

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

**ANNUAL FINANCIAL REPORT
June 30, 2013**

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Independent Auditors' Report

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

Report on the Financial Statements

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, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5 through 17, the schedules of funding progress and employer contributions on pages 50 through 51, the schedule of revenues and expenditures- budget and actual- non-GAAP budgetary basis-general fund on page 52, and the notes to required supplementary information on page 53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board’s basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2013



CliftonLarsonAllen

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles County, Maryland, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.**CliftonLarsonAllen LLP**

Baltimore, Maryland
September 27, 2013

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

As Management of the Charles County Public School's (the School System) we offer readers of the School System's financial statements this discussion and analysis of the School System's financial performance during the fiscal year ended June 30, 2013. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

The School System's basic financial statements consist of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the School System's financial performance. The report also contains required supplementary information.

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the School System's overall financial strength.
- The next two statements are *fund financial statements* that focus on individual parts of the School System, and provide more detail on individual areas of revenues and expenditures.
- It also contains required supplementary information in addition to the basic financial statements themselves, such as a budgetary basis presentation of financial operations in the short-term for the budgetary general fund, measuring regulatory and budgetary compliance.

The financial statements also include notes that explain some of the information in the statements and, in some cases, provide even greater levels of detail.

Government-Wide Financial Statements

The School System's *Government-wide Financial Statements* provide a broad view of the School System's operations in a manner similar to a private sector business enterprise. The statements provide both short-term and long-term information about the School System's financial position, which assists in assessing the School System's economic condition at year end. They are prepared using the economic resources focus and full accrual basis of accounting. These are methods similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if the cash has not been received. The Government-wide Financial Statements include two statements:

The *Statement of Net Position* presents all of the School System's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as "net position." The statement combines and consolidates all of the School System's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities, distinguishing between governmental and business-type activities. The end result is net position segregated into three components: investment in capital assets net of related debt, restricted, and unrestricted net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School System is improving or deteriorating.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Government-Wide Financial Statements (Continued)

The *Statement of Activities* presents information showing how the School System's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned, but unused, vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the School System. The majority of the School System's revenue is general revenue, grants and contributions from other governments.

The governmental activities of the School System include Administration, Mid-level Administration, Regular Education, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Community Services, and Food Services. These activities are mostly supported by county and state appropriations mandated in accordance with state law, and state and federal grants.

Typically, the School System-wide financial statements can reflect governmental activities and business-type activities. While the School System's food service operation charges fees, the fee structure is not designed to recover costs including depreciation. Therefore, this function is included as a governmental activity and no business-type activities are presented.

Fund Financial Statements

The fund financial statements focus on major funds and on individual parts of the School System's operations. All of the funds of the School System can be divided into two categories: governmental funds and fiduciary funds, each of which use different accounting approaches and should be interpreted differently. The two categories are as follows:

Governmental Funds Financial Statements – Most of the basic services provided by the School System are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on balances of spendable resources at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The School System has three governmental funds:

General Fund includes most of the School System's basic functions and generally follows the requirements of the Maryland State Department of Education.

Food Service Fund captures the financial activities of the cafeteria operations.

Capital Project Fund, tracks larger construction projects. This fund reports revenue and expenditures on a yearly basis. It should be noted that due to the long-term nature of most projects, the budgetary basis of this fund crosses fiscal years.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Fund Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations found on pages 15 and 17.

Fiduciary Fund Financial Statements – The fiduciary funds are used to account for resources held for the benefit of parties outside the School System. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the School System's own programs. Accordingly, there is no analysis of the School System's fiduciary funds included in this Management's Discussion and Analysis. The accounting used for fiduciary funds is the accrual basis of accounting.

The School System's fiduciary funds include the Agency Fund and *Other Post-Employment Benefits* (OPEB) Plan Trust. The Agency fund reflects liabilities due to student groups that are earmarked for specific student groups at individual schools. The OPEB Plan Trust accumulates resources for post employment health benefits.

Budget and Actual Financial Statements

A Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the General Fund, which has a legally adopted annual budget. This statement shows both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) can be found immediately following the basic governmental fund financial statements on page 42.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

The School System's combined Net Position as of June 30, 2013 totaled \$202.1 million, an increase of \$18.2 million or 5.0% more than last fiscal year as shown in the statement below.

Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities		Total Percent
			Change
	2012	2013	2012 - 2013
Assets			
Current and other assets	\$ 67.6	\$ 82.1	21.4%
Capital assets	265.1	291.2	9.8%
Total assets	\$ 332.7	\$ 373.3	12.2%
Liabilities			
Long-term liabilities	\$ 109.3	\$ 127.8	16.9%
Other liabilities	39.4	43.3	9.9%
Total liabilities	\$ 148.7	\$ 171.1	15.1%
Net Position			
Investment in capital assets	\$ 265.1	\$ 287.9	8.6%
Unrestricted	(81.2)	(85.8)	5.7%
Total net position	\$ 183.9	\$ 202.1	9.9%

The major portion of the School System's total assets, \$291.2 million 78.0% 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 Position decreased due to an additional increase in OPEB obligation for the current year of \$18.9 million as described in Note 6 of the financial statements.

Changes In Net Position: The School System's Net Position increased by \$18.2 million in 2013 as opposed to a decrease of \$24.4 million in 2012.

- The School System's revenues of \$393.7 million increased \$28.2 million (7.7%) over last year. Program revenue increased by \$19.6 million; operating grants and contributions decreased by \$8.7 million; capital grants and contributions increased by \$28.2 million; while general revenues increased by \$8.6 million. Operating grants and contributions decreased due to reduced funding for Teacher's retirement from the State of Maryland (\$5.9 million), and Education Jobs fund (\$5.3 million). The capital grants and contributions increased due to additional funding from county appropriations (15.4 million) and State of Maryland school construction fund (12.9 million) mostly for the new St. Charles High School.
- Expenses totaled \$375.5 million or \$14.4 million less than fiscal year 2012. The largest decrease in expenses related to the category of instruction which decreased to \$328.9 million in fiscal year 2013, a decrease of \$18.9 million. Overall, the decrease in expenses for fiscal year 2013 was due to a decrease in the change in the Net OPEB obligation. For the fiscal year ended June 30, 2013, the change in the Net OPEB obligation was \$18.9 million compared to \$25.6 million in fiscal year 2012.

