the Charles County Board of Education pays an annual premium for the coverage provided by those pools. In addition to general liability insurance, the Group Liability Insurance Pool also provides coverage for property liability and automobile liability. Coverage above these limits is provided by third party insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 14 – ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary integration in the General Fund, Restricted Programs Fund, and Food Service Fund, and encumbrances outstanding at year-end are reported as commitments and assignments of fund balances since they do not constitute expenditures or liabilities.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 14 – ENCUMBRANCES (CONTINUED)**

Encumbrances at June 30, 2011 are for the following uses:

	<b>General Fund</b>	<b>Restricted Programs Fund</b>	<b>Food Service Fund</b>
<b>Encumbrances:</b>			
Administration	\$ 172,829	\$ -	\$ -
Mid-Level Administration	26,411	143,310	-
Instruction	422,265	583,466	-
Special Education	2,999	22,947	-
Student Transportation	17,102	-	-
Operation & Maintenance of Plant	622,817	11,399	-
Food Service	-	-	206,841
Community Service	-	27	-
Capital Outlay	939,555	618,382	-
<b>Total encumbrances</b>	<b><u>\$ 2,203,978</u></b>	<b><u>\$ 1,379,531</u></b>	<b><u>\$ 206,841</u></b>

**NOTE 15 – FUND BALANCE**

Fund balance at June 30, 2011 consists of the following:

	<b>General Fund</b>	<b>Restricted Programs Fund</b>	<b>Food Service Fund</b>	<b>Capital Projects</b>
<b>Nonspendable - Inventory</b>	<b><u>\$ 557,737</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 281,938</u></b>	<b><u>\$ -</u></b>
<b>Restricted for:</b>				
Mid-Level Administration	-	143,310	-	-
Instruction	-	583,466	-	-
Special Education	-	22,947	-	-
Operation & Maintenance	-	11,399	-	-
Community Service	-	27	-	-
Capital Outlay	-	618,382	-	-
<b>Total restricted for</b>	<b><u>-</u></b>	<b><u>1,379,531</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Assigned for:</b>				
Administration	172,829	-	-	-
Mid-Level Administration	26,411	-	-	-
Instruction	422,265	-	-	-
Special Education	2,999	-	-	-
Student Transportation	17,102	-	-	-
Operation and Maintenance of Plant	622,817	-	-	-
Food Service	-	-	1,284,662	-
Community Service	-	-	-	-
Capital Outlay	939,555	-	-	-
Subsequent year expenditures	2,600,000	-	-	-
<b>Total assigned for</b>	<b><u>4,803,978</u></b>	<b><u>-</u></b>	<b><u>1,284,662</u></b>	<b><u>-</u></b>
<b>Unassigned:</b>	<b><u>4,872,483</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(156,271)</u></b>
<b>Total Fund Balance</b>	<b><u>\$ 10,234,198</u></b>	<b><u>\$ 1,379,531</u></b>	<b><u>\$ 1,566,600</u></b>	<b><u>\$ (156,271)</u></b>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 16 – RESTATEMENT**

Net assets at July 1, 2010 have been restated to correct an error in accounting for compensated absences. The result of this restatement was to increase net assets at June 30, 2010 in the amount of \$1,631,729 as follows:

Net Assets, June 30, 2010, as previously stated	\$ 221,996,179
Effect of correction of error	1,631,729
Net Assets, June 30, 2010, restated	<u>\$ 223,627,908</u>

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF FUNDING PROGRESS  
Year Ended June 30, 2011**

**RETIREMENT SYSTEM – DEFINED BENEFIT PLAN**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
		Accrued Liability (AAL) Entry Age (b)	Entry Age				
June 30, 2005	\$ 36,594,764	\$ 50,626,657		\$ 14,031,893	72.3%	\$ 12,485,228	112.4%
June 30, 2006	39,783,252	58,201,982		18,418,730	68.4%	14,563,647	126.5%
June 30, 2007	44,483,269	64,286,231		19,802,962	69.2%	16,042,718	123.4%
June 30, 2008	50,067,063	70,562,104		20,495,041	71.0%	18,241,021	112.4%
June 30, 2009	54,663,845	76,757,664		22,093,819	71.2%	19,864,036	111.2%
June 30, 2010	61,278,442	82,482,959		21,204,517	74.3%	19,808,871	107.0%

