

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

**ANNUAL FINANCIAL REPORT
June 30, 2014**

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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, 2014, 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, 2014, 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 18, the schedules of changes in the employer’s net pension liability and related ratios, employer contributions, and investment returns on pages 54 through 55 for the Board’s Deferred Benefit Plan, the schedule of funding progress and employer contributions for the Board’s Retiree Health Plan Trust on page 56, the schedule of revenues and expenditures- budget and actual- non-GAAP budgetary basis- general fund on page 57, and the notes to required supplementary information on page 58, 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 on pages 59 - 69 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 29, 2014, 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 29, 2014



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, 2014, 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 29, 2014.

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 29, 2014

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014. 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, 2014

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, 2014

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 57.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

The School System's combined Net Position as of June 30, 2014 totaled \$212.4 million, an increase of \$10.3 million or 5.1% more than last fiscal year as shown in the statement below.

Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities		Total Percent
	2013	2014	Change
			2013-2014
Assets			
Current and other assets	\$ 82.1	\$ 86.9	5.8%
Capital assets	<u>291.2</u>	<u>317.4</u>	9.0%
Total assets	<u>\$ 373.3</u>	<u>\$ 404.3</u>	8.3%
Liabilities			
Long-term liabilities	\$ 127.8	\$ 150.3	17.6%
Other liabilities	<u>43.3</u>	<u>41.6</u>	(3.9)%
Total liabilities	<u>\$ 171.1</u>	<u>\$ 191.9</u>	12.2%
Net Position			
Investment in capital assets	\$ 287.9	\$ 312.2	8.4%
Unrestricted	<u>(85.8)</u>	<u>(99.8)</u>	16.3%
Total net position	<u>\$ 202.1</u>	<u>\$ 212.4</u>	5.1%

The major portion of the School System's total assets, \$317.4 million 78.5% 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 \$20.0 million as described in Note 7 of the financial statements.

Changes In Net Position: The School System's Net Position increased by \$10.3 million in 2014 as opposed to an increase of \$18.2 million in 2013.

- The School System's revenues of \$403.3 million increased \$9.5 million (2.4%) over last year. Charges for services decreased by \$0.4 million; operating grants and contributions increased by \$4.5 million; capital grants and contributions increased by \$2.7 million; while general revenues increased by \$2.7 million. Operating grants and contributions increased due to increased funding for Teacher's retirement from the State of Maryland (\$3.1 million), and the State Compensatory Grant (\$1.9 million). The capital grants and contributions increased due to additional funding from county appropriations (8.3 million). This increase was offset by a decrease from the State of Maryland school construction fund (5.6 million) mostly for the new St. Charles High School.
- Expenses totaled \$393.0 million or \$17.5 million more than fiscal year 2013. The largest increase in expenses related to the category of operations and maintenance which increased to \$47.9 million in fiscal year 2014, an increase of \$8.3 million. An additional increase of \$3.5 million was related to planning and construction costs.

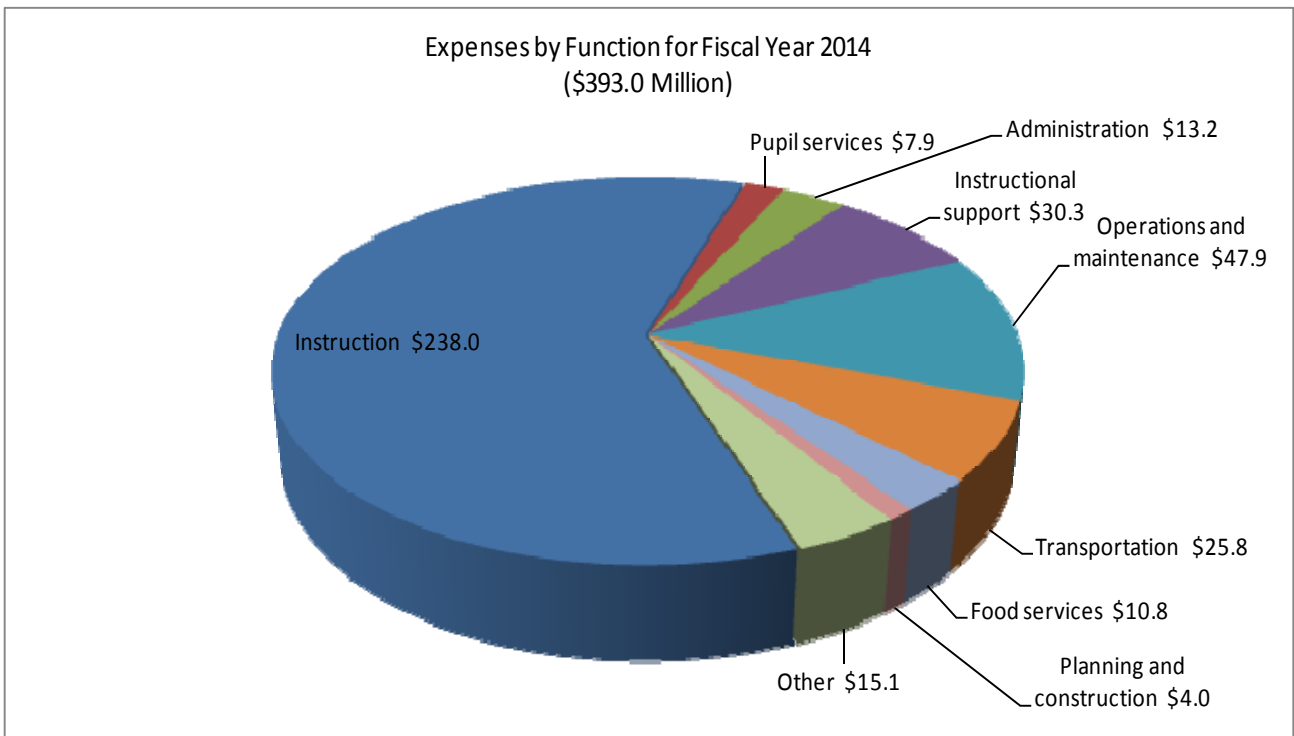
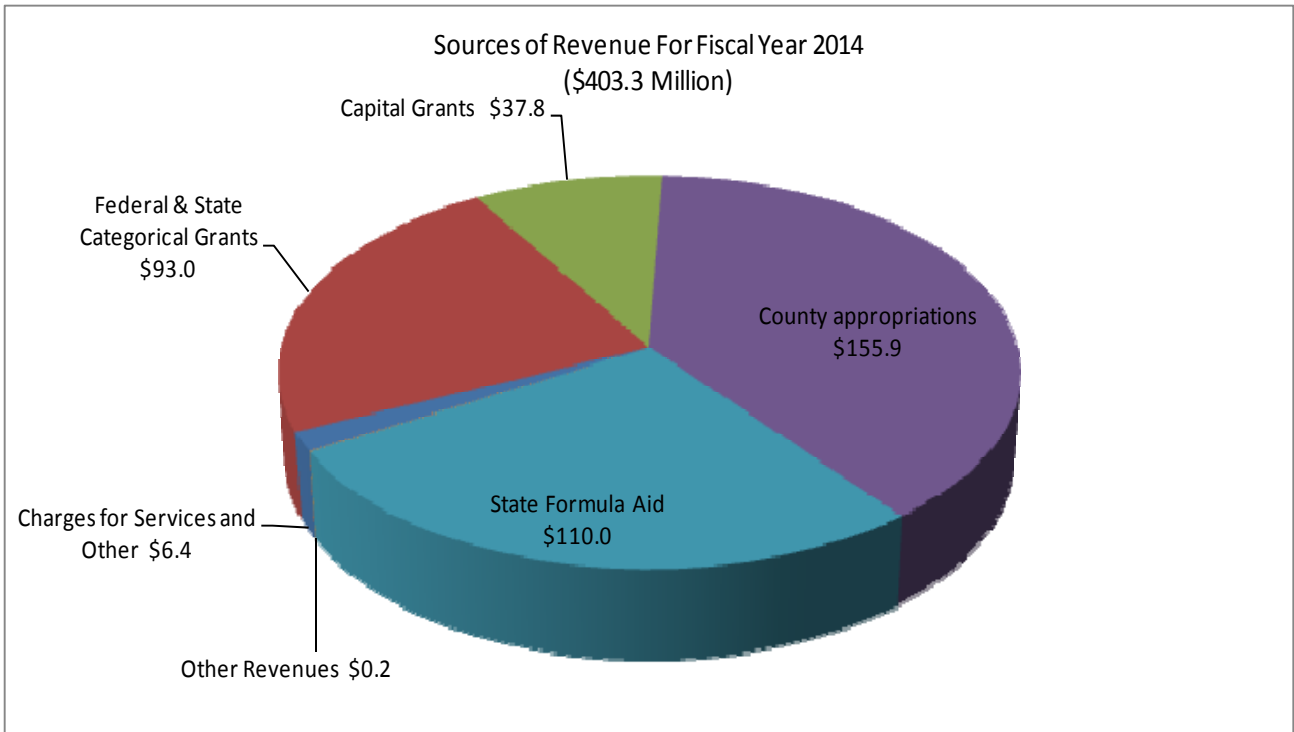
BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Changes in Net Position (in millions of dollars)