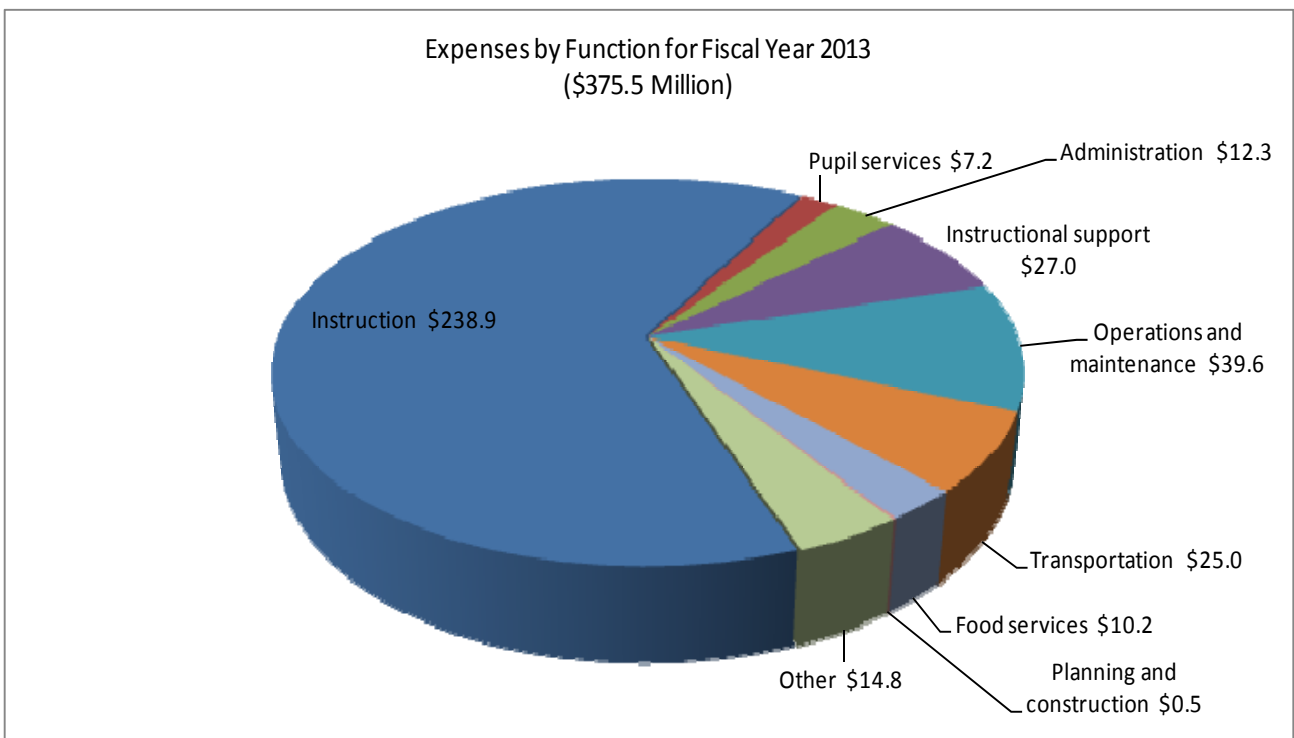
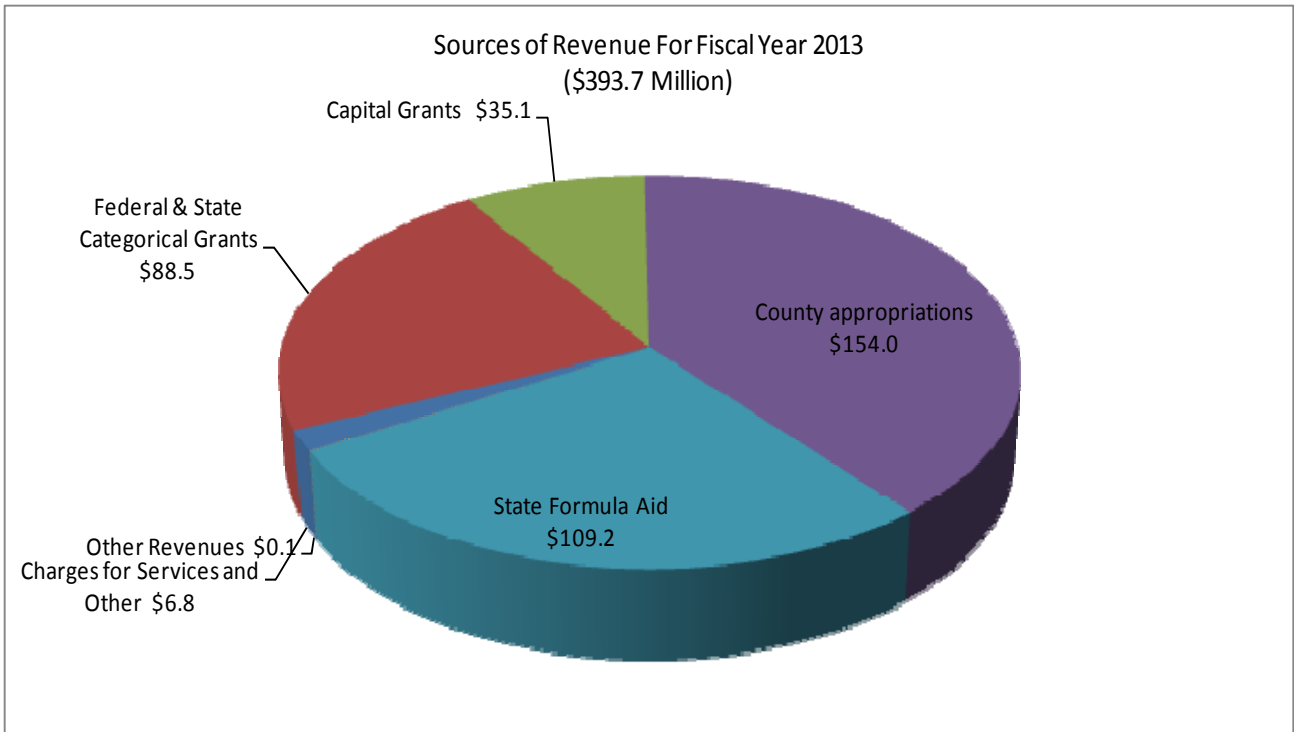
BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Changes in Net Position (in millions of dollars)

	<u>Governmental Activities</u>		<u>Change</u>	<u>% Change</u>
	<u>2012</u>	<u>2013</u>		
Revenues				
Program revenues				
Charges for services	\$ 6.7	\$ 6.8	0.1	1.5%
Operating grants and contributions	97.2	88.5	(8.7)	(9.0)%
Capital grants and contributions	6.9	35.1	28.2	408.7%
General revenues			-	
County appropriations	145.6	154.0	8.4	5.8%
State formula aid	108.8	109.2	0.4	0.4%
Other	0.3	0.1	(0.2)	(66.7)%
Total revenues	<u>365.5</u>	<u>393.7</u>	<u>28.2</u>	<u>7.7%</u>
Expenses				
Instruction	247.8	238.9	(8.9)	(3.6)%
Support services				
Pupil services	7.0	7.2	0.2	2.9%
Administration	12.2	12.3	0.1	0.8%
Instructional support	28.1	27.0	(1.1)	(3.9)%
Operations and maintenance	37.1	39.6	2.5	6.7%
Transportation	25.0	25.0	-	0.0%
Food services	10.0	10.2	0.2	2.0%
Planning and construction	7.9	0.5	(7.4)	(93.7)%
Other	14.8	14.8	-	0.0%
Total expenditures	<u>389.9</u>	<u>375.5</u>	<u>(14.4)</u>	<u>(3.7)%</u>
(Decrease)/Increase in net position	<u>\$ (24.4)</u>	<u>\$ 18.2</u>	<u>\$ 42.6</u>	<u>(174.6)%</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Revenues and Expenditures by Source and Function



BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Governmental Activities

The county appropriation for the operating budget in fiscal year 2013 was \$154.0 million or \$8.4 million more than in fiscal year 2012 as shown on the Statement of Activities for fiscal years 2012 and 2013. Total cost of services decreased 3.7% from 2012. Also, the net cost of services decreased by \$34.1 million or 12.2%, in fiscal year 2012 the net cost increased by \$17.4 million or 6.7%.

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)						
	Total Cost of Services		Percentage Change		Net Cost of Services		Percentage Change
	2012	2013	2012 - 2013		2012	2013	2012 - 2013
Instruction	\$ 247.8	\$ 238.9	3.6%		\$ 170.5	\$ 171.0	(0.3)%
Pupil services	7.0	7.2	(2.9)%		6.9	7.2	(4.3)%
Administration	12.2	12.3	(0.8)%		11.0	11.9	(8.2)%
Instructional support	28.1	27.0	3.9%		26.5	26.0	1.9%
Operations and maintenance	37.1	39.6	(6.7)%		36.4	38.5	(5.8)%
Transportation	25.0	25.0	0.0%		14.8	14.8	0.0%
Food services	10.0	10.2	(2.0)%		0.9	(1.5)	266.7%
Planning and construction	7.9	0.5	93.7%		-	(36.7)	100%
Other	14.8	14.8	0.0%		12.1	13.8	(14.0)%
Total	\$ 389.9	\$ 375.5	3.7%		\$ 279.1	\$ 245.0	12.2%

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 \$28.6 million. The fund balance consists of amounts assigned for purchase order encumbrances and subsequent years expenditures; uninsured health claims, 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 \$31.2 million as compared to last year's combined ending balance of \$21.4 million or \$9.8 million more than last year.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Changes in Fund Balance - Governmental Funds - GAAP Basis

	General	Restricted			Total
	Fund	Programs	Food	Capital	Governmental
		Fund	Services Fund	Projects	Funds
REVENUES					
State of Maryland	\$ 173,477,783	\$ 2,363,556	\$ 271,337	\$ 15,963,341	\$ 192,076,017
Federal government	973,107	12,301,425	5,780,382	-	19,054,914
Other sources	1,825,713	1,870,849	5,549,172	-	9,245,734
Local sources	<u>153,957,200</u>	<u>282,351</u>	<u>-</u>	<u>19,183,060</u>	<u>173,422,611</u>
Total revenues	<u>330,233,803</u>	<u>16,818,181</u>	<u>11,600,891</u>	<u>35,146,401</u>	<u>393,799,276</u>
EXPENDITURES					
Current:					
Administration	8,393,220	409,328	-	-	8,802,548
Mid-level administration	20,290,162	883,684	-	-	21,173,846
Instruction:					-
Instructional salaries	122,449,790	3,313,719	-	-	125,763,509
Materials of instruction	5,044,246	596,921	-	494,574	6,135,741
Other costs of instruction	1,724,049	627,775	-	-	2,351,824
Special Education	28,935,458	4,838,804	-	-	33,774,262
Student personnel services	3,425,429	1,414	-	-	3,426,843
Health service	2,780,843	1,380	-	-	2,782,223
Transportation	24,564,310	141,589	-	-	24,705,899
Operations	22,451,825	415,038	-	10,068	22,876,931
Maintenance	6,046,661	343,215	-	-	6,389,876
Food service	-	99,597	9,707,355	-	9,806,952
Community Service	722,660	812,616	-	-	1,535,276
Fixed Charges	72,211,357	2,450,515	1,673,776	-	76,335,648
Capital outlay	<u>2,327,674</u>	<u>1,175,210</u>	<u>-</u>	<u>35,151,066</u>	<u>38,653,950</u>
Total expenditures	<u>321,367,684</u>	<u>16,110,805</u>	<u>11,381,131</u>	<u>35,655,708</u>	<u>384,515,328</u>
Excess (deficiency) of revenue over expenditures	8,866,119	707,376	219,760	(509,307)	9,283,948
OTHER FINANCING SOURCES					
Issuance of note	<u>-</u>	<u>-</u>	<u>-</u>	<u>504,642</u>	<u>504,642</u>
NET CHANGE IN FUND BALANCES	8,866,119	707,376	219,760	(4,665)	9,788,590
FUND BALANCES, BEGINNING OF YEAR	<u>19,779,597</u>	<u>493,855</u>	<u>1,286,154</u>	<u>(151,606)</u>	<u>21,408,000</u>
FUND BALANCES, END OF YEAR	<u>\$ 28,645,716</u>	<u>\$ 1,201,231</u>	<u>\$ 1,505,914</u>	<u>\$ (156,271)</u>	<u>\$ 31,196,590</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, 2013

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 \$5.8 million surplus (on a Non-GAAP basis). The surplus was due primarily to planned savings related to salaries and employee benefits, and contracted services. 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 \$4.1 million less than anticipated budgetary levels due to the School System not utilizing prior year fund balance appropriated for 2012 in the amount of \$4.2 million. Actual amounts for revenues from the State of Maryland and federal sources did not vary significantly from budgeted amounts. Other sources of revenue were \$4.3 million less than budgeted amounts due to the School System not utilizing the \$4.2 million of prior year fund balance.