**Schedule of Employer Contributions**

Fiscal Year Ending	Annual Required		Percentage
	Contribution	Contributed	
June 30, 2006	\$ 1,991,454		149%
June 30, 2007	2,275,117		142%
June 30, 2008	3,017,762		131%
June 30, 2009	3,377,712		124%
June 30, 2010	3,770,877		150%
June 30, 2011	4,153,768		133%

**RETIREE HEALTH PLAN TRUST**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
		Accrued Liability (AAL) Entry Age (b)	Entry Age				
June 30, 2008	\$ 1,323,669	\$ 319,234,000		\$ 317,910,331	0.41%	\$ 158,000,000	201%
June 30, 2009	1,323,669	332,957,000		331,657,000	0.40%	162,000,000	205%
June 30, 2010	1,323,669	332,957,000		331,657,000	0.40%	162,000,000	205%
June 30, 2011	5,155,000	309,778,000		304,623,000	1.66%	184,000,000	165.6%

\* GASB No. 45 was not applicable to the Board prior to the year ended June 30, 2008; accordingly no prior valuations were performed.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
Year Ended June 30, 2011**

**Schedule of Employer Contributions**

<b>Fiscal Year Ending</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2008	\$ 26,847,000	\$ 4,266,760	15.6%	\$ 22,580,240
June 30, 2009	26,865,000	4,478,755	16.6%	45,003,484
June 30, 2010	23,738,000	10,681,348	44.5%	58,321,136
June 30, 2011	29,066,000	13,324,148	45.8%	74,261,988

\* GASB No. 43 was not applicable to the Board prior to the year ended June 30, 2008, accordingly prior information is not available.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2011**

	2011			
	Original Budget	As Amended Budget	Actual	Variances Favorable (Unfavorable)
<b>REVENUES</b>				
State of Maryland	\$ 144,314,320	\$ 144,314,320	\$ 139,861,837	\$ (4,452,483)
Federal government	770,000	770,000	965,980	195,980
Other sources	4,419,080	4,419,080	1,858,240	(2,560,840)
Local sources	145,296,600	145,296,600	145,296,600	-
	<u>294,800,000</u>	<u>294,800,000</u>	<u>287,982,657</u>	<u>(6,817,343)</u>
<b>EXPENDITURES</b>				
Administration	8,321,601	8,321,601	8,014,724	306,877
Mid-level administration	20,429,504	20,429,504	19,693,222	736,282
Instructional salaries	121,898,801	121,858,801	120,266,068	1,592,733
Materials of instruction	4,755,083	4,755,083	3,196,707	1,558,376
Other costs of instruction	2,163,468	2,163,468	1,525,855	637,613
Special education	28,127,797	28,127,797	27,835,295	292,502
Student personnel services	3,087,642	3,106,642	3,105,210	1,432
Health service	2,628,700	2,649,700	2,609,830	39,870
Transportation	22,963,851	23,103,851	23,103,156	695
Operations	24,751,512	24,611,512	23,827,916	783,596
Maintenance	6,174,065	6,174,065	6,015,986	158,079
Community service	707,696	707,696	690,766	16,930
Capital outlay	1,034,493	1,034,493	1,009,474	25,019
Fixed charges	47,755,787	47,755,787	46,359,479	1,396,308
	<u>294,800,000</u>	<u>294,800,000</u>	<u>287,253,688</u>	<u>7,546,312</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>728,969</u>	<u>\$ 728,969</u>
<b>FUND BALANCE AT JUNE 30, 2010</b>			<u>7,303,889</u>	
<b>FUND BALANCE AT JUNE 30, 2011</b>			<u>\$ 8,032,858</u>	



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2011**

**General Fund - Reconciliation of Revenues and Expenditures**

Actual revenues (non-GAAP budgetary basis)	\$ 287,982,657
Pension contribution by the State of Maryland on behalf of the Board	<u>24,388,903</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 312,371,560</u>
Actual expenditures (non-GAAP budgetary basis)	\$ 287,253,688
Encumbrance adjustment, net	2,968,002
Pension contribution by the State of Maryland on behalf of the Board	<u>24,388,903</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 314,610,593</u>

