

**BOARD OF EDUCATION OF CARROLL COUNTY  
Westminster, Maryland**

**MANAGEMENT'S DISCUSSION AND ANALYSIS,  
FINANCIAL STATEMENTS AND REQUIRED  
AND OTHER SUPPLEMENTARY INFORMATION  
June 30, 2008**

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## 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, a component unit of Carroll County, Maryland, as of and for the year ended June 30, 2008, 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 of Education of Carroll County's management. Our responsibility is to express an opinion 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 opinion.

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 of Education of Carroll County as of June 30, 2008, 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 26, 2008 on our consideration of the Board of Education of Carroll County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 - 12, budgetary comparison information on pages 38 and 39 and the schedule of funding progress on page 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Carroll County's basic financial statements. The schedules on pages 42 - 49 presented as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Baltimore, Maryland  
September 26, 2008

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County as of and for the year ended June 30, 2008, which collectively comprise the Board of Education of Carroll County's basic financial statements and have issued our report thereon dated September 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

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

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

*Clifton Henderson LLP*

Baltimore, Maryland  
September 26, 2008

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

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, 2008. 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 and supplementary budgetary schedules.

- 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. The required supplementary information is followed by a section of supplementary budgetary schedules, which primarily provides additional budgetary review. In this last section of other supplementary information, the Board has chosen to include additional detail beyond that which is required. This additional detail provides information on select operations at individual schools, as well as detailed expenditure data comparable to the reporting required by the Maryland State Department of Education.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Overview of the Financial Statements (Continued)**

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

<b>Type of Analysis</b>	<b>Government-Wide Financials</b>	<b>Governmental Fund Financials</b>	<b>Budgetary Basis</b>
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
Required Financial Statements	Statement of Net Assets and Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances, and Fiduciary Fund Balance Sheet	Budgetary Comparison Schedule presented as Required Supplementary Information
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
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
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 or immediately following the year; expenditures only when the goods/services are received and the related liability is payable	Revenues for which cash is received during or immediately following the year; includes expenditures and open encumbrances

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**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 cover all costs including depreciation cost. 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 is the fund that captures the financial activities of the cafeteria operations.

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

Fiduciary Fund reflects liabilities due to student groups and reflects revenues and expenditures that are earmarked for specific student groups at individual schools.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Financial Analysis of the School System as a Whole**

As noted above, all activities are identified as governmental activities, as opposed to business-type activities. Current assets totaled \$46.3 million, most of which appears as accounts receivable due from other governments. This is primarily due from the County Commissioners of Carroll County. Noncurrent assets are composed of capital assets and account for approximately 90% of the school system's total assets. Current liabilities total \$44.2 million, of which over \$19.6 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 30<sup>th</sup>, 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 over \$38.3 million and are predominantly tied to compensated absences for employees.

**Condensed Statement of Net Assets**

	<b>Governmental Activities June 30, 2008</b>	<b>Governmental Activities June 30, 2007</b>
	<i>(In Millions)</i>	<i>(In Millions)</i>
Current and other assets	\$ 46.3	\$ 49.1
Capital assets	<u>400.8</u>	<u>316.9</u>
Total assets	<u>\$ 447.1</u>	<u>\$ 366.0</u>
Current liabilities	\$ 44.2	\$ 43.2
Non current liabilities	<u>38.3</u>	<u>31.0</u>
Total liabilities	<u>\$ 82.5</u>	<u>\$ 74.2</u>
Net assets:		
Invested in capital assets, net of related debt	393.0	308.7
Restricted	0.1	0.6
Unrestricted deficit	<u>(28.5)</u>	<u>(17.5)</u>
<b>Total net assets</b>	<u>\$ 364.6</u>	<u>\$ 291.8</u>

The school system's revenues exceeded expenses by \$72.7 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, the equipment and capital improvements, amounting to \$44.4 million are capitalized and 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. 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.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

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

**Changes in Net Assets from Operating Results**

	<b>Governmental Activities June 30, 2008</b>	<b>Governmental Activities June 30, 2007</b>
	<i>(In Millions)</i>	<i>(In Millions)</i>
<b>Revenues</b>		
Program revenues:		
Charge for services	\$ 5.0	\$ 5.2
Operating grants and contributions	42.0	38.6
Capital grants and contributions	40.4	25.4
General revenues:		
County government	151.1	145.0
State (unrestricted)	109.3	99.3
State pension aid	17.3	13.4
Other	1.4	1.6
Total revenues	366.5	328.5
<b>Expenses</b>		
Instruction (regular and special education)	184.6	213.2
Administration (central and school)	38.9	34.4
Maintenance and operations	37.8	36.1
Transportation	19.8	17.9
Student services and health	5.7	4.9
Food services	7.0	6.5
Total expenses	293.8	313.0
<b>Increase in net assets</b>	<b>\$ 72.7</b>	<b>\$ 15.5</b>

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 \$10.5 million. Due to reporting capabilities, no expenses are unallocated. 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 include primarily 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 \$293.8 million.
- \$5.0 million of the costs were financed by users of the school districts programs through fees for service.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

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

- The State and Federal governments subsidized the operations of certain programs with grants and contributions totaling almost \$42.0 million.
- Most of the district's costs, however, were financed by Carroll County and State of Maryland taxpayers.
- Of that portion, \$151.1 million was associated with Carroll County government appropriations.
- The State and County governments financed \$40.4 million in capital asset purchases, including construction in progress.

**Financial Analysis of the Board's Funds**

In the General Fund, revenues increased by 8% to \$319.7 million. The General Fund increase is attributable to a 4.2% increase in the appropriation from the County government and a 12.3% increase in unrestricted State revenue. Significant expenditure increases occurred to fund salary increases and other costs negotiated by the various bargaining groups. The system also funded 49.5 (full-time equivalent) new positions to meet growth and academic needs as well as to implement Phase III of state-mandated Full Day Kindergarten for all students.

The Food Service Operation reflected a net change in fund balance of \$(588,770) for the year ended June 30, 2008 versus a net change in fund balance of \$(4,785) for the prior year.

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 a reserve for inventories of \$408,227, a reserve for prepaid of \$436,381 and include a reserve for encumbrances of \$1,927,581.

**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 done 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 of \$2,504,312. 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, 2008**

**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. Most of this variance is associated with grants that cross fiscal years, and therefore are not fully recognized or expended during the twelve-month fiscal cycle. For instance, the current operating fund actual revenues fell short of the final budget by almost \$5.2 million. Virtually this entire shortfall was within the restricted portion, illustrating grants that cross into fiscal year 2009.

Specific examples include STEM at \$97,946, Twenty-First Century Community Learning Center at \$210,208, and Title I at \$631,907. These revenues will be realized and received in fiscal year 2009 to offset fiscal year 2009 grant related expenditures.

Specific areas of expenditure exceeded original budgets. However, budget transfers between categories were approved to more closely align with actual expenditures, so that at year-end all categories were in compliance. For fiscal year 2008, transfers were made out of fixed charges to maintenance of plant, operation of plant, and instructional areas. The school system is self-insured for medical, dental, prescription, and vision coverage. Actual claims in 2008 were lower than actuarial projections, creating a surplus in those line items.

