

**BOARD OF EDUCATION OF
CHARLES COUNTY, MARYLAND**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2015**

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
TABLE OF CONTENTS
JUNE 30, 2015**

| | |
|--|-----------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 4 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 6 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 20 |
| STATEMENT OF ACTIVITIES | 21 |
| FUND FINANCIAL STATEMENTS | |
| BALANCE SHEET – GOVERNMENTAL FUNDS | 22 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION | 23 |
| STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS | 24 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 25 |
| STATEMENT OF NET POSITION – FIDUCIARY FUNDS | 26 |
| STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS | 27 |
| NOTES TO FINANCIAL STATEMENTS | 28 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| MARYLAND STATE RETIREMENT AND PENSION SYSTEM – SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | 57 |
| MARYLAND STATE RETIREMENT AND PENSION SYSTEM – SCHEDULE OF BOARD'S CONTRIBUTIONS | 58 |
| MARYLAND STATE RETIREMENT AND PENSION SYSTEM – NOTES TO TO REQUIRED SUPPLEMENTARY INFORMATION | 59 |

| | |
|---|-----------|
| BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN – DEFINED BENEFIT PENSION PLAN – SCHEDULE OF CHANGES IN THE EMPLOYER’S NET PENSION LIABILITY AND RELATED RATIOS | 60 |
| BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN – DEFINED BENEFIT PENSION PLAN – SCHEDULES OF EMPLOYER CONTRIBUTIONS, INVESTMENT RETURNS, AND EMPLOYER’S NET PENSION LIABILITY | 61 |
| BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN – DEFINED BENEFIT PENSION PLAN – NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 62 |
| RETIREE HEALTH PLAN TRUST – SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS | 63 |
| SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS – GENERAL FUND | 64 |
| GENERAL FUND – RECONCILIATION OF REVENUES AND EXPENDITURES | 65 |
| OTHER SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REVENUES – BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS – GENERAL FUND | 66 |
| SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS – GENERAL FUND | 67 |
| COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND | 69 |
| COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – CAPITAL PROJECTS SUB- FUNDS | 70 |
| SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES NON-GAAP BASIS – SPECIAL REVENUE – RESTRICTED PROGRAMS FUND | 71 |
| SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES – BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS – SPECIAL REVENUE –FOOD SERVICE FUND | 72 |
| SCHEDULE OF CHANGES IN NET POSITION – STUDENT ACTIVITIES FUND – AGENCY FUND | 73 |
| COMBINING SCHEDULE OF NET POSITION – RETIREE HEALTH AND PENSION TRUST FUNDS | 74 |
| COMBINING SCHEDULE OF CHANGES IN NET POSITION – RETIREE HEALTH AND PENSION TRUST FUNDS | 75 |

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2015, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the Board reported a restatement for the change in accounting principle (See Note 13). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 18, the schedule of the Board's proportionate share of the net pension liability, schedule of the Board's contributions and notes to the required supplementary information on pages 57 through 59, the schedules of changes in the employer's net pension liability and related ratios, employer contributions and investment returns, and notes to the required supplementary information on pages 60 through 62 for the Board's Defined Benefit Pension Plan, the schedule of funding progress and employer contributions for the Board's Retiree Health Plan Trust on page 63, the schedule of revenues and expenditures- budget and actual- non-GAAP budgetary basis- general fund on page 64, and the general fund reconciliation of revenues and expenditures on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The other supplementary information on pages 66 - 75 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2015



CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2015

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

As Management of the Charles County Public School's (the School System) we offer readers of the School System's financial statements this discussion and analysis of the School System's financial performance during the fiscal year ended June 30, 2015. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Government-Wide Financial Statements (Continued)

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

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

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

Fund Financial Statements

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

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

The School System has four governmental funds:

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

Restricted Programs Fund, consists of individual funds for state, local, and federal grants restricted for specific purposes.

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

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Fund Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations found on pages 23 and 25.

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

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

Budget and Actual Financial Statements

A Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the General Fund, which has a legally adopted annual budget. This statement shows both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) can be found immediately following the basic governmental fund financial statements on page 64.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

The Board implemented GASB Statement No. 68 during the year ended June 30, 2015. As part of the implementation, the Board restated net position as of June 30, 2014. The amount of the restatement was \$18,945,984.

The School System's combined Net Position as of June 30, 2015 totaled \$176.2 million, a decrease of \$36.2 million or 17.0%.

Condensed Statement of Net Position (in millions of dollars)

| | Governmental Activities | | Total Percent |
|---------------------------------------|-------------------------|-----------------|---------------------|
| | 2014* | 2015 | Change 2014-2015 |
| Assets | | | |
| Current and other assets | \$ 86.9 | \$ 76.9 | (11.5)% |
| Capital assets | 317.4 | 319.0 | 0.5% |
| Total assets | <u>\$ 404.3</u> | <u>\$ 395.9</u> | (2.1)% |
| Deferred Outflows of Resources | - | 7.5 | 100% |
| Liabilities | | | |
| Long-term liabilities | \$ 150.3 | \$ 179.6 | 19.5% |
| Other liabilities | 41.6 | 46.2 | 11.1% |
| Total liabilities | <u>\$ 191.9</u> | <u>\$ 225.8</u> | 17.7% |
| Deferred Inflows of Resources | - | 1.4 | 100% |
| Net Position | | | |
| Investment in capital assets | \$ 312.2 | \$ 315.4 | 1.0% |
| Unrestricted | (99.8) | (139.2) | 39.5% |
| Total net position | <u>\$ 212.4</u> | <u>\$ 176.2</u> | (17.0)% |

* The Board implemented GASB Statement No. 68 effective July 1, 2014. The 2014 amounts presented have not been restated to reflect the implementation of GASB 68.

The major portion of the School System's total assets, \$319.0 million 80.6% reflects the investment in capital assets (land, land improvements, buildings, equipment and construction). These assets include school buildings, relocatable classrooms, land for athletic fields, playgrounds, and equipment in the school classrooms and other buildings.

Changes In Net Position: The School System's Net Position decreased by \$36.2 million (of which \$18.9 million was related to the implementation of GASB No. 68) in 2015 as opposed to an increase of \$10.3 million in 2014.

- The School System's government-wide activities had an unrestricted net position of (\$139.2) million at June 30, 2015, a decrease of \$39.4 million. This is the result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans, an amendment of GASB No. 27*, which requires the School System to record a liability for future pension

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

benefits in excess of accumulated assets. At the end of the current fiscal year, the School System's net pension liability totaled \$12.8 million.