**OTHER SUPPLEMENTARY INFORMATION**

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Favorable (Unfavorable)</u>
<b>State of Maryland</b>				
State - Foundation	\$ 104,217,779	\$ 104,217,779	\$ 99,773,321	\$ (4,444,458)
Compensatory aid	21,393,410	21,393,410	21,393,410	-
Transportation	9,037,406	9,037,406	9,037,406	-
Handicapped children	5,861,087	5,861,087	5,861,087	-
Tuition - handicapped	1,188,000	1,188,000	1,022,505	(165,495)
Other (LEP grant)	731,474	731,474	731,474	-
Out of county living	-	-	39,836	39,836
Guaranteed tax base	227,891	227,891	227,891	-
CGEI	1,037,273	1,037,273	1,037,332	59
Medicaid revenues	620,000	620,000	737,575	117,575
	<u>144,314,320</u>	<u>144,314,320</u>	<u>139,861,837</u>	<u>(4,452,483)</u>
<b>Federal government</b>				
Impact aid	300,000	300,000	423,543	123,543
Impact aid special education	40,000	40,000	45,885	5,885
ROTC	430,000	430,000	496,552	66,552
	<u>770,000</u>	<u>770,000</u>	<u>965,980</u>	<u>195,980</u>
<b>Other sources</b>				
Tuition - summer school	133,000	133,000	108,575	(24,425)
Tuition - nonresident	782,400	782,400	885,151	102,751
Tuition - Novel	30,000	30,000	25,272	(4,728)
Tuition - parents payments	104,100	104,100	84,677	(19,423)
Summer youth camp	30,000	30,000	18,660	(11,340)
Rent from school facilities	410,100	410,100	306,814	(103,286)
Sale of property	4,000	4,000	1,757	(2,243)
Interest income	74,880	74,880	54,256	(20,624)
Vending commissions	82,000	82,000	81,770	(230)
Payroll transfers	100,000	100,000	95,352	(4,648)
Other	8,600	8,600	135,984	127,384
Restitution	60,000	60,000	59,972	(28)
Prior year fund balance transfer	2,600,000	2,600,000	-	(2,600,000)
	<u>4,419,080</u>	<u>4,419,080</u>	<u>1,858,240</u>	<u>(2,560,840)</u>
<b>Local sources</b>				
Operational budget	<u>145,296,600</u>	<u>145,296,600</u>	<u>145,296,600</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>\$ 294,800,000</u>	<u>\$ 294,800,000</u>	<u>\$ 287,982,657</u>	<u>\$ (6,817,343)</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2011**

2011

	<b>Original Budget</b>	<b>As Amended Budget</b>	<b>Actual</b>	<b>Variances Favorable (Unfavorable)</b>
<b>Administration</b>				
Salaries and wages	\$ 6,839,232	\$ 6,825,232	\$ 6,447,617	\$ 377,615
Contracted services	849,150	863,950	1,087,274	(223,324)
Supplies and materials	365,272	357,817	299,084	58,733
Other charges	221,524	186,394	109,242	77,152
Equipment	46,423	88,208	71,507	16,701
	<u>8,321,601</u>	<u>8,321,601</u>	<u>8,014,724</u>	<u>306,877</u>
<b>Mid-level administration</b>				
Salaries and wages	19,622,132	19,605,634	19,076,111	529,523
Contracted services	229,980	239,383	204,256	35,127
Supplies and materials	410,952	397,447	279,866	117,581
Other charges	162,340	182,940	132,989	49,951
Equipment	4,100	4,100	-	4,100
	<u>20,429,504</u>	<u>20,429,504</u>	<u>19,693,222</u>	<u>736,282</u>
<b>Instruction salaries</b>				
Salaries and wages	121,898,801	121,858,801	120,266,068	1,592,733
<b>Materials of instruction</b>				
Supplies and materials	4,755,083	4,755,083	3,196,707	1,558,376
<b>Other costs of instruction</b>				
Contracted services	1,573,216	1,557,416	1,179,488	377,928
Other charges	221,400	237,200	232,884	4,316
Equipment	268,852	268,852	(23,047)	291,899
Outgoing transfers	100,000	100,000	136,530	(36,530)
	<u>2,163,468</u>	<u>2,163,468</u>	<u>1,525,855</u>	<u>637,613</u>
<b>Special education</b>				
Salaries and wages	24,478,869	24,085,369	23,494,348	591,021
Contracted services	274,388	667,888	1,222,134	(554,246)
Supplies and materials	66,210	66,210	51,832	14,378
Other charges	58,330	58,330	64,473	(6,143)
Outgoing transfers	3,250,000	3,250,000	3,002,508	247,492
	<u>28,127,797</u>	<u>28,127,797</u>	<u>27,835,295</u>	<u>292,502</u>
<b>Student personnel services</b>				
Salaries and wages	3,060,092	3,060,092	3,081,344	(21,252)
Contracted services	4,800	4,800	7,222	(2,422)
Supplies and materials	12,650	31,650	9,757	21,893
Other charges	6,100	6,100	6,887	(787)
Equipment	4,000	4,000	-	4,000
	<u>3,087,642</u>	<u>3,106,642</u>	<u>3,105,210</u>	<u>1,432</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2011**  
(Continued)