**Capital Asset Administration**

By the end of fiscal year 2008, the school system had invested over \$400.8 million in capital assets net of depreciation, predominantly buildings. Total depreciation expense for the year approximated \$12.5 million, increasing accumulated depreciation on assets to \$147.7 million. Included in the Construction in Progress balance is the work completed on Manchester Valley High School, Open Space Classroom Enclosures, Westminster High School HVAC and the South Carroll High School Fine Arts Addition. Fiscal year 2009 capital budgets reflect \$700,000 for Technology Improvements and \$400,000 for Relocatable Classrooms. 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 several existing circumstances that could affect its financial health in the future:

1. Carroll County Public Schools does not have taxing authority and is dependent on the Carroll County Government and the State of Maryland for funding. 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, as measured by full-time equivalent counts, which could have a negative impact on state aid received. In addition, significant downturns in the economy or other factors limiting the revenue generated by the County or State could limit their ability to provide legally mandated levels of funding. The State legislature made changes to the inflation factor used in calculating State aid in a special legislative session during 2007, which will result in a decrease in State aid for fiscal years 2009 and 2010. This change may also result in additional temporary or permanent decreases in the levels of funding which are legally mandated by the State or County government.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

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

2. The school system continues to implement President Bush's "No Child Left Behind Act." The federal act requires students to meet established standards and that individual schools demonstrate annual progress. Costs associated with hiring and retaining "highly qualified" teachers and paraprofessionals continue to rise.
3. The Government Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting for Other Post-Employment Benefits* (OPEB). The Board of Education of Carroll County offers other non-pension benefits to retirees and consequently, is recognizing an OPEB liability in fiscal year 2008 and in future years in accordance with this statement. A decision on whether or not to fund OPEB contributions has not been determined, however, current economic conditions most likely will prohibit the school system from funding OPEB.

**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 Comptroller's Office, 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, 2008**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 10,708,247
Investments	1,401,715
Accounts receivable	1,061,458
Due from other units of government	32,021,822
Inventory	599,744
Other current assets	<u>477,602</u>
Total current assets	<u>46,270,588</u>
<b>NONCURRENT ASSETS</b>	
Capital assets (net of accumulated depreciation):	
Land and improvements	12,549,603
Construction in progress	77,032,529
Equipment	12,502,422
Buildings and improvements	<u>298,703,123</u>
Total noncurrent assets	<u>400,787,677</u>
Total assets	<u>447,058,265</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	9,693,299
Accrued salaries and fringes	19,597,733
Accrued health claims	3,297,393
Accrued expenses	5,875,771
Accrued interest	48,287
Due to student groups	1,891,671
Due to other governments	163,166
Unearned revenue	983,192
Current portion of capital lease obligations	486,104
Current portion of compensated absences payable	<u>2,135,000</u>
Total current liabilities	<u>44,171,616</u>
<b>NONCURRENT LIABILITIES</b>	
Long-term portion of capital lease obligations	7,263,732
Long-term portion of compensated absences payable	24,381,905
Other postemployment benefits	<u>6,653,345</u>
Total noncurrent liabilities	<u>38,298,982</u>
Total liabilities	<u>82,470,598</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	393,037,841
Restricted for:	
Food services	58,626
Unrestricted	<u>(28,508,800)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 364,587,667</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, 2008**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>INSTRUCTION</b>					
Regular education	\$ 139,337,479	\$ 513,271	\$ 22,203,973	\$ 40,394,895	\$ (76,225,340)
Special education	<u>45,257,563</u>	<u>-</u>	<u>16,193,867</u>	<u>-</u>	<u>(29,063,696)</u>
Total instruction	<u>184,595,042</u>	<u>513,271</u>	<u>38,397,840</u>	<u>40,394,895</u>	<u>(105,289,036)</u>
<b>SUPPORT SERVICES</b>					
Administration	7,533,868	-	246,335	-	(7,287,533)
Mid-level administration	31,353,903	-	640,104	-	(30,713,799)
Student personnel services	1,586,863	-	-	-	(1,586,863)
Student health services	3,846,473	-	43,526	-	(3,802,947)
Student transportation services	19,782,679	-	127,438	-	(19,655,241)
Operation of plant	28,247,858	-	1,952	-	(28,245,906)
Maintenance of plant	9,507,248	-	303,293	-	(9,203,955)
Community services	303,374	281,449	1,803	-	(20,122)
Food services	<u>6,992,636</u>	<u>4,160,482</u>	<u>2,197,679</u>	<u>-</u>	<u>(634,475)</u>
Total support services	<u>109,154,902</u>	<u>4,441,931</u>	<u>3,562,130</u>	<u>-</u>	<u>(101,150,841)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 293,749,944</u>	<u>\$ 4,955,202</u>	<u>\$ 41,959,970</u>	<u>\$ 40,394,895</u>	<u>(206,439,877)</u>
<b>GENERAL REVENUES</b>					
Local appropriations					151,107,358
State aid					126,588,554
Interest and investment earnings					542,379
Miscellaneous					<u>946,766</u>
Total general revenues					<u>279,185,057</u>
<b>CHANGES IN NET ASSETS</b>					
					72,745,180
<b>NET ASSETS, BEGINNING OF YEAR</b>					
					<u>291,842,487</u>
<b>NET ASSETS, END OF YEAR</b>					
					<u>\$ 364,587,667</u>

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2008**

	<b>General Fund</b>	<b>Food Services Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,701,946	\$ 6,301	\$ -	\$ 10,708,247
Investments	1,401,715	-	-	1,401,715
Accounts receivable	1,058,677	2,781	-	1,061,458
Due from other funds	537,370	405,018	-	942,388
Due from other units of government	24,246,617	52,938	7,722,267	32,021,822
Inventory	408,227	191,517	-	599,744
Other current assets	477,602	-	-	477,602
<b>TOTAL ASSETS</b>	<b><u>\$ 38,832,154</u></b>	<b><u>\$ 658,555</u></b>	<b><u>\$ 7,722,267</u></b>	<b><u>\$ 47,212,976</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,561,075	\$ 31,216	\$ 7,101,008	\$ 9,693,299
Accrued salaries and fringes	19,029,578	568,155	-	19,597,733
Accrued health claims	3,297,393	-	-	3,297,393
Accrued expenses	5,875,771	-	-	5,875,771
Due to other funds	2,212,800	-	621,259	2,834,059
Due to other governments	163,166	-	-	163,166
Deferred revenue	982,633	559	-	983,192
<b>Total liabilities</b>	<b><u>34,122,416</u></b>	<b><u>599,930</u></b>	<b><u>7,722,267</u></b>	<b><u>42,444,613</u></b>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	1,927,581	53,917	-	1,981,498
Inventories	408,227	191,517	-	599,744
Prepaid	436,381	-	-	436,381
Unreserved:				
Undesignated	1,937,549	(186,809)	-	1,750,740
<b>Total fund balances</b>	<b><u>4,709,738</u></b>	<b><u>58,625</u></b>	<b><u>-</u></b>	<b><u>4,768,363</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 38,832,154</u></b>	<b><u>\$ 658,555</u></b>	<b><u>\$ 7,722,267</u></b>	<b><u>\$ 47,212,976</u></b>