- The School System's revenues of \$391.4 million decreased \$11.9 million 3.0% over last year. Charges for services decreased by \$0.4 million; operating grants and contributions increased by \$2.2 million; capital grants and contributions decreased by \$20.5 million; while general revenues increased by \$6.8 million. The overall decrease of \$11.9 million is due to a reduction of county funds this year when compared to last year for St. Charles High School construction (\$20.5 million,) which was partially offset with increases in County appropriations (\$6.0 million), State contribution for teachers' retirement (\$1.0 million), insurance reimbursement for LLC fire (\$.5 million) and State Compensation grant (\$1.4 million).
- Expenses totaled \$408.7 million or \$15.7 million more than fiscal year 2014. The largest increase in expenses related to the category of instruction which increased to \$258.6 million in fiscal year 2015, an increase of \$20.6 million.

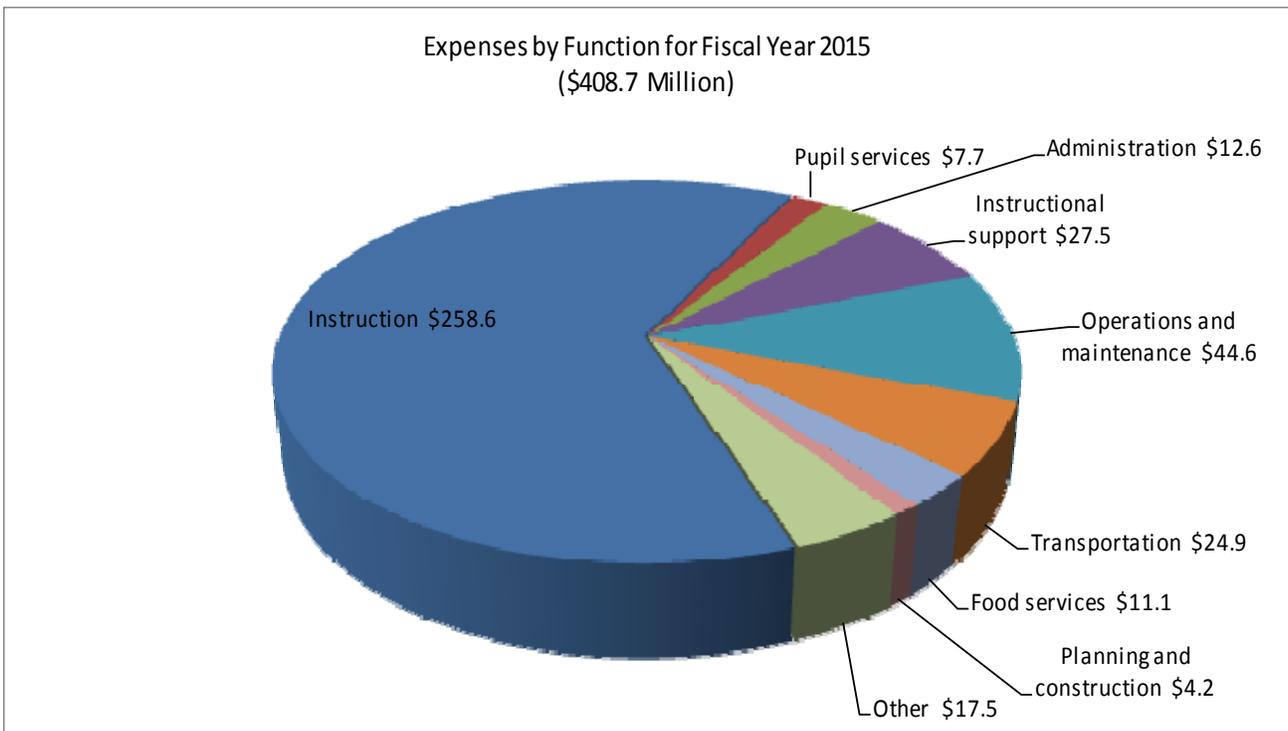
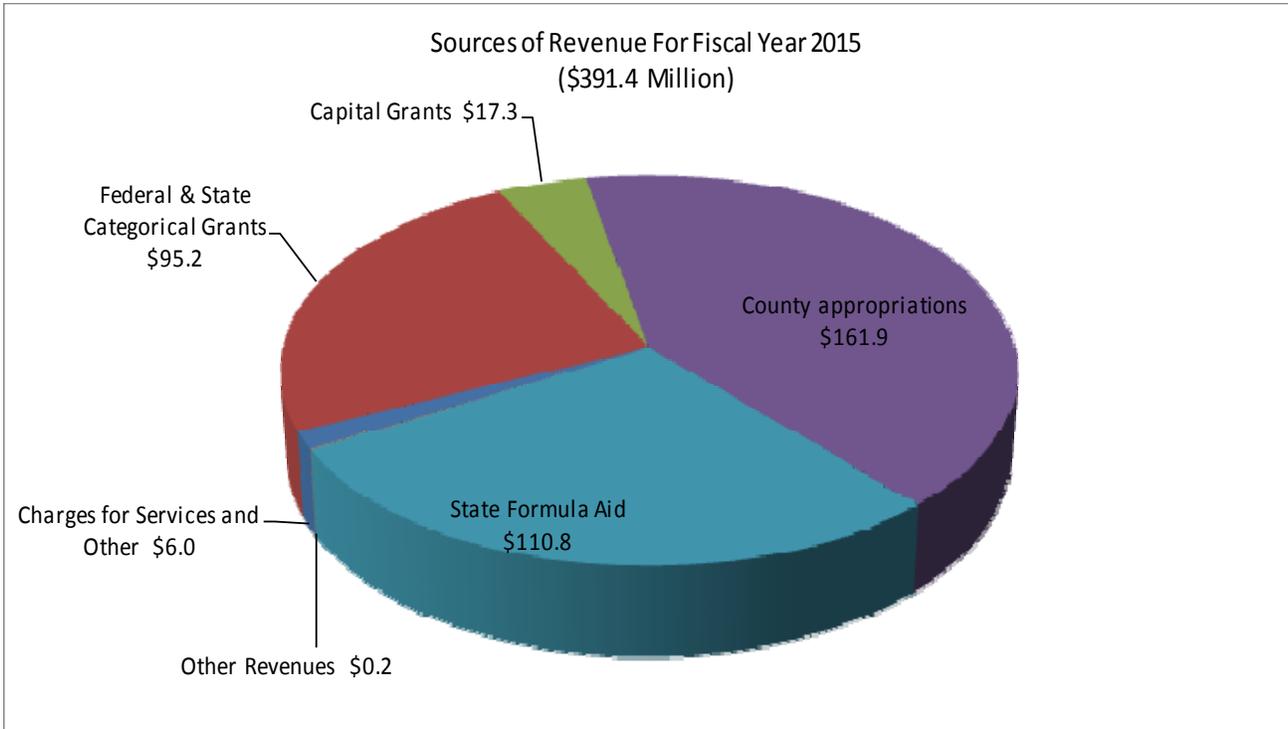
Changes in Net Position (in millions of dollars)