	<u>Governmental Activities</u>		<u>Change</u>	<u>% Change</u>
	<u>2013</u>	<u>2014</u>		
Revenues				
Program revenues				
Charges for services	\$ 6.8	\$ 6.4	\$ (0.4)	(5.9)%
Operating grants and contributions	88.5	93.0	4.5	5.1%
Capital grants and contributions	35.1	37.8	2.7	7.7%
General revenues			-	
County appropriations	154.0	155.9	1.9	1.2%
State formula aid	109.2	110.0	0.8	0.7%
Other	0.1	0.2	0.1	100%
Total revenues	<u>393.7</u>	<u>403.3</u>	<u>9.6</u>	2.4%
Expenses				
Instruction	238.9	238.0	(0.9)	(0.4)%
Support services				
Pupil services	7.2	7.9	0.7	9.7%
Administration	12.3	13.2	0.9	7.3%
Instructional support	27.0	30.3	3.3	12.2%
Operations and maintenance	39.6	47.9	8.3	21.0%
Transportation	25.0	25.8	0.8	3.2%
Food services	10.2	10.8	0.6	5.9%
Planning and construction	0.5	4.0	3.5	700%
Other	14.8	15.1	0.3	2.0%
Total expenditures	<u>375.5</u>	<u>393.0</u>	<u>17.5</u>	4.7%
(Decrease)/Increase in net position	<u>\$ 18.2</u>	<u>\$ 10.3</u>	<u>\$ 7.9</u>	43.4%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Revenues and Expenditures by Source and Function



BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Governmental Activities

The county appropriation for the operating budget in fiscal year 2014 was \$155.9 million or \$1.9 million more than in fiscal year 2013 as shown on the Statement of Activities for fiscal years 2013 and 2014. Total cost of services increased 4.7% from 2013. Also, the net cost of services increased by \$10.8 million or 4.4%, in fiscal year 2013 the net cost decreased by \$34.1 million or 12.2%.

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	Net Cost of Services		Percentage
	2013	2014	Change	2013	2014	Change
	2013	2014	2013-2014	2013	2014	2013-2014
Instruction	\$ 238.9	\$ 238.0	(0.4)%	\$ 171.0	\$ 164.8	3.6%
Pupil services	7.2	7.9	(9.7)%	7.2	7.9	(9.7)%
Administration	12.3	13.2	(7.3)%	11.9	12.6	(5.9)%
Instructional support	27.0	30.3	(12.2)%	26.0	29.5	(13.5)%
Operations and maintenance	39.6	47.9	(21.0)%	38.5	47.0	(22.1)%
Transportation	25.0	25.8	(3.2)%	14.8	15.5	(4.7)%
Food services	10.2	10.8	(5.9)%	(1.5)	(1.1)	26.7%
Planning and construction	0.5	4.0	(700.0)%	(36.7)	(34.4)	6.3%
Other	14.8	15.1	(2.0)%	13.8	14.0	(1.4)%
Total	<u>\$ 375.5</u>	<u>\$ 393.0</u>	(4.7)%	<u>\$ 245.0</u>	<u>\$ 255.8</u>	(4.4)%

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 \$33.7 million. The fund balance consists of amounts assigned for purchase order encumbrances and subsequent year's 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 \$36.3 million as compared to last year's combined ending balance of \$31.2 million or \$5.1 million more than last year.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Changes in Fund Balance - Governmental Funds - GAAP Basis

	General	Restricted		Capital	Total
	Fund	Programs	Food	Projects	Governmental
	Fund	Fund	Services Fund	Projects	Funds
REVENUES					
State of Maryland	\$ 178,855,012	\$ 2,515,654	\$ 369,286	\$ 10,368,678	\$ 192,108,630
Federal government	948,712	11,631,369	6,188,868	-	18,768,949
Other sources	1,663,600	862,034	5,232,856	13	7,758,503
Local sources	<u>156,862,000</u>	<u>280,806</u>	<u>-</u>	<u>27,446,751</u>	<u>184,589,557</u>
Total revenues	<u>338,329,324</u>	<u>15,289,863</u>	<u>11,791,010</u>	<u>37,815,442</u>	<u>403,225,639</u>
EXPENDITURES					
Current:					
Administration	8,490,996	426,169	-	-	8,917,165
Mid-level administration	20,434,016	680,803	-	-	21,114,819
Instruction:					-
Instructional salaries	123,307,733	3,679,958	-	-	126,987,691
Materials of instruction	4,335,004	944,976	-	94,211	5,374,191
Other costs of instruction	2,137,535	585,367	-	-	2,722,902
Special Education	28,609,507	4,530,972	-	-	33,140,479
Student personnel services	3,557,124	-	-	-	3,557,124
Health service	2,778,293	281	-	-	2,778,574
Transportation	25,240,630	128,255	-	-	25,368,885
Operations	27,318,865	32,430	-	2,775,569	30,126,864
Maintenance	6,328,259	385,802	-	-	6,714,061
Food service	-	39,474	9,640,915	-	9,680,389
Community Service	680,102	883,189	-	-	1,563,291
Fixed Charges	77,774,633	2,407,460	1,582,608	-	81,764,701
Capital outlay	<u>2,306,665</u>	<u>592,087</u>	<u>-</u>	<u>38,506,452</u>	<u>41,405,204</u>
Total expenditures	<u>333,299,362</u>	<u>15,317,223</u>	<u>11,223,523</u>	<u>41,376,232</u>	<u>401,216,340</u>
Excess (deficiency) of revenue over expenditures	5,029,962	(27,360)	567,487	(3,560,790)	2,009,299
OTHER FINANCING SOURCES					
Issuance of note	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,123,403</u>	<u>3,123,403</u>
NET CHANGE IN FUND BALANCES	5,029,962	(27,360)	567,487	(437,387)	5,132,702
FUND BALANCES, BEGINNING 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>
FUND BALANCES, END OF YEAR	<u>\$ 33,675,678</u>	<u>\$ 1,173,871</u>	<u>\$ 2,073,401</u>	<u>\$ (593,658)</u>	<u>\$ 36,329,292</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, 2014

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 \$212,927 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 \$5.5 million less than anticipated budgetary levels due to the School System not utilizing prior year fund balance appropriated for 2014 in the amount of \$3.2 million and the unfunded county supplemental appropriation of \$2.2 million. Actual revenues from the State of Maryland were less than budgetary levels due to reimbursements related to fewer students placed in non-public institutions. Total budgetary surplus in Federal revenues related to the ROTC Program and Impact Aid help offset deficits in State revenues.

EXPENDITURES

All revenue shortfalls were offset by total planned expenditure savings of \$5.7 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, 2014

Fund Balance

For FY2014, the Non GAAP surplus of actual revenues over expenditures was \$212,927.

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. That school opened in 2014. The source of the accumulated fund balance came from deferred spending on technology, maintenance, and OPEB contributions.

In 2014, the School System underwent a comprehensive maintenance study which identified deferred maintenance projects in the amount of \$578.3 million. The School System plans to utilize a portion of the unassigned fund balance to fund selected projects.

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)	\$ 2,941,700
Contingency Reserve (1% of annual operating budget)	3,561,000
Capital Maintenance/Technology Reserve	<u>12,273,581</u>
Total unassigned fund balance at June 30, 2013	<u>\$ 18,776,281</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, 2014

General Fund Budget and Actual - Non-GAAP Budgetary Basis

	2014			Variances Positive (Negative)	2013
	Original Budget	As amended Budget	Actual		Actual
REVENUES					
State of Maryland	\$ 157,199,534	\$ 157,199,534	\$ 157,065,084	\$ (134,450)	\$ 154,766,548
Federal government	770,000	770,000	948,712	178,712	973,107
Other sources	5,020,166	5,020,166	1,663,600	(3,356,566)	1,825,713
Local sources	159,010,300	159,010,300	156,862,000	(2,148,300)	153,957,200
Total revenues	<u>322,000,000</u>	<u>322,000,000</u>	<u>316,539,396</u>	<u>(5,460,604)</u>	<u>311,522,568</u>
EXPENDITURES					
Administration	9,104,797	9,104,796	8,780,941	323,855	8,328,273
Mid-level administration	21,739,238	20,799,238	20,591,088	208,150	20,419,406
Instructional salaries	126,408,981	125,858,982	123,307,733	2,551,249	122,449,790
Materials of instruction	5,305,820	9,905,820	9,854,639	51,181	4,800,289
Other costs of instruction	2,408,065	2,408,065	2,137,535	270,530	1,724,049
Special education	29,698,201	29,428,200	28,775,753	652,447	29,038,241
Student personnel services	3,537,459	3,537,460	3,464,144	73,316	3,525,976
Health service	2,968,900	2,968,900	2,814,306	154,594	2,781,570
Transportation	25,437,111	25,037,111	25,005,090	32,021	25,131,335
Operations	25,361,706	25,941,706	25,890,232	51,474	24,897,743
Maintenance	6,910,259	6,410,259	6,408,879	1,380	6,272,940
Community service	734,757	734,757	680,102	54,655	722,660
Capital outlay	2,177,782	2,657,782	2,631,322	26,460	2,166,411
Fixed charges	60,206,924	57,206,924	55,984,705	1,222,219	53,500,122
Total expenditures	<u>322,000,000</u>	<u>322,000,000</u>	<u>316,326,469</u>	<u>5,673,531</u>	<u>305,758,805</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,927</u>	<u>\$ 212,927</u>	<u>\$ 5,763,763</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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 (Cafeteria line improvement, carpet replacements, HVAC replacement, window/door replacement, boiler/chiller replacement, bathroom improvements, camera, fire alarm replacement, upgrades to heating oil tanks, and electrical equipment replacement)	\$ 4.8
Building Addition	73.6
Total	\$ 78.4