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, 2008**

Total fund balances – governmental funds (page 16) \$ 4,768,363

**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 \$548,489,044, and the accumulated depreciation is \$147,701,367. 400,787,677

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 (\$7,749,836), compensated absences payable (\$26,516,905) and net other post employment obligations (\$6,653,345). (40,920,086)

Accrued interest is reported when due and payable in the funds and is reported when incurred on governmental activities. (48,287)

**TOTAL NET ASSETS, GOVERNMENTAL ACTIVITIES (page 14)** **\$ 364,587,667**

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, 2008**

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 148,052,634	\$ -	\$ 33,689,355	\$ 181,741,989
State sources	157,711,443	58,117	6,705,540	164,475,100
Federal sources	10,944,622	1,996,336	-	12,940,958
Earnings on investments	521,122	21,257	-	542,379
Charges for services	794,721	4,160,482	-	4,955,203
Miscellaneous revenues	1,696,267	143,225	-	1,839,492
	<u>319,720,809</u>	<u>6,379,417</u>	<u>40,394,895</u>	<u>366,495,121</u>
<b>EXPENDITURES</b>				
Administration	5,846,133	-	-	5,846,133
Instruction	147,852,752	-	-	147,852,752
Student personnel services	1,367,086	-	-	1,367,086
Student health services	3,081,784	-	-	3,081,784
Student transportation services	19,291,600	-	-	19,291,600
Operation of plant	23,185,937	-	-	23,185,937
Maintenance of plant	8,025,780	-	-	8,025,780
Fixed charges	49,351,442	-	-	49,351,442
Mid-level administration	25,994,960	-	-	25,994,960
Community services	289,401	-	-	289,401
Special education	37,543,946	-	-	37,543,946
Costs of operation - food services	-	7,056,740	-	7,056,740
Capital outlay	965,064	-	40,394,895	41,359,959
	<u>322,795,885</u>	<u>7,056,740</u>	<u>40,394,895</u>	<u>370,247,520</u>
Deficiency of revenues over expenditures	<u>(3,075,076)</u>	<u>(677,323)</u>	<u>-</u>	<u>(3,752,399)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out)	<u>(88,553)</u>	<u>88,553</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(88,553)</u>	<u>88,553</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(3,163,629)</u>	<u>(588,770)</u>	<u>-</u>	<u>(3,752,399)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>7,873,367</u>	<u>647,395</u>	<u>-</u>	<u>8,520,762</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 4,709,738</u>	<u>\$ 58,625</u>	<u>\$ -</u>	<u>\$ 4,768,363</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  
June 30, 2008**

Total net change in fund balances – governmental funds (page 18) \$ (3,752,399)

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES 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 \$96,366,867, exceeds depreciation expenses, \$12,467,231, in the period. 83,899,636

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 earned exceeded the amounts used by: (1,142,570)

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 lease obligation for this year. 448,091

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. (54,233)

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. (6,653,345)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 72,745,180  
(page 15)

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2008**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 354,390
Due from other funds	2,182,256
Accounts receivable	1,150
Prepaid expenses	20,404
<b>TOTAL ASSETS</b>	<b>\$ 2,558,200</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 95,398
Due to student groups	2,172,217
Due to other funds	290,585
<b>TOTAL LIABILITIES</b>	<b>\$ 2,558,200</b>

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**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**

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement was amended by Statement No. 41, insofar as to the reporting of budgetary data. This statement, known as the "Reporting Model" statement, affects the way the Board prepares and presents financial information.

The statement was developed to make annual reports easier to understand and more useful to the people 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 non-current assets and receivables as well as long-term obligations.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**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, 2008**

**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 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.

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.

It is the Board's policy to first use restricted assets for expenses incurred for which both restricted and unrestricted assets are available unless a local match is required. Where a local match is required, the expense is allocated to restricted and unrestricted assets based on the required match percentages.

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 is identified as charges for services. Additionally, sales associated with the Food Service Operation are identified as charges for services, while state and federal support for this function 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, 2008**

**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 Improvements Project Fund is used to account for the financial resources to be used for the acquisition or construction of the Board's major capital facilities.

Additionally, the Board reports the following fiduciary fund:

**School Fund** – The School 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.

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 market value in accordance with GASB Statement No. 31.

**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.

**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 offset by a fund balance reserve which indicates that they do not constitute available expendable resources, even though they are a component of assets.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

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

**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.

**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 \$1,000 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 market value at the date of the donation.

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:

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

**Unearned Revenues**

Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for reimbursable-type grants and unused commodities at June 30, 2008, since title does not pass to the Board until the commodities are used.

**Compensated Absences Payable**

The current portion of compensated absences that has matured due to resignations or retirements which totals \$1,231,906 is included in accrued wages in the General Fund. The Board recognizes expenditures for these items, which include salaries and salary related payments, as incurred. Vested absences earned but not taken were \$26,516,905 at June 30, 2008 and are reflected in the entity wide Statement of Net Assets.

These 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.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

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

**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, Capital Improvements Project Fund and Food Service Fund, and encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**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.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Fund balances in the governmental funds are reserved for encumbrances to indicate the amounts are not available for other expenditures.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING POLICIES**

Legal budgetary control is employed for the General Fund only. The School Fund does not have a legally adopted annual budget. 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.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING POLICIES (CONTINUED)**

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 supplemental appropriations for the Board of Education's General Fund budget. The approved budget and supplemental appropriations are presented below:

Original operating budget approved by the County Commissioners	\$ 308,385,397
Approved supplemental appropriations	2,103,746
Transfers out	<u>(88,553)</u>
<b>Amended operating budget for fiscal year 2008</b>	<b><u>\$ 310,400,590</u></b>

**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 School 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, as cash equivalents.

**Deposits**

At year-end, the carrying value of the Board's combined deposits including amounts invested in repurchase agreements was \$11,062,637 and \$1,401,715 and was invested in the Maryland Local Government Investment Pool. The bank balance of deposits, including amounts invested in repurchase agreements, was \$17,906,860 and cash on hand was \$150,000. Of the bank balance, \$322,626 was covered by federal depository insurance and \$17,584,234 was covered by 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 Governmental Accounting Standards Board 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.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)**

**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.

The Board is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Institutional Investments. The pool has an AAAM rating from Standard 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 market value of the pool is the same as the value of the pool shares.

Additionally, in accordance with reporting requirements of GASB Statement No. 40, the Board does not have any interest rate risk associated with investments. Investments in the MLGIP and repurchase agreements are priced on a daily basis, with funds availability also on a daily basis. It should also be noted that the Board does not have any foreign currency risk associated with any investments.