| | Governmental Activities | | Change | % Change |
|-------------------------------------|-------------------------|------------------|----------------|---------------|
| | 2014* | 2015 | | |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 6.4 | \$ 6.0 | \$ (0.4) | (6.3)% |
| Operating grants and contributions | 93.0 | 95.2 | 2.2 | 2.4% |
| Capital grants and contributions | 37.8 | 17.3 | (20.5) | (54.2)% |
| General revenues | | | - | |
| County appropriations | 155.9 | 161.9 | 6.0 | 3.8% |
| State formula aid | 110.0 | 110.8 | 0.8 | 0.7% |
| Other | 0.2 | 0.2 | - | 0.0% |
| Total revenues | <u>403.3</u> | <u>391.4</u> | <u>(11.9)</u> | <u>(3.0)%</u> |
| Expenses | | | | |
| Instruction | 238.0 | 258.6 | 20.6 | 8.7% |
| Support services | | | | |
| Pupil services | 7.9 | 7.7 | (0.2) | (2.5)% |
| Administration | 13.2 | 12.6 | (0.6) | (4.5)% |
| Instructional support | 30.3 | 27.5 | (2.8) | (9.2)% |
| Operations and maintenance | 47.9 | 44.6 | (3.3) | (6.9)% |
| Transportation | 25.8 | 24.9 | (0.9) | (3.5)% |
| Food services | 10.8 | 11.1 | 0.3 | 2.8% |
| Planning and construction | 4.0 | 4.2 | 0.2 | 5.0% |
| Other | 15.1 | 17.5 | 2.4 | 15.9% |
| Total expenditures | <u>393.0</u> | <u>408.7</u> | <u>15.7</u> | <u>4.0%</u> |
| (Decrease)/Increase in net position | <u>\$ 10.3</u> | <u>\$ (17.3)</u> | <u>\$ 27.6</u> | <u>268.0%</u> |

* The Board implemented GASB Statement No. 68 effective July 1, 2014. The 2014 amounts presented have not been restated to reflect the implementation of GASB 68.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Revenues and Expenditures by Source and Function



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Governmental Activities

The county appropriation for the operating budget in fiscal year 2015 was \$161.9 million or \$6.0 million more than in fiscal year 2014. Total cost of services decreased 4.0% from 2014. Also, the net cost of services decreased by \$34.5 million or 13.5%, in fiscal year 2014 the net cost increased by \$10.8 million or 4.4%.

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

Net Cost of Government Activities (in millions of dollars)

| | Total Cost of Services | | Percentage | Net Cost of Services | | Percentage |
|----------------------------|------------------------|-----------------|---------------|----------------------|-----------------|----------------|
| | | | Change | | | Change |
| | 2014 | 2015 | 2014-2015 | 2014 | 2015 | 2014-2015 |
| Instruction | \$ 238.0 | \$ 258.6 | (8.7)% | \$ 164.8 | \$ 184.1 | (11.7)% |
| Pupil services | 7.9 | 7.7 | 2.5% | 7.9 | 7.7 | 2.5% |
| Administration | 13.2 | 12.6 | 4.5% | 12.6 | 12.1 | 4.0% |
| Instructional support | 30.3 | 27.5 | 9.2% | 29.5 | 26.7 | 9.5% |
| Operations and maintenance | 47.9 | 44.6 | 6.9% | 47.0 | 44.5 | 5.3% |
| Transportation | 25.8 | 24.9 | 3.5% | 15.5 | 14.6 | 5.8% |
| Food services | 10.8 | 11.1 | (2.8)% | (1.1) | (1.5) | (36.4)% |
| Planning and construction | 4.0 | 4.2 | (5.0)% | (34.4) | (14.1) | 59.0% |
| Other | 15.1 | 17.5 | (15.9)% | 14.0 | 16.2 | (15.7)% |
| Total | \$ 393.0 | \$ 408.7 | (4.0)% | \$ 255.8 | \$ 290.3 | (13.5)% |

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

The general fund is the operating fund for the School System. On a GAAP basis the School System ended the fiscal year with a general fund balance of \$30.3 million. The fund balance consists of amounts assigned for purchase order encumbrances and subsequent year's expenditures; uninsured health claims, and other GAAP related accounting requirements.

The total governmental funds consist of the General, Restricted Programs (restricted by purpose and source of funds), Food Service, and Capital Projects. Capital Projects receive their funding on a reimbursement basis and the negative fund balance is due to the timing of the reimbursement. The School System reported a total governmental funds balance of \$33.2 million as compared to last year's combined ending balance of \$36.3 million or \$3.1 million less than last year.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Changes in Fund Balance - Governmental Funds - GAAP Basis

| | General Fund | Restricted Programs Fund | Food Services Fund | Capital Projects | Total Governmental Funds |
|---|----------------------|--------------------------------|-----------------------|---------------------|--------------------------------|
| REVENUES | | | | | |
| State of Maryland | \$ 181,528,204 | \$ 2,875,774 | \$ 410,629 | \$ 10,536,636 | \$ 195,351,243 |
| Federal government | 977,333 | 11,225,855 | 6,838,121 | - | 19,041,309 |
| Other sources | 1,311,084 | 1,499,653 | 5,277,157 | 11 | 8,087,905 |
| Local sources | <u>161,921,600</u> | <u>297,473</u> | <u>-</u> | <u>6,778,744</u> | <u>168,997,817</u> |
| Total revenues | <u>345,738,221</u> | <u>15,898,755</u> | <u>12,525,907</u> | <u>17,315,391</u> | <u>391,478,274</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | 8,753,587 | 450,421 | - | - | 9,204,008 |
| Mid-level administration | 21,180,436 | 668,095 | - | - | 21,848,531 |
| Instruction: | | | | | |
| Instructional salaries | 124,377,435 | 4,093,811 | - | - | 128,471,246 |
| Materials of instruction | 11,370,770 | 1,155,132 | - | - | 12,525,902 |
| Other costs of instruction | 1,649,674 | 1,076,224 | - | - | 2,725,898 |
| Special Education | 29,983,708 | 4,144,456 | - | - | 34,128,164 |
| Student personnel services | 3,587,043 | - | - | - | 3,587,043 |
| Health service | 3,063,580 | 1,195 | - | - | 3,064,775 |
| Transportation | 24,365,989 | 101,356 | - | - | 24,467,345 |
| Operations | 24,328,620 | 60,865 | - | 96,718 | 24,486,203 |
| Maintenance | 7,071,502 | 74,664 | - | - | 7,146,166 |
| Food service | - | 35,328 | 10,531,014 | - | 10,566,342 |
| Community Service | 732,752 | 878,468 | - | - | 1,611,220 |
| Fixed Charges | 85,504,159 | 2,337,325 | 1,550,525 | - | 89,392,009 |
| Capital outlay | <u>3,097,595</u> | <u>1,482,815</u> | <u>-</u> | <u>16,781,182</u> | <u>21,361,592</u> |
| Total expenditures | <u>349,066,850</u> | <u>16,560,155</u> | <u>12,081,539</u> | <u>16,877,900</u> | <u>394,586,444</u> |
| Excess (deficiency) of revenue over expenditures | (3,328,629) | (661,400) | 444,368 | 437,491 | (3,108,170) |
| FUND BALANCES, BEGINNING OF YEAR | | | | | |
| | <u>33,675,678</u> | <u>1,173,871</u> | <u>2,073,401</u> | <u>(593,658)</u> | <u>36,329,292</u> |
| FUND BALANCES, END OF YEAR | | | | | |
| | <u>\$ 30,347,049</u> | <u>\$ 512,471</u> | <u>\$ 2,517,769</u> | <u>\$ (156,167)</u> | <u>\$ 33,221,122</u> |

