

BOARD OF EDUCATION OF CARROLL COUNTY
Westminster, Maryland

**MANAGEMENT'S DISCUSSION AND ANALYSIS,
FINANCIAL STATEMENTS AND REQUIRED
AND OTHER SUPPLEMENTARY INFORMATION**
June 30, 2012

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CliftonLarsonAllen

Independent Auditor's Report

Members of the Board of
Education of Carroll County
Westminster, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County (the Board), a component unit of Carroll County, Maryland, as of and for the year ended June 30, 2012, which collectively comprise the Board of Education of Carroll County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3-10, budgetary comparison information on pages 42 and 43 and the schedule of funding progress and employer contributions on page 44 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. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Baltimore, Maryland
September 24, 2012

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

As Management of the Board of Education of Carroll County (the Board), we offer readers of the Board's financial statements this discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2012. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

The Board'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 Board'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 Board'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.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Overview of the Financial Statements (Continued)

The following table relays the major features of the two types of statements discussed above:

Type of Analysis	Government-Wide Financials	Governmental Fund Financials	Budgetary Basis	Fiduciary Fund
Scope	Entire school system	All activities of the school system (food service, capital projects, and certain school funds)	Reflects only the Current Operating/ General Fund	Instances in which the School System administers resources on behalf of someone else, such as school activity funds.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Assets and • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet, • Statement of Revenues, Expenditures and Changes in Fund Balances, and • Fiduciary Fund Balance Sheet 	Budgetary Comparison Schedule presented as Required Supplementary Information	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities
Accounting Basis and Measurement Focus	Full accrual accounting and economic resource focus	Modified accrual accounting and current financial focus	Budgetary basis and current financial focus	Full accrual basis of accounting
Type of Asset/ Liability Information	All assets and liabilities, including short- and long-term, as well as financial and capital	Assets and liabilities considered reasonably current (generally within one year), no long-term liabilities or capital assets included	A budgetary basis balance sheet is not presented	All assets and liabilities, both short-term and long-term; the School System's fiduciary fund does not contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred.	Revenues for which cash is received during or immediately following the year; includes expenditures and open encumbrances	All additions and deductions during the year, regardless of when cash is received or paid. Agency funds only report assets and liabilities and do not have a measurement focus

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Government-Wide Financial Statements

The school system-wide statements report information about the school system as a whole using accounting methods similar to those used by private sector companies. The two statements on the school system-wide level report net assets and changes in net assets and are intended to evaluate the school system's financial health or position. Net assets are defined as total assets less total liabilities. These statements will, over time, reflect improvements or deteriorations in the school system's financial strength. These statements consider the non-financial factors, including depreciation of school buildings and other facilities, which are necessary to determine overall financial strength.

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 are designed to provide additional levels of detail on the school system's funds as opposed to the school system as a whole. Funds are accounting devices used by the school system to keep track of specific sources of funding and spending.

The school system has four funds reported here:

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.

Fiduciary Funds includes 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.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Financial Analysis of the School System as a Whole

As noted above, all activities are identified as governmental activities. Current assets totaled \$66.6 million, most of which appears as accounts receivable due from primary governments. This is primarily due from the County Commissioners of Carroll County. Noncurrent assets are composed of capital assets and account for approximately 86% of the school system's total assets. Current liabilities total \$47.7 million, of which approx. \$21.2 million is accrued payroll and related withholdings. It should be noted that this balance reflects payments made to 10-month staff members (such as teachers) who prefer to continue bi-weekly payrolls during July and August. Since these staff members have fulfilled their contractual obligation as of June 30th, the unpaid wages are reflected in this accrual. The accrued fringe portion of this balance is also primarily associated with the payments that will be made for 10-month staff members during July and August. Noncurrent liabilities are \$52.3 million and are predominantly tied to compensated absences for employees and post-employment benefits.

Condensed Statement of Net Assets

	Governmental Activities	
	June 30, 2011,	
	June 30, 2012	as restated
	(In Millions)	
Current and other assets	\$ 66.6	\$ 64.3
Capital assets	425.3	421.9
Total assets	\$ 491.9	\$ 486.2
Current liabilities	\$ 47.7	\$ 54.9
Noncurrent liabilities	52.3	45.1
Total liabilities	\$ 100.0	\$ 100.0
Net assets:		
Invested in capital assets, net of related debt	\$ 419.8	\$ 415.7
Restricted	0.8	0.1
Unrestricted	(28.7)	(29.6)
Total net assets	\$ 391.9	\$ 386.2

The school system's revenue exceeded expenses by \$5.7 million. For budgetary purposes, acquisitions of equipment and capital improvements are considered expenditures. However in accordance with Generally Accepted Accounting Principles (GAAP) and subject to the Board's Capitalization Policy, equipment and capital improvements are \$49.1 million, of which \$15.9 million is construction in progress and \$33.2 million is subject to depreciation. The school system continues to have a change in enrollment patterns. Consequently, the school system has been constructing new buildings and renovating/expanding existing ones. This capital outlay has resulted in increases in capital assets.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Financial Analysis of the School System as a Whole (Continued)

The associated debt to finance these acquisitions resides on the County Government and State of Maryland financial statements, as it is not a burden of Carroll County Public Schools.

Changes in Net Assets from Operating Results

	Governmental Activities	
	June 30, 2011,	
	June 30, 2012	as restated
	(In Millions)	
Revenues		
Program revenues:		
Charge for services	\$ 4.2	\$ 4.4
Operating grants and contributions	58.2	57.9
Capital grants and contributions	19.4	16.4
General revenues:		
County government	165.4	166.8
State (unrestricted)	101.9	93.8
State pension aid	25.1	25.6
Other	1.6	2.1
Total revenues	375.8	367.0
Expenses		
Instruction (regular and special education)	254.4	253.3
Administration (central and school)	39.2	39.9
Maintenance and operations	41.4	41.2
Transportation	21.9	21.0
Student personnel, health and community services	6.8	6.5
Food services	6.4	6.4
Total expenses	370.1	368.3
Increase in net assets	\$ 5.7	\$ (1.3)

All costs identified in the Statement of Activities include the cost of salaries, wages, supplies, contracted services, and depreciation by function. In the case of regular instruction, depreciation expense on the school buildings and equipment in those schools account for \$13.3 million. Fringe benefits and depreciation can be tracked by individual or asset, respectively, and therefore can be tied to a function. Review of the revenues identifies some fee for services circumstances, including use of facilities and tuition. Operating Grant revenues primarily include State and Federal Grants and reflect restricted sources. As detailed in the Statement of Activities, the general revenues include State and County revenue, as well as interest income, none of which meets the criteria for classification as program revenues. More specifically:

- The cost of all governmental services this year was \$370.1 million.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Financial Analysis of the School System as a Whole (Continued)

- \$4.2 million of the costs were financed by users of the school district's programs through fees for service.
- The State and Federal governments subsidized the operations of certain programs with grants and contributions totaling almost \$58.2 million.
- The majority of the district's costs were financed by Carroll County and the State of Maryland taxpayers. Specifically, \$165.4 million was associated with Carroll County appropriations.
- The State and County governments financed \$19.4 million in capital asset purchases, including construction in progress.