During fiscal year 2014, capital assets increased \$26.2 million, which was an increase of 9.0% from fiscal year 2013. Some of the changes were as follows:

- Land Improvements increased due to new fencing, paving, playground improvements, concrete work, baseball field renovations, sidewalk addition, football field lighting, grass installation on football fields, track and tennis court repairs, and long jump runway additions.
- Construction in progress included a boiler/chiller replacement at Walter Mitchell Elementary School (\$2.7 million), and new building construction at St. Charles High School (\$73.6 million).
- Equipment and furniture increased due to the opening of St. Charles High School and the purchase of computer equipment via the loan.

Capital Assets (in millions of dollars)

	Governmental Activities		Change
	2013	2014	2013 - 2014
Land	\$ 16.8	\$ 16.8	\$ -
Land improvements	11.0	11.7	0.7
Buildings	435.6	514.0	78.4
Construction in progress	44.4	3.1	(41.3)
Equipment and furniture	27.6	29.4	1.8
Accumulated depreciation	(244.2)	(257.6)	(13.4)
Total	\$ 291.2	\$ 317.4	\$ 26.2

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Capital Assets (Continued)

The School System's fiscal year 2015 capital improvement program budget includes spending another \$15.9 million for capital projects, principally in three areas:

- \$2.1 million towards land purchase for a new elementary school.
- \$10.1 million for boiler/RTU, HVAC and various maintenance projects; playground replacement, full day kindergarten and portable classrooms.
- \$3.7 million towards final construction for St. Charles High School.

Over the next five years, the School System anticipates opening a new elementary school and completing two full day kindergarten additions, site improvements including playground and asphalt replacement.

Long-Term Debt

At year-end, the School System had \$152.5 million in long-term debt. Compensated absences in accumulated vacation and sick leave for the School System's employees available upon termination accounted for \$8.6 million of the debt. The School System also has an obligation of \$138.7 million for post-employment benefits other than pensions (OPEB). The Technology loan 1 accounted for \$2.3 million of the debt. The Technology loan 2 accounted for \$2.9 million of the debt. More detailed information about the School System's long-term liabilities is presented in Note 11 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 four 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 FY2014.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The School System opened St. Charles High School in the fall of 2014 which required a major increase in staff, operating and startup costs. The County Government has committed to partially fund these operating costs, but the level of funding from the County has not been identified. The ability to fully fund the operating costs for the new school, make up salary step increases, provide a cost of living adjustment and accommodate a potential loss in State funding due to enrollment decline is problematic.

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, and Business, 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, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 62,660,800
Accounts receivable	
Federal	3,671,618
State of Maryland	3,231,116
Other sources	5,671,933
Inventories	542,921
Prepaid pension obligation	11,150,962
Capital assets	
Land and construction in progress	19,922,221
Other capital assets, net of depreciation	297,484,147
TOTAL ASSETS	404,335,718
LIABILITIES	
Accounts payable	9,663,518
Accrued salaries and fringe benefits	23,955,289
Payroll taxes and withholding payable	38,066
Other liabilities	126,253
Payable for health insurance	1,910,000
Unearned revenue	3,755,970
Noncurrent liabilities:	
Due within one year	2,157,278
Due in more than one year	150,330,423
TOTAL LIABILITIES	191,936,797
NET POSITION	
Net investment in capital assets	312,233,648
Unrestricted	(99,834,727)
TOTAL NET POSITION	\$ 212,398,921

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, 2014

	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	\$ 192,830,373	\$ 748,456	\$ 58,081,687	\$ -	\$ (134,000,230)
Special Education	<u>45,176,174</u>	<u>464,453</u>	<u>13,922,765</u>	<u>-</u>	<u>(30,788,956)</u>
Total instruction					
	<u>238,006,547</u>	<u>1,212,909</u>	<u>72,004,452</u>	<u>-</u>	<u>(164,789,186)</u>
SUPPORT SERVICES					
Pupil services	7,878,057	-	281	-	(7,877,776)
Administration	13,214,431	-	550,010	-	(12,664,421)
Instructional support	30,301,264	-	824,278	-	(29,476,986)
Operation and maintenance	47,917,398	261,164	693,498	-	(46,962,736)
Transportation	25,781,049	-	10,257,019	-	(15,524,030)
Community services	3,370,102	25,393	1,080,509	-	(2,264,200)
School lunch services	10,764,199	4,880,004	6,948,556	-	1,064,361
Planning and construction	4,026,886	-	612,797	37,815,442	34,401,353
Unallocated depreciation expense	<u>11,720,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,720,157)</u>
Total support services	<u>154,973,543</u>	<u>5,166,561</u>	<u>20,966,948</u>	<u>37,815,442</u>	<u>(91,024,592)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 392,980,090</u>	<u>\$ 6,379,470</u>	<u>\$ 92,971,400</u>	<u>\$ 37,815,442</u>	<u>(255,813,778)</u>
GENERAL REVENUES					
					155,890,932
					110,004,261
					33,577
					<u>130,557</u>
					<u>266,059,327</u>
					10,245,549
					<u>202,153,372</u>
					<u>\$ 212,398,921</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, 2014

	<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	\$ 60,349,119	\$ -	\$ 2,290,576	\$ 21,105	\$ 62,660,800
Accounts receivable:					
Federal	85,613	3,209,904	376,101	-	3,671,618
State of Maryland	334,453	794,751	50,491	2,051,421	3,231,116
Other sources	1,213,466	195,631	42,291	4,220,545	5,671,933
Due from other funds	2,189,708	2,045,797	-	-	4,235,505
Inventories	214,526	-	328,395	-	542,921
TOTAL ASSETS	<u>\$ 64,386,885</u>	<u>\$ 6,246,083</u>	<u>\$ 3,087,854</u>	<u>\$ 6,293,071</u>	<u>\$ 80,013,893</u>
LIABILITIES					
Accounts payable	\$ 6,133,205	\$ 637,187	\$ 172,668	\$ 2,720,458	\$ 9,663,518
Accrued salaries and fringe benefits	22,526,014	1,000,681	428,594	-	23,955,289
Payroll taxes and withholding payable	34,830	3,236	-	-	38,066
Due to other governments	-	102,584	-	-	102,584
Due to other funds	-	-	92,903	4,166,271	4,259,174
Payable for health insurance	1,910,000	-	-	-	1,910,000
Unearned revenue	107,158	3,328,524	320,288	-	3,755,970
Total liabilities	<u>30,711,207</u>	<u>5,072,212</u>	<u>1,014,453</u>	<u>6,886,729</u>	<u>43,684,601</u>
FUND BALANCE (DEFICIT)					
Nonspendable - inventory	214,526	-	328,395	-	542,921
Restricted	-	1,173,871	-	-	1,173,871
Assigned	14,684,871	-	1,745,006	117,743	16,547,620
Unassigned	18,776,281	-	-	(711,401)	18,064,880
Total fund balance (deficit)	<u>33,675,678</u>	<u>1,173,871</u>	<u>2,073,401</u>	<u>(593,658)</u>	<u>36,329,292</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,386,885</u>	<u>\$ 6,246,083</u>	<u>\$ 3,087,854</u>	<u>\$ 6,293,071</u>	<u>\$ 80,013,893</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, 2014

Total Fund Balances - Governmental Funds		\$ 36,329,292
 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	575,020,012	
Accumulated depreciation	<u>(257,613,644)</u>	
		317,406,368
Prepaid pension obligation is not recognized in the governmental funds but is recognized in the Statement of Activities.		
		11,150,962
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	(138,742,727)	
Note payable	(5,172,720)	
Compensated absences	<u>(8,572,254)</u>	
		<u>(152,487,701)</u>
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		 \$ <u>212,398,921</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, 2014