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

General Fund Budgetary Highlights – Non-GAAP

The School System's final budget for General Fund requires total revenues to be equal to total expenditures.

Over the course of the year, the School System may revise the annual operating budget. These budget amendments fall into three categories:

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

Budget Adjustments

Included in the budget for 2015 was an appropriation for the use of fund balance in the amount of \$4,584,286. Final results for the year was an excess of expenditures over revenues in the amount of \$2,419,279 on a Non-GAAP budgetary basis, which was offset by the use of prior year fund balance for the same amount.

REVENUES

Total revenues were \$2.4 million less than the anticipated budgetary levels due to the School System not utilizing \$2.1 million prior year fund balance appropriated for 2015. Actual revenues from the State of Maryland were more than budgetary levels due to reimbursements related to “non-domiciled students”. Total budgetary surplus in Federal revenues related to the ROTC Program and Impact Aid helped offset deficits in Local revenues.

EXPENDITURES

All revenue shortfalls were offset by total planned expenditure savings of \$2.4 million from unfilled positions, turnover (including associated employee benefits), contracted services throughout the School System and utility cost savings.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Fund Balance- Unassigned

At the Board's direction, the use of unassigned fund balance has been used to fund major projects for technology and deferred maintenance. Consequently, the unassigned fund balance changed for the General Fund as follows:

| | <u>2014</u> | <u>2015</u> | <u>Change</u> |
|--|----------------------|----------------------|-----------------------|
| Health insurance reserve (self-insurance 7% of claims) | \$ 2,941,700 | \$ 3,114,850 | \$ 173,150 |
| Contingency reserve (1% of annual operating budget) | 3,561,000 | 3,644,000 | 83,000 |
| Capital maintenance/ technology reserve | <u>12,273,581</u> | <u>7,599,934</u> | <u>(4,673,647)</u> |
| Total unassigned fund balance at June 30 | <u>\$ 18,776,281</u> | <u>\$ 14,358,784</u> | <u>\$ (4,417,497)</u> |

Food Service Budget to Actual – Non-GAAP

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

General Fund Budget and Actual - Non-GAAP Budgetary Basis

| | 2015 | | | Variances Positive (Negative) | 2014 |
|---|--------------------|----------------------|----------------------|-------------------------------------|--------------------|
| | Original Budget | As amended Budget | Actual | | Actual |
| REVENUES | | | | | |
| State of Maryland | \$ 159,625,034 | \$ 159,625,034 | \$ 159,660,608 | \$ 35,574 | \$ 157,065,084 |
| Federal government | 870,000 | 870,000 | 977,333 | 107,333 | 948,712 |
| Other sources | 1,719,080 | 1,719,080 | 1,311,084 | (407,996) | 1,663,600 |
| Local sources | <u>161,921,600</u> | <u>161,921,600</u> | <u>161,921,600</u> | <u>-</u> | <u>156,862,000</u> |
| Total revenues | <u>324,135,714</u> | <u>324,135,714</u> | <u>323,870,625</u> | <u>(265,089)</u> | <u>316,539,396</u> |
| EXPENDITURES | | | | | |
| Administration | 8,924,443 | 8,741,943 | 8,738,464 | 3,479 | 8,780,941 |
| Mid-level administration | 21,321,466 | 20,909,166 | 20,895,939 | 13,227 | 20,591,088 |
| Instructional salaries | 127,767,960 | 125,067,960 | 124,377,435 | 690,525 | 123,307,733 |
| Materials of instruction | 5,161,347 | 7,775,546 | 7,711,291 | 64,255 | 9,854,639 |
| Other costs of instruction | 2,387,229 | 1,858,230 | 1,649,674 | 208,556 | 2,137,535 |
| Special education | 29,836,656 | 29,836,656 | 29,804,913 | 31,743 | 28,775,753 |
| Student personnel services | 3,664,689 | 3,664,689 | 3,635,147 | 29,542 | 3,464,144 |
| Health service | 3,144,300 | 3,144,300 | 3,032,453 | 111,847 | 2,814,306 |
| Transportation | 24,231,116 | 24,231,116 | 24,138,511 | 92,605 | 25,005,090 |
| Operations | 25,586,511 | 25,863,811 | 25,406,896 | 456,915 | 25,890,232 |
| Maintenance | 7,480,173 | 8,375,073 | 8,371,798 | 3,275 | 6,408,879 |
| Community service | 734,757 | 734,757 | 732,752 | 2,005 | 680,102 |
| Capital outlay | 2,751,582 | 4,172,182 | 4,158,068 | 14,114 | 2,631,322 |
| Fixed charges | <u>64,344,571</u> | <u>64,344,571</u> | <u>63,636,563</u> | <u>708,008</u> | <u>55,984,705</u> |
| Total expenditures | <u>327,336,800</u> | <u>328,720,000</u> | <u>326,289,904</u> | <u>2,430,096</u> | <u>316,326,469</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(3,201,086)</u> | <u>(4,584,286)</u> | <u>(2,419,279)</u> | <u>2,165,007</u> | <u>212,927</u> |
| OTHER FINANCING SOURCES | | | | | |
| Use of prior year fund balance | <u>3,201,086</u> | <u>4,584,286</u> | <u>2,419,279</u> | <u>(2,165,007)</u> | <u>-</u> |
| Total other financing sources | <u>3,201,086</u> | <u>4,584,286</u> | <u>2,419,279</u> | <u>(2,165,007)</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES * | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 212,927</u> |
| Use of budgetary fund balance | | | (2,419,279) | | |
| FUND BALANCE AT JUNE 30, 2014 | | | <u>22,194,532</u> | | |
| FUND BALANCE AT JUNE 30, 2015 | | | <u>\$ 19,775,253</u> | | |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Capital Asset and Long-Term Debt