**NOTE 4 – INVENTORY**

Inventory consists of the following for the General Fund:

Custodial supplies	\$ 196,270
Equipment, repair and maintenance supplies	211,957
Food service supplies	28,321
Food	<u>163,196</u>
<b>Total inventories</b>	<b><u>\$ 599,744</u></b>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Balance at June 30, 2007</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at June 30, 2008</b>
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land and improvements	\$ 12,549,603	\$ -	\$ -	\$ 12,549,603
Construction in progress	<u>25,075,721</u>	<u>74,586,716</u>	<u>(22,629,908)</u>	<u>77,032,529</u>
Total capital assets, not being depreciated	<u>37,625,324</u>	<u>74,586,716</u>	<u>(22,629,908)</u>	<u>89,582,132</u>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Equipment	39,268,426	4,032,912	(1,620,307)	41,681,031
Equipment under capital lease	4,816,683	-	-	4,816,683
Building and improvements	<u>372,032,053</u>	<u>40,377,145</u>	<u>-</u>	<u>412,409,198</u>
Total capital assets being depreciated	<u>416,117,162</u>	<u>44,410,057</u>	<u>(1,620,307)</u>	<u>458,906,912</u>
<b>LESS – ACCUMULATED DEPRECIATION</b>				
Equipment	27,592,733	3,151,950	(1,566,074)	29,178,609
Equipment under capital lease	4,816,683	-	-	4,816,683
Building and improvements	<u>104,390,794</u>	<u>9,315,281</u>	<u>-</u>	<u>113,706,075</u>
Total accumulated depreciation	<u>136,800,210</u>	<u>12,467,231</u>	<u>(1,566,074)</u>	<u>147,701,367</u>
Total capital assets, being depreciated, net	<u>279,316,952</u>	<u>31,942,826</u>	<u>(54,233)</u>	<u>311,205,545</u>
<b>CAPITAL ASSETS, NET</b>	<u><b>\$316,942,276</b></u>	<u><b>\$106,529,542</b></u>	<u><b>\$(22,684,141)</b></u>	<u><b>\$400,787,677</b></u>

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

Regular education	\$ 10,498,488
Special education	128,002
Administration	247,691
Mid level administration	167,970
Student personnel services	20,806
Student health services	481
Student transportation services	109,736
Operation of plant	890,653
Maintenance of plant	348,491
Food services	<u>54,913</u>
<b>Total depreciation expense – governmental activities</b>	<u><b>\$ 12,467,231</b></u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

At June 30, 2008, the Board has construction commitments consisting of the following:

	<u>Future Amounts to be Expended</u>	<u>Future Funding to be Provided</u>
Manchester Valley High	\$ 58,922,918	\$ 10,969,000
South Carroll High Fine Arts	29,034,408	27,720,000
Westminster High HVAC	25,979,949	24,924,000
Carrolltowne Elementary	4,119,566	-
Mt. Airy Elementary	<u>722,909</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 118,779,750</u></u>	<u><u>\$ 63,613,000</u></u>

**NOTE 6 – INTERFUND BALANCES**

The composition of interfund balances as of June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 113,313
Food Service Fund	Capital Projects Fund	1,120
Food Service Fund	School Fund	290,585
School Fund	Capital Projects Fund	82,769
School Fund	General Fund	2,099,487
General Fund	Capital Projects Fund	<u>537,370</u>
<b>Total</b>		<u><u>\$ 3,124,644</u></u>

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.

**NOTE 7 – LONG-TERM DEBT**

Long-term debt at June 30, 2008 consists of amounts due under capital leases and compensated absences payable as further discussed in Note 1.

During the fiscal year ended June 30, 2008, no new capital leases were entered into by the Board. In October of 2004, Phase IV of an energy management plan was entered into providing air conditioning to three elementary schools. Additionally, the plan will upgrade 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:

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

<b>Year Ending June</b>	<b>Energy Management Equipment</b>
2009	\$ 760,472
2010	783,286
2011	806,785
2012	830,988
2013	855,918
Next 5 years ending 2018	4,680,510
Next 5 years ending 2023	<u>844,234</u>
Total future payments	9,562,193
Less interest	<u>(1,812,357)</u>
<b>Present value of future minimum lease payments</b>	<b><u>\$ 7,749,836</u></b>

Interest expense related to capital leases was \$290,231 for the year ended June 30, 2008. This amount was allocated to functions as follows:

Maintenance of plant and equipment	<u>\$ 290,231</u>
------------------------------------	-------------------

Changes in capital lease obligations for the year ended June 30, 2008 were as follows:

Balance at June 30, 2007	\$ 8,197,927
Additions	-
Reductions	<u>(448,091)</u>
<b>Balance at June 30, 2008</b>	<b>7,749,836</b>
<b>Amounts due within one year</b>	<b><u>(486,104)</u></b>
<b>Capital lease obligations non-current</b>	<b><u>\$ 7,263,732</u></b>

Changes in compensated absences payable for the year ended June 30, 2008 were as follows:

Balance at June 30, 2007	\$25,374,335
Additions	2,813,875
Reductions	<u>(1,671,305)</u>
<b>Balance at June 30, 2008</b>	<b>26,516,905</b>
<b>Amounts due within one year</b>	<b><u>(2,135,000)</u></b>
<b>Compensated absence non-current portion</b>	<b><u>\$24,381,905</u></b>

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**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 4% 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, 2008, 2007, and 2006 amounted to \$17,271,292, \$13,436,187, and \$12,180,637, respectively. The fiscal 2008 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.

The Board made its share of the required contributions during the years ended June 30, 2008, 2007, and 2006 of \$1,613,411, \$1,373,580, and \$1,130,506, respectively.

The contributions are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability over a 40-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 the future payment of these benefits is contingent upon the annual approval of the operating budget.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

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 is dependent upon the retiree's years of service and ranges 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, 2008, 731 eligible participants were receiving benefits.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 8,570,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	8,570,000
Contributions made	1,916,655
Increase in net OPEB obligation	6,653,345
Net OPEB obligation - beginning of year	-
<b>Net OPEB obligation - end of year</b>	<b>\$ 6,653,345</b>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 8,570,000	22.36%	\$ 6,653,345

**Funded Status and Funding Progress**

As of June 30, 2008, the most recent actuarial valuation date, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) for benefits was \$86,140,000. The covered payroll (annual payroll of active employees covered by the plan) was \$201,265,894, and the ratio of the UAAL to the covered payroll was 42.8 percent.