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 178,855,012	\$ 2,515,654	\$ 369,286	\$ 10,368,678	\$ 192,108,630
Federal government	948,712	11,631,369	6,188,868	-	18,768,949
Other sources	1,663,600	862,034	5,232,856	13	7,758,503
Local sources	156,862,000	280,806	-	27,446,751	184,589,557
Total revenues	<u>338,329,324</u>	<u>15,289,863</u>	<u>11,791,010</u>	<u>37,815,442</u>	<u>403,225,639</u>
EXPENDITURES					
Current:					
Administration	8,490,996	426,169	-	-	8,917,165
Mid-level administration	20,434,016	680,803	-	-	21,114,819
Instruction:					
Instructional salaries	123,307,733	3,679,958	-	-	126,987,691
Materials of instruction	4,335,004	944,976	-	94,211	5,374,191
Other costs of instruction	2,137,535	585,367	-	-	2,722,902
Special Education	28,609,507	4,530,972	-	-	33,140,479
Student personnel services	3,557,124	-	-	-	3,557,124
Health service	2,778,293	281	-	-	2,778,574
Transportation	25,240,630	128,255	-	-	25,368,885
Operations	27,318,865	32,430	-	2,775,569	30,126,864
Maintenance	6,328,259	385,802	-	-	6,714,061
Food service	-	39,474	9,640,915	-	9,680,389
Community Service	680,102	883,189	-	-	1,563,291
Fixed Charges	77,774,633	2,407,460	1,582,608	-	81,764,701
Capital outlay	2,306,665	592,087	-	38,506,452	41,405,204
Total expenditures	<u>333,299,362</u>	<u>15,317,223</u>	<u>11,223,523</u>	<u>41,376,232</u>	<u>401,216,340</u>
Excess (deficiency) of revenues					
Over expenditures	5,029,962	(27,360)	567,487	(3,560,790)	2,009,299
OTHER FINANCING SOURCES					
Issuance of note	-	-	-	3,123,403	3,123,403
NET CHANGE IN FUND BALANCES	5,029,962	(27,360)	567,487	(437,387)	5,132,702
FUND BALANCES, BEGINNING 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>
FUND BALANCES, END OF YEAR	<u>\$ 33,675,678</u>	<u>\$ 1,173,871</u>	<u>\$ 2,073,401</u>	<u>\$ (593,658)</u>	<u>\$ 36,329,292</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, 2014**

Total Net Change in Fund Balances - Governmental Funds		\$ 5,132,702
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	40,160,602	
Depreciation expense for the year	(13,964,276)	
Net book value of assets disposed of during the year.	(24,916)	
		26,171,410
Prepaid pension obligation is not recognized in the governmental funds but is recognized in the Statement of Activities. This is the increase in prepaid pension obligation for the year.		1,661,603
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.		(20,040,378)
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.		(1,876,613)
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.		(803,175)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 10,245,549

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, 2014

	Pension and Retiree Health Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 6,968,540	\$ 2,372,313
Investments, at fair value with fiscal agent	101,552,532	-
Contribution receivable	5,920,543	-
Due from other funds	23,669	-
Total assets	114,465,284	\$ 2,372,313
LIABILITIES		
Due to student groups	-	\$ 2,372,313
Other liabilities	-	-
Total liabilities	-	\$ 2,372,313
NET POSITION		
Held in trust for retiree health/pension benefits	\$ 114,465,284	

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, 2014

	<u>Pension and Retiree Health Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 17,043,955
Plan members	<u>3,260,821</u>
Total contributions	<u>20,304,776</u>
Investment earnings:	
Interest and dividends	1,823,847
Net increase in fair value of investments	<u>10,465,844</u>
Total investment earnings	12,289,691
Less investment expense	<u>288,905</u>
Net investment gain	<u>12,000,786</u>
Total additions	<u>32,305,562</u>
DEDUCTIONS	
Benefits paid to members	14,012,521
Administrative expenses	<u>119,768</u>
Total deductions	<u>14,132,289</u>
CHANGE IN NET POSITION	18,173,273
NET POSITION, BEGINNING OF YEAR	<u>96,292,011</u>
NET POSITION, END OF YEAR	<u>\$ 114,465,284</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, 2014

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, 2014

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, Technology 1 Fund, and Technology 2 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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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

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 was implemented for reporting period ending June 30, 2014.

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. 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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 \$31,948,977 and the bank balance was \$42,142,292. 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 Education 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, 2014

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, 2014, the pooled assets of the MABE Trust were valued at \$176,170,967 in total, of which the Board's share was \$19,576,001.

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 as part 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, 2014.

A summary of cash and investments at June 30, 2014 is as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total	Weighted Average Maturity in Years
Cash on hand	\$ 1,000	\$ -	\$ 1,000	N/A
Deposits	29,503,846	2,372,500	31,876,346	N/A
Money market mutual funds	-	6,968,540	6,968,540	N/A
MLGIP	33,155,954	-	33,155,954	N/A
MABE Trust	-	19,576,001	19,576,001	6.36%
U.S. Government & agencies	-	8,858,132	8,858,132	3.25%
Corporate bonds	-	9,797,582	9,797,582	12.92%
Equity mutual funds	-	48,549,454	48,549,454	N/A
Common stocks	-	7,201,591	7,201,591	N/A
Mortgage-backed securities	-	7,569,772	7,569,772	17.25%
Total	\$ 62,660,800	\$ 110,893,572	\$ 173,554,372	

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2014:

	S&P Ratings											
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	Unrated
MLGIP	\$ 33,155,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. obligations	-	-	-	-	-	-	-	-	-	-	-	8,858,132
Corporate bonds	177,132	288,428	458,996	283,542	356,997	1,039,320	680,737	1,956,969	3,040,756	1,355,505	106,844	52,356
Mortgage backed securities	-	-	-	-	-	-	-	-	-	-	-	7,569,772
Grand total	\$ 33,333,086	\$ 288,428	\$ 458,996	\$ 283,542	\$ 356,997	\$ 1,039,320	\$ 680,737	\$ 1,956,969	\$ 3,040,756	\$ 1,355,505	\$ 106,844	\$ 16,480,260

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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	\$ 33,155,954	\$ 33,155,954	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. obligations	8,858,132	-	6,511,216	1,412,006	-	-	934,910
Corporate bonds	9,797,582	-	1,575,205	5,600,229	644,890	45,806	1,931,455
Mortgage backed securities	<u>7,569,772</u>	<u>1,348,918</u>	<u>1,273,866</u>	<u>908,782</u>	<u>287,300</u>	<u>3,750,906</u>	<u>-</u>
Grand total	<u>\$ 59,381,440</u>	<u>\$ 34,504,872</u>	<u>\$ 9,360,287</u>	<u>\$ 7,921,017</u>	<u>\$ 932,190</u>	<u>\$ 3,796,712</u>	<u>\$ 2,866,365</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, 2014

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

<u>Governmental Activities</u>	<u>Balance at June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 16,849,675	\$ 5,000	\$ -	\$ 16,854,675
Construction-in-progress	44,369,611	35,630,455	(76,932,520)	3,067,546
Total capital assets, not being depreciated	<u>61,219,286</u>	<u>35,635,455</u>	<u>(76,932,520)</u>	<u>19,922,221</u>
Capital assets being depreciated				
Buildings and improvements	435,622,086	78,423,523	-	514,045,609
Land improvements	11,027,975	662,237	(3,800)	11,686,412
Furniture and equipment	27,586,785	2,371,907	(592,922)	29,365,770
Total capital assets being depreciated	<u>474,236,846</u>	<u>81,457,667</u>	<u>(596,722)</u>	<u>555,097,791</u>
Less - accumulated depreciation				
Buildings and improvements	(215,226,259)	(11,642,941)	-	(226,869,200)
Land improvements	(7,210,993)	(620,635)	3,800	(7,827,828)
Furniture and equipment	(21,783,922)	(1,700,700)	568,006	(22,916,616)
Total accumulated depreciation	<u>(244,221,174)</u>	<u>(13,964,276)</u>	<u>571,806</u>	<u>(257,613,644)</u>
Total capital assets, being depreciated, net	<u>230,015,672</u>	<u>67,493,391</u>	<u>(24,916)</u>	<u>297,484,147</u>
Capital assets, net	<u>\$ 291,234,958</u>	<u>\$ 103,128,846</u>	<u>\$ (76,957,436)</u>	<u>\$ 317,406,368</u>

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

Governmental activities	
Regular education	\$ 409,266
Special education	9,145
Supporting services:	
Pupil services	2,966
Health services	5,306
Administration	76,654
Instructional support	12,866
Operation and maintenance of facilities	854,700
Transportation	78,635
Community services	4,023
School lunch services	22,628
Planning and construction	767,930
Unallocated	<u>11,720,157</u>
Total depreciation expense - governmental activities	<u>\$ 13,964,276</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – CAPITAL ASSETS (CONTINUED)

The Board has active school construction projects at June 30, 2014, as follows:

	Spent to Date	Remaining Commitment
St. Charles High School and Pool	\$ -	\$ 1,866,506
Lighting Projects	1,469,359	148,824
Total	\$ 1,469,359	\$ 2,015,330

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, 2014, 2013, and 2012 were \$21,789,928, \$18,711,235, and \$24,590,849, 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 \$4,989,645 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, 2014

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. Securities traded on a national or international exchange are valued at the latest reported sales price at current exchange rates.