EXPENDITURES

All revenue shortfalls were offset by total planned expenditure savings of \$9.8 million from unfilled positions, turnover (including associated employee benefits), and contracted services throughout the School System.

General Fund Budgetary Highlights – Non-GAAP

Over the course of the year, the School System may revise the annual operating budget. 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 School System 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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Fund Balance

Starting in FY 2012 the School System was directed by the Board of Education and the County Commissioners to save funds to help offset startup costs for the new St. Charles High School. Typically the school system used year end residuals for Technology and maintenance projects scheduled to be completed in future years or for additional contributions to OPEB (Other Post-Employment Benefits). For further information see page 22.

It is the intent of the School System to utilize the unassigned fund balance of the General Fund to cover future costs associated with the following:

Health insurance reserve (self-insurance 7.5% of claims)	\$ 2,887,706
Capital Maintenance Reserve	2,462,075
Startup costs for new St. Charles High School	<u>13,008,688</u>
Total unassigned fund balance at June 30, 2013	<u>\$18,358,469</u>

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, 2013

General Fund Budget and Actual - Non-GAAP Budgetary Basis

	2013			Variances Positive (Negative)	2012
	As amended		Actual		Actual
	Original Budget	Budget			
REVENUES					
State of Maryland	\$ 154,800,497	\$ 154,800,497	\$ 154,766,548	\$ (33,949)	\$ 154,069,059
Federal government	770,000	770,000	973,107	203,107	1,024,494
Other sources	6,094,251	6,094,251	1,825,713	(4,268,538)	1,745,586
Local sources	<u>153,957,200</u>	<u>153,957,200</u>	<u>153,957,200</u>	<u>-</u>	<u>145,620,700</u>
Total revenues	<u>315,621,948</u>	<u>315,621,948</u>	<u>311,522,568</u>	<u>(4,099,380)</u>	<u>302,459,839</u>
EXPENDITURES					
Administration	8,924,192	8,924,192	8,328,273	595,919	8,168,717
Mid-level administration	21,715,836	21,715,836	20,419,406	1,296,430	20,399,640
Instructional salaries	124,103,457	124,103,457	122,449,790	1,653,667	118,696,962
Materials of instruction	4,920,970	4,920,970	4,800,289	120,681	4,314,386
Other costs of instruction	2,183,615	2,183,615	1,724,049	459,566	2,046,414
Special education	29,590,299	29,590,299	29,038,241	552,058	28,165,762
Student personnel services	3,565,051	3,565,051	3,525,976	39,075	3,178,567
Health service	2,795,900	2,795,900	2,781,570	14,330	2,693,420
Transportation	25,140,274	25,140,274	25,131,335	8,939	24,378,332
Operations	25,359,354	25,359,354	24,897,743	461,611	22,845,103
Maintenance	6,283,611	6,283,611	6,272,940	10,671	6,005,020
Community service	726,290	726,290	722,660	3,630	734,632
Capital outlay	2,172,097	2,172,097	2,166,411	5,686	2,778,475
Fixed charges	<u>58,141,002</u>	<u>58,141,002</u>	<u>53,500,122</u>	<u>4,640,880</u>	<u>49,869,425</u>
Total expenditures	<u>315,621,948</u>	<u>315,621,948</u>	<u>305,758,805</u>	<u>9,863,143</u>	<u>294,274,855</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,763,763</u>	<u>\$ 5,763,763</u>	<u>\$ 8,184,984</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Capital Asset and Long-Term Debt

Capital Assets

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

	Cost (in millions)
Additions to building (Light replacements, carpet/tile replacements, boiler replacements, full day kindergarten addition, bathroom renovations, cameras, door/security upgrades, boiler replacements, and brick work)	\$ 5.0
Building Renovation	2.1
Total	\$ 7.1

During fiscal year 2013, capital assets increased \$26.1 million, which was an increase of 9.8% from fiscal year 2012. Some of the changes were as follows:

- Land Improvements increased due to new playground equipment, paving, football field renovations, field hockey field renovation, baseball field renovations, irrigation system, football field lighting, track repair, concrete work, fencing, and softball field creation.
- Construction in progress included a building renovation at F. B. Gwynn Educational Center (\$2.1 million) and boiler replacement at Daniel of St. Thomas Jenifer elementary school (\$4.1 million).

Capital Assets (in millions of dollars)

	Governmental Activities		Change
	2012	2013	2012 - 2013
Land	\$ 16.8	\$ 16.8	\$ -
Land improvements	9.3	11.0	1.7
Buildings	428.5	435.6	7.1
Construction in progress	14.3	44.4	30.1
Equipment and furniture	27.6	27.6	-
Accumulated depreciation	(231.4)	(244.2)	(12.8)
Total	\$ 265.1	\$ 291.2	\$ 26.1

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Capital Assets (Continued)

The school system's fiscal year 2014 capital improvement program budget includes spending another \$14.4 million for capital projects, principally in three areas:

- \$1.3 million towards land purchase for a new elementary school.
- \$2.1 million for boiler/RTU and various maintenance projects; sewer connection fee.
- \$11 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 two full day kindergarten additions.

Long-Term Debt

At year-end, the School System had \$129.8 million in long-term debt. Compensated absences in accumulated vacation and sick leave for the School System's employees available upon termination accounted for \$7.8 million of the debt. The School System also has an obligation of \$118.7 million for post-employment benefits other than pensions (OPEB). The Technology loan accounted for \$3.3 million of the debt. 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

Charles County Public Schools continues to do an excellent job managing and allocating resources. Careful forecasting and management of funds produced no budget deficits or over expenditures in any category and our organization was able to generate a significant fund balance through savings initiatives. Our fund balance should provide a financial buffer moving forward.

The slow growth in the economy still presents funding challenges for local education. Enrollment growth in the county has declined over the past three years and will most likely lead to future reductions in State funding. Free and reduced student population has been increasing which has provided some financial relief in the form of an increase in State Compensatory Education funding. The County Commissioners recently raised taxes in order to fund a step increase and State mandated retirement contributions. The system still remains one step behind in employee salary scale progression, and our ability to fund two steps in any given year is extremely problematic. Moving forward, there needs to be a concerted effort by management to reduce the reliance on fund balance reserves to pay for recurring costs.

Funding other post-retirement benefits (OPEB) in accordance with GASB 45 remains a concern, but a low budget priority. The Board of Education is committed to honoring union contracts, which provides health insurance benefits to current and retired employees. Healthcare cost increases related to national healthcare reform requirements is unknown. The tradeoff between funding OPEB or staff salaries in the future will be complicated. The system did make a modest contribution towards reducing the aggregate OPEB liability in FY2013.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

CCPS is opening a new high school in the fall of 2014 which will require a major increase in staff, operating and startup costs. The County Government has committed to partially funding these operating costs, but the source of funding, both from the County and internally has not been identified. The ability to fully fund the operating costs for the new school, make up salary step increases, and deal with the potential loss in State funding due to enrollment declines is a major struggle.

Finally, the school system experienced a planned changeover in senior management. The Superintendent and several other key executive positions retired after a long tenure of service. The transition has been exceptionally smooth and most positions were filled internally with highly qualified individuals who are familiar with the challenges that lie ahead.

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 POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 56,323,860
Accounts receivable	
Federal	3,581,903
State of Maryland	1,771,091
Other sources	10,082,151
Inventories	808,933
Prepaid pension obligation	9,489,359
Capital assets	
Land and construction in progress	61,219,286
Other capital assets, net of depreciation	<u>230,015,672</u>
TOTAL ASSETS	<u>373,292,255</u>
LIABILITIES	
Accounts payable	11,500,019
Accrued salaries and fringe benefits	24,055,720
Payroll taxes and withholding payable	24,094
Other liabilities	103,222
Payable for health insurance	2,090,000
Unearned revenue	3,598,293
Noncurrent liabilities:	
Due within one year	1,936,504
Due in more than one year	<u>127,831,031</u>
TOTAL LIABILITIES	<u>171,138,883</u>
NET POSITION	
Net investment in capital assets	287,938,851
Unrestricted	<u>(85,785,479)</u>
TOTAL NET POSITION	<u><u>\$ 202,153,372</u></u>