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the June 30, 2008, actuarial valuation, the projected unit credit method, with linear pro-rata to assumed benefit commencement method was used. The actuarial assumptions included a 4% 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% 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, 2008, was fourteen years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2008
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%
Payroll Growth Rate	3%
Healthcare Cost Trend Rates:	
Pre-65 Medical	9.5% initial / 5.5% ultimate (not applicable to Life)
Post-65 Medical	9.5% initial / 5.5% ultimate (not applicable to Life)

**NOTE 10 – LITIGATION AND CONTINGENCIES**

Several suits 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 suits 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.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 10 – LITIGATION AND CONTINGENCIES (CONTINUED)**

A lawsuit has been threatened against the Board by an individual seeking damages for injuries sustained as a result of a bus accident involving an independent contractor that provides contracted bus service to the Board. A formal monetary demand has not been filed by the potential plaintiff since the full medical costs of the injuries is unknown. It is anticipated that the amount of the claim could exceed \$1 million, which is the amount of coverage provided to the Board by the M.A.B.E. Group Insurance Pool. As a result of the threat of this lawsuit, the independent contractor has threatened a lawsuit against the Board in the event the judgment awarded to the individual exceeds the insurance coverage the Board provided to the independent contractor. A liability has not been recorded since the amount of the claims can not be reasonably estimated at this time.

**NOTE 11 – 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 did not exceed 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. In the past, healthcare insurance was covered by a third party carrier. Effective January 1, 1998, the Board, with Aetna U.S. Healthcare, established a new arrangement of providing coverage for future medical claims. Effective July 1, 2005, 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, 2008, 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. The liability for claims and judgments is reported in the General Fund. Changes in the balances of claims liabilities are as follows:

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 11 – RISK MANAGEMENT (CONTINUED)**

	<b>Year Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
	<hr/>	<hr/>
<b>ACCRUED HEALTH CLAIMS</b>		
Unpaid claims at beginning of year	\$ 2,879,446	\$ 2,922,528
Incurred claims (including IBNR)	31,504,731	28,363,400
Claim payments	<u>(31,086,784)</u>	<u>(28,406,482)</u>
<b>UNPAID CLAIMS AT END OF YEAR</b>	<u>\$ 3,297,393</u>	<u>\$ 2,879,446</u>

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, 2008**

	Original Budget	Final Budget	Non-GAAP Actual	Variances Positive (Negative) Final Budget To Actual
<b>REVENUES</b>				
Local sources	\$ 150,926,700	\$ 151,107,358	\$ 151,107,358	\$ -
State sources	142,131,236	142,481,542	140,502,351	(1,979,191)
Federal sources	12,612,025	13,596,729	10,700,274	(2,896,455)
Other revenues	<u>2,715,436</u>	<u>3,303,514</u>	<u>3,011,115</u>	<u>(292,399)</u>
Total revenues	<u>308,385,397</u>	<u>310,489,143</u>	<u>305,321,098</u>	<u>(5,168,045)</u>
<b>EXPENDITURES</b>				
Administration	5,408,714	5,450,694	5,397,619	53,075
Instructional salaries	125,735,910	126,593,312	125,065,871	1,527,441
Student personnel services	1,337,970	1,368,970	1,249,683	119,287
Student health services	2,949,646	2,959,252	2,829,691	129,561
Student transportation services	19,482,252	19,435,123	19,124,841	310,282
Operation of plant	23,885,978	23,669,403	23,204,608	464,795
Maintenance of plant	7,938,852	7,176,052	6,796,985	379,067
Fixed charges	50,477,312	49,929,722	49,340,192	589,530
Community services	300,000	301,440	289,401	12,039
Capital outlay	856,393	856,393	824,365	32,028
Mid-level administration	23,303,104	24,402,501	23,743,213	659,288
Special education	34,712,048	37,297,561	35,087,858	2,209,703
Instructional textbooks/supplies	8,116,801	7,497,825	6,722,681	775,144
Other instructional costs	<u>3,880,417</u>	<u>3,462,342</u>	<u>3,051,225</u>	<u>411,117</u>
Total expenditures	<u>308,385,397</u>	<u>310,400,590</u>	<u>302,728,233</u>	<u>7,672,357</u>
Excess of revenues over expenditures	<u>-</u>	<u>88,553</u>	<u>2,592,865</u>	<u>(2,504,312)</u>
<b>OTHER FINANCING SOURCES</b>				
TRANSFERS OUT	<u>-</u>	<u>(88,553)</u>	<u>(88,553)</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>(88,553)</u>	<u>(88,553)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	<u>-</u>	<u>-</u>	<u>2,504,312</u>	<u>(2,504,312)</u>
<b>FUND BALANCE AT JUNE 30, 2007</b>	<u>-</u>	<u>-</u>	<u>(12,772)</u>	<u>12,772</u>
<b>FUND BALANCE AT JUNE 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,491,540</u>	<u>\$ (2,491,540)</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2008**

**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)	\$ 305,321,098
Increase in fiscal year revenues generated by fiscal year changes in encumbrances of expenditure driven grants	183,058
Prior year non-GAAP fund balance transferred to County	(3,054,639)
State pension payments	<u>17,271,292</u>
<b>Revenues and other financing sources (GAAP basis)</b>	<b><u>\$ 319,720,809</u></b>
Expenditures (non-GAAP budgetary basis)	\$ 302,728,233
Encumbrance adjustment, net	2,796,360
State pension payments	<u>17,271,292</u>
<b>Expenditures (GAAP basis)</b>	<b><u>\$ 322,795,885</u></b>

**BOARD OF EDUCATION OF CARROLL COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR OTHER POSTEMPLOYMENT BENEFIT PLAN  
 June 30, 2008**

**Schedule of Funding Progress**

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2008	\$ -	\$86,140,000	\$86,140,000	0%	\$201,265,894	42.8%

GASB No. 45 was not applicable to the Board as of June 30, 2008. Accordingly, no prior valuations were performed.

**OTHER SUPPLEMENTARY INFORMATION**

**BOARD OF EDUCATION OF CARROLL COUNTY  
GENERAL FUND  
SCHEDULE OF REVENUES COMPARED TO BUDGET  
(NON-GAAP BUDGETARY BASIS)  
Year Ended June 30, 2008**