Financial Analysis of the Board's Funds

In the General Fund, revenues increased by 1.7% to \$350.4 million which was predominately attributable to a 4.1% increase in unrestricted State revenue. Specific increases include: State Foundation \$4.9 million and State Compensatory Education \$1.8 million.

The Food Service Operation reflected a net change in fund balance of \$653,183 for the year ended June 30, 2012 versus a net change in fund balance of (\$295,339) for the prior year. Based upon declining participation and resulting decreases in revenue, \$1,033,000 was transferred from the General Fund to the Food Service Fund.

The Capital Projects Fund reflects no change to fund balance since revenues exactly offset expenses. This fund is designed not to maintain net assets since expenditures should be offset by revenue in each fiscal year.

Limitations affecting the availability of resources in the General Fund include nonspendable resources of \$693,402, restricted resources of \$423,113, assigned resources of \$8,280,528, and unassigned resources of \$11,869,937.

Budgetary Highlights

Over the course of each fiscal year, the school system revises the annual current operating budget. Generally, the budgets fluctuate for one of two reasons. First, when grants are awarded during the year, an amendment is made to adjust the budget as a whole. In addition, the system is required to maintain budgets by category or function. Therefore, the school system makes transfers within budgeted line items to more accurately reflect changing conditions. These transfers do not impact the budget total as a whole. As reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance on the Budget (Non-GAAP) Basis, none of the school system's categories were overspent at year-end. Most importantly, the school system ended the fiscal year with an excess of revenues over expenditures (Non-GAAP Budgetary Basis) of \$5,714,097. Beginning fiscal year 2008 and thereafter, the Board of Carroll County Commissioners and the Board agreed to create a fund balance reserve account to guard against unanticipated revenue shortfalls and minimize the impact on operations of the school system when unexpected, one-time expenses occur.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Budgetary Highlights (Continued)

The budgetary process is designed to reflect revenues equal to expenditures. However, on the Fund statements, actual expenditures and actual revenues were both lower than budgeted. In fiscal year 2012, current operating fund actual revenues fell short of the final budget by approximately \$5.5 million. The majority of the shortfall was within the restricted portion, as a result of grants that cross into fiscal year 2013 and fewer grant funds carried forward from fiscal year 2011.

Specific examples include Federal Special Education Aid at \$1,342,933, state share for non-public placements of students with disabilities at \$2,396,264 (based on lower total costs), and federal Title I grants at \$582,969.

Specific areas of expenditure exceeded original budgets. Budget transfers between categories were approved to more closely align with actual expenditures, so that at year-end all categories were in compliance.

Capital Asset Administration

By the end of fiscal year 2012, the school system had invested over \$425.3 million in capital assets net of depreciation, predominantly buildings. Total depreciation expense for the year approximated \$15.5 million, increasing accumulated depreciation on assets to \$194.9 million. Included in the Construction in Progress balance is the work completed on the new Mt. Airy Middle School, Hampstead Elementary School Roof, Freedom Elementary School Heat Plant Conversion and Robert Moton Elementary School Open Space Enclosure. The County government issues the debt associated with these capital projects; therefore, the school system financial statements do not reflect outstanding debt associated with these capital assets.

Factors Bearing on the School System's Future

At the time that these financial statements were prepared and audited, the school system was aware of a few existing circumstances that could affect its financial health in the future:

1. Considerable downturns in the economy or other factors further reducing revenue generated by the county or state government could limit their ability to provide legally mandated levels of funding to Carroll County Public Schools.
2. Beginning in fiscal year 2013, school boards will be required to pay the normal cost of retirement for teachers phased-in over four years. Specifically of concern is that future increases in pension costs will outpace future increases in revenues.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Factors Bearing on the School System's Future (Continued)

3. The following federal and state legislative mandates have significant fiscal and opportunity costs for Carroll County Public Schools:
 - No Child Left Behind
 - Bridge to Excellence
 - Race to the Top

4. State aid is calculated based on a number of factors, most significantly being enrollment. Carroll County Public Schools have seen a slight decrease in enrollment in recent years, as measured by full-time equivalent student counts, which would have a negative impact on the amount of state aid received.

Contacting the Board's Financial Management

This financial report is designed to provide the school system's citizens, taxpayers, customers, stakeholders, and creditors with a general overview of the 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 Chief Financial Officer, Carroll County Public Schools, 125 North Court Street, Westminster, Maryland 21157.

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 16,367,950
Accounts receivable	523,448
Due from primary government	39,681,457
Due from other units of government	9,075,252
Inventory	638,400
Other current assets	<u>309,871</u>
Total current assets	<u>66,596,378</u>
NONCURRENT ASSETS	
Capital assets (net of accumulated depreciation):	
Land and improvements	15,049,603
Construction in progress	9,973,482
Equipment	10,552,220
Buildings and improvements	<u>389,740,834</u>
Total noncurrent assets	<u>425,316,139</u>
Total assets	<u>491,912,517</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	9,580,528
Accrued salaries and fringes	21,173,999
Accrued health claims	5,793,857
Accrued expenses	4,614,621
Accrued interest	48,288
Due to student groups	1,893,508
Due to primary government	56,832
Due to other governments	97,494
Unearned revenue	1,335,432
Current portion of capital lease obligations	659,183
Current portion of compensated absences payable	<u>2,465,000</u>
Total current liabilities	<u>47,718,742</u>
NONCURRENT LIABILITIES	
Long-term portion of capital lease obligations	4,897,606
Long-term portion of compensated absences payable	15,482,042
Other postemployment benefits	<u>31,956,508</u>
Total noncurrent liabilities	<u>52,336,156</u>
Total liabilities	<u>100,054,898</u>
NET ASSETS	
Invested in capital assets, net of related debt	419,759,350
Restricted for:	
Food services	783,126
Unrestricted	<u>(28,684,857)</u>
TOTAL NET ASSETS	<u><u>\$ 391,857,619</u></u>