Capital Assets

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

| | <u>Cost (in millions)</u> |
|--|---------------------------|
| Additions to building (security upgrades, lighting upgrades, security cameras, flooring, masonry/façade upgrades, water pump building, new fire alarm panel, electrical upgrades, carpet replacement, boiler replacement, stage curtains, front entrance upgrade, bleacher replacement, gym floor replacement, HVAC replacement, chiller replacement, and building alterations). | \$ 7.4 |
| Building Addition | 10.3 |
| Total | \$ 17.7 |

During fiscal year 2015, capital assets increased \$ 1.6 million, which was an increase of .5% from fiscal year 2014. Some of the changes were as follows:

- Land Improvements increased due to new fencing, paving, playground improvements, concrete work, wetland project, soccer scoreboard, track and tennis court repairs, baseball field renovations, football field drain work, and solar lighting.
- Construction in progress included security and lighting upgrades at various locations (\$4.9 million), HVAC replacements (\$1.2 million) and additional building construction costs at St. Charles High School (\$10.3 million).
- Equipment and furniture increased due additional items for St. Charles High School, the purchase of buses, vehicles, and computer equipment (PARCC and server migration).

Capital Assets (in millions of dollars)

| | <u>Governmental Activities</u> | | <u>Change</u> |
|--------------------------|--------------------------------|----------|---------------|
| | 2014 | 2015 | 2014 - 2015 |
| Land | \$ 16.8 | \$ 16.9 | \$ 0.1 |
| Land improvements | 11.7 | 12.1 | 0.4 |
| Buildings | 514.0 | 529.5 | 15.5 |
| Construction in progress | 3.1 | 2.2 | (0.9) |
| Equipment and furniture | 29.4 | 30.7 | 1.3 |
| Accumulated depreciation | (257.6) | (272.4) | (14.8) |
| Total | \$ 317.4 | \$ 319.0 | \$ 1.6 |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Capital Assets (Continued)

Over the next five years, the school system anticipates opening a new elementary school, completing two full day kindergarten additions, site improvements including playground and asphalt replacement and renovating Dr. Mudd Elementary.

The school system's fiscal year 2016 capital improvement program budget includes spending another \$16.5 million for capital projects, principally in four areas:

- \$6.2 million for full day kindergarten additions
- \$3.7 million for various maintenance projects, asphalt replacement and portable classrooms
- \$4.5 million for boiler replacement
- \$2.1 million for Dr. Mudd Elementary renovations

Long-Term Debt

At year-end, the School System had \$182.2 million in long-term liabilities. Compensated absences including accumulated vacation and sick leave for the School System's employees available upon termination accounted for \$8.6 million. The School System also has an obligation of \$157.1 million for post-employment benefits other than pensions (OPEB). The Technology loan 1 accounted for \$1.3 million of the debt. The Technology loan 2 accounted of \$2.3 million of the debt. The School System has an obligation of \$12.8 million for its pension liability. More detailed information about the School System's long-term liabilities is presented in Note 10 of the financial statements.

Factors Expected To Have an Effect on Future Operations

Enrollment in the county has declined over the past several years and will most likely lead to future reductions in State funding. Free and reduced student population has been increasing which has provided some financial relief in the form of an increase in State Compensatory Education funding. The system remains two steps behind in employee salary scale progression, and our ability to fund three steps in any given year is extremely problematic. Funding other post-retirement benefits (OPEB) in accordance with GASB 45 remains a concern, but a low budget priority. The tradeoff between funding OPEB or staff salaries in the future will be complicated and a part of union negotiations. Healthcare costs are expected to increase due to the Affordable Care Act. The national teacher shortage has resulted in a very competitive market both in terms of salary and affordable housing.

The school system funded the second phase of St. Charles High School in the fall of 2014 which required a major commitment in staff, operating and startup costs. In addition, large purchases of technology and infrastructure required for State PARRC testing will require ongoing funding for repairs and replacement hardware. Future initiatives to replace older mainframe software for student information, human resources, and payroll systems will be extremely expensive. While fund balance has been used to fund many maintenance projects, a major backlog of projects still exists.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Charles County Public Schools continues to do an excellent job managing and allocating resources. Careful forecasting and management of funds produced no budget deficits or over expenditures in any category. At Board direction, the fund balance will be used more aggressively over time to support the general fund and capital maintenance projects. Moving forward, there needs to be a concerted effort by management to reduce the reliance on fund balance reserves to pay for recurring costs in the operating budget. The general expectation is that new enrollments along with a more robust economic recovery will bring additional funding for education in the future.

Contacting the School System's Financial Management

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

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 68,914,033 |
| Accounts receivable | |
| Federal | 2,476,411 |
| State of Maryland | 1,667,049 |
| Other sources | 3,384,547 |
| Inventories | 462,205 |
| Capital assets | |
| Land and construction in progress | 19,131,183 |
| Other capital assets, net of depreciation | <u>299,870,707</u> |
| Total Assets | <u>395,906,135</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Changes in pension plan assumptions | 3,033,317 |
| Difference between projected and actual earnings on pension plan investments | <u>4,496,913</u> |
| Total deferred outflows of resources | <u>7,530,230</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | |
| | <u>\$ 403,436,365</u> |
| LIABILITIES | |
| Accounts payable | \$ 12,245,788 |
| Accrued salaries and fringe benefits | 24,075,425 |
| Payroll taxes and withholding payable | 187,301 |
| Other liabilities | 136,782 |
| Payable for health insurance | 2,380,000 |
| Unearned revenue | 4,657,827 |
| Noncurrent liabilities: | |
| Due within one year | 2,566,635 |
| Due in more than one year | <u>179,595,858</u> |
| Total Liabilities | <u>225,845,616</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Differences between expected and actual experience | <u>1,393,449</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | |
| | <u>\$ 227,239,065</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 315,415,645 |
| Unrestricted | <u>(139,218,345)</u> |
| Total Net Position | <u>\$ 176,197,300</u> |