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Local Sources</b>			
Carroll County Government	\$ 151,107,358	\$ 151,107,358	\$ -
<b>State of Maryland</b>			
State share of current expense	109,301,977	109,301,977	-
Pupil transportation	8,359,900	8,359,900	-
Special Education	8,718,347	8,718,304	(43)
Compensatory Education	8,926,677	8,926,677	-
Handicapped Non-Public Placement	4,400,000	3,337,140	(1,062,860)
Judy Center	409,382	353,825	(55,557)
Aging Schools	306,388	303,293	3,095
Limited English Proficient	623,443	623,443	-
Infant and Toddlers Program	170,597	170,597	-
EEEEP	171,658	171,658	-
Adult Education and Literacy Services			-
Other state	<u>1,093,173</u>	<u>235,537</u>	<u>(857,636)</u>
Total state	<u>142,481,542</u>	<u>140,502,351</u>	<u>(1,979,191)</u>
<b>United States Government</b>			
Special Education	6,029,681	5,618,164	(411,517)
Medical Assistance Program	1,613,128	1,349,661	(263,467)
Title I Grants to Local Educational Agencies	2,477,677	1,845,770	(631,907)
Twenty-First Century Community Learning Centers	915,769	725,413	(190,356)
Improving Teacher Quality State Grants	603,222	414,331	(188,891)
Career and Technology Education	355,680	259,177	(96,503)
Innovative Education Program Strategies	244,406	218,240	(26,166)
Education Technology State Grants	30,343	22,410	(7,933)
Other federal revenue	<u>1,326,823</u>	<u>247,108</u>	<u>(1,079,715)</u>
Total federal	<u>13,596,729</u>	<u>10,700,274</u>	<u>(2,896,455)</u>
<b>Miscellaneous</b>			
Rebates	468,271	503,168	34,897
Medicare Part D rebate	360,000	450,009	90,009
Sale of surplus equipment	10,000	22,782	12,782
Other miscellaneous	<u>-</u>	<u>(29,192)</u>	<u>(29,192)</u>
Total miscellaneous	<u>838,271</u>	<u>946,767</u>	<u>108,496</u>
<b>Local</b>			
Tuition and fees:			
Athletic fees	305,000	305,234	234
Summer school	156,028	104,728	(51,300)
Outdoor school	132,000	114,043	(17,957)
Nonresident pupils	3,000	(11,729)	(14,729)
Other tuition	4,202	-	(4,202)
Rental of school facilities	280,000	281,449	1,449
Interest income	541,103	521,122	(19,981)
Other local	<u>903,910</u>	<u>600,086</u>	<u>(303,824)</u>
Total local	<u>2,325,243</u>	<u>1,914,933</u>	<u>(410,310)</u>
<b>Incoming Transfers</b>			
From other school units within Maryland	-	43,483	43,483
From other school units outside Maryland	<u>140,000</u>	<u>105,932</u>	<u>(34,068)</u>
Total transfers	<u>140,000</u>	<u>149,415</u>	<u>9,415</u>
<b>TOTAL REVENUES</b>	<u>\$ 310,489,143</u>	<u>\$ 305,321,098</u>	<u>\$ (5,168,045)</u>

**BOARD OF EDUCATION OF CARROLL COUNTY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
(NON-GAAP BUDGETARY BASIS)  
Year Ended June 30, 2008**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Administration</b>			
Salaries	\$ 4,157,854	\$ 4,310,903	\$ (153,049)
Contracted services	767,616	685,815	81,801
Materials and supplies	186,769	93,908	92,861
Other charges	333,398	285,110	48,288
Equipment - additional	5,000	8,254	(3,254)
Equipment - replacement	6,000	13,629	(7,629)
Transfer (indirect cost recovery)	<u>(5,943)</u>	<u>-</u>	<u>(5,943)</u>
Total administration	<u>5,450,694</u>	<u>5,397,619</u>	<u>53,075</u>
<b>Mid-Level Administration</b>			
Salaries	22,408,789	22,423,088	(14,299)
Contracted services	329,669	226,365	103,304
Materials and supplies	466,880	287,017	179,863
Other charges	1,115,093	784,989	330,104
Equipment - additional	42,670	29,373	13,297
Equipment - replacement	<u>39,400</u>	<u>(7,619)</u>	<u>47,019</u>
Total mid-level administration	<u>24,402,501</u>	<u>23,743,213</u>	<u>659,288</u>
<b>Instructional Salaries</b>			
Regular	119,398,098	117,012,938	2,385,160
Hourly	5,424,005	4,241,647	1,182,358
Add-ons, team leaders, dept chair	552,407	745,903	(193,496)
Substitutes	2,990,542	2,631,528	359,014
Other charges	639,521	433,855	205,666
Hiring turnover	<u>(2,411,261)</u>	<u>-</u>	<u>(2,411,261)</u>
Total instructional salaries	<u>126,593,312</u>	<u>125,065,871</u>	<u>1,527,441</u>
<b>Textbooks and Instructional Supplies</b>			
Textbooks	1,446,729	1,451,639	(4,910)
Library media	698,431	500,319	198,112
Computer supplies	377,091	158,431	218,660
General supplies	4,444,357	4,186,577	257,780
Other charges	<u>531,217</u>	<u>425,715</u>	<u>105,502</u>
Total textbooks and instructional supplies	<u>7,497,825</u>	<u>6,722,681</u>	<u>775,144</u>

**BOARD OF EDUCATION OF CARROLL COUNTY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
(NON-GAAP BUDGETARY BASIS)  
Year Ended June 30, 2008  
(CONTINUED)**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Instructional Costs</b>			
Contracted services	\$ 1,499,348	\$ 1,226,977	\$ 272,371
Other charges	699,013	544,970	154,043
Equipment - additional	467,954	570,869	(102,915)
Equipment - replacement	680,318	643,035	37,283
Transfers to MD/LEA	63,000	31,624	31,376
Other outgoing transfers	52,709	33,750	18,959
	<u>3,462,342</u>	<u>3,051,225</u>	<u>411,117</u>
<b>Student Personnel Services</b>			
Salaries	1,176,177	1,099,688	76,489
Contracted services	165,660	123,926	41,734
Materials and supplies	18,112	12,890	5,222
Other charges	9,021	10,743	(1,722)
Equipment - replacement	-	2,436	(2,436)
	<u>1,368,970</u>	<u>1,249,683</u>	<u>119,287</u>
<b>Health Services</b>			
Salaries	2,740,091	2,709,848	30,243
Contracted services	51,520	21,169	30,351
Materials and supplies	101,320	83,060	18,260
Other charges	54,938	11,409	43,529
Equipment - additional	11,383	4,205	7,178
	<u>2,959,252</u>	<u>2,829,691</u>	<u>129,561</u>
<b>Transportation of Pupils</b>			
Salaries	1,492,441	1,330,272	162,169
Contracted services	17,670,801	17,477,174	193,627
Materials and supplies	16,297	16,576	(279)
Other charges	254,084	287,140	(33,056)
Equipment - replacement	1,500	13,679	(12,179)
	<u>19,435,123</u>	<u>19,124,841</u>	<u>310,282</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**(NON-GAAP BUDGETARY BASIS)**  
**Year Ended June 30, 2008**  
**(CONTINUED)**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operation of Plant</b>			
Salaries	\$ 11,073,790	\$ 10,875,035	\$ 198,755
Contracted services			
Rent	1,513,977	1,520,070	(6,093)
Repair of equipment	805,839	476,765	329,074
Other	482,721	442,315	40,406
Supplies	635,781	620,658	15,123
Telephone	307,500	279,665	27,835
Gas and electric	6,520,258	6,694,620	(174,362)
Heating fuels	803,077	1,013,203	(210,126)
Water and sewage	783,403	623,896	159,507
Insurance	395,807	365,363	30,444
Other charges	41,170	50,063	(8,893)
Equipment - additional	287,500	224,858	62,642
Equipment - replacement	18,580	18,097	483
	<u>23,669,403</u>	<u>23,204,608</u>	<u>464,795</u>
Total operation of plant			
<b>Maintenance of Plant</b>			
Salaries	3,011,779	3,107,776	(95,997)
Contracted services			
Repair of equipment	88,000	29,665	58,335
Repair of vehicles	74,514	61,749	12,765
Improvements to grounds	137,100	52,821	84,279
Improvements to buildings	1,561,788	1,277,009	284,779
Other	150,400	173,847	(23,447)
Materials and supplies	1,211,260	1,296,593	(85,333)
Other charges	275,020	171,790	103,230
Equipment - additional	79,700	34,675	45,025
Equipment - replacement	586,491	591,060	(4,569)
	<u>7,176,052</u>	<u>6,796,985</u>	<u>379,067</u>
Total maintenance of plant			