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

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Total Governmental Activities</u>
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES					
INSTRUCTION					
Regular education	\$ 205,039,096	\$ 676,426	\$ 35,025,879	\$ 19,403,223	\$ (149,933,568)
Special education	<u>49,403,516</u>	<u>-</u>	<u>19,280,611</u>	<u>-</u>	<u>(30,122,905)</u>
Total instruction	<u>254,442,612</u>	<u>676,426</u>	<u>54,306,490</u>	<u>19,403,223</u>	<u>(180,056,473)</u>
SUPPORT SERVICES					
Administration	7,199,520	-	265,849	-	(6,933,671)
Mid-level administration	32,000,539	-	278,181	-	(31,722,358)
Student personnel services	1,806,233	-	-	-	(1,806,233)
Student health services	4,643,653	-	12,940	-	(4,630,713)
Student transportation services	21,934,457	-	31,247	-	(21,903,210)
Operation of plant	31,076,596	-	401,681	-	(30,674,915)
Maintenance of plant	10,302,327	-	195,758	-	(10,106,569)
Community services	273,423	238,463	2,557	-	(32,403)
Food services	<u>6,406,468</u>	<u>3,274,465</u>	<u>2,725,758</u>	<u>-</u>	<u>(406,245)</u>
Total support services	<u>115,643,216</u>	<u>3,512,928</u>	<u>3,913,971</u>	<u>-</u>	<u>(108,216,317)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 370,085,828</u>	<u>\$ 4,189,354</u>	<u>\$ 58,220,461</u>	<u>\$ 19,403,223</u>	<u>(288,272,790)</u>
GENERAL REVENUES					
Local appropriations					165,372,091
State aid					126,954,794
Interest and investment earnings					29,226
Miscellaneous					<u>1,598,268</u>
Total general revenues					<u>293,954,379</u>
CHANGE IN NET ASSETS					5,681,589
NET ASSETS, BEGINNING OF YEAR, AS RESTATED					<u>386,176,030</u>
NET ASSETS, END OF YEAR					<u>\$ 391,857,619</u>

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

BOARD OF EDUCATION OF CARROLL COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 16,366,836	\$ 1,114	\$ -	\$ 16,367,950
Accounts receivable	522,718	730	-	523,448
Due from other funds	-	670,666	145,233	815,899
Due from fiduciary fund	-	419,710	-	419,710
Due from primary government	34,060,000	-	5,621,457	39,681,457
Due from other units of government	8,273,898	80,378	720,976	9,075,252
Inventory	383,531	254,869	-	638,400
Other current assets	309,871	-	-	309,871
TOTAL ASSETS	\$ 59,916,854	\$ 1,427,467	\$ 6,487,666	\$ 67,831,987
LIABILITIES				
Accounts payable	\$ 3,177,149	\$ 3,464	\$ 6,399,915	\$ 9,580,528
Accrued salaries and fringes	20,674,396	499,603	-	21,173,999
Accrued health claims	5,793,857	-	-	5,793,857
Accrued expenses	4,614,621	-	-	4,614,621
Due to other funds	814,778	-	1,121	815,899
Due to fiduciary fund	419,710	-	-	419,710
Due to student groups	1,806,878	-	86,630	1,893,508
Due to primary government	56,832	-	-	56,832
Due to other governments	97,494	-	-	97,494
Unearned revenue	1,194,158	141,274	-	1,335,432
Total liabilities	38,649,873	644,341	6,487,666	45,781,880
FUND BALANCES				
Non-spendable	693,402	254,869	-	948,271
Restricted	423,113	-	-	423,113
Assigned	8,280,528	528,257	-	8,808,785
Unassigned	11,869,938	-	-	11,869,938
Total fund balances	21,266,981	783,126	-	22,050,107
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,916,854	\$ 1,427,467	\$ 6,487,666	\$ 67,831,987

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

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total fund balances - governmental funds (page 14) \$ 22,050,107

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$620,195,380, and the accumulated depreciation is \$194,879,241. 425,316,139

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of capital lease obligations \$5,556,789, compensated absences payable \$17,947,042, and net other post-employment obligations \$31,956,508. (55,460,339)

Accrued interest is reported when due and payable in the funds and is reported when incurred on governmental activities. (48,288)

TOTAL NET ASSETS, GOVERNMENTAL ACTIVITIES (page 12) \$ 391,857,619

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

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 165,355,874	\$ -	\$ 10,714,399	\$ 176,070,273
State sources	164,423,494	78,704	8,688,824	173,191,022
Federal sources	17,292,127	2,585,462	-	19,877,589
Earnings on investments	29,226	-	-	29,226
Charges for services	914,889	3,244,523	-	4,159,412
Miscellaneous revenues	2,348,361	91,534	-	2,439,895
	<u>350,363,971</u>	<u>6,000,223</u>	<u>19,403,223</u>	<u>375,767,417</u>
EXPENDITURES				
Administration	5,432,872	-	-	5,432,872
Instruction	145,587,374	-	-	145,587,374
Student personnel services	1,448,351	-	-	1,448,351
Student health services	3,663,944	-	-	3,663,944
Student transportation services	21,422,660	-	-	21,422,660
Operation of plant	24,867,785	-	-	24,867,785
Maintenance of plant	7,256,327	-	-	7,256,327
Fixed charges	63,876,143	-	-	63,876,143
Mid-level administration	25,420,442	-	-	25,420,442
Community services	249,817	-	-	249,817
Special education	39,816,792	-	-	39,816,792
Costs of operation - food services	-	6,380,040	-	6,380,040
Capital outlay	926,738	-	19,403,223	20,329,961
	<u>339,969,245</u>	<u>6,380,040</u>	<u>19,403,223</u>	<u>365,752,508</u>
Excess (deficiency) of revenues over expenditures	<u>10,394,726</u>	<u>(379,817)</u>	<u>-</u>	<u>10,014,909</u>
OTHER FINANCING SOURCES				
Transfers in (out)	<u>(1,033,000)</u>	<u>1,033,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	9,361,726	653,183	-	10,014,909
FUND BALANCES, BEGINNING OF YEAR	<u>11,905,255</u>	<u>129,943</u>	<u>-</u>	<u>12,035,198</u>
FUND BALANCES, END OF YEAR	<u>\$ 21,266,981</u>	<u>\$ 783,126</u>	<u>\$ -</u>	<u>\$ 22,050,107</u>