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

| | Program Revenues | | | Net Revenue (Expenses) and Changes in Net Position | |
|---|------------------------|--|--|---|-----------------------|
| Expenses | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| INSTRUCTION | | | | | |
| Regular education | \$ 215,826,921 | \$ 589,179 | \$ 59,784,172 | \$ - | \$ (155,453,570) |
| Special Education | <u>42,762,526</u> | <u>247,853</u> | <u>13,904,261</u> | - | <u>(28,610,412)</u> |
| Total instruction | <u>258,589,447</u> | <u>837,032</u> | <u>73,688,433</u> | - | <u>(184,063,982)</u> |
| SUPPORT SERVICES | | | | | |
| Pupil services | 7,723,288 | - | 1,195 | - | (7,722,093) |
| Administration | 12,552,534 | - | 460,067 | - | (12,092,467) |
| Instructional support | 27,545,062 | - | 814,504 | - | (26,730,558) |
| Operation and maintenance | 44,587,255 | 12,675 | 98,212 | - | (44,476,368) |
| Transportation | 24,948,293 | - | 10,359,949 | - | (14,588,344) |
| Community services | 3,393,764 | 230,722 | 1,076,984 | - | (2,086,058) |
| School lunch services | 11,058,862 | 4,956,061 | 7,622,904 | - | 1,520,103 |
| Planning and construction | 4,224,829 | - | 1,036,212 | 17,315,391 | 14,126,774 |
| Unallocated depreciation expense | <u>14,110,629</u> | - | - | - | <u>(14,110,629)</u> |
| Total support services | <u>150,144,516</u> | <u>5,199,458</u> | <u>21,470,027</u> | <u>17,315,391</u> | <u>(106,159,640)</u> |
| Total Governmental Activities | <u>\$ 408,733,963</u> | <u>\$ 6,036,490</u> | <u>\$ 95,158,460</u> | <u>\$ 17,315,391</u> | <u>(290,223,622)</u> |
| GENERAL REVENUES | | | | | |
| County appropriations | | | | | 161,921,600 |
| State aid not restricted to specific purposes | | | | | 110,815,678 |
| Earnings on investment | | | | | 29,732 |
| Miscellaneous | | | | | <u>200,975</u> |
| | | | | | <u>272,967,985</u> |
| CHANGE IN NET POSITION | | | | | (17,255,637) |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | | | | | <u>193,452,937</u> |
| NET POSITION, END OF YEAR | | | | | <u>\$ 176,197,300</u> |

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General Fund | Restricted Programs Fund | Food Service Fund | Capital Projects | Total Governmental Funds |
|---|----------------------|--------------------------------|-------------------------|---------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and short-term investments | \$ 66,227,502 | \$ - | \$ 2,665,416 | \$ 21,115 | \$ 68,914,033 |
| Accounts receivable: | | | | | |
| Federal | 58,601 | 2,049,887 | 367,923 | - | 2,476,411 |
| State of Maryland | 567,490 | 1,057,435 | 42,124 | - | 1,667,049 |
| Other sources | 1,206,189 | 139,936 | 62,223 | 1,976,199 | 3,384,547 |
| Due from other funds | - | 2,870,546 | - | - | 2,870,546 |
| Inventories | 212,743 | - | 249,462 | - | 462,205 |
| Total Assets | <u>\$ 68,272,525</u> | <u>\$ 6,117,804</u> | <u>\$ 3,387,148</u> | <u>\$ 1,997,314</u> | <u>\$ 79,774,791</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 10,992,260 | \$ 206,440 | \$ 166,079 | \$ 881,009 | \$ 12,245,788 |
| Accrued salaries and fringe benefits | 22,665,030 | 965,788 | 444,607 | - | 24,075,425 |
| Payroll taxes and withholding payable | 184,065 | 3,236 | - | - | 187,301 |
| Due to other governments | - | 113,113 | - | - | 113,113 |
| Due to other funds | 1,579,987 | - | 18,087 | 1,272,472 | 2,870,546 |
| Due to fiduciary funds | 23,669 | - | - | - | 23,669 |
| Payable for health insurance | 2,380,000 | - | - | - | 2,380,000 |
| Unearned revenue | 100,465 | 4,316,756 | 240,606 | - | 4,657,827 |
| Total liabilities | <u>37,925,476</u> | <u>5,605,333</u> | <u>869,379</u> | <u>2,153,481</u> | <u>46,553,669</u> |
| FUND BALANCE (DEFICIT) | | | | | |
| Nonspendable - inventory | 212,743 | - | 249,462 | - | 462,205 |
| Restricted | - | 512,471 | - | - | 512,471 |
| Assigned | 15,775,522 | - | 2,268,307 | - | 18,043,829 |
| Unassigned | 14,358,784 | - | - | (156,167) | 14,202,617 |
| Total fund balance (deficit) | <u>30,347,049</u> | <u>512,471</u> | <u>2,517,769</u> | <u>(156,167)</u> | <u>33,221,122</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 68,272,525</u> | <u>\$ 6,117,804</u> | <u>\$ 3,387,148</u> | <u>\$ 1,997,314</u> | <u>\$ 79,774,791</u> |

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

| | | |
|--|----------------------|------------------------------|
| Total Fund Balances - Governmental Funds | | \$ 33,221,122 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Difference Because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported assets in governmental funds: | | |
| The cost of capital assets | 591,496,504 | |
| Accumulated depreciation | <u>(272,494,614)</u> | |
| | | 319,001,890 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows and inflows at year-end consisted of: | | |
| Deferred outflows of resources related to pensions includes | | |
| \$3,003,317 related to changes in pension plan assumptions, | | |
| and \$4,496,913 related to difference between project and actual earnings | 7,530,230 | |
| Deferred inflows of resources related to pensions | <u>(1,393,449)</u> | |
| | | 6,136,781 |
| Long-term liabilities, including notes payable, net other postemployment obligations and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. | | |
| Long-term liabilities at year-end consisted of: | | |
| Net Pension Liability | (12,811,930) | |
| Net OPEB obligation | (157,117,475) | |
| Note payable | (3,586,245) | |
| Compensated absences | <u>(8,646,843)</u> | |
| | | <u>(182,162,493)</u> |
| Total Net Position - Governmental Activities | | \$ <u>176,197,300</u> |