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**(NON-GAAP BUDGETARY BASIS)**  
**Year Ended June 30, 2008**  
**(CONTINUED)**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Fixed Charges</b>			
Medical insurance	\$ 24,519,658	\$ 24,575,813	\$ (56,155)
Social Security taxes	14,802,877	14,798,681	4,196
Employee retirement	1,996,433	2,158,553	(162,120)
Workmen's compensation	1,266,141	1,295,934	(29,793)
Sick leave conversion	1,836,650	1,284,109	552,541
Life insurance	293,911	275,529	18,382
Optical insurance	219,834	250,221	(30,387)
Dental insurance	920,580	769,310	151,270
Unemployment insurance	58,000	95,911	(37,911)
Property and liability insurance	242,577	249,398	(6,821)
Tuition reimbursement	936,740	1,195,320	(258,580)
Retiree health insurance	1,968,154	1,916,655	51,499
Flex benefit administration	75,000	82,904	(7,904)
Other charges	793,167	391,854	401,313
	<u>49,929,722</u>	<u>49,340,192</u>	<u>589,530</u>
<b>Community Services</b>			
Salaries	301,693	289,401	12,292
Other charges	(253)	-	(253)
	<u>301,440</u>	<u>289,401</u>	<u>12,039</u>
<b>Special Education Services</b>			
Salaries	26,234,189	26,399,040	(164,851)
Contracted services	1,603,129	1,154,424	448,705
Materials and supplies	398,422	334,455	63,967
Other charges	936,302	206,454	729,848
Equipment - additional	69,369	40,096	29,273
Equipment - replacement	2,900	19,233	(16,333)
Transfers to Maryland LEA	53,250	46,926	6,324
Other transfers	8,000,000	6,887,230	1,112,770
	<u>37,297,561</u>	<u>35,087,858</u>	<u>2,209,703</u>
<b>Capital Outlay</b>			
Salaries	748,857	745,617	3,240
Contracted services	81,500	55,629	25,871
Materials and supplies	5,675	5,990	(315)
Other charges	17,361	12,474	4,887
Equipment - additional	-	623	(623)
Equipment - replacement	3,000	4,032	(1,032)
	<u>856,393</u>	<u>824,365</u>	<u>32,028</u>
<b>TOTAL CURRENT EXPENDITURES</b>	<u>\$ 310,400,590</u>	<u>\$ 302,728,233</u>	<u>\$ 7,672,357</u>

**BOARD OF EDUCATION OF CARROLL COUNTY  
FOOD SERVICE FUND  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)**

	Year Ended June 30, 2008			Year Ended June 30, 2007		
	Budget	Actual	Percent of Total Revenue	Budget	Actual	Percent of Total Revenue
<b>Revenues</b>						
Food sales:						
Lunches	\$ 4,238,007	\$ 3,332,169	52.2%	\$ 4,065,663	\$ 3,493,960	53.5%
Breakfasts	95,000	96,606	1.5%	75,000	91,342	1.4%
A La Carte	731,000	634,741	9.9%	1,650,000	668,174	10.2%
Milk	70,000	64,214	1.0%	70,000	71,405	1.1%
Federal reimbursement of portion of food costs	1,415,000	1,559,719	24.4%	1,316,500	1,463,248	22.4%
USDA commodities	440,000	436,617	6.8%	460,000	465,577	7.1%
State reimbursement of portion of food costs	56,200	58,118	0.9%	64,000	52,745	0.8%
Income from investments	36,000	21,257	0.3%	20,000	35,050	0.5%
Rebates on food purchases	45,000	32,752	0.5%	45,000	49,603	0.8%
Miscellaneous	118,000	143,225	2.2%	135,000	134,724	2.1%
<b>Total revenues</b>	<u>7,244,207</u>	<u>6,379,418</u>	<u>100.0%</u>	<u>7,901,163</u>	<u>6,525,828</u>	<u>100.0%</u>
<b>Expenditures</b>						
Cost of food sold	2,575,000	2,470,111	35.4%	3,350,100	2,280,165	34.9%
Salary and wages	4,205,457	4,132,265	59.2%	4,104,813	3,842,573	58.8%
Other supplies	305,650	258,533	3.7%	295,350	284,055	4.3%
Contracted services	4,000	4,454	0.1%	5,750	2,023	0.0%
Other charges	35,600	31,249	0.4%	32,050	32,711	0.5%
Equipment	118,500	88,553	1.3%	113,100	94,594	1.4%
<b>Total expenditures</b>	<u>\$ 7,244,207</u>	<u>6,985,165</u>	<u>100.0%</u>	<u>\$ 7,901,163</u>	<u>6,536,121</u>	<u>100.0%</u>
<b>Deficiency of revenues over expenditures</b>		(605,747)	0.0%		(10,293)	0.0%
<b>Other Financing Sources:</b>						
Transfers in		88,553	0.0%		-	0.0%
<b>Deficiency of revenues and other financing sources over expenditures</b>		<u>\$ (517,194)</u>	<u>0.0%</u>		<u>\$ (10,293)</u>	<u>0.0%</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**FOOD SERVICE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES BY SCHOOL**  
**(NON-GAAP BUDGETARY BASIS)**  
**Year Ended June 30, 2008**