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, 2014 was \$19,397,474.

Membership in the Plan consisted of the following at June 30, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	278
Terminated plan members entitled to but not yet receiving benefits	31
Active plan members	483
Terminated due return of contributions	<u>203</u>
Total	<u><u>995</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, 2013, the minimum and maximum contribution computed under ERISA was \$3,493,190 and \$5,251,554, respectively. For fiscal year 2014, the Board contributed \$5,251,554 to the Plan while participants contributed \$966,599. These contributions amounted to approximately 27.1% and 5.0% 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, 2014

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, 2014 were:

Annual required contribution	\$	3,493,190
Interest on net pension obligation		(664,255)
Adjustment to annual required contribution		761,016
Annual pension cost		<u>3,589,951</u>
Contributions made		<u>(5,251,554)</u>
Increase in prepaid pension costs		(1,661,603)
Prepaid pension obligation, beginning of year		<u>(9,489,359)</u>
Prepaid pension obligation, end of year	\$	<u>(11,150,962)</u>

Three-Year Trend Information

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Funded Percentage
June 30, 2012	\$ 4,332,303	\$ 5,249,987	121%
June 30, 2013	3,572,997	4,395,188	120%
June 30, 2014	3,493,190	5,251,554	150%

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, 2012	\$ 4,413,021	\$ 5,249,987	119.0%	\$ (8,756,418)
June 30, 2013	3,662,247	4,395,188	120.0%	(9,489,359)
June 30, 2014	3,589,951	5,251,554	146.3%	(11,150,962)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c)
June 30, 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%
June 30, 2013	80,573,281	93,860,643	13,287,362	85.8%	20,059,710	66.2%

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Annual Pension Costs (Continued)

The funding method used for this plan is the Entry Age Normal) method. The unfunded liability is amortized over a 20-year open period.

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

Based on recommendations from the actuary, pension manager and pension committee, additional funding of \$1,758,364 was contributed in 2014 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 – GASB 67- FINANCIAL REPORTING FOR PENSION PLANS

The Board has adopted GASB Statement No. 67, Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25. The Statement enhances the Board's footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules. It was issued to improve financial reporting by state and local government pension plans. The following provides information required to be disclosed under Statement No. 67 that is not discussed as part of the information disclosed in Note 5 previously.

Plan Administration

Management of the Plan is overseen by a Pension Committee under Section XI of the Plan Document. Per the Plan Document, The Pension Committee is composed of not less than three individuals appointed by the Superintendent of Schools to serve for such time as determined by the Superintendent. The Pension Committee has the discretion and authority to interpret the Plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the Plan. On all such matters, the decision of a majority of the then members of the Pension Committee shall govern and be binding upon the Employer, Participants, and beneficiaries. The Pension Committee need not call or hold any meeting for the purpose of rendering decisions but such decisions may be evidenced by a written document signed by the members.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 – GASB 67- FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Investment Policy

The Pension Committee is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan’s assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price. The following was the Plan’s adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Equities	30%	70%	50%
Fixed Income	30%	80%	47%
Cash and Equivalents	0%	15%	3%

Concentrations

The Pension plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the pension plan’s fiduciary net positions, the following of June 30, 2014:

<u>Investment</u>	<u>% of Pension Fiduciary Net Position</u>	<u>Fair Market Value</u>
IShares Core S&P 500	13%	\$ 12,100,725.00
IShares MSCI EAFE	9%	7,748,440.47
Vanguard FTSE Emerging Markets	6%	5,166,585.83

Net Pension Liability

The net pension liability of the trust as of June 30, 2014 was for measurement date June 30, 2014. It was as follows:

Total pension liability	\$ 98,660,635
Plan fiduciary net position	<u>(90,099,270)</u>
Net pension liability	<u>\$ 8,561,365</u>

Plan fiduciary net position as a percentage of the total pension liability 91.32%

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 – GASB 67- FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

Method and assumptions used to determine Net Pension Liability were as follows:

Valuation Date	July 1, 2013*
Actuarial Cost Method	Entry Age Normal
Amortization Period	20 Years
Asset Valuation Method	Market value of Assets
Actuarial Assumptions:	
Investment Rate of Return	7.00% per year compounded annually, net of investment expenses
Projected salary increases	Years of service based 3.50-10.00%
Cost of living adjustments	2.75-3.00% per year
General inflation	3.00% per year
Retirement	Experience-based table of rates that specific to the type of eligibility condition and years of services
Mortality rate	RP-2000 Mortality table, sex distinct, projected to date of decrement using Scale BB

*To calculate the plan's Total Pension Liability (TPL), the July 1, 2013 Valuation was used to estimate the TPL as of June 30, 2014. The July 1, 2013 TPL was increased by service cost and interest and decreased by benefit payments. If a change in Plan was implemented, that amount was also reflected.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2014.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	6.25%
US Mid/ Small Cap	7.50%
International Equities (unhedged)	6.75%
Emerging International Equities	9.50%
Core Bonds	1.30%
High-Yield Bonds	5.00%
Emerging Market Debt (Local Currency)	4.50%
Real Estate (Core)	5.75%
Hedge Funds Mod Vol	5.00%
Commodities	5.25%
Cash	0.50%

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 – GASB 67- FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flow to determine the discount rate assumed the contributions from plan members will be made at the current contribution rate and that contributions from the Board will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Board calculated using the discount rate of 7.00%, as well as what the Board’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%), or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 21,252,028	\$ 8,561,365	\$ (2,057,166)

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2014 was 12.24%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

NOTE 7 – 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, 2014 was \$4,109,000. As of June 30, 2014, 1,120 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, 2014 was \$966,599. As of June 30, 2014, 863 eligible participants were receiving these benefits.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – 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	\$ 34,614,000
Interest on net OPEB obligation	5,935,000
Adjustment to annual required contribution	<u>(6,422,000)</u>
Annual OPEB cost	34,127,000
Contributions made	<u>(14,086,622)</u>
Increase in net OPEB obligations	20,040,378
Net OPEB obligations - beginning of year	<u>118,702,349</u>
Net OPEB obligations - end of year	<u>\$ 138,742,727</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, 2014 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, 2012	\$ 35,219,000	35.3%	\$ 99,829,466
June 30, 2013	32,225,000	41.4%	118,702,349
June 30, 2014	34,127,000	41.3%	138,742,727

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, 2014

NOTE 7 – 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 2080. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 24 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 8 – TRUST FUNDS

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

Condensed Statement of Net Position			
	Retiree Health Trust Fund	Pension Trust Fund	Total
Assets			
Investments, including cash and cash equivalents	\$ 19,576,001	\$ 88,945,071	\$ 108,521,072
Other assets	4,023,669	1,920,543	5,944,212
Total assets	23,599,670	90,865,614	114,465,284
Liabilities	-	-	-
Net position - Held in trust for retiree health/pension benefits	\$ 23,599,670	\$ 90,865,614	\$ 114,465,284

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – TRUST FUNDS (CONTINUED)

Condensed Statement of Net Position

	Retiree Health Trust Fund	Pension Trust Fund	Total
Additions			
Contributions	\$ 14,086,623	\$ 6,218,153	\$ 20,304,776
Net investment gain/(loss)	2,313,544	9,687,242	12,000,786
Total additions	<u>16,400,167</u>	<u>15,905,395</u>	<u>32,305,562</u>
Deductions			
Benefits paid	10,086,624	3,925,897	14,012,521
Administrative expenses	-	119,768	119,768
Total deductions	<u>10,086,624</u>	<u>4,045,665</u>	<u>14,132,289</u>
Change in net position	6,313,543	11,859,730	18,173,273
Net position - beginning of year	<u>17,286,127</u>	<u>79,005,884</u>	<u>96,292,011</u>
Net position - end of year	<u>\$ 23,599,670</u>	<u>\$ 90,865,614</u>	<u>\$ 114,465,284</u>

NOTE 9 – 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 10 – INTERFUND ACCOUNTS

At June 30, 2014, the amounts due to and from other funds were as follows:

	Due From Other Funds	Due To Other Funds
General fund	\$ 2,189,708	\$ -
Special revenue - food service	-	92,903
Agency fund	-	-
Retiree Health Plan Trust	23,669	-
Special revenue - restricted program	2,045,797	-
Capital projects - total	<u>-</u>	<u>4,166,271</u>
Total	<u>\$ 4,259,174</u>	<u>\$ 4,259,174</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 – LONG-TERM LIABILITIES

The following is an analysis of the changes in long-term debt for the year ended June 30, 2014:

	Beginning Balance	Net Increase (Decrease)	Ending Balance	Amount Due Within One Year
Compensated absences	\$ 7,769,079	\$ 803,175	\$ 8,572,254	\$ 1,145,260
Net OPEB obligation	118,702,349	20,040,378	138,742,727	-
Technology Loan 1	3,296,107	(995,674)	2,300,433	1,012,018
Technology Loan 2	-	2,872,287	2,872,287	574,457
Total long-term debt	<u>\$ 129,767,535</u>	<u>\$ 22,720,166</u>	<u>\$ 152,487,701</u>	<u>\$ 2,731,735</u>

The technology loan 1 requires quarterly payments of principal 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 1 as of June 30, 2014 are:

Year Ended June 30,	Principal	Interest	Total
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>\$ 2,300,433</u>	<u>\$ 47,170</u>	<u>\$ 2,347,603</u>

The technology loan 2 requires yearly payments of principal in the amount of \$574,457 through August 1, 2018. Interest rate on the loan is 0.00%.