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, 2013

	Program Revenues			Net Revenue (Expenses) and Changes in Net Position	
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
GOVERNMENTAL ACTIVITIES					
INSTRUCTION					
Regular education	\$ 196,399,208	\$ 897,002	\$ 52,263,678	\$ -	\$ (143,238,528)
Special Education	<u>42,493,271</u>	<u>402,497</u>	<u>14,301,318</u>	<u>-</u>	<u>(27,789,456)</u>
Total instruction					
	<u>238,892,479</u>	<u>1,299,499</u>	<u>66,564,996</u>	<u>-</u>	<u>(171,027,984)</u>
SUPPORT SERVICES					
Pupil services	7,224,809	-	2,794	-	(7,222,015)
Administration	12,300,835	-	453,479	-	(11,847,356)
Instructional support	27,036,661	-	988,609	-	(26,048,053)
Operation and maintenance	39,594,389	307,207	791,079	-	(38,496,103)
Transportation	24,974,071	-	10,217,899	-	(14,756,172)
Community services	3,383,751	23,060	970,817	-	(2,389,874)
School lunch services	10,238,637	5,183,789	6,547,053	-	1,492,204
Planning and construction	455,660	-	1,959,350	35,146,401	36,650,092
Unallocated depreciation expense	<u>11,426,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,426,506)</u>
Total support services	<u>136,635,319</u>	<u>5,514,056</u>	<u>21,931,080</u>	<u>35,146,401</u>	<u>(74,043,782)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 375,527,798</u>	<u>\$ 6,813,555</u>	<u>\$ 88,496,076</u>	<u>\$ 35,146,401</u>	<u>(245,071,766)</u>
GENERAL REVENUES					
					153,957,200
					109,190,097
					45,711
					<u>116,283</u>
					<u>263,309,291</u>
					18,237,525
					<u>183,915,847</u>
					<u>\$ 202,153,372</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, 2013

	<u>General Fund</u>	<u>Restricted Programs Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 54,334,403	\$ -	\$ 1,968,365	\$ 21,092	\$ 56,323,860
Accounts receivable:					
Federal	36,735	3,146,080	399,088	-	3,581,903
State of Maryland	815,188	884,829	29,627	41,447	1,771,091
Other sources	1,226,993	150,774	53,265	8,651,119	10,082,151
Due from other funds	1,860,471	1,994,906	-	-	3,855,377
Inventories	419,413	-	389,520	-	808,933
			-		
TOTAL ASSETS	<u>\$ 58,693,203</u>	<u>\$ 6,176,589</u>	<u>\$ 2,839,865</u>	<u>\$ 8,713,658</u>	<u>\$ 76,423,315</u>
LIABILITIES					
Accounts payable	\$ 5,160,983	\$ 798,767	\$ 158,385	\$ 5,381,884	\$ 11,500,019
Accrued salaries and fringe benefits	22,648,228	990,226	417,266	-	24,055,720
Payroll taxes and withholding payable	20,858	3,236	-	-	24,094
Due to other governments	-	79,090	-	-	79,090
Due to other funds	-	-	391,464	3,488,045	3,879,509
Payable for health insurance	2,090,000	-	-	-	2,090,000
Unearned revenue	127,418	3,104,039	366,836	-	3,598,293
Total liabilities	<u>30,047,487</u>	<u>4,975,358</u>	<u>1,333,951</u>	<u>8,869,929</u>	<u>45,226,725</u>
FUND BALANCE (DEFICIT)					
Nonspendable - inventory	419,413	-	389,520	-	808,933
Restricted	-	1,201,231	-	-	1,201,231
Assigned	9,867,834	-	1,116,394	-	10,984,228
Unassigned	18,358,469	-	-	(156,271)	18,202,198
Total fund balance (deficit)	<u>28,645,716</u>	<u>1,201,231</u>	<u>1,505,914</u>	<u>(156,271)</u>	<u>31,196,590</u>
TOTAL LIABILITIES AND FUND BALANCE					
	<u>\$ 58,693,203</u>	<u>\$ 6,176,589</u>	<u>\$ 2,839,865</u>	<u>\$ 8,713,658</u>	<u>\$ 76,423,315</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 POSITION
June 30, 2013

Total Fund Balances - Governmental Funds		\$ 31,196,590
 Amounts Reported for Governmental Activities in the Statement of Net Position are Difference Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported assets in governmental funds:		
The cost of capital assets	\$ 535,456,132	
Accumulated depreciation	<u>(244,221,174)</u>	
		291,234,958
Prepaid pension obligation is not recognized in the governmental funds but is recognized in the Statement of Activities.		
		9,489,359
Long-term liabilities, including notes payable, 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	(118,702,349)	
Note payable	(3,296,107)	
Compensated absences	<u>(7,769,079)</u>	
		<u>(129,767,535)</u>
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		 \$ <u>202,153,372</u>

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, 2013

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 173,477,783	\$ 2,363,556	\$ 271,337	\$ 15,963,341	\$ 192,076,017
Federal government	973,107	12,301,425	5,780,382	-	19,054,914
Other sources	1,825,713	1,870,849	5,549,172	-	9,245,734
Local sources	153,957,200	282,351	-	19,183,060	173,422,611
Total revenues	<u>330,233,803</u>	<u>16,818,181</u>	<u>11,600,891</u>	<u>35,146,401</u>	<u>393,799,276</u>
EXPENDITURES					
Current:					
Administration	8,393,220	409,328	-	-	8,802,548
Mid-level administration	20,290,162	883,684	-	-	21,173,846
Instruction:					
Instructional salaries	122,449,790	3,313,719	-	-	125,763,509
Materials of instruction	5,044,246	596,921	-	494,574	6,135,741
Other costs of instruction	1,724,049	627,775	-	-	2,351,824
Special Education	28,935,458	4,838,804	-	-	33,774,262
Student personnel services	3,425,429	1,414	-	-	3,426,843
Health service	2,780,843	1,380	-	-	2,782,223
Transportation	24,564,310	141,589	-	-	24,705,899
Operations	22,451,825	415,038	-	10,068	22,876,931
Maintenance	6,046,661	343,215	-	-	6,389,876
Food service	-	99,597	9,707,355	-	9,806,952
Community Service	722,660	812,616	-	-	1,535,276
Fixed Charges	72,211,357	2,450,515	1,673,776	-	76,335,648
Capital outlay	2,327,674	1,175,210	-	35,151,066	38,653,950
Total expenditures	<u>321,367,684</u>	<u>16,110,805</u>	<u>11,381,131</u>	<u>35,655,708</u>	<u>384,515,328</u>
Excess (deficiency) of revenues					
Over expenditures	8,866,119	707,376	219,760	(509,307)	9,283,948
OTHER FINANCING SOURCES					
Issuance of note	-	-	-	504,642	504,642
NET CHANGE IN FUND BALANCES	8,866,119	707,376	219,760	(4,665)	9,788,590
FUND BALANCES,					
BEGINNING OF YEAR	<u>19,779,597</u>	<u>493,855</u>	<u>1,286,154</u>	<u>(151,606)</u>	<u>21,408,000</u>
FUND BALANCES, END OF YEAR	<u>\$ 28,645,716</u>	<u>\$ 1,201,231</u>	<u>\$ 1,505,914</u>	<u>\$ (156,271)</u>	<u>\$ 31,196,590</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, 2013**

Total Net Change in Fund Balances - Governmental Funds		\$ 9,788,592
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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
Assets capitalized during the year	\$ 39,729,667	
Depreciation expense for the year	(13,561,385)	
Net book value of assets disposed of during the year.	<u>(17,363)</u>	26,150,919
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.		732,941
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.		(18,872,883)
The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.		979,594
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>(541,638)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 18,237,525</u>

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Pension and Retiree Health	
	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 10,261,484	\$ 2,434,848
Investments, at fair value with fiscal agent	81,240,513	-
Contribution receivable	4,766,345	-
Due from other funds	<u>23,669</u>	<u>463</u>
Total assets	96,292,011	<u>\$ 2,435,311</u>
LIABILITIES		
Due to student groups	-	\$ 2,434,848
Other liabilities	<u>-</u>	<u>463</u>
Total liabilities	-	<u>\$ 2,435,311</u>
NET POSITION		
Held in trust for retiree health/pension benefits	<u>\$ 96,292,011</u>	

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	<u>Pension and Retiree Health Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 15,609,606
Plan members	<u>3,106,592</u>
Total contributions	<u>18,716,198</u>
Investment earnings:	
Interest and dividends	1,949,404
Net increase in fair value of investments	<u>3,974,113</u>
Total investment earnings	5,923,517
Less investment expense	<u>327,750</u>
Net investment gain	<u>5,595,767</u>
Total additions	<u>24,311,965</u>
DEDUCTIONS	
Benefits paid to members	12,983,947
Administrative expenses	<u>302,645</u>
Total deductions	<u>13,286,592</u>
CHANGE IN NET POSITION	11,025,373
NET POSITION, BEGINNING OF YEAR	<u>85,266,638</u>
NET POSITION, END OF YEAR	<u><u>\$ 96,292,011</u></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, 2013

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 Position 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, 2013

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, the School Construction Fund, and Technology Fund are used to account for the acquisition or construction of major capital facilities, significant repairs and maintenance, and the acquisition of equipment. These 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, 2013

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.

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.
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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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.

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 (consumption method). 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 Position.

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, 2013

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 \$100 per day, for no more than 100 days of sick leave for certificated and \$100 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

Governmental fund balance amounts are 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 prepaid expenses.

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.

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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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 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.

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

Assets	Years
Buildings and improvements	30
Land improvements	10
Furniture and equipment	5-10

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Position. The Board's long-term obligations include compensated absences, other post employment benefits obligation, capital lease payable, and notes 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.

Governmental Accounting Standards Board (GASB) Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and defined the residual of assets and deferred outflows less liabilities and deferred inflows as net position. The Board has implemented the effects of this Statement for the reporting period ending June 30, 2013. The effect of this Statement on the Board was a change in the format of the entity wide and fiduciary statements to include the concept of net position.