<u>School</u>	<u>Revenues and Transfers in</u>	<u>Cost of Food Sold</u>	<u>Cafeteria Workers' Payroll</u>	<u>Other</u>	<u>Excess Revenues (Deficiency) Over Expenditures</u>
Taneytown Elementary School	\$ 179,859	\$ 60,181	\$ 91,009	\$ 17,486	\$ 11,183
Northwest Middle School	176,099	62,719	129,880	16,575	(33,075)
Francis Scott Key High School	308,262	123,845	142,358	26,108	15,951
Runnymede Elementary School	174,602	65,787	74,595	17,473	16,747
Charles Carroll Elementary School	95,439	31,867	83,299	8,892	(28,619)
Sandymount Elementary School	107,074	36,643	84,655	10,099	(24,323)
Mechanicsville Elementary School	131,357	52,293	87,829	12,563	(21,328)
Eldersburg Elementary School	120,611	44,896	86,225	10,491	(21,001)
Linton Sprints Elementary School	145,010	61,799	99,764	13,690	(30,243)
Sykesville Middle School	178,431	73,972	94,037	17,110	(6,688)
Freedom Elementary school	119,826	43,379	78,440	10,774	(12,767)
Carrolltowne Elementary School	106,838	41,622	82,598	10,077	(27,459)
Libery High School	170,303	71,350	115,702	16,369	(33,118)
Oklahoma Road Middle School	149,190	56,015	95,190	13,990	(16,005)
Piney Ridge Elementary School	137,880	53,438	87,247	13,914	(16,719)
Manchester Elementary School	142,718	48,754	102,486	11,918	(20,440)
East Middle School	152,700	-	-	-	152,700
West Middle School	187,171	66,787	95,725	16,984	7,675
Winters Mill High School	304,913	116,196	148,190	27,731	12,796
William Winchester Elementary School	142,929	50,489	78,931	13,673	(164)
Westminster High School	375,631	270,644	389,244	62,077	(346,334)
C C Career & Technology Center	102,819	-	-	-	102,819
North Carroll Middle School	177,687	63,309	96,005	15,803	2,570
Hampstead Elementary School	124,143	46,777	91,654	12,590	(26,878)
North Carroll High School	358,628	149,576	176,599	30,676	1,777
Spring Garden Elementary School	149,105	53,242	91,348	12,849	(8,334)
Shiloh Middle School	187,817	69,249	91,197	16,204	11,167
Winfield Elementary School	148,974	58,274	78,106	14,993	(2,399)
New Windsor Middle School	106,435	38,456	71,960	10,231	(14,212)
Elmer Wolfe Elementary School	120,733	46,296	81,741	11,963	(19,267)
Parr's Ridge Elementary School	98,068	35,067	73,321	9,251	(19,571)
Mt. Airy Elementary School	70,627	25,466	74,203	7,017	(36,059)
Mt. Airy Middle School	96,093	40,056	81,524	9,037	(34,524)
South Carroll High School	191,053	80,025	145,695	18,745	(53,412)
Food Services - unallocated	-	274	268,810	(215,168)	(53,916)
Century High School	305,551	136,231	135,421	27,166	6,733
Westminster Elementary School	128,536	49,286	74,003	13,723	(8,476)
Robert Moton Elementary School	167,856	55,716	85,336	14,432	12,372
Carroll Springs School	14,763	-	-	-	14,763
Friendship Valley Elementary School	110,004	37,625	83,414	10,825	(21,860)
Cranberry Station Elementary School	152,060	52,510	84,524	14,458	568
Gateway School	50,176	-	-	-	50,176
<b>Total</b>	<b>\$ 6,467,971</b>	<b>\$ 2,470,111</b>	<b>\$ 4,132,265</b>	<b>\$ 382,789</b>	<b>\$ (517,194)</b>

**BOARD OF EDUCATION OF CARROLL COUNTY  
SCHOOL FUNDS  
SCHEDULE OF CHANGES IN SCHOOL ACTIVITIES FUNDS PAYABLE  
(NON-GAAP BUDGETARY BASIS)  
Year Ended June 30, 2008**

School	Organization Funds			Other Funds		
	Balance	Net Change	Balance	Balance	Net Change	Balance
	June 30, 2007	For Year Increase (Decrease)	June 30, 2008	June 30, 2007	For Year Increase (Decrease)	June 30, 2008
Taneytown Elementary School	\$ 10,319	\$ 8,788	\$ 19,107	\$ 53	\$ 1,797	\$ 1,850
Northwest Middle School	36,857	(3,263)	33,594	10,591	(4,296)	6,295
Francis Scott Key High School	78,392	21,267	99,659	3,529	(390)	3,139
Runnymede Elementary School	6,313	(2,761)	3,552	8,642	(1,874)	6,768
Charles Carroll Elementary School	12,202	(6,688)	5,514	2,031	(2,031)	-
Sandymount Elementary School	10,165	(5)	10,160	6,682	(482)	6,200
Mechanicsville Elementary School	17,261	(6,207)	11,054	21,936	4,334	26,270
Eldersburg Elementary School	3,588	(3,153)	435	22,895	(31)	22,864
Linton Springs Elementary School	26,900	(4,247)	22,653	105	-	105
Sykesville Middle School	29,381	(6,964)	22,417	25,508	(2,754)	22,754
Freedom Elementary School	30,729	(7,654)	23,075	26,818	6,829	33,647
Carrolltowne Elementary School	31,741	19,809	51,550	14,142	(3,600)	10,542
Liberty High School	105,854	20,656	126,510	9,321	7,882	17,203
Oklahoma Road Middle School	52,407	(2,809)	49,598	12,458	(72)	12,386
Piney Ridge Elementary School	54,925	(10,307)	44,618	-	-	-
Manchester Elementary School	13,322	(3,660)	9,662	(958)	4,735	3,777
East Middle School	31,812	5,117	36,929	5,245	4,419	9,664
West Middle School	101,091	(40,556)	60,535	22,537	(22,288)	249
Winters Mill High School	133,667	(29,482)	104,185	36,434	3,872	40,306
William Winchester Elementary School	15,454	362	15,816	4,992	2,067	7,059
Westminster High School	158,674	63,194	221,868	36,623	(17,922)	18,701
C C Career & Technology Center	15,979	2,221	18,200	3,585	(249)	3,336
North Carroll Middle School	40,065	15,793	55,858	3,105	-	3,105
Hampstead Elementary School	29,110	5,027	34,137	-	(629)	(629)
North Carroll High School	182,205	22,996	205,201	1,351	(1,281)	70
Spring Garden Elementary School	33,114	(11,064)	22,050	(7,785)	10,139	2,354
Shiloh Middle School	61,448	3,006	64,454	224	-	224
Winfield Elementary School	5,860	(777)	5,083	2,661	2,713	5,374
New Windsor Middle School	23,084	(7,489)	15,595	6,559	1,863	8,422
Elmer Wolfe Elementary School	18,575	(6,052)	12,523	(2,394)	377	(2,017)
Parr's Ridge Elementary School	3,047	(1,126)	1,921	2,945	(384)	2,561
Mt. Airy Elementary School	10,805	(7,936)	2,869	12,028	619	12,647
Mt. Airy Middle School	26,637	1,001	27,638	24,942	(8,767)	16,175
South Carroll High School	128,226	3,075	131,301	82,732	(11,421)	71,311
Century High School	135,492	17,890	153,382	7,457	(119)	7,338
Westminster Elementary School	14,782	1,728	16,510	13,048	(11,535)	1,513
Robert Moton Elementary	2,983	3,523	6,506	1,461	1,001	2,462
Carroll Springs School	10,598	2,065	12,663	21	2	23
Friendship Valley Elementary School	10,731	(9,050)	1,681	2,974	932	3,906
Cranberry Station Elementary School	7,462	7,693	15,155	2,097	1,299	3,396
Gateway School	2,239	(542)	1,697	4,443	(491)	3,952
<b>Total</b>	<b>\$ 1,723,496</b>	<b>\$ 53,419</b>	<b>\$ 1,776,915</b>	<b>\$ 431,038</b>	<b>\$ (35,736)</b>	<b>\$ 395,302</b>