	<b>Original Budget</b>	<b>As Amended Budget</b>	<b>Actual</b>	<b>Variances Favorable (Unfavorable)</b>
<b>Health service</b>				
Contracted services	\$ 2,616,000	\$ 2,630,000	\$ 2,589,735	\$ 40,265
Supplies and materials	12,700	19,700	20,095	(395)
	<u>2,628,700</u>	<u>2,649,700</u>	<u>2,609,830</u>	<u>39,870</u>
<b>Transportation</b>				
Salaries and wages	665,815	642,328	641,478	850
Contracted services	22,236,366	22,376,366	22,456,434	(80,068)
Supplies and materials	14,480	14,480	2,400	12,080
Other charges	5,190	5,190	2,844	2,346
Equipment	42,000	65,487	-	65,487
	<u>22,963,851</u>	<u>23,103,851</u>	<u>23,103,156</u>	<u>695</u>
<b>Operations</b>				
Salaries and wages	10,673,958	10,723,958	10,268,757	455,201
Contracted services	2,610,595	2,480,595	2,300,778	179,817
Supplies and materials	1,373,909	1,321,909	1,449,424	(127,515)
Other charges	9,952,750	9,952,750	9,727,284	225,466
Equipment	140,300	132,300	81,673	50,627
	<u>24,751,512</u>	<u>24,611,512</u>	<u>23,827,916</u>	<u>783,596</u>
<b>Maintenance</b>				
Salaries and wages	3,513,326	3,513,326	3,386,552	126,774
Contracted services	1,876,839	1,887,669	1,430,728	456,941
Supplies and materials	782,180	771,350	1,196,485	(425,135)
Other charges	1,720	1,720	2,221	(501)
	<u>6,174,065</u>	<u>6,174,065</u>	<u>6,015,986</u>	<u>158,079</u>
<b>Community service</b>				
Salaries and wages	60,006	60,006	51,846	8,160
Contracted services	638,410	638,410	633,798	4,612
Supplies and materials	8,680	8,680	5,122	3,558
Other charges	600	600	-	600
	<u>707,696</u>	<u>707,696</u>	<u>690,766</u>	<u>16,930</u>
<b>Capital outlay</b>				
Salaries and wages	372,713	372,713	348,193	24,520
Contracted services	655,800	655,800	542,347	113,453
Supplies and materials	3,430	3,430	7,476	(4,046)
Other charges	2,550	2,550	446	2,104
Equipment	-	-	111,012	(111,012)
	<u>1,034,493</u>	<u>1,034,493</u>	<u>1,009,474</u>	<u>25,019</u>
<b>Fixed charges</b>				
Other charges	47,755,787	47,755,787	46,359,479	1,396,308
<b>TOTAL EXPENDITURES</b>	<u>\$ 294,800,000</u>	<u>\$ 294,800,000</u>	<u>\$ 287,253,688</u>	<u>\$ 7,546,312</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS SUB-FUNDS**  
**June 30, 2011**

	<u>Capital Improvement Programs</u>	<u>School Construction</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ -	\$ 21,044	\$ 21,044
Accounts receivable:			
State of Maryland	-	2,305,698	2,305,698
Other sources	265,532	-	265,532
	<u>265,532</u>	<u>-</u>	<u>265,532</u>
<b>TOTAL ASSETS</b>	<u>\$ 265,532</u>	<u>\$ 2,326,742</u>	<u>\$ 2,592,274</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 50,814	\$ 459,815	\$ 510,629
Due to other funds	392,001	1,845,915	2,237,916
	<u>392,001</u>	<u>1,845,915</u>	<u>2,237,916</u>
Total liabilities	442,815	2,305,730	2,748,545
<b>FUND BALANCES (DEFICIT)</b>			
Unassigned	(177,283)	21,012	(156,271)
	<u>(177,283)</u>	<u>21,012</u>	<u>(156,271)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 265,532</u>	<u>\$ 2,326,742</u>	<u>\$ 2,592,274</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS SUB-FUNDS  
 Year Ended June 30, 2011**