The future annual payments due under the technology loan 2 as of June 30, 2014 are:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 574,457	\$ -	\$ 574,457
2016	574,457	-	574,457
2017	574,457	-	574,457
2018	574,457	-	574,457
2019	574,457	-	574,457
Total minimum loan payments	<u>\$ 2,872,285</u>	<u>\$ -</u>	<u>\$ 2,872,285</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 – 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, 2014 are:

Year Ended June 30,	Principal
2015	\$ 655,846
2016	369,065
2017	30,768
Total minimum lease payments	\$ 1,055,679

Rental expenditures for the year ended June 30, 2014 amounted to approximately \$753,954.

Litigation

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

Health Insurance

The Board entered into an agreement with BlueCross BlueShield of Maryland for health insurance under a claim 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 claims. The policy arrangement includes a stop-loss provision for claims in excess of \$150,000. A liability in the amount of \$1,910,000 has been recorded for the estimated claims incurred but not reported at the end of the year.

NOTE 13 – FUND BALANCE DEFICIT

The Capital Projects Fund reflects a deficit unassigned fund balance for June 30, 2014 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.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 – 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 15 – 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.

Encumbrances at June 30, 2014 are for the following uses:

	Restricted Programs	
	General Fund	Fund
Encumbrances:		
Administration	\$ 454,279	\$ 39,745
Mid-Level Administrative	319,580	-
Instruction	6,872,822	186,273
Special Education	274,612	17,913
Student Personnel Services	7,566	-
Student Health Services	36,740	-
Student Transportation	331,485	-
Operation & Maintenance of Plant	2,259,116	27,356
Food Service	-	-
Community Service	-	8,219
Capital Outlay	927,585	894,365
Total encumbrances	\$ 11,483,785	\$ 1,173,871

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 16 – FUND BALANCE

Fund balance at June 30, 2014 consists of the following:

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects
Nonspendable - Inventory	\$ 214,526	\$ -	\$ 328,395	\$ -
Restricted for:				
Administration	-	39,745	-	-
Mid-Level Administration	-	-	-	-
Instruction	-	186,273	-	-
Special Education	-	17,913	-	-
Operation & Maintenance of Plant	-	27,356	-	-
Food Service	-	-	-	-
Community Service	-	8,219	-	-
Capital Outlay	-	894,365	-	-
Total restricted for	-	1,173,871	-	-
Assigned for:				
Administration	454,279	-	-	-
Mid-Level Administration	319,580	-	-	-
Instruction	6,872,822	-	-	-
Special Education	274,612	-	-	-
Student Personnel Services	7,566	-	-	-
Student Health Services	36,740	-	-	-
Student Transportation	331,485	-	-	-
Operation & Maintenance of Plant	2,259,116	-	-	-
Capital Outlay	927,585	-	-	-
Food Service	-	-	1,745,006	-
Subsequent year expenditures	3,201,086	-	-	-
Total assigned for	14,684,871	-	1,745,006	-
Unassigned	18,776,281	-	-	(593,658)
Total fund balance	<u>\$ 33,675,678</u>	<u>\$ 1,173,871</u>	<u>\$ 2,073,401</u>	<u>\$ (593,658)</u>

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, 2014

RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2014
Total pension liability	
Service cost	\$ 2,140,866
Interest	6,585,023
Benefit changes	-
Different between actual & expected if any	-
Assumption changes	-
Benefit payments	(3,925,897)
Net change in total pension liability	4,799,992
Total pension liability- beginning	93,860,643
Total pension liability- ending (a)	\$ 98,660,635
Plan fiduciary net position	
Contribution- employer	\$ 5,251,554
Contribution- member	966,598
Net investment income	1,526,241
Benefit payments	(3,925,897)
Administrative expense	(37,930)
Other	8,079,164
Net change in plan fiduciary net position	11,859,730
Plan fiduciary net position- beginning	78,239,540
Plan fiduciary net position- ending (b)	\$ 90,099,270
Net pension on liability (a-b)	\$ 8,561,365
Plan fiduciary net position as a percentage of total liability	91.32%
Covered employee payroll	\$ 20,059,710
Net pension liability as a percentage of covered employee payroll	42.68%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014**

RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (CONTINUED)

Schedule of Employer Contributions*

FY Ending 30-Jun	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 3,493,190	\$ 5,251,554	\$ (1,758,364)	\$ 20,059,710	26.18%

**Schedule of Investment Returns*
Year Ended June 30**

Fiscal year ending June 30, 2014

Actual money weighted rate of return, net of investment expense 12.24%

Schedule of the Employer's Net Pension Liability*

FY Ending 30-Jun	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 98,660,635	\$ 90,099,270	\$ 8,561,365	91.32%	\$ 20,059,710	42.68%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014

RETIREE HEALTH PLAN TRUST

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) Entry Age (b)					
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%
June 30, 2014	17,286,000	364,325,000		347,039,000	4.74%	187,000,000	186%

* 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, 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
June 30, 2014	34,614,000	14,086,623	40.7%	138,742,727

* 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, 2014

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
REVENUES				
State of Maryland	\$ 157,199,534	\$ 157,199,534	\$ 157,065,084	\$ (134,450)
Federal government	770,000	770,000	948,712	178,712
Other sources	5,020,166	5,020,166	1,663,600	(3,356,566)
Local sources	<u>159,010,300</u>	<u>159,010,300</u>	<u>156,862,000</u>	<u>(2,148,300)</u>
Total revenues	<u>322,000,000</u>	<u>322,000,000</u>	<u>316,539,396</u>	<u>(5,460,604)</u>
EXPENDITURES				
Administration	9,104,797	9,104,796	8,780,941	323,855
Mid-level administration	21,739,238	20,799,238	20,591,088	208,150
Instructional salaries	126,408,981	125,858,982	123,307,733	2,551,249
Materials of instruction	5,305,820	9,905,820	9,854,639	51,181
Other costs of instruction	2,408,065	2,408,065	2,137,535	270,530
Special Education	29,698,201	29,428,200	28,775,753	652,447
Student personnel services	3,537,459	3,537,460	3,464,144	73,316
Health service	2,968,900	2,968,900	2,814,306	154,594
Transportation	25,437,111	25,037,111	25,005,090	32,021
Operations	25,361,706	25,941,706	25,890,232	51,474
Maintenance	6,910,259	6,410,259	6,408,879	1,380
Community Service	734,757	734,757	680,102	54,655
Capital Outlay	2,177,782	2,657,782	2,631,322	26,460
Fixed Charges	<u>60,206,924</u>	<u>57,206,924</u>	<u>55,984,705</u>	<u>1,222,219</u>
Total expenditures	<u>322,000,000</u>	<u>322,000,000</u>	<u>316,326,469</u>	<u>5,673,531</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	212,927	<u>\$ 212,927</u>
FUND BALANCE AT JUNE 30, 2013			<u>21,981,605</u>	
FUND BALANCE AT JUNE 30, 2014			<u>\$ 22,194,532</u>	

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014

General Fund - Reconciliation of Revenues and Expenditures

Actual revenues (non-GAAP budgetary basis)	\$ 316,539,396
Pension contribution by the State of Maryland on behalf of the Board	<u>21,789,928</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 338,329,324</u>
Actual expenditures (non-GAAP budgetary basis)	\$ 316,326,469
Encumbrance adjustment, net	(4,817,035)
Pension contribution by the State of Maryland on behalf of the Board	<u>21,789,928</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 333,299,362</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, 2014