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

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

Total net changes in fund balances - governmental funds (page 16) \$ 10,014,909

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NETS ASSETS ARE DIFFERENT BECAUSE:**

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, which is capitalized \$19,019,672, exceed depreciation expenses, \$15,511,277, in the period. 3,508,395

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year vacation and sick leave used exceed the amounts earned by: 2,186,953

The execution of a capital lease agreement provides current financial resources to governmental funds, while the repayment of the lease principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount of principal payments on the capital lease obligation for this year. 612,568

In the Statement of Activities, only the gain or loss on sale of the capital assets is reported. In the governmental funds, however, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed. (58,169)

OPEB costs reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (10,583,067)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13) \$ 5,681,589

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

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	OPEB Plan Trust	Agency Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 352,441
Investments	9,277,180	-
Accounts receivable	-	1,020
Due from other funds	-	2,313,218
Prepaid expenses	-	21,648
	9,277,180	2,688,327
Total assets	9,277,180	\$ 2,688,327
LIABILITIES		
Accounts payable	-	\$ 93,650
Due to student groups	-	2,174,967
Due to other funds	-	419,710
	-	419,710
Total liabilities	-	\$ 2,688,327
NET ASSETS		
Net assets held in trust for benefits	\$ 9,277,180	

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

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2012

	<u>OPEB Plan Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 4,957,933
Employee	<u>3,739,391</u>
Total contributions	<u>8,697,324</u>
Investment earnings:	
Net appreciation in fair value of investments	<u>157,981</u>
Total additions	8,855,305
DEDUCTIONS	
Benefits paid to plan members	<u>6,947,325</u>
CHANGES IN NET ASSETS	1,907,980
NET ASSETS, BEGINNING OF YEAR	<u>7,369,200</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,277,180</u></u>

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Board of Education of Carroll County (the Board) as currently constituted was established under Title 3, Subtitle 103, Education, of the Annotated Code of Maryland. The Board is a five-member elected body responsible for the operation of Carroll County Public Schools.

The Board of Education of Carroll County is a component unit of Carroll County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. The Board does not have any component units, as it does not have any entities that it is considered to be financially accountable for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 and as amended by GASB Statement No. 39.

The financial statements of the Board are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments in the United States of America.

Government-Wide and Fund Financial Statements

The Board follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by Statement No. 41, insofar as to the reporting of budgetary data. The statement makes annual reports easier to understand and more useful to those who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis many private sector entities provide in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Fiduciary funds are not included in government-wide financial statements.

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The Board does not engage in business-type activities and, as such, issues single column government-wide financial statements. In the Government-Wide Statement of Net Assets, both the governmental activities' assets and liabilities (a) are presented on a consolidated basis and (b) are reflected on a full accrual, economic resource basis, which incorporates noncurrent assets and receivables as well as long-term obligations.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government. The Board reports all capital assets in the government-wide Statement of Net Assets and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of the Board are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The Government-Wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each Board function. The expenses of individual functions are compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants). These directly matched revenues are called program revenues. This format enables the Government-Wide Statement of Activities to reflect both the gross and net cost per functional category (regular instruction, special instruction, pupil transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function or activity. Multi-purposed grants and other items not properly included among program revenues are reported as general revenues. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Direct expenses are considered those that are clearly identifiable with a specific function or segment. The Board does not allocate indirect expenses.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the Board are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. The Board and many other governments revise their original budgets over the course of the year for a variety of reasons. A budgetary comparison schedule of the Board's original budget to the final budget and actual results is presented as required supplementary information.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide and certain fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Employee and employer contributions to the other employee benefit trust fund are recognized as revenue in the period the contributions are due.

Nonexchange transactions are where the Board either gives or receives value without directly receiving or giving equal value in exchange including, for example, grants and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included on the Balance Sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a 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. The major revenue sources subject to the availability criterion are the local, state, and federal revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Expenditures related to compensated absences are recorded when payment is due or when payable resulting from resignations or retirements.

The following types of transactions are reported as program revenues. Tuition paid directly by students and parents and sales associated with the Food Service Operation are identified as charges for services. State and federal support for Food Service Operation is identified as operating grants and contributions. Grant-related revenue that is specifically restricted for use by a particular function is separated in the Statement of Activities.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the Board and is used to account for the revenues and expenditures necessary for the day-to-day operation of the Board. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Fund – The Food Service Fund is used to account for the operations of the cafeteria program throughout the school system.

Capital Project Fund – The Capital Project Fund is used to account for the financial resources to be used for the acquisition, construction, or improvement of the Board’s major capital facilities.

Additionally, the Board reports the following fiduciary funds:

Agency Fund – The Agency Fund is a fiduciary fund used to account for the funds held by the Board in a trustee capacity. The school funds account for the funds of other persons or organizations which are the direct responsibility of the principals of the respective schools. This is an agency fund with no measurement focus as only assets and liabilities are reported on the accrual basis.

OPEB Plan Trust – The OPEB Plan Trust is used to account for the collection of medical premiums and the payments of medical claims for the Board’s retirees.

As a general rule, the effect of interfund and internal activity has been eliminated from the government-wide financial statements including the Statement of Activities. Interfund balances are not included in the Government-Wide Statement of Net Assets. The Board distinguishes overhead costs, which are eliminated in the preparation of the Statement of Activities from interfund services provided and used between functions which are not eliminated in the Statement of Activities in the financial statement closing process. The Board does not allocate indirect expenses to functions in the fund financial statements.

Assets, Liabilities, and Net Assets or Equity

Investments

Investments are reported at fair value in accordance with GASB Statement No. 31. OPEB Plan Trust investments consisting of money market and mutual funds are stated at fair value.