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

| | General Fund | Restricted Programs Fund | Food Service Fund | Capital Projects | Total Governmental Funds |
|-----------------------------------|----------------------|--------------------------------|-------------------------|---------------------|--------------------------------|
| REVENUES | | | | | |
| State of Maryland | \$ 181,528,204 | \$ 2,875,774 | \$ 410,629 | \$ 10,536,636 | \$ 195,351,243 |
| Federal government | 977,333 | 11,225,855 | 6,838,121 | - | 19,041,309 |
| Other sources | 1,311,084 | 1,499,653 | 5,277,157 | 11 | 8,087,905 |
| Local sources | <u>161,921,600</u> | <u>297,473</u> | <u>-</u> | <u>6,778,744</u> | <u>168,997,817</u> |
| Total revenues | <u>345,738,221</u> | <u>15,898,755</u> | <u>12,525,907</u> | <u>17,315,391</u> | <u>391,478,274</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | 8,753,587 | 450,421 | - | - | 9,204,008 |
| Mid-level administration | 21,180,436 | 668,095 | - | - | 21,848,531 |
| Instruction: | | | | | |
| Instructional salaries | 124,377,435 | 4,093,811 | - | - | 128,471,246 |
| Materials of instruction | 11,370,770 | 1,155,132 | - | - | 12,525,902 |
| Other costs of instruction | 1,649,674 | 1,076,224 | - | - | 2,725,898 |
| Special Education | 29,983,708 | 4,144,456 | - | - | 34,128,164 |
| Student personnel services | 3,587,043 | - | - | - | 3,587,043 |
| Health service | 3,063,580 | 1,195 | - | - | 3,064,775 |
| Transportation | 24,365,989 | 101,356 | - | - | 24,467,345 |
| Operations | 24,328,620 | 60,865 | - | 96,718 | 24,486,203 |
| Maintenance | 7,071,502 | 74,664 | - | - | 7,146,166 |
| Food service | - | 35,328 | 10,531,014 | - | 10,566,342 |
| Community Service | 732,752 | 878,468 | - | - | 1,611,220 |
| Fixed Charges | 85,504,159 | 2,337,325 | 1,550,525 | - | 89,392,009 |
| Capital outlay | <u>3,097,595</u> | <u>1,482,815</u> | <u>-</u> | <u>16,781,182</u> | <u>21,361,592</u> |
| Total expenditures | <u>349,066,850</u> | <u>16,560,155</u> | <u>12,081,539</u> | <u>16,877,900</u> | <u>394,586,444</u> |
| Excess (deficiency) of revenues | | | | | |
| Over expenditures | (3,328,629) | (661,400) | 444,368 | 437,491 | (3,108,170) |
| FUND BALANCES, | | | | | |
| BEGINNING OF YEAR | <u>33,675,678</u> | <u>1,173,871</u> | <u>2,073,401</u> | <u>(593,658)</u> | <u>36,329,292</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 30,347,049</u> | <u>\$ 512,471</u> | <u>\$ 2,517,769</u> | <u>\$ (156,167)</u> | <u>\$ 33,221,122</u> |

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Total Net Change in Fund Balances - Governmental Funds

\$ (3,108,170)

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

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

| | |
|---|--------------------|
| Assets capitalized during the year | 19,506,367 |
| Depreciation expense for the year | (16,644,714) |
| Net book value of assets disposed of during the year. | <u>(1,266,131)</u> |

1,595,522

Governmental funds report Board pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.

1,119,873

OPEB costs reported in the Statement of Activities do not require the use of current financial resources and, are not reported as expenditures in governmental funds.

(18,374,748)

The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

1,586,475

In the Statement of Activities, certain operating expenses, such as compensated absences, are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended.

(74,589)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (17,255,637)

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | <u>Pension and Retiree Health Trust Funds</u> | <u>Agency Fund</u> |
|---|---|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 6,497,989 | \$ 2,454,103 |
| Investments, at fair value with fiscal agent | 109,109,906 | - |
| Contribution receivable | 8,488,296 | - |
| Due from Board of Education | 23,669 | - |
| Total assets | <u>124,119,860</u> | <u>\$ 2,454,103</u> |
| LIABILITIES | | |
| Due to student groups | - | \$ 2,454,103 |
| Total liabilities | <u>-</u> | <u>\$ 2,454,103</u> |
| NET POSITION | | |
| Held in trust for retiree health/pension benefits | <u>\$ 124,119,860</u> | |

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

| | <u>Pension and Retiree Health Trust Funds</u> |
|---|---|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 20,575,911 |
| Plan members | <u>3,153,612</u> |
| Total contributions | <u>23,729,523</u> |
| Investment earnings: | |
| Interest and dividends | 2,278,118 |
| Net increase in fair value of investments | <u>(662,127)</u> |
| Total investment earnings | 1,615,991 |
| Less investment expense | <u>318,459</u> |
| Net investment gain | <u>1,297,532</u> |
| Total additions | <u>25,027,055</u> |
| DEDUCTIONS | |
| Benefits paid to members | 15,073,537 |
| Administrative expenses | <u>298,942</u> |
| Total deductions | <u>15,372,479</u> |
| CHANGE IN NET POSITION | 9,654,576 |
| NET POSITION, BEGINNING OF YEAR | <u>114,465,284</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 124,119,860</u></u> |

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education of Charles County, Maryland (the Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The Board reports the following funds:

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **Capital Projects Funds** - The Capital Improvement Program Fund, the School Construction Fund, Technology 1 Fund, and Technology 2 Fund are used to account for the acquisition or construction of major capital facilities, significant repairs and maintenance, and the acquisition of equipment. These funds are considered to be sub-funds established for capital projects and are considered as one major fund for purposes of presentation in the fund financial statements.

- **Fiduciary Fund** – This represents trust and agency funds which are used to account for assets held by the Board in a trust or agency capacity. These include:
 - a. Pension Trust Fund – The Pension Trust Fund is used to account for activities of the Board's administered retirement system.

 - b. Retiree Health Trust Fund – This fund was established to record other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Charles County Public Schools.

 - c. Agency Funds – Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, Agency Funds report only assets and liabilities. This type of fund is used to account for the transactions of the student activities funds which are the direct responsibility of the principal of each respective school.

Budgets and Budgetary Accounting

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

1. Subsequent to March, the Board submits to Charles County Commissioners a proposed operating budget for the fiscal year starting the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. The approved budget is returned to the Board by the County Commissioners prior to June 30.

3. Legal budgetary control is employed for the General Fund only. The Capital Projects budget and the Special Revenue - Restricted Program are prepared on a project length basis and program basis, respectively, and, accordingly, annual budgetary comparisons are not presented in the financial statements. The Special Revenue – Food Service Fund budget is adopted by the Board for management purposes only, and is not subject to and under the control of the Charles County Commissioners. Accordingly, budgetary comparisons are not presented as required supplementary information, but are shown as other supplementary information.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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

The budgeted amounts reflected in the accompanying financial statements recognized budget transfers made within budget categories during the year, all of which were properly reported and/or approved, as applicable.

Inventories

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

Due To/From Other Funds

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

Compensated Absence

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absence (Continued)

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

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

Unearned Revenue

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

Fund Balance

Governmental fund balance amounts are reported within one of the fund balance categories listed below.

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

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

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

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Order of Fund Balance Spending Policy

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

Deposits and Investments

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

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

Capital Assets

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

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

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

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

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures) until the future period. The Board recognizes deferred outflows for the difference between the projected and actual investment earning related to pensions. The Board also recognizes deferred outflows for the changes in actuarial assumptions.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The Board recognizes a deferred inflow for the difference between expected and actual actuarial experience.

Long-Term Obligations

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Charles County Board of Education's Defined Benefit Plan and additions to/ deductions from the Plan's fiduciary net pension have been determined on the same basis as they are reported in the Board's financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments reported at fair value.