	<u>Capital Improvement Programs</u>	<u>School Construction</u>	<u>Total</u>
<b>REVENUES</b>			
State of Maryland	\$ -	\$ 7,467,538	\$ 7,467,538
Local sources	5,135,863	-	5,135,863
	<u>5,135,863</u>	<u>7,467,538</u>	<u>12,603,401</u>
Total revenues			
<b>EXPENDITURES</b>			
Capital outlay:			
Contracted services	4,774,578	7,467,538	12,242,116
Materials	350,910	-	350,910
Equipment	10,375	-	10,375
	<u>5,135,863</u>	<u>7,467,538</u>	<u>12,603,401</u>
Total expenditures			
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	-
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<u>(177,283)</u>	<u>21,012</u>	<u>(156,271)</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u><u>\$ (177,283)</u></u>	<u><u>\$ 21,012</u></u>	<u><u>\$ (156,271)</u></u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES**  
**NON-GAAP BASIS – SPECIAL REVENUE**  
**RESTRICTED PROGRAMS FUND**  
**Year Ended June 30, 2011**

	<b>Restricted Programs Fund</b>
<b>REVENUES</b>	
State of Maryland	\$ 1,673,614
Federal government	16,405,667
Other sources	1,088,551
Local government	314,164
Total revenues	19,481,996
<b>EXPENDITURES</b>	
Administration	340,526
Mid-level administration	1,189,934
Instructional salaries	3,837,971
Materials of instruction	969,064
Other costs of instruction	1,236,932
Special education	5,173,596
Student personnel services	1,415
Health Services	14,156
Transportation	238,593
Operations	37,364
Maintenance	43,304
Food services	146,206
Community service	962,384
Capital outlay	2,290,216
Fixed charges	3,000,335
Total expenditures	19,481,996
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**SPECIAL REVENUE – FOOD SERVICE FUND**  
**Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
<b>REVENUES</b>				
State of Maryland	\$ 194,751	\$ 194,751	\$ 218,610	\$ 23,859
Federal government	3,600,857	3,918,857	4,587,520	668,663
Local sources	6,560,197	6,560,197	5,456,679	(1,103,518)
	<u>10,355,805</u>	<u>10,673,805</u>	<u>10,262,809</u>	<u>(410,996)</u>
<b>EXPENDITURES</b>				
<b>Food service</b>				
Salaries and wages	3,691,318	3,691,318	3,618,001	73,317
Contracted services	87,700	281,700	241,586	40,114
Supplies and materials	4,661,496	4,979,496	5,121,790	(142,294)
Other charges	71,519	71,519	41,782	29,737
Equipment	50,000	-	-	-
Total food service	<u>8,562,033</u>	<u>9,024,033</u>	<u>9,023,159</u>	<u>874</u>
Fixed charges	<u>1,793,772</u>	<u>1,649,772</u>	<u>1,647,756</u>	<u>2,016</u>
Total expenditures	<u>10,355,805</u>	<u>10,673,805</u>	<u>10,670,915</u>	<u>2,890</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (408,106)</u>	<u>\$ (408,106)</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF CHANGES IN NET ASSETS AND LIABILITIES**  
**STUDENT ACTIVITIES FUND – AGENCY FUND**  
**Year Ended June 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Additions/ Receipts</u>	<u>Reductions/ Disbursements</u>	<u>Balance June 30, 2011</u>
<b>ASSETS</b>				
Cash by schools				
Elementary schools				
C. Paul Barnhart	\$ 31,746	\$ 80,676	\$ 78,529	\$ 33,893
Berry	28,303	111,303	118,665	20,941
Dr. Gustavus Brown	17,950	40,558	39,113	19,395
Dr. Samuel A. Mudd	6,330	53,022	51,817	7,535
J.C. Parks	12,781	57,178	61,586	8,373
J.P. Ryon	17,625	43,193	46,292	14,526
Eva Turner	13,813	44,344	41,960	16,197
Dr. Thomas L. Higdon	21,578	45,242	38,976	27,844
Daniel of St. Thomas Jenifer	19,955	48,780	52,955	15,780
Dr. James Craik	43,335	99,027	90,260	52,102
Gale-Bailey	24,691	58,998	63,233	20,456
Indian Head	13,705	35,002	38,319	10,388
Malcolm	35,772	66,899	68,378	34,293
T.C. Martin	20,622	101,116	93,985	27,753
Arthur H. Middleton	14,304	30,108	34,349	10,063
Walter J. Mitchell	18,018	41,389	50,598	8,809
Mt. Hope/Nanjemoy	35,290	56,933	64,063	28,160
William B. Wade	44,735	102,396	108,159	38,972
Mary H. Matula	42,324	84,780	94,724	32,380
William Diggs	20,297	141,367	138,365	23,299
Mary B. Neal	1,056	125,666	122,033	4,689
Middle schools				
John Hanson	69,284	69,794	74,918	64,160
Matthew Henson	91,271	97,872	116,408	72,735
Piccowaxen	66,729	144,856	143,033	68,552
General Smallwood	20,465	86,305	81,042	25,728
Milton Somers	45,745	143,282	142,557	46,470
Benjamin Stoddert	38,188	101,772	105,951	34,009
Mattawoman	78,881	149,672	147,937	80,616
Theodore G. Davis	30,300	126,181	131,301	25,180
High schools				
La Plata	220,351	613,536	608,351	225,536
Lackey	142,026	479,805	519,584	102,247
Maurice J. McDonough	210,955	584,135	589,831	205,259
Thomas Stone	356,878	473,507	555,976	274,409
Westlake	124,079	511,338	550,884	84,533
North Point				
High School	153,755	877,844	892,766	138,833
STI	137,878	330,814	384,285	84,407
Centers				
F. B. Gwynn	35,078	8,073	12,091	31,060
Alternative School	19,953	64,486	50,627	33,812
<b>TOTAL ASSETS</b>	<u>\$ 2,326,046</u>	<u>\$ 6,331,249</u>	<u>\$ 6,603,901</u>	<u>\$ 2,053,394</u>
<b>LIABILITIES DUE TO STUDENT GROUPS</b>	<u>\$ 2,326,046</u>	<u>\$ 6,331,249</u>	<u>\$ 6,603,901</u>	<u>\$ 2,053,394</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
 COMBINING SCHEDULE OF FIDUCIARY NET ASSETS –  
 RETIREE HEALTH AND PENSION TRUST FUNDS  
 Year Ended June 30, 2011**