Pending Pronouncements

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that management has determined may have an impact on future financial statements of the Board. Management is currently evaluating the specific impact of these Standards.

Statement No. 65, Items Previously Reported as Assets and Liabilities – This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement will become effective for the reporting period ending June 30, 2014.

Statement No. 66, Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62 – The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement will become effective for the reporting period ending June 30, 2014.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Pronouncements (Continued)

Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 – The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement will become effective for reporting periods ending June 30, 2014.

Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 – The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. This Statement will become effective for the reporting period ending June 30, 2015.

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 was \$25,844,197 and the bank balance was \$38,078,116. 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.

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 contributors 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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2013, the pooled assets of the MABE Trust were valued at \$108,072,524 in total, of which the Board's share was \$13,262,457.

The Board is a participant in 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, 2013.

A summary of cash and investments at June 30, 2013 is as follows:

	Total		Total	Weighted Average
	Governmental	Total Fiduciary		
	Funds	Funds	Total	Maturity in Years
Cash on hand	\$ 1,000	\$ -	\$ 1,000	N/A
Deposits	23,253,242	2,590,955	25,844,197	N/A
Money market mutual funds	-	10,105,377	10,105,377	N/A
MLGIP	33,069,618	-	33,069,618	N/A
MABE Trust	-	13,262,457	13,262,457	7.83%
U.S. Government & agencies	-	12,026,609	12,026,609	3.81%
Corporate bonds	-	6,967,104	6,967,104	12.41%
Equity mutual funds	-	20,574,821	20,574,821	N/A
Common stocks	-	20,073,169	20,073,169	N/A
Mortgage-backed securities	-	8,336,353	8,336,353	17.92%
Total	\$ 56,323,860	\$ 93,936,845	\$ 150,260,705	

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2013:

	S&P Ratings											
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	B+	Unrated
MLGIP	\$ 33,069,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. obligations	-	-	-	-	-	-	-	-	-	-	-	12,026,609
Corporate bonds	168,472	360,007	236,995	224,487	40,245	403,559	997,175	555,884	2,378,545	1,339,353	180,632	81,750
Mortgage backed securities	-	-	-	-	-	-	-	-	-	-	-	8,336,353
Grand total	\$ 33,238,090	\$ 360,007	\$ 236,995	\$ 224,487	\$ 40,245	\$ 403,559	\$ 997,175	\$ 555,884	\$ 2,378,545	\$ 1,339,353	\$ 180,632	\$ 20,444,712

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

	<u>FMV</u>	<u>Less than 1</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>16-20 Years</u>	<u>20+ Years</u>
MLGIP	\$ 33,069,618	\$ 33,069,618	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. obligations	12,026,609	-	6,905,133	3,993,438	-	216,113	911,925
Corporate bonds	6,967,104	-	1,176,654	4,508,532	242,065	-	1,039,853
Mortgage backed securities	<u>8,336,353</u>	<u>1,226,499</u>	<u>914,592</u>	<u>1,923,864</u>	<u>695,005</u>	<u>3,576,393</u>	<u>-</u>
Grand total	<u>\$ 60,399,684</u>	<u>\$ 34,296,117</u>	<u>\$ 8,996,379</u>	<u>\$ 10,425,834</u>	<u>\$ 937,070</u>	<u>\$ 3,792,506</u>	<u>\$ 1,951,778</u>

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.

Concentrations of Credit Risk

The investment policy of the Pension Plan limits the exposure of debt securities of any one private corporation to no more than 5% of the cost value of assets within the portfolio.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

<u>Governmental Activities</u>	<u>Balance at June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
Capital assets not being depreciated				
Land	\$ 16,849,701	\$ -	\$ (26)	\$ 16,849,675
Construction-in-progress	<u>14,261,931</u>	<u>34,703,209</u>	<u>(4,595,529)</u>	<u>44,369,611</u>
Total capital assets, not being depreciated	<u>31,111,632</u>	<u>34,703,209</u>	<u>(4,595,555)</u>	<u>61,219,286</u>
Capital assets being depreciated				
Buildings and improvements	428,478,354	7,143,732	-	435,622,086
Land improvements	9,270,930	1,760,587	(3,542)	11,027,975
Furniture and equipment	<u>27,610,046</u>	<u>717,696</u>	<u>(740,957)</u>	<u>27,586,785</u>
Total capital assets being depreciated	<u>465,359,330</u>	<u>9,622,015</u>	<u>(744,499)</u>	<u>474,236,846</u>
Less - accumulated depreciation				
Buildings and improvements	(203,902,071)	(11,324,188)	-	(215,226,259)
Land improvements	(6,698,579)	(515,956)	3,542	(7,210,993)
Furniture and equipment	<u>(20,786,275)</u>	<u>(1,721,241)</u>	<u>723,594</u>	<u>(21,783,922)</u>
Total accumulated depreciation	<u>(231,386,925)</u>	<u>(13,561,385)</u>	<u>727,136</u>	<u>(244,221,174)</u>
Total capital assets, being depreciated, net	<u>233,972,405</u>	<u>(3,939,370)</u>	<u>(17,363)</u>	<u>230,015,672</u>
Capital assets, net	<u>\$ 265,084,037</u>	<u>\$ 30,763,839</u>	<u>\$ (4,612,918)</u>	<u>\$ 291,234,958</u>

Depreciation expense was charged to functions of the Board as follows:

Governmental activities	
Regular education	\$ 476,804
Special education	12,206
Supporting services:	
Pupil services	4,215
Health services	5,306
Administration	94,898
Instructional support	18,016
Operation and maintenance of facilities	724,052
Transportation	86,418
Community services	4,995
School lunch services	23,737
Planning and construction	684,232
Unallocated	<u>11,426,506</u>
Total depreciation expense - governmental activities	<u>\$ 13,561,385</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – CAPITAL ASSETS (CONTINUED)

The Board has active school construction projects at June 30, 2013, as follows:

	Spent to Date	Remaining Commitment
New High School #2	\$ 41,032,864	\$ 1,570,787
Mitchell Boiler/ Chiller	2,252,664	109,405
Total	\$ 43,285,528	\$ 1,680,192

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.

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, 2013, 2012, and 2011 were \$18,711,235, \$24,590,849, and \$24,388,903, respectively, which were equal to the required contributions for each year. Beginning in 2013, the Board was required to contribute to the Normal Cost of the plan’s current year expense. This pension contribution of \$3,936,516 is included as an expenditure in the Budgetary, Governmental, and Government-wide statements for the 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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Summary of Significant Accounting Policies

The Statement of Plan Assets and Statement of Changes in Plan Net Position 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, 2013 was \$19,156,317.

Membership in the Plan consisted of the following at June 30, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	\$	270
Terminated plan members entitled to but not yet receiving benefits		25
Active plan members		493
Terminated due return of contributions		<u>193</u>
Total	\$	<u><u>981</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.

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, 2012, the minimum and maximum contribution computed under ERISA was \$3,572,997 and \$4,395,188, respectively. For fiscal year 2013, the Board contributed \$4,395,188 to the Plan while participants contributed \$968,893. These contributions amounted to approximately 22.9% and 5.1% 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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Annual Pension Costs (Continued)

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, 2013 were:

Annual required contribution	\$	3,572,997
Interest on net pension obligation		(612,949)
Adjustment to annual required contribution		702,199
Annual pension cost		<u>3,662,247</u>
Contributions made		<u>(4,395,188)</u>
Increase in prepaid pension costs		(732,941)
Prepaid pension obligation, beginning of year		<u>(8,756,418)</u>
Prepaid pension obligation, end of year	\$	<u>(9,489,359)</u>

Three-Year Trend Information

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Funded Percentage
June 30, 2011	\$ 4,153,768	\$ 5,523,768	133%
June 30, 2012	4,332,303	5,249,987	121%
June 30, 2013	3,572,997	4,395,188	120%

Annual Pension Cost and Net Pension Obligation

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contribution	Prepaid
June 30, 2011	\$ 4,221,210	\$ 5,523,768	130.9%	\$ (7,919,452)
June 30, 2012	4,413,021	5,249,987	119.0%	(8,756,418)
June 30, 2013	3,662,247	4,395,188	120%	(9,489,359)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
		Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)			Covered Percentage of Covered Payroll ((b-a/c)
June 30, 2010	\$ 61,278,442	\$ 82,482,959	\$ 21,204,517	74.3%	\$ 19,808,871	107.0%
June 30, 2011	68,603,594	83,684,393	15,080,799	82.0%	19,594,555	77.0%
June 30, 2012	74,898,977	90,471,087	15,572,110	82.8%	19,791,615	78.7%

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Annual Pension Costs (Continued)

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 \$766,344 was contributed in 2013 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.

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, 2013 was \$6,413,095. As of June 30, 2013, 1,109 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, 2013 was \$2,137,698. As of June 30, 2013, 870 eligible participants were receiving these benefits.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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	\$ 32,465,000
Interest on net OPEB obligation	4,991,000
Adjustment to annual required contribution	<u>(5,231,000)</u>
Annual OPEB cost	32,225,000
Contributions made	<u>(13,352,117)</u>
Increase in net OPEB obligations	18,872,883
Net OPEB obligations - beginning of year	<u>99,829,466</u>
Net OPEB obligations - end of year	<u>\$ 118,702,349</u>

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, 2013 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
June 30, 2011	\$ 29,265,000	39.4%	\$ 74,261,988
June 30, 2012	35,219,000	35.3%	99,829,466
June 30, 2013	32,225,000	41.4%	118,702,349

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Plan was 3.31% funded. The actuarial accrued liability for benefits was \$340,742,000, and the actuarial value of assets was \$11,279,902, resulting in an unfunded actuarial accrued liability (UAAL) of \$329,462,098. The covered payroll (annual payroll of active employees covered by the Plan) was \$187,000,000 and the ratio of the UAAL to the covered payroll was 176%.