Receivables and Payables

All interfund receivables and payables are displayed in the fund statements as “due to/due from other funds.” These amounts offset each other and are eliminated from the Government-Wide Statement of Net Assets, so as to not overstate the Board’s assets and liabilities. All trade receivables are deemed fully collectible by management.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Inventory

Inventory consists of expendable supplies and food held for consumption and is valued at cost (first-in, first-out). Inventory is reflected in the financial statements by the consumption method. Under this method, the expenditure is recognized when inventory is used. In the fund financial statements, these inventories are considered nonspendable which indicates that they do not constitute available expendable resources, even though they are a component of assets.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are considered nonspendable in the fund financial statements since they do not constitute available expendable resources.

Capital Assets

Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government 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 the donation.

There is no depreciation recorded for land. Construction in progress is depreciated when it is put in use.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	<u>Years</u>
Buildings	50
Improvements	20
Equipment	3 – 10

Unearned Revenues

Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for grants and unused commodities at June 30, 2012, since title does not pass to the Board until the commodities are used.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Compensated Absences Payable

Compensated absences consist primarily of sick and vacation time earned but not taken. Employees hired prior to July 1, 1997 meeting specified service requirements are eligible to accumulate sick time and upon retirement, are entitled to payment for unused sick time at 50% of their accrued sick leave balance at their previous three year average daily rate. Employees hired prior to July 1, 1997 may accumulate unused sick time and will be paid for a maximum of 250 days or their accumulated balance at June 30, 2003, whichever is greater. Employees hired July 1, 1997 and later are eligible for accumulated unlimited sick time but are not entitled to payment for unused sick time upon retirement. There is a maximum accrual of 30 paid vacation days for those employees eligible to earn and accumulate vacation time. Vested absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only at the time of employee resignations and retirements.

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 government. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt. The authorization for annual expenditures related to debt service emanate from the Carroll County Operating Budget Ordinance.

Net Assets/Fund Equity

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in capital assets, net of related debt* - This category groups all capital assets including infrastructure into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted net assets* - This category presents net assets with external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- *Unrestricted net assets* - This category presents the net assets of the Board, not restricted for any purpose.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets/Fund Equity (Continued)

The Board follows the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

Nonspendable

Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal action of the Board of Education, is the highest level of decision-making authority for the school system. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's adopted policy, the Superintendent, Assistant Superintendent, or Supervisor of Purchasing may assign amounts for specific purposes.

Unassigned

All other spendable amounts.

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.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING POLICIES

Legal budgetary control is employed for the General Fund only. Capital Projects are budgeted on a project basis only. Management employs budgetary control over the Food Service Fund for operational purposes only.

The Board follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to December, the staff accumulates and summarizes data for a proposed operating budget (General Fund).
2. During January, the Superintendent of Schools submits a proposed operating budget to the Board.
3. Public hearings are held to obtain citizens' comments.
4. During February, the Board adopts the proposed budget.
5. On March 1, the budget is submitted to the Carroll County Commissioners for approval.
6. During May, the County Commissioners hold final hearings and adopt the budget which becomes effective July 1.
7. The General Fund budget is adopted on a basis consistent with GAAP except for the inclusion of encumbrances as expenditures and the exclusion of pension payments made by the State on behalf of the Board. Budget comparisons presented in this report are on a non-GAAP budgetary basis. The required supplementary information budgetary comparison schedule reflects the budget as amended.
8. Request for adjustments to major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.
9. Requests for transfers between major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.
10. Expenditures may not legally exceed appropriations at the major category level. In addition, all appropriations lapse at year-end.

During the year, the County Commissioners adopted a fund balance transfer for the Board of Education's General Fund budget. The approved budget and the fund balance transfer is presented below:

Original operating budget approved by the County Commissioners	\$ 331,004,853
Transfers out	<u>(1,033,000)</u>
Amended operating budget for fiscal year 2012	<u>\$ 329,971,853</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – CASH AND CASH EQUIVALENTS

The Board of Education maintains pooled and various separate cash accounts for its funds. The cash balances of the Agency Fund (see Statement of Fiduciary Net Assets) consist of individual demand accounts maintained by the schools. The Board considers any instrument with a maturity of three months or less when purchased to be cash equivalents.

Deposits

At year-end, the carrying value of the Board's combined deposits was \$16,717,412 and cash on hand was \$2,979. The bank balance of deposits was \$20,381,816. The bank balance was covered either by federal depository insurance or collateral held by the financial institution's trust department in the Board's name. Statutes authorize secured time deposits in Maryland banks. Statutes require uninsured deposits to be fully collateralized. Therefore, under the reporting requirements of GASB Statement No.40, the Board's deposits are not subject to custodial or credit risk at year-end. Because of the short-term maturity and type of the investments there is limited interest rate risk.

Investments

Statutes authorize the Board to invest in obligations of the U.S. Government, federal government agency obligations, and repurchase agreements secured by direct government or agency obligations.

OPEB Plan Trust investments of \$9,277,180 are invested in the Carroll County Master Retiree Benefit Trust, which consists of money market and mutual funds. The trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Carroll County Master Retiree Benefit Trust is not rated by the rating agencies.

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 to overnight repurchase agreements and requires that collateral securities underlying the repurchase agreements have a market value equal to the cost of the agreement.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

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 to overnight deposits that are insured or collateralized with securities held by a custodian in the Board's name. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

NOTE 4 – INVENTORY

Inventory consists of the following for the General Fund and Food Services Funds:

Custodial supplies	\$ 180,759
Equipment, repair and maintenance supplies	<u>202,772</u>
	<u>383,531</u>
Food services, supplies	29,965
Food	<u>224,904</u>
	<u>254,869</u>
Total inventories	<u><u>\$ 638,400</u></u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	<u>Balance at June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>
Capital assets not being depreciated				
Land and improvements	\$ 15,049,603	\$ -	\$ -	\$ 15,049,603
Construction in progress	<u>24,179,055</u>	<u>15,930,596</u>	<u>(30,136,169)</u>	<u>9,973,482</u>
Total capital assets, not being depreciated	<u>39,228,658</u>	<u>15,930,596</u>	<u>(30,136,169)</u>	<u>25,023,085</u>
Capital assets being depreciated				
Equipment	41,483,991	1,506,719	(1,048,491)	41,942,219
Equipment under capital lease	2,399,329	-	-	2,399,329
Building and improvements	<u>519,112,221</u>	<u>31,718,526</u>	<u>-</u>	<u>550,830,747</u>
Total capital assets, being depreciated	<u>562,995,541</u>	<u>33,225,245</u>	<u>(1,048,491)</u>	<u>595,172,295</u>
Less - accumulated depreciation				
Equipment	30,113,916	2,266,405	(990,322)	31,389,999
Equipment under capital lease	2,399,329	-	-	2,399,329
Building and improvements	<u>147,845,041</u>	<u>13,244,872</u>	<u>-</u>	<u>161,089,913</u>
Total accumulated depreciation	<u>180,358,286</u>	<u>15,511,277</u>	<u>(990,322)</u>	<u>194,879,241</u>
Total capital assets being depreciated, net	<u>382,637,255</u>	<u>17,713,968</u>	<u>(58,169)</u>	<u>400,293,054</u>
Capital assets, net	<u>\$ 421,865,913</u>	<u>\$ 33,644,564</u>	<u>\$ (30,194,338)</u>	<u>\$ 425,316,139</u>

Depreciation expense for the year was charged to functions as follows:

Regular education	\$ 13,321,682
Special education	154,292
Administration	61,040
Mid level administration	93,424
Student personnel services	9,098
Student health services	286
Student transportation services	79,087
Operation of plant	999,520
Maintenance of plant	735,453
Food services	<u>57,395</u>
Total depreciation expense - governmental activities	<u>\$ 15,511,277</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – CAPITAL ASSETS (CONTINUED)

At June 30, 2012, the Board has construction commitments consisting of the following:

	Future Amounts to be Expended	Future Funding to be Provided
Mt. Airy Middle Replacement	\$ 20,441,147	\$ 7,765,605
Technology Improvements	5,000,000	500,000
Open Space Enclosure - Robert Moton Elementary	2,822,109	1,538,000
Freedom Elementary Heat Plant Conversion	2,707,000	1,450,000
Open Space Enclosure - Westminster Elementary	1,455,054	1,452,944
William Winchester Elementary Roof	1,267,600	272,600
General Paving Projects	1,150,000	1,150,000
HVAC Improvements	690,000	690,000
General Roofing Projects	460,000	460,000
Relocatable Classrooms	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 36,192,910</u>	<u>\$ 15,479,149</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – INTERFUND BALANCES

The composition of interfund balances as of June 30, 2012 is as follows:

	Due From	Due To
General Fund		
Food Service	\$ -	\$ 669,545
Capital Projects	-	145,233
Agency	-	2,226,588
	-	2,226,588
Total general fund	-	3,041,366
Food Service Fund		
General	669,545	-
Capital Projects	1,121	-
Agency	419,710	-
	1,090,376	-
Total food service fund	1,090,376	-
Capital Projects Fund		
General	145,233	-
Food Service	-	1,121
Agency	-	86,630
	145,233	87,751
Total capital projects fund	145,233	87,751
Agency Fund		
General	2,226,588	-
Food Service	-	419,710
Capital Projects	86,630	-
	2,313,218	419,710
Total agency fund	2,313,218	419,710
Total interfund balances	\$ 3,548,827	\$ 3,548,827

The interfund balances resulted from the time lag between the dates that payments of expenses and cash collections by one fund on behalf of another are made.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT

Long-term debt at June 30, 2012 consists of amounts due under capital leases and compensated absences payable as further discussed in Note 1.

During the fiscal year ended June 30, 2012, no new capital leases were entered into by the Board. In October of 2004, the Board entered into a ten-year energy management plan to provide air conditioning to three elementary schools. Additionally, the plan upgraded water and lighting fixtures.

The Board leases energy management equipment pursuant to capital lease agreements entered into in prior years. Payments made on capital leases are recorded in the General Fund. Future minimum lease obligations are as follows:

<u>Year Ending June 30</u>	<u>Energy Management Equipment</u>
2013	\$ 855,918
2014	881,595
2015	908,043
2016	935,285
2017	963,343
2018 - 2019	1,835,795
Total future payments	6,379,979
Less interest	(823,190)
Present value of future minimum lease payments	<u>\$ 5,556,789</u>

Interest expense related to capital leases was \$218,419 for the year ended June 30, 2012. This amount was allocated to the maintenance of plant and equipment function.

Changes in capital lease obligations for the year ended June 30, 2012 were as follows:

Balance, at June 30, 2011	\$ 6,169,357
Additions	-
Reductions	(612,568)
Balance at June 30, 2012	5,556,789
Amounts due within one year	659,183
Capital lease obligations non-current	<u>\$ 4,897,606</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Changes in compensated absences payable for the year ended June 30, 2012 were as follows:

Balance, at June 30, 2011, as restated	\$ 20,133,995
Additions	450,364
Reductions	<u>(2,637,317)</u>
Balance at June 30, 2012	17,947,042
Amounts due within one year	<u>2,465,000</u>
Compensated absence non-current portion	<u>\$ 15,482,042</u>

Capital lease and compensated absence liabilities are generally liquidated by the General Fund.

NOTE 8 – PENSION PLAN

The employees of the Board are covered by the State Retirement and Pension System of Maryland which is a cost sharing employer public employee retirement system (the State System). Most Board employees participate in the State System. The State System prepares a Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension Systems of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

Plan Description

The State System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans which are managed by the Board of Trustees for the State System. All State employees and employees of the participating entities are eligible for coverage by the plans. The State System provides retirement, death, and disability benefits in accordance with State statutes.

Funding Policy

The Board's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the State System, all benefits of the State System are funded in advance. The entry age normal cost method is the actuarial cost method used. Both the Board and covered employees are required by State statute to contribute to the State System. The employees contribute 5% to 7% of compensation, as defined, depending on the participant's plan.

The contribution requirements of the State System members, as well as the State and participating governmental employees are established and may be amended by the Board of Trustees for the State System. Benefits are provided in accordance with State statutes.

The State makes a substantial portion of the Board's annual required contributions to the State System on behalf of the Board. The State's contributions on behalf of the Board for the years ended June 30, 2012, 2011, and 2010 amounted to \$25,068,873, \$25,655,139, and \$23,405,032, respectively. The fiscal 2012 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses on the Statement of Activities.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 – PENSION PLAN (CONTINUED)

Funding Policy (Continued)

The Board made its share of the required contributions during the years ended June 30, 2012, 2011, and 2010 of \$2,138,012, \$2,195,960, and \$1,540,379, respectively.