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
State of Maryland				
State - Foundation	\$ 106,491,833	\$ 105,628,127	\$ 105,628,127	\$ -
Compensatory aid	27,535,278	27,535,278	27,535,278	-
Transportation	10,130,310	10,130,310	10,130,310	-
Handicapped children	6,197,749	6,197,749	6,196,749	(1,000)
Tuition - handicapped	1,188,000	1,201,096	1,033,531	(167,565)
Other (LEP grant)	928,904	928,904	928,904	-
Out of county living	-	-	33,115	33,115
Guaranteed tax base	306,032	306,032	306,032	-
CGEI	3,512,428	3,512,428	3,512,428	-
High Road	-	(13,096)	(13,096)	-
Medicaid revenues	909,000	909,000	910,000	1,000
Net Taxable Income	-	863,706	863,706	-
	<u>157,199,534</u>	<u>157,199,534</u>	<u>157,065,084</u>	<u>(134,450)</u>
Federal Government				
Impact aid	300,000	300,000	338,447	38,447
ROTC	430,000	430,000	544,342	114,342
Impact aid special education	40,000	40,000	65,923	25,923
	<u>770,000</u>	<u>770,000</u>	<u>948,712</u>	<u>178,712</u>
Other sources				
Tuition - summer school	133,000	127,000	127,560	560
Tuition - nonresident	739,400	790,500	940,861	150,361
Tuition - Novel	30,000	30,000	17,702	(12,298)
Tuition - parents payments	104,100	104,100	58,646	(45,454)
Summer youth camp	30,000	26,000	25,393	(607)
Rent from school facilities	410,100	410,100	201,192	(208,908)
Sale of property	10,000	10,000	7,042	(2,958)
Interest income	74,880	47,380	33,577	(13,803)
Insurance recovery	-	-	6,285	6,285
Vending commissions	82,000	69,000	68,140	(860)
Payroll transfers	100,000	100,000	87,291	(12,709)
Other	45,600	45,000	29,939	(15,061)
Restitution	60,000	60,000	59,972	(28)
Prior year fund balance transfer	3,201,086	3,201,086	-	(3,201,086)
	<u>5,020,166</u>	<u>5,020,166</u>	<u>1,663,600</u>	<u>(3,356,566)</u>
Local sources				
Operational budget	<u>159,010,300</u>	<u>159,010,300</u>	<u>156,862,000</u>	<u>(2,148,300)</u>
TOTAL REVENUES	<u>\$ 322,000,000</u>	<u>\$ 322,000,000</u>	<u>\$ 316,539,396</u>	<u>\$ (5,460,604)</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
Administration				
Salaries and wages	\$ 7,300,061	\$ 7,126,060	\$ 6,428,630	\$ 697,430
Contracted services	1,114,150	1,304,150	1,496,248	(192,098)
Supplies and materials	471,975	461,975	754,500	(292,525)
Other charges	312,102	306,102	247,672	58,430
Equipment	46,215	46,215	41,137	5,078
Transfers in	(139,706)	(139,706)	(187,246)	47,540
	<u>9,104,797</u>	<u>9,104,796</u>	<u>8,780,941</u>	<u>323,855</u>
Mid-level administration				
Salaries and wages	20,540,977	19,600,977	19,304,236	296,741
Contracted services	390,980	375,580	477,433	(101,853)
Supplies and materials	521,089	536,489	404,012	132,477
Other charges	286,192	286,192	199,253	86,939
Equipment	-	-	206,154	(206,154)
	<u>21,739,238</u>	<u>20,799,238</u>	<u>20,591,088</u>	<u>208,150</u>
Instruction salaries				
Salaries and wages	<u>126,408,981</u>	<u>125,858,982</u>	<u>123,307,733</u>	<u>2,551,249</u>
Materials of instruction				
Supplies and materials	<u>5,305,820</u>	<u>9,905,820</u>	<u>9,854,639</u>	<u>51,181</u>
Other costs of instruction				
Contracted services	1,814,476	1,834,676	1,453,991	380,685
Other charges	318,930	318,730	262,811	55,919
Equipment	174,659	154,659	380,256	(225,597)
Outgoing transfers	100,000	100,000	40,477	59,523
	<u>2,408,065</u>	<u>2,408,065</u>	<u>2,137,535</u>	<u>270,530</u>
Special Education				
Salaries and wages	24,839,550	24,278,560	23,918,610	359,950
Contracted services	1,484,111	2,033,100	1,959,385	73,715
Supplies and materials	66,210	76,710	66,647	10,063
Other charges	58,330	70,330	84,223	(13,893)
Outgoing transfers	3,250,000	2,969,500	2,746,888	222,612
	<u>29,698,201</u>	<u>29,428,200</u>	<u>28,775,753</u>	<u>652,447</u>
Student personnel services				
Salaries and wages	3,281,409	3,336,409	3,336,655	(246)
Contracted services	232,043	177,043	110,172	66,871
Supplies and materials	14,407	14,408	10,192	4,216
Other charges	9,600	9,600	7,125	2,475
Equipment	-	-	-	-
	<u>3,537,459</u>	<u>3,537,460</u>	<u>3,464,144</u>	<u>73,316</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2014
(CONTINUED)

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
Health Service				
Contracted services	\$ 2,941,200	\$ 2,941,200	\$ 2,749,327	\$ 191,873
Supplies and materials	27,700	27,700	64,979	(37,279)
	<u>2,968,900</u>	<u>2,968,900</u>	<u>2,814,306</u>	<u>154,594</u>
Transportation				
Salaries and wages	758,032	758,032	722,301	35,731
Contracted services	24,587,139	23,897,906	23,855,329	42,577
Supplies and materials	10,700	35,933	30,228	5,705
Other charges	6,240	6,240	5,318	922
Equipment	75,000	339,000	391,914	(52,914)
	<u>25,437,111</u>	<u>25,037,111</u>	<u>25,005,090</u>	<u>32,021</u>
Operations				
Salaries and wages	10,587,065	10,662,065	10,728,517	(66,452)
Contracted services	2,759,682	3,358,682	2,743,699	614,983
Supplies and materials	1,319,909	1,777,909	2,522,176	(744,267)
Other charges	10,554,750	10,002,750	9,824,880	177,870
Equipment	140,300	140,300	70,960	69,340
	<u>25,361,706</u>	<u>25,941,706</u>	<u>25,890,232</u>	<u>51,474</u>
Maintenance				
Salaries and wages	3,689,520	3,719,520	3,557,661	161,859
Contracted services	2,376,839	938,839	930,500	8,339
Supplies and materials	806,304	1,001,504	1,152,458	(150,954)
Other charges	1,720	4,020	5,627	(1,607)
Equipment	35,876	746,376	762,633	(16,257)
	<u>6,910,259</u>	<u>6,410,259</u>	<u>6,408,879</u>	<u>1,380</u>
Community Service				
Salaries and wages	20,500	20,500	13,894	6,606
Contracted services	707,667	707,667	660,741	46,926
Supplies and materials	6,540	6,540	5,467	1,073
Other charges	50	50	-	50
	<u>734,757</u>	<u>734,757</u>	<u>680,102</u>	<u>54,655</u>
Capital outlay				
Salaries and wages	365,482	365,482	365,470	12
Contracted services	762,320	1,117,320	863,626	253,694
Supplies and materials	3,430	3,430	(1,224)	4,654
Other charges	2,550	2,550	1,622	928
Equipment	1,044,000	1,169,000	1,401,828	(232,828)
	<u>2,177,782</u>	<u>2,657,782</u>	<u>2,631,322</u>	<u>26,460</u>
Fixed Charges				
Other charges	60,206,924	57,206,924	55,984,705	1,222,219
TOTAL EXPENDITURES	<u>\$ 322,000,000</u>	<u>\$ 322,000,000</u>	<u>\$ 316,326,469</u>	<u>\$ 5,673,531</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET
CAPITAL PROJECTS SUB-FUNDS
June 30, 2014

	<u>Capital Improvement Programs</u>	<u>School Construction</u>	<u>Technology 1 Fund</u>	<u>Technology 2 Fund</u>	<u>Total</u>
ASSETS					
Cash and short-term investments	\$ -	\$ 21,105	\$ -	\$ -	\$ 21,105
Accounts receivable					
State of Maryland	-	2,051,421	-	-	2,051,421
Other sources	4,123,393	1	433	96,718	4,220,545
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 4,123,393</u>	<u>\$ 2,072,527</u>	<u>\$ 433</u>	<u>\$ 96,718</u>	<u>\$ 6,293,071</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 2,013,805	\$ 706,653	\$ -	\$ -	\$ 2,720,458
Due to other funds	<u>2,820,989</u>	<u>1,344,849</u>	<u>433</u>	<u>-</u>	<u>4,166,271</u>
Total liabilities	4,834,794	2,051,502	433	-	6,886,729
FUND BALANCES (DEFICIT)					
Assigned	-	21,025	-	96,718	117,743
Unassigned	<u>(711,401)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(711,401)</u>
Total fund balance (deficit)	<u>(711,401)</u>	<u>21,025</u>	<u>-</u>	<u>96,718</u>	<u>(593,658)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,123,393</u>	<u>\$ 2,072,527</u>	<u>\$ 433</u>	<u>\$ 96,718</u>	<u>\$ 6,293,071</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, 2014