	<b>Retiree Health Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 5,985,878	\$ 5,985,878
Investments, at fair value with fiscal agent	9,439,538	62,945,587	72,385,125
Contribution receivable	2,000,000	1,486,421	3,486,421
Due from other funds	23,669	-	23,669
<b>TOTAL ASSETS</b>	<b>11,463,207</b>	<b>70,417,886</b>	<b>81,881,093</b>
<b>NET ASSETS</b>			
Held in trust for retiree health/pension benefits	\$ 11,463,207	\$ 70,417,886	\$ 81,881,093

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS –  
RETIREE HEALTH AND PENSION TRUST FUNDS  
Year Ended June 30, 2011**

	<u>Retiree Health Trust Fund</u>	<u>Pension Trust Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 11,861,329	\$ 5,523,768	\$ 17,385,097
Plan members	<u>1,462,819</u>	<u>940,966</u>	<u>2,403,785</u>
Total contributions	<u>13,324,148</u>	<u>6,464,734</u>	<u>19,788,882</u>
Investment earnings:			
Interest and dividends	-	1,646,599	1,646,599
Net increase in fair value of investments	<u>1,007,956</u>	<u>16,121,479</u>	<u>17,129,435</u>
Investment gain	1,007,956	17,768,078	18,776,034
Less investment expense	<u>-</u>	<u>290,645</u>	<u>290,645</u>
Net investment gain	<u>1,007,956</u>	<u>17,477,433</u>	<u>18,485,389</u>
Total additions	<u>14,332,104</u>	<u>23,942,167</u>	<u>38,274,271</u>
<b>DEDUCTIONS</b>			
Benefits paid to members	8,024,148	3,010,559	11,034,707
Administrative expenses	<u>-</u>	<u>8,785,867</u>	<u>8,785,867</u>
Total deductions	<u>8,024,148</u>	<u>11,796,426</u>	<u>19,820,574</u>
<b>NET INCREASE FOR THE YEAR IN PLAN NET ASSETS</b>	6,307,956	12,145,741	18,453,697
<b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	<u>5,155,251</u>	<u>58,272,145</u>	<u>63,427,396</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u>\$ 11,463,207</u>	<u>\$ 70,417,886</u>	<u>\$ 81,881,093</u>