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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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, 2013, actuarial valuation, the projected unit credit method, with linear pro-ration to assumed benefit commencement method was used. The actuarial assumptions included a 5% 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 7.5% initially, reduced by decrements to an ultimate rate of 4.2% and is attained in 2050. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 25 years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected unit credit method
Amortization Method	Closed, level of percent of payroll
Asset Valuation Method	Market value of Assets
Actuarial Assumptions:	
Investment Rate of Return	5.0% per year compounded annually
Payroll Growth Rate	3.0% per year
Healthcare Cost Trend Rates:	
Medical	7.5% initial / 4.2% ultimate (not applicable to life insurance)
Dental	5.0% per year

NOTE 7 – TRUST FUNDS

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

Condensed Statement of Net Position

	Retiree Health	Pension	Total
	Trust Fund	Trust Fund	
Assets			
Investments, including cash and cash equivalents	\$ 13,262,457	\$ 78,239,540	\$ 91,501,997
Other assets	4,023,670	766,344	4,790,014
Total assets	17,286,127	79,005,884	96,292,011
Liabilities	-	-	-
Net position - Held in trust for retiree health/pension benefits	<u>\$ 17,286,127</u>	<u>\$ 79,005,884</u>	<u>\$ 96,292,011</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – TRUST FUNDS (CONTINUED)

Condensed Statement of Net Position

	Retiree Health	Pension	
	Trust Fund	Trust Fund	Total
Additions			
Contributions	\$ 13,352,117	\$ 5,364,081	\$ 18,716,198
Net investment gain/(loss)	976,882	4,618,885	5,595,767
Total additions	<u>14,328,999</u>	<u>9,982,966</u>	<u>24,311,965</u>
Deductions			
Benefits paid	9,352,117	3,631,830	12,983,947
Administrative expenses	-	302,645	302,645
Total deductions	<u>9,352,117</u>	<u>3,934,475</u>	<u>13,286,592</u>
Change in net position	4,976,882	6,048,491	11,025,373
Net position - beginning of year	<u>12,309,245</u>	<u>72,957,393</u>	<u>85,266,638</u>
Net position - end of year	<u>\$ 17,286,127</u>	<u>\$ 79,005,884</u>	<u>\$ 96,292,011</u>

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.

NOTE 9 – INTERFUND ACCOUNTS

At June 30, 2013, the amounts due to and from other funds were as follows:

	Due From Other	Due To Other
	Funds	Funds
General fund	\$ 1,860,471	\$ -
Special revenue - food service	-	391,464
Agency fund	463	-
Retiree Health Plan Trust	23,669	-
Special revenue - restricted program	1,994,906	-
Capital projects - total	<u>-</u>	<u>3,488,045</u>
Total	<u>\$ 3,879,509</u>	<u>\$ 3,879,509</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – LONG-TERM LIABILITIES

The following is an analysis of the changes in long-term debt for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Net Increase (Decrease)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 7,227,441	\$ 541,638	\$ 7,769,079	\$ 940,830
Net OPEB obligation	99,829,466	18,872,883	118,702,349	-
Technology Loan	4,275,701	(979,594)	3,296,107	995,674
Total long-term debt	<u>\$ 111,332,608</u>	<u>\$ 18,434,927</u>	<u>\$ 129,767,535</u>	<u>\$ 1,936,504</u>

The technology loan requires quarterly payments of principle and interest in the amount of \$260,845 through July 15, 2016. Interest rate on the loan is 1.63%.

The future annual payments due under the technology loan as of June 30, 2012 are:

<u>Year Ended June 30,</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 995,674	\$ 47,705	\$ 1,043,379
2015	1,012,018	31,361	1,043,379
2016	1,028,630	14,749	1,043,379
2017	259,785	1,060	260,845
Total minimum loan payments	<u>\$ 3,296,107</u>	<u>\$ 94,875</u>	<u>\$ 3,390,982</u>

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, 2013 are:

<u>Year Ended June 30,</u>	<u>Principal</u>
2014	\$ 586,841
2015	230,531
2016	1,780
Total minimum lease payments	<u>\$ 819,152</u>

Rental expenditures for the year ended June 30, 2013 amounted to approximately \$903,256.

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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 \$2,090,000 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, 2013 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 and Restricted Programs Fund and encumbrances outstanding at year-end are reported as restrictions 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, 2013

NOTE 14 – ENCUMBRANCES (CONTINUED)

Encumbrances at June 30, 2013 are for the following uses:

	Restricted Programs	
	General Fund	Fund
Encumbrances:		
Administration	\$ 164,333	\$ -
Mid-Level Administrative	162,508	25,160
Instruction	1,353,187	169,305
Special Education	108,366	74,171
Student Personnel Services	100,546	-
Student Health Services	727	-
Student Transportation	567,025	-
Operation & Maintenance of Plant	3,607,129	54,643
Food Service	-	4,187
Community Service	-	112
Capital Outlay	602,927	873,653
Total encumbrances	\$ 6,666,748	\$ 1,201,231

NOTE 15 – FUND BALANCE

Fund balance at June 30, 2013 consists of the following:

	Restricted		Food	
	General Fund	Programs Fund	Service Fund	Capital Projects
Nonspendable - Inventory	\$ 419,413	\$ -	\$ 389,520	\$ -
Restricted for:				
Mid-Level Administration	-	25,160	-	-
Instruction	-	169,305	-	-
Special Education	-	74,171	-	-
Operation & Maintenance of Plant	-	54,643	-	-
Food Service	-	4,187	-	-
Community Service	-	112	-	-
Capital Outlay	-	873,653	-	-
Total restricted for	-	1,201,231	-	-
Assigned for:				
Administration	164,333	-	-	-
Mid-Level Administration	162,508	-	-	-
Instruction	1,353,187	-	-	-
Special Education	108,366	-	-	-
Student Personnel Services	100,546	-	-	-
Student Health Services	727	-	-	-
Student Transportation	567,025	-	-	-
Operation & Maintenance of Plant	3,607,129	-	-	-
Capital Outlay	602,927	-	-	-
Food Service	-	-	1,116,394	-
Subsequent year expenditures	3,201,086	-	-	-
Total assigned for	9,867,834	-	1,116,394	-
Unassigned	18,358,469	-	-	(156,271)
Total fund balance	\$ 28,645,716	\$ 1,201,231	\$ 1,505,914	\$ (156,271)

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

REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial					UAAL as a Percentage of Covered Payroll
	Actuarial Value of Assets (a)	Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	((b-a/c)
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%
June 30, 2011	68,603,594	83,684,393	15,080,799	82.0%	19,594,555	77.0%
June 30, 2012	74,898,977	90,471,087	15,572,110	82.8%	19,791,615	78.7%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
June 30, 2008	\$ 3,017,762	131%
June 30, 2009	3,377,712	124%
June 30, 2010	3,770,877	160%
June 30, 2011	4,153,768	133%
June 30, 2012	4,332,303	121%
June 30, 2013	3,572,997	123%

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

RETIREE HEALTH PLAN TRUST

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial					UAAL as a
	Actuarial Value of Assets (a)	Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a/c)
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	166%
June 30, 2012 **	11,463,000	383,592,000	372,129,000	2.99%	184,000,000	202%
June 30, 2013	11,279,902	340,742,000	329,462,098	3.31%	187,000,000	176%

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

** The July 1, 2011 valuation was updated for the annual required contribution, unfunded liability at year-end, and increase in value of assets. The valuation update did not take into consideration changes to the census data at July 1, 2011.

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net OPEB Obligations
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
June 30, 2012	35,317,000	9,651,522	27.3%	99,829,466
June 30, 2013	32,465,000	13,352,117	41.1%	118,702,349

* 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, 2013

2013				
	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
REVENUES				
State of Maryland	\$ 154,800,497	\$ 154,800,497	\$ 154,766,548	\$ (33,949)
Federal government	770,000	770,000	973,107	203,107
Other sources	6,094,251	6,094,251	1,825,713	(4,268,538)
Local sources	<u>153,957,200</u>	<u>153,957,200</u>	<u>153,957,200</u>	<u>-</u>
Total revenues	<u>315,621,948</u>	<u>315,621,948</u>	<u>311,522,568</u>	<u>(4,099,380)</u>
EXPENDITURES				
Administration	8,924,192	8,924,192	8,328,273	595,919
Mid-level administration	21,715,836	21,715,836	20,419,406	1,296,430
Instructional salaries	124,103,457	124,103,457	122,449,790	1,653,667
Materials of instruction	4,920,970	4,920,970	4,800,289	120,681
Other costs of instruction	2,183,615	2,183,615	1,724,049	459,566
Special Education	29,590,299	29,590,299	29,038,241	552,058
Student personnel services	3,565,051	3,565,051	3,525,976	39,075
Health service	2,795,900	2,795,900	2,781,570	14,330
Transportation	25,140,274	25,140,274	25,131,335	8,939
Operations	25,359,354	25,359,354	24,897,743	461,611
Maintenance	6,283,611	6,283,611	6,272,940	10,671
Community Service	726,290	726,290	722,660	3,630
Capital Outlay	2,172,097	2,172,097	2,166,411	5,686
Fixed Charges	<u>58,141,002</u>	<u>58,141,002</u>	<u>53,500,122</u>	<u>4,640,880</u>
Total expenditures	<u>315,621,948</u>	<u>315,621,948</u>	<u>305,758,805</u>	<u>9,863,143</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	5,763,763	<u>\$ 5,763,763</u>
FUND BALANCE AT JUNE 30, 2012			<u>16,217,842</u>	
FUND BALANCE AT JUNE 30, 2013			<u>\$ 21,981,605</u>	