The contributions are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability over a 28-year period (as provided by law) from July 1, 1980.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description and Funding Policy

The Board provides medical benefits to eligible employees who retire from employment with the Carroll County Public School System. The employer's contributions are financed on a pay-as-you-go basis and any amounts budgeted to be contributed towards meeting the annual required contribution per the actuarial valuation. The future payment of these benefits is contingent upon the annual approval of the operating budget.

The Board provides medical benefits to retirees pursuant to two medical benefit plans for retired employees based on negotiated agreements with various bargaining groups. For retirees over the age of 65 who retired prior to September 1, 1988, the percentage of the premium paid by the Board was dependent upon the retiree's years of service and ranged from 10% to 100%. For retirees who retired after September 1, 1988, the percentage of the premium paid by the Board is dependent upon the retiree's years of service and ranges from 0% to 100%. These percentages are applied to premiums established annually by the Board for individual, husband/wife, parent/child, and family coverages. Only Carroll County Board of Education years of service are considered. As of June 30, 2012, 878 eligible participants were receiving benefits.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual OPEB cost (expense) is calculated based on the actuarially determined *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	\$ 15,475,000
Interest on OPEB obligation	1,015,000
Adjustment to annual required contribution	<u>(949,000)</u>
Annual OPEB cost	15,541,000
Contributions made	<u>(4,957,933)</u>
Increase in net OPEB obligation	10,583,067
Net OPEB obligation - beginning of year	<u>21,373,441</u>
Net OPEB obligation - end of year	<u>\$ 31,956,508</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2012 and the two preceding fiscal years are as follows:

<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 10,280,000	41.37%	\$ 16,785,610
June 30, 2011	9,873,000	53.53%	21,373,441
June 30, 2012	15,541,000	32.03%	31,956,508

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the Plan was 4.1% funded. The actuarial accrued liability for benefits was \$181,428,000 and the actuarial value of assets was \$7,369,200, resulting in an unfunded actuarial accrued liability (UAAL) of \$174,058,800. The covered payroll (annual payroll of active employees covered by the plan) was \$187,921,812, and the ratio of the UAAL to the covered payroll was 92.6%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the projected unit credit method, with linear pro-ration to assumed benefit commencement method was used. The actuarial assumptions included a 4.75% investment rate of return, which assumes that benefits will be funded on a pay-as-you-go basis and that General Fund investments earn 4.75% over the long-term. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 28 years.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2011
Actuarial Cost Method	Projected unit method
Amortization Method	Level percentage of projected payroll over a 30-year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	4.75%
Payroll Growth Rate	3%
Healthcare Cost Trend Rates:	
Pre-65 Medical	6.5% initial / 3.8% ultimate (not applicable to Life)
Post-65 Medical	6.5% initial / 3.8% ultimate (not applicable to Life)

NOTE 10 – FUND BALANCE

Fund balance at June 30, 2012 consists of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>
Fund Balances		
Nonspendable for:		
Inventory	\$ 383,531	\$ 254,869
Prepaid expenses	309,871	-
Total nonspendable	<u>693,402</u>	<u>254,869</u>
Restricted for:		
Regular instruction	30,208	-
Operation of plant	152,301	-
Maintenance of plant	176,234	-
Mid-level administration	6,400	-
Special education	57,970	-
Total restricted	<u>423,113</u>	<u>-</u>
Assigned to:		
Administration	29,247	-
Regular instruction	3,396,398	-
Student personnel	1,269	-
Student health services	8,120	-
Student transportation services	3,093	-
Operation of plant	306,239	-
Maintenance of plant	1,189,403	-
Fixed charges	9,926	-
Mid-level administration	249,356	-
Special education	18,855	-
Cost of operation - food service	-	528,257
Capital outlay	3,068,622	-
Total assigned	<u>8,280,528</u>	<u>528,257</u>
Unassigned	<u>11,869,938</u>	<u>-</u>
Total fund balances	<u>\$ 21,266,981</u>	<u>\$ 783,126</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 – 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 Food Service Fund, and encumbrances outstanding at year-end are reported as commitments or assignments of fund balances since they do not constitute expenditures or liabilities.

Encumbrances at June 30, 2012 are for the following uses:

	<u>General Fund</u>	<u>Food Service Fund</u>
Administration	\$ 29,247	\$ -
Regular instruction	3,426,606	-
Student personnel	1,269	-
Student health services	8,120	-
Student transportation services	3,093	-
Operation of plant	458,540	-
Maintenance of plant	1,365,637	-
Fixed charges	9,926	-
Mid-level administration	255,756	-
Special education	76,825	-
Cost of operation - food service	-	88,511
Capital outlay	<u>68,622</u>	<u>-</u>
Total encumbrances	<u>\$ 5,703,641</u>	<u>\$ 88,511</u>

NOTE 12 – LITIGATION AND CONTINGENCIES

Several lawsuits have been filed arising from personnel grievances, personal injury, and other matters. It is anticipated by the Board that an adverse decision in excess of insurance coverage on any or all of these lawsuits would not have a material adverse affect on these financial statements.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Amounts, if any, of expenditures that may be disallowed by grantors cannot be determined at this time, although the Board expects such amounts, if any, to be immaterial.

The Board leases equipment under agreements reported as operating leases. The annual lease payments are recorded as expenses in the Government-Wide Statement of Activities and Expenditures in the General Fund. Operating lease terms extend through the year ending June 30, 2016.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 12 – LITIGATION AND CONTINGENCIES (CONTINUED)

Future minimum payments on operating leases with an initial or remaining noncancellable term in excess of one year are as follows:

<u>Year Ending June 30</u>	<u>Miniumum Annual Lease Payments</u>
2013	\$ 562,398
2014	391,210
2015	79,010
2016	684
Total	\$ 1,033,302

Operating lease expenditures/expenses for the year ended June 30, 2012 were \$598,936.