	Capital Improvement Programs	School Construction	Technology 1 Fund	Technology 2 Fund	Total
REVENUES					
State of Maryland	\$ -	\$ 10,368,678	\$ -	\$ -	\$ 10,368,678
Local sources	27,446,751	-	-	-	27,446,751
Other sources	-	13	-	-	13
Total revenues	<u>27,446,751</u>	<u>10,368,691</u>	<u>-</u>	<u>-</u>	<u>37,815,442</u>
EXPENDITURES					
Instruction:					
Materials	-	-	94,211	-	94,211
Operations:					
Contracted services	-	-	-	516,520	516,520
Materials	-	-	-	1,256,931	1,256,931
Equipment	-	-	-	1,002,118	1,002,118
Capital outlay:					
Contracted services	25,181,051	10,368,678	-	-	35,549,729
Materials	2,353,792	-	156,905	-	2,510,697
Computers and equipment	446,026	-	-	-	446,026
Total expenditures	<u>27,980,869</u>	<u>10,368,678</u>	<u>251,116</u>	<u>2,775,569</u>	<u>41,376,232</u>
Excess (deficiency) of revenues					
Over expenditures	(534,118)	13	(251,116)	(2,775,569)	(3,560,790)
OTHER FINANCING SOURCES					
Issuance of debt	-	-	251,116	2,872,287	3,123,403
NET CHANGE IN FUND BALANCE	(534,118)	13	-	96,718	(437,387)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(177,283)</u>	<u>21,012</u>	<u>-</u>	<u>-</u>	<u>(156,271)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (711,401)</u>	<u>\$ 21,025</u>	<u>\$ -</u>	<u>\$ 96,718</u>	<u>\$ (593,658)</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, 2014

	Restricted Programs Fund
REVENUES	
State of Maryland	\$ 2,515,654
Federal government	11,631,369
Other sources	862,034
Local government	280,806
Total revenues	15,289,863
EXPENDITURES	
Administration	465,914
Mid-level administration	655,643
Instructional salaries	3,679,958
Materials of instruction	961,944
Other costs of instruction	585,367
Special Education	4,474,714
Student personnel services	-
Health service	281
Transportation	128,255
Operations	7,972
Maintenance	382,976
Food service	35,287
Community Service	891,294
Capital outlay	612,798
Fixed Charges	2,407,460
Total expenditures	15,289,863
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, 2014

	<u>Original Budget</u>	<u>As Amended Budget</u>	<u>Actual</u>	<u>Variances Positive (Negative)</u>
REVENUES				
State of Maryland	\$ 229,497	\$ 229,497	\$ 369,286	\$ 139,789
Federal government	4,653,518	5,220,518	6,188,868	968,350
Local sources	<u>6,250,011</u>	<u>6,250,011</u>	<u>5,232,856</u>	<u>(1,017,155)</u>
Total revenues	<u>11,133,026</u>	<u>11,700,026</u>	<u>11,791,010</u>	<u>90,984</u>
EXPENDITURES				
Food service				
Salaries and wages	4,010,412	4,010,412	3,831,600	178,812
Contracted services	110,000	110,000	70,877	39,123
Supplies and materials	5,659,716	5,744,716	5,691,794	52,922
Other charges	57,292	57,292	21,037	36,255
Equipment	60,000	60,000	21,712	38,288
Transfers out	<u>-</u>	<u>-</u>	<u>3,895</u>	<u>(3,895)</u>
Total food service	9,897,420	9,982,420	9,640,915	341,505
Fixed Charges	<u>1,235,606</u>	<u>1,717,606</u>	<u>1,582,608</u>	<u>134,998</u>
Total expenditures	<u>11,133,026</u>	<u>11,700,026</u>	<u>11,223,523</u>	<u>476,503</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 567,487</u>	<u>\$ 567,487</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF CHANGES IN NET POSITION
STUDENT ACTIVITIES FUND – AGENCY FUND
Year Ended June 30, 2014

	Balance June 30, 2013	Additions/ Receipts	Reductions/ Distributions	Balance June 30, 2014
Cash by schools				
Elementary Schools				
C. Paul Barnhart	\$ 25,123	\$ 59,218	\$ 54,352	\$ 29,989
Berry	27,847	120,968	114,649	34,166
Dr. Gustavus Brown	34,264	49,802	59,439	24,627
Dr. Samuel A. Mudd	9,883	48,800	45,390	13,293
J.C. Parks	43,767	58,357	57,659	44,465
J.P. Ryon	18,771	49,199	54,476	13,494
Eva Turner	16,123	39,545	43,992	11,676
Dr. Thomas L. Higdon	34,009	83,496	79,072	38,433
Daniel of St. Thomas Jenifer	13,039	85,144	90,786	7,397
Dr. James Craik	53,360	84,809	86,014	52,155
Gale-Bailey	24,623	69,170	74,005	19,788
Indian Head	13,969	49,719	43,718	19,970
Malcolm	27,555	55,156	54,422	28,289
T.C. Martin	31,307	85,530	89,260	27,577
Arthur H. Middleton	23,820	73,528	62,535	34,813
Walter J. Mitchell	11,862	89,037	80,746	20,153
Mt. Hope/Nanjemoy	22,982	54,571	53,285	24,268
William B. Wade	34,875	84,928	86,374	33,429
Mary H. Matula	47,065	122,912	112,348	57,629
William Diggs	20,623	94,857	103,203	12,277
Mary B. Neal	9,314	118,694	115,492	12,516
Middle Schools				
John Hanson	37,566	93,884	93,552	37,898
Matthew Henson	75,740	162,180	162,705	75,215
Piccowaxen	55,081	98,754	88,260	65,575
General Smallwood	33,880	78,963	73,979	38,864
Milton Somers	35,979	137,080	148,537	24,522
Benjamin Stoddert	39,793	82,187	92,634	29,346
Mattawoman	102,894	132,652	132,216	103,330
Theodore G. Davis	20,341	96,472	110,508	6,305
High Schools				
La Plata	253,424	615,954	643,110	226,268
Lackey	135,081	522,319	520,362	137,038
Maurice J. McDonough	217,962	494,913	503,588	209,287
Thomas Stone	280,420	434,508	447,138	267,790
Westlake	157,619	582,864	593,730	146,753
North Point	379,846	1,197,359	1,225,364	351,841
St. Charles	-	10,000	-	10,000
Centers				
F.B. Gwynn	29,639	8,460	8,486	29,613
Robert Stethem Education Center	35,402	45,838	28,976	52,264
	<u>\$ 2,434,848</u>	<u>\$ 6,371,827</u>	<u>\$ 6,434,362</u>	<u>\$ 2,372,313</u>
Due to Student Groups	<u>\$ 2,434,848</u>	<u>\$ 6,371,827</u>	<u>\$ 6,434,362</u>	<u>\$ 2,372,313</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF NET POSITION –
 RETIREE HEALTH AND PENSION TRUST FUNDS
 Year Ended June 30, 2014**

	<u>Retiree Health Trust Fund</u>	<u>Pension Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 6,968,540	\$ 6,968,540
Investments, at fair value with fiscal agent	19,576,001	81,976,531	101,552,532
Contribution receivable	4,000,000	1,920,543	5,920,543
Due from other funds	23,669	-	23,669
Total assets	<u>\$ 23,599,670</u>	<u>\$ 90,865,614</u>	<u>\$ 114,465,284</u>
NET POSITION			
Held in trust for retiree health/pension benefits	<u>\$ 23,599,670</u>	<u>\$ 90,865,614</u>	<u>\$ 114,465,284</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, 2014**

	<u>Retiree Health Trust Fund</u>	<u>Pension Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 11,792,401	\$ 5,251,554	\$ 17,043,955
Plan members	2,294,222	966,599	3,260,821
Total contributions	<u>14,086,623</u>	<u>6,218,153</u>	<u>20,304,776</u>
Investment earnings:			
Interest and dividends	-	1,823,847	1,823,847
Net (decrease) increase in fair value of investments	2,313,544	8,152,300	10,465,844
Investment (loss)/gain	2,313,544	9,976,147	12,289,691
Less investment expense	-	288,905	288,905
Net investment (loss)/gain	<u>2,313,544</u>	<u>9,687,242</u>	<u>12,000,786</u>
Total additions	<u>16,400,167</u>	<u>15,905,395</u>	<u>32,305,562</u>
DEDUCTIONS			
Benefits paid to members	10,086,624	3,925,897	14,012,521
Administrative expenses	-	119,768	119,768
Total deductions	<u>10,086,624</u>	<u>4,045,665</u>	<u>14,132,289</u>
CHANGE IN NET POSITION	6,313,543	11,859,730	18,173,273
NET POSITION, BEGINNING OF YEAR	<u>17,286,127</u>	<u>79,005,884</u>	<u>96,292,011</u>
NET POSITION, END OF YEAR	<u>\$ 23,599,670</u>	<u>\$ 90,865,614</u>	<u>\$ 114,465,284</u>