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

General Fund - Reconciliation of Revenues and Expenditures

Actual revenues (non-GAAP budgetary basis)	\$ 311,522,568
Pension contribution by the State of Maryland on behalf of the Board	<u>18,711,235</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 330,233,803</u>
Actual expenditures (non-GAAP budgetary basis)	\$ 305,758,805
Encumbrance adjustment, net	(3,102,356)
Pension contribution by the State of Maryland on behalf of the Board	<u>18,711,235</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 321,367,684</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, 2013

	2013			
	Original Budget	As Amended Budget	Actual	Variance Positive (Negative)
State of Maryland				
State - Foundation	\$ 105,697,001	\$ 105,697,001	\$ 105,692,023	\$ (4,978)
Compensatory aid	25,657,787	25,657,787	25,657,787	-
Transportation	10,076,310	10,076,310	10,076,310	-
Handicapped children	6,402,398	6,122,398	6,122,398	-
Tuition - handicapped	1,188,000	1,109,426	1,125,557	16,131
Other (LEP grant)	827,929	827,929	827,929	-
Out of county living	-	-	21,369	21,369
Guaranteed tax base	832,998	832,998	832,998	-
CGEI	3,498,074	3,498,074	3,498,074	-
High Road	-	78,574	12,103	(66,471)
Medicaid revenues	620,000	900,000	900,000	-
	<u>154,800,497</u>	<u>154,800,497</u>	<u>154,766,548</u>	<u>(33,949)</u>
Federal Government				
Impact aid	300,000	300,000	413,120	113,120
Impact aid special education	430,000	430,000	485,700	55,700
ROTC	40,000	40,000	74,287	34,287
	<u>770,000</u>	<u>770,000</u>	<u>973,107</u>	<u>203,107</u>
Other sources				
Tuition - summer school	133,000	133,000	122,110	(10,890)
Tuition - nonresident	739,400	739,400	1,017,072	277,672
Tuition - Novel	30,000	30,000	22,120	(7,880)
Tuition - parents payments	104,100	104,100	70,057	(34,043)
Summer youth camp	30,000	30,000	23,060	(6,940)
Rent from school facilities	410,100	410,100	247,235	(162,865)
Sale of property	10,000	10,000	3,255	(6,745)
Interest income	74,880	59,880	45,711	(14,169)
Vending commissions	82,000	82,000	68,140	(13,860)
Payroll transfers	100,000	100,000	86,386	(13,614)
Other	45,600	60,600	60,595	(5)
Restitution	60,000	60,000	59,972	(28)
Prior year fund balance transfer	4,275,171	4,275,171	-	(4,275,171)
	<u>6,094,251</u>	<u>6,094,251</u>	<u>1,825,713</u>	<u>(4,268,538)</u>
Local sources				
Operational budget	<u>153,957,200</u>	<u>153,957,200</u>	<u>153,957,200</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 315,621,948</u>	<u>\$ 315,621,948</u>	<u>\$ 311,522,568</u>	<u>\$ (4,099,380)</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2013

2013				
	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
Administration				
Salaries and wages	\$ 7,138,456	\$ 7,168,456	\$ 6,707,296	\$ 461,160
Contracted services	1,121,150	1,151,150	1,157,610	(6,460)
Supplies and materials	421,975	385,975	355,160	30,815
Other charges	306,102	312,102	211,457	100,645
Equipment	46,215	46,215	35,429	10,786
Transfers in	(109,706)	(139,706)	(138,679)	(1,027)
	<u>8,924,192</u>	<u>8,924,192</u>	<u>8,328,273</u>	<u>595,919</u>
Mid-level administration				
Salaries and wages	20,523,741	20,523,741	19,303,607	1,220,134
Contracted services	404,230	375,834	349,520	26,314
Supplies and materials	487,845	553,089	557,265	(4,176)
Other charges	295,920	261,213	209,014	52,199
Equipment	4,100	1,959	-	1,959
	<u>21,715,836</u>	<u>21,715,836</u>	<u>20,419,406</u>	<u>1,296,430</u>
Instruction salaries				
Salaries and wages	<u>124,103,457</u>	<u>124,103,457</u>	<u>122,449,790</u>	<u>1,653,667</u>
Materials of instruction				
Supplies and materials	<u>4,920,970</u>	<u>4,920,970</u>	<u>4,800,289</u>	<u>120,681</u>
Other costs of instruction				
Contracted services	1,663,556	1,629,556	1,305,858	323,698
Other charges	241,400	320,400	317,146	3,254
Equipment	178,659	133,659	49,328	84,331
Outgoing transfers	100,000	100,000	51,717	48,283
	<u>2,183,615</u>	<u>2,183,615</u>	<u>1,724,049</u>	<u>459,566</u>
Special Education				
Salaries and wages	24,731,648	23,950,497	23,518,782	431,715
Contracted services	1,484,111	1,876,777	1,814,336	62,441
Supplies and materials	66,210	66,210	58,702	7,508
Other charges	58,330	59,930	63,886	(3,956)
Outgoing transfers	3,250,000	3,636,885	3,582,535	54,350
	<u>29,590,299</u>	<u>29,590,299</u>	<u>29,038,241</u>	<u>552,058</u>
Student personnel services				
Salaries and wages	3,309,001	3,294,001	3,291,736	2,265
Contracted services	231,300	223,570	194,334	29,236
Supplies and materials	16,650	39,380	35,582	3,798
Other charges	8,100	8,100	4,324	3,776
Equipment	-	-	-	-
	<u>3,565,051</u>	<u>3,565,051</u>	<u>3,525,976</u>	<u>39,075</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2013
(CONTINUED)

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
Health Service				
Contracted services	\$ 2,783,200	\$ 2,779,200	\$ 2,764,837	\$ 14,363
Supplies and materials	12,700	16,700	16,733	(33)
	<u>2,795,900</u>	<u>2,795,900</u>	<u>2,781,570</u>	<u>14,330</u>
Transportation				
Salaries and wages	719,038	699,038	683,541	15,497
Contracted services	24,362,296	24,329,296	24,343,645	(14,349)
Supplies and materials	10,700	10,700	6,296	4,404
Other charges	6,240	6,240	3,630	2,610
Equipment	42,000	95,000	94,223	777
	<u>25,140,274</u>	<u>25,140,274</u>	<u>25,131,335</u>	<u>8,939</u>
Operations				
Salaries and wages	10,539,713	10,584,713	10,303,637	281,076
Contracted services	2,750,682	2,749,682	2,092,035	657,647
Supplies and materials	1,373,909	3,918,909	3,891,927	26,982
Other charges	10,554,750	7,810,750	8,251,603	(440,853)
Equipment	140,300	295,300	358,541	(63,241)
	<u>25,359,354</u>	<u>25,359,354</u>	<u>24,897,743</u>	<u>461,611</u>
Maintenance				
Salaries and wages	3,562,872	3,532,872	3,517,070	15,802
Contracted services	1,876,839	1,204,739	998,436	206,303
Supplies and materials	842,180	1,284,304	1,342,860	(58,556)
Other charges	1,720	16,720	13,717	3,003
Equipment	-	244,976	400,857	(155,881)
	<u>6,283,611</u>	<u>6,283,611</u>	<u>6,272,940</u>	<u>10,671</u>
Community Service				
Salaries and wages	20,500	20,500	18,103	2,397
Contracted services	699,200	699,200	698,779	421
Supplies and materials	6,540	6,540	5,778	762
Other charges	50	50	-	50
	<u>726,290</u>	<u>726,290</u>	<u>722,660</u>	<u>3,630</u>
Capital outlay				
Salaries and wages	459,797	363,997	363,963	34
Contracted services	662,320	387,220	383,071	4,149
Supplies and materials	3,430	44,430	45,309	(879)
Other charges	2,550	2,550	392	2,158
Equipment	1,044,000	1,373,900	1,373,676	224
	<u>2,172,097</u>	<u>2,172,097</u>	<u>2,166,411</u>	<u>5,686</u>
Fixed Charges				
Other charges	58,141,002	58,141,002	53,500,122	4,640,880
TOTAL EXPENDITURES	<u>\$ 315,621,948</u>	<u>\$ 315,621,948</u>	<u>\$ 305,758,805</u>	<u>\$ 9,863,143</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET
CAPITAL PROJECTS SUB-FUNDS
June 30, 2013