NOTE 13 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Board participates in the Maryland Association of Boards of Education Group Insurance Pool (MABE). MABE is a public entity risk pool currently operating as a common risk management and insurance program for fourteen member counties to reduce the amount of claims expenditures incurred. The Board pays an annual premium to MABE for its general insurance coverage. The Formation Agreement of MABE provides that MABE will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of established loss limits which range from \$2,500 to \$5 million for each insured event depending on the type of loss. Settled claims have not exceeded coverage in any of the past three years.

Commercial insurance policies are purchased to provide coverage including workers' compensation coverage. Settled claims did not exceed coverage in any of the past three years.

The Board has also established limited risk management programs for healthcare insurance. The Board, with Aetna U.S. Healthcare, has an arrangement for providing coverage for future medical claims and employees contribute 15% towards this coverage. Deposits are made by the Board into a bank account used only for payments resulting from health insurance claims.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At June 30, 2012, liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated by an actuary based on the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The estimate of the claims liability also includes amounts for non-incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation are another component of the claims liability estimate.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 13 – RISK MANAGEMENT (CONTINUED)

The liability for claims and judgments is reported in the General Fund. Changes in the balances of claims liabilities are as follows:

	2012	2011
Accrued health claims:		
Unpaid claims at beginning of year	\$ 4,374,518	\$ 4,008,253
Incurred claims (including IBNR)	45,861,754	42,607,324
Claim payments	(44,442,415)	(42,241,059)
 Unpaid claims at end of year	 \$ 5,793,857	 \$ 4,374,518

NOTE 14 – RESTATEMENT

Net assets at July 1, 2011 have been restated to correct an error in accounting for compensated absences. The result of this restatement was to increase Net assets in the amount of \$5,594,678 as follows:

Net assets, June 30, 2011, as previously stated	\$ 380,581,352
Effect of correction of error	5,594,678
Net assets, June 30, 2011, restated	\$ 386,176,030

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

REQUIRED SUPPLEMENTARY INFORMATION

**BOARD OF EDUCATION OF CARROLL COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2012**

	Original Budget	Final Budget	Non-GAAP Actual	Variances Positive (Negative) Final Budget To Actual
REVENUES				
Local sources	\$ 165,438,900	\$ 165,438,900	\$ 165,372,091	\$ (66,809)
State sources	142,461,797	142,461,797	139,570,999	(2,890,798)
Federal sources	19,980,541	19,980,541	17,250,409	(2,730,132)
Other revenues	3,123,615	3,123,615	3,263,249	139,634
Total revenues	<u>331,004,853</u>	<u>331,004,853</u>	<u>325,456,748</u>	<u>(5,548,105)</u>
EXPENDITURES				
Administration	5,364,833	5,234,833	4,806,366	428,467
Instructional salaries	123,947,355	123,987,243	121,109,488	2,877,755
Student personnel services	1,248,895	1,381,902	1,271,821	110,081
Student health services	3,265,921	3,385,921	3,223,813	162,108
Student transportation services	21,025,178	21,550,978	21,257,568	293,410
Operation of plant	25,856,666	25,856,666	25,171,712	684,954
Maintenance of plant	6,938,625	8,335,775	7,992,935	342,840
Fixed charges	67,818,950	64,798,080	63,873,393	924,687
Community services	346,000	346,000	249,817	96,183
Capital outlay	852,547	902,547	860,978	41,569
Mid-level administration	23,409,502	22,998,237	22,549,118	449,119
Special education	39,712,907	39,459,900	35,246,412	4,213,488
Instructional textbooks/supplies	8,191,174	8,686,204	8,589,503	96,701
Other instructional costs	3,026,300	3,047,567	2,506,727	540,840
Total expenditures	<u>331,004,853</u>	<u>329,971,853</u>	<u>318,709,651</u>	<u>11,262,202</u>
Excess of revenues over expenditures	<u>-</u>	<u>1,033,000</u>	<u>6,747,097</u>	<u>5,714,097</u>
OTHER FINANCING SOURCES				
Use of prior year fund balance	-	-	-	-
Transfers out	-	(1,033,000)	(1,033,000)	-
Total other financing sources	<u>-</u>	<u>(1,033,000)</u>	<u>(1,033,000)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>5,714,097</u>	<u>\$ 5,714,097</u>
FUND BALANCE AT JUNE 30, 2011			<u>9,854,487</u>	
FUND BALANCE AT JUNE 30, 2012			<u>\$ 15,568,584</u>	

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Under the budgetary basis of accounting, revenues are recognized when cash is received and expenditures are recognized upon the commitment of an encumbrance. Pension payments made by the State on behalf of the Board are not considered revenues and expenditures on the budgetary basis of accounting.

NOTE 2 – BUDGETARY TO GAAP RECONCILIATION

A reconciliation of the revenues and expenditures for the funds which are affected by the adjustments necessary to present the Statement of Revenues and Expenditures and Changes in Fund Balance on a GAAP basis follows:

BUDGETARY GENERAL FUND

Revenues (non-GAAP budgetary basis)	\$ 325,456,748
Decrease in fiscal year revenues generated by fiscal year changes in encumbrances of expenditure driven grants	(161,650)
State pension payments	<u>25,068,873</u>
Revenues and other financing sources (GAAP basis)	<u>\$ 350,363,971</u>
Expenditures (non-GAAP budgetary basis)	\$ 318,709,651
Encumbrance adjustment, net	(3,809,279)
State pension payments	<u>25,068,873</u>
Total expenditures (GAAP basis)	<u><u>\$ 339,969,245</u></u>

**BOARD OF EDUCATION OF CARROLL COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
June 30, 2012**

Schedule of Funding Progress

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2007	\$ -	\$ 86,140,000	\$ 86,140,000	0.0%	\$ 201,265,894	42.8%
July 1, 2008	-	75,282,000	75,282,000	0.0%	205,042,209	36.7%
July 1, 2009	1,500,000	116,797,000	115,297,000	1.3%	204,209,308	56.5%
July 1, 2010	3,722,000	110,803,000	107,081,000	3.4%	200,942,793	53.3%
July 1, 2011	7,369,200	181,428,000	174,058,800	4.1%	187,912,812	92.6%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed	Net OPEB Obligation
2008	\$ 8,570,000	22.36%	\$ 6,653,345
2009	7,558,000	46.27%	10,758,137
2010	10,211,000	41.65%	16,785,610
2011	9,725,000	53.53%	21,373,441
2012	15,475,000	32.03%	31,956,508