	<u>Capital Improvement Programs</u>	<u>School Construction</u>	<u>Technology Fund</u>	<u>Total</u>
ASSETS				
Cash and short-term investments	\$ -	\$ 21,092	\$ -	\$ 21,092
Accounts receivable				
State of Maryland	-	41,447	-	41,447
Other sources	8,628,999	-	22,120	8,651,119
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 8,628,999</u>	<u>\$ 62,539</u>	<u>\$ 22,120</u>	<u>\$ 8,713,658</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 5,361,561	\$ 20,323	\$ -	\$ 5,381,884
Due to other funds	<u>3,444,721</u>	<u>21,204</u>	<u>22,120</u>	<u>3,488,045</u>
Total liabilities	8,806,282	41,527	22,120	8,869,929
FUND BALANCES (DEFICIT)				
Unassigned	<u>(177,283)</u>	<u>21,012</u>	<u>-</u>	<u>(156,271)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,628,999</u>	<u>\$ 62,539</u>	<u>\$ 22,120</u>	<u>\$ 8,713,658</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, 2013**

	Capital Improvement Programs	School Construction	Technology Fund	Total
REVENUES				
State of Maryland	\$ -	\$ 15,963,341	\$ -	\$ 15,963,341
Local sources	<u>19,183,060</u>	<u>-</u>	<u>-</u>	<u>19,183,060</u>
 Total revenues	 <u>19,183,060</u>	 <u>15,963,341</u>	 <u>-</u>	 <u>35,146,401</u>
EXPENDITURES				
Instruction:				
Materials	-	-	494,574	494,574
Operations:				
Contracted services	-	-	10,068	10,068
Capital outlay:				
Contracted services	18,966,116	15,968,006	-	34,934,122
Materials	7,955	-	-	7,955
Computers and equipment	<u>208,989</u>	<u>-</u>	<u>-</u>	<u>208,989</u>
 Total expenditures	 <u>19,183,060</u>	 <u>15,968,006</u>	 <u>504,642</u>	 <u>35,655,708</u>
Excess (deficiency) of revenues				
Over expenditures	-	(4,665)	(504,642)	(509,307)
OTHER FINANCING SOURCES				
Issuance of debt	<u>-</u>	<u>-</u>	<u>504,642</u>	<u>504,642</u>
NET CHANGE IN FUND BALANCE	-	(4,665)	-	(4,665)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(177,283)</u>	<u>25,677</u>	<u>-</u>	<u>(151,606)</u>
 FUND BALANCE (DEFICIT), END OF YEAR	 <u>\$ (177,283)</u>	 <u>\$ 21,012</u>	 <u>\$ -</u>	 <u>\$ (156,271)</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, 2013

	Restricted Programs Fund
REVENUES	
State of Maryland	\$ 2,363,556
Federal government	12,301,425
Other sources	1,870,849
Local government	282,351
	16,818,181
Total revenues	16,818,181
EXPENDITURES	
Administration	339,364
Mid-level administration	790,388
Instructional salaries	3,313,719
Materials of instruction	683,223
Other costs of instruction	627,775
Special Education	4,809,001
Student personnel services	1,414
Health service	1,380
Transportation	141,589
Operations	417,439
Maintenance	370,909
Food service	103,784
Community Service	808,330
Capital outlay	1,959,351
Fixed Charges	2,450,515
	16,818,181
Total expenditures	16,818,181
EXCESS OF REVENUES OVER EXPENDITURES	\$ -

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, 2013

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
REVENUES				
State of Maryland	\$ 194,750	\$ 194,750	\$ 271,337	\$ 76,587
Federal government	4,281,531	5,531,531	5,780,382	248,851
Local sources	<u>5,882,367</u>	<u>5,882,367</u>	<u>5,549,172</u>	<u>(333,195)</u>
 Total revenues	 <u>10,358,648</u>	 <u>11,608,648</u>	 <u>11,600,891</u>	 <u>(7,757)</u>
EXPENDITURES				
Food service				
Salaries and wages	3,782,283	3,827,283	3,825,994	1,289
Contracted services	93,700	93,700	20,001	73,699
Supplies and materials	4,945,616	5,890,616	5,757,609	133,007
Other charges	62,649	62,649	27,689	34,960
Equipment	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total food service	8,944,248	9,934,248	9,631,293	302,955
 Fixed Charges	 <u>1,414,400</u>	 <u>1,674,400</u>	 <u>1,673,776</u>	 <u>624</u>
 Total expenditures	 <u>10,358,648</u>	 <u>11,608,648</u>	 <u>11,305,069</u>	 <u>303,579</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 295,822</u></u>	 <u><u>\$ 295,822</u></u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF CHANGES IN NET POSITION
STUDENT ACTIVITIES FUND – AGENCY FUND
Year Ended June 30, 2013

	Balance June 30, 2012	Additions/ Receipts	Reductions/ Distributions	Balance June 30, 2013
Cash by schools				
Elementary Schools				
C. Paul Barnhart	\$ 29,285	\$ 40,816	\$ 44,978	\$ 25,123
Berry	12,445	140,495	125,093	27,847
Dr. Gustavus Brown	32,073	62,049	59,858	34,264
Dr. Samuel A. Mudd	10,683	56,255	57,055	9,883
J.C. Parks	25,707	60,884	42,824	43,767
J.P. Ryon	20,754	51,374	53,356	18,772
Eva Turner	22,680	45,065	51,622	16,123
Dr. Thomas L. Higdon	38,434	64,271	68,696	34,009
Daniel of St. Thomas Jenifer	15,294	60,769	63,024	13,039
Dr. James Craik	54,637	105,063	106,340	53,360
Gale-Bailey	21,945	60,034	57,356	24,623
Indian Head	6,902	48,279	41,212	13,969
Malcolm	32,940	53,711	59,096	27,555
T.C. Martin	29,736	77,553	75,982	31,307
Arthur H. Middleton	16,471	42,482	35,133	23,820
Walter J. Mitchell	14,941	71,368	74,447	11,862
Mt. Hope/Nanjemoy	32,632	61,885	71,535	22,982
William B. Wade	28,640	102,530	96,295	34,875
Mary H. Matula	37,714	104,549	95,198	47,065
William Diggs	20,632	110,242	110,250	20,624
Mary B. Neal	19,485	125,915	136,086	9,314
Middle Schools				
John Hanson	43,551	108,710	114,695	37,566
Matthew Henson	68,490	130,969	123,718	75,741
Piccowaxen	57,483	85,932	88,334	55,081
General Smallwood	21,647	85,609	73,376	33,880
Milton Somers	35,777	159,644	159,442	35,979
Benjamin Stoddert	39,814	81,323	81,344	39,793
Mattawoman	99,888	154,901	151,895	102,894
Theodore G. Davis	14,219	104,523	98,401	20,341
High Schools				
La Plata	250,013	614,287	610,875	253,425
Lackey	115,909	475,641	456,469	135,081
Maurice J. McDonough	231,120	448,059	461,217	217,962
Thomas Stone	278,747	446,982	445,309	280,420
Westlake	139,198	571,700	553,279	157,619
North Point	299,412	1,313,689	1,233,255	379,846
Centers				
F.B. Gwynn	29,968	7,686	8,015	29,639
Robert Stethem Education Center	37,265	39,867	41,730	35,402
	<u>\$ 2,286,527</u>	<u>\$ 6,375,111</u>	<u>\$ 6,226,790</u>	<u>\$ 2,434,848</u>
Due to Student Groups	<u>\$ 2,286,527</u>	<u>\$ 6,375,111</u>	<u>\$ 6,226,790</u>	<u>\$ 2,434,848</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF NET POSITION –
 RETIREE HEALTH AND PENSION TRUST FUNDS
 Year Ended June 30, 2013**

	Retiree Health Trust Fund	Pension Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 10,261,484	\$ 10,261,484
Investments, at fair value with fiscal agent	13,262,457	67,978,056	81,240,513
Contribution receivable	4,000,001	766,344	4,766,345
Due from other funds	23,669	-	23,669
Total assets	<u>\$ 17,286,127</u>	<u>\$ 79,005,884</u>	<u>\$ 96,292,011</u>
NET POSITION			
Held in trust for retiree health/pension benefits	<u>\$ 17,286,127</u>	<u>\$ 79,005,884</u>	<u>\$ 96,292,011</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING SCHEDULE OF CHANGES IN NET POSITION –
RETIREE HEALTH AND PENSION TRUST FUNDS
Year Ended June 30, 2013

	<u>Retiree Health</u> <u>Trust Fund</u>	<u>Pension Trust</u> <u>Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 11,214,418	\$ 4,395,188	\$ 15,609,606
Plan members	2,137,699	968,893	3,106,592
Total contributions	<u>13,352,117</u>	<u>5,364,081</u>	<u>18,716,198</u>
Investment earnings:			
Interest and dividends	-	1,949,404	1,949,404
Net (decrease) increase in fair value of investments	976,882	2,997,231	3,974,113
Investment (loss)/gain	976,882	4,946,635	5,923,517
Less investment expense	-	327,750	327,750
Net investment (loss)/gain	976,882	4,618,885	5,595,767
Total additions	<u>14,328,999</u>	<u>9,982,966</u>	<u>24,311,965</u>
DEDUCTIONS			
Benefits paid to members	9,352,117	3,631,830	12,983,947
Administrative expenses	-	302,645	302,645
Total deductions	<u>9,352,117</u>	<u>3,934,475</u>	<u>13,286,592</u>
NET INCREASE FOR THE YEAR IN NET POSITION	4,976,882	6,048,491	11,025,373
NET POSITION, BEGINNING OF YEAR	<u>12,309,245</u>	<u>72,957,393</u>	<u>85,266,638</u>
NET POSITION, END OF YEAR	<u>\$ 17,286,127</u>	<u>\$ 79,005,884</u>	<u>\$ 96,292,011</u>