Use of Estimates in Preparing Financial Statements

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

Governmental Accounting Standards Board (GASB) Pronouncements

The Board implemented Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. As well as the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. The objective of these Statements is to improve accounting and financial reporting by state and local government employers whose employee are provided benefits through pensions.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Pronouncements

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

The GASB recently issued Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting related to fair value measurements of assets and liabilities. Guidance is provided around valuation techniques to measure fair value and extensive disclosures will be required around the hierarchy of inputs to valuation techniques used to measure fair value as established by the statement. Since the statement generally requires investments to be measured at fair value, the impact to the Board's financial statements is expected to be minimal. However, the investment-related notes to the combining financial statements will need to be significantly enhanced to comply with this new standard. The requirements of GASB 72 are effective for financial statements for periods beginning after June 15, 2015, resulting in planned initial implementation in the Board's June 30, 2016 report.

The GASB recently issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for FY2017. This statement is intended to improve accounting and financial reporting by state and local governments that provide postemployment benefits.

NOTE 2 CASH AND INVESTMENTS

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

Deposits

At year-end, the carrying amount of the Board's combined deposits was \$36,309,596 and the bank balance was \$43,928,829. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

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

Investments

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

The assets of the MABE Trust are managed by Wells Fargo Advisors and consist of money market funds, U.S. government securities, fixed income securities, mortgage-backed securities, equity securities, mutual funds, and certificates of deposits. At June 30, 2015, the pooled assets of the MABE Trust were valued at \$207,360,446 in total, of which the Board's share was \$23,776,708.

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

The fair value as determined above is based on a quoted market price at June 30, 2015.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

A summary of cash and investments at June 30, 2015 is as follows:

| | Total Governmental Funds | Total Fiduciary Funds | Total | Weighted Average Maturity in Years |
|----------------------------|--------------------------------|--------------------------|-----------------------|--|
| Cash on hand | \$ 1,000 | \$ - | \$ 1,000 | N/A |
| Deposits | 33,846,688 | 2,454,102 | 36,300,790 | N/A |
| Money market mutual funds | - | 6,497,988 | 6,497,988 | N/A |
| MLGIP | 35,066,345 | - | 35,066,345 | N/A |
| MABE Trust | - | 23,776,708 | 23,776,708 | 6.36% |
| U.S. Government & agencies | - | 7,519,898 | 7,519,898 | 4.03% |
| Municipal Bonds | - | 627,351 | 627,351 | 23.83% |
| Corporate bonds | - | 11,642,199 | 11,642,199 | 11.63% |
| Equity mutual funds | - | 49,668,649 | 49,668,649 | N/A |
| Common stocks | - | 7,156,794 | 7,156,794 | N/A |
| Mortgage-backed securities | - | 8,718,307 | 8,718,307 | 16.10% |
| Total | <u>\$ 68,914,033</u> | <u>\$ 118,061,996</u> | <u>\$ 186,976,029</u> | |

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2015:

| | S&P Ratings | | | | | | | | | | | |
|----------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|----------------------|
| | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BBB- | BB+ | Unrated |
| MLGIP | \$ 35,066,345 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| U.S. obligations | - | - | - | - | - | - | - | - | - | - | - | 7,519,898 |
| Corporate bonds | 19,620 | 247,959 | 565,163 | 501,435 | 725,250 | 1,910,928 | 1,218,795 | 2,536,755 | 2,082,473 | 1,773,948 | - | 59,873 |
| Mortgage backed securities | - | - | - | - | - | - | - | - | - | - | - | 8,718,307 |
| Municipal bonds | 129,137 | - | - | 328,365 | - | - | 169,849 | - | - | - | - | - |
| Grand total | <u>\$ 35,215,102</u> | <u>\$ 247,959</u> | <u>\$ 565,163</u> | <u>\$ 829,800</u> | <u>\$ 725,250</u> | <u>\$ 1,910,928</u> | <u>\$ 1,388,644</u> | <u>\$ 2,536,755</u> | <u>\$ 2,082,473</u> | <u>\$ 1,773,948</u> | <u>\$ -</u> | <u>\$ 16,298,078</u> |

| | FMV | Less than 1 | 1-5 Years | 6-10 Years | 11-15 Years | 16-20 Years | 20+ Years |
|----------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| MLGIP | \$ 35,066,345 | \$ 35,066,345 | \$ - | \$ - | \$ - | \$ - | \$ - |
| U.S. obligations | 7,519,898 | - | 3,110,157 | 3,325,726 | - | - | 1,084,015 |
| Corporate bonds | 11,642,199 | - | 2,067,357 | 6,752,745 | 726,832 | 276,953 | 1,818,310 |
| Mortgage backed securities | 8,718,307 | 1,142,199 | 1,380,181 | 473,162 | 514,704 | 5,208,060 | - |
| Municipal bonds | 627,351 | - | - | 129,137 | - | - | 498,214 |
| Grand total | <u>\$ 63,574,100</u> | <u>\$ 36,208,544</u> | <u>\$ 6,557,695</u> | <u>\$ 10,680,770</u> | <u>\$ 1,241,536</u> | <u>\$ 5,485,013</u> | <u>\$ 3,400,539</u> |

Interest Rate Risk

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

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

Concentrations of Credit Risk

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

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

| Governmental Activities | Balance at June 30, 2014 | Increases | Decreases | Balance at June 30, 2015 |
|--|-----------------------------|----------------------|------------------------|-----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 16,854,675 | \$ 40,000 | \$ - | \$ 16,894,675 |
| Construction-in-progress | 3,067,546 | 14,824,315 | (15,655,353) | 2,236,508 |
| Total capital assets, not being depreciated | <u>19,922,221</u> | <u>14,864,315</u> | <u>(15,655,353)</u> | <u>19,131,183</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 514,045,609 | 17,709,622 | (2,238,273) | 529,516,958 |
| Land improvements | 11,686,412 | 421,885 | (4,900) | 12,103,397 |
| Furniture and equipment | 29,365,770 | 2,165,898 | (786,702) | 30,744,966 |
| Total capital assets being depreciated | <u>555,097,791</u> | <u>20,297,405</u> | <u>(3,029,875)</u> | <u>572,365,321</u> |
| Less - accumulated depreciation | | | | |
| Buildings and improvements | (226,869,200) | (14,057,206) | 998,400 | (239,928,006) |
| Land improvements | (7,827,828) | (667,653) | 4,900 | (8,490,581) |
| Furniture and equipment | (22,916,616) | (1,919,855) | 760,444 | (24,076,027) |
| Total accumulated depreciation | <u>(257,613,644)</u> | <u>(16,644,714)</u> | <u>1,763,744</u> | <u>(272,494,614)</u> |
| Total capital assets, being depreciated, net | <u>297,484,147</u> | <u>3,652,691</u> | <u>(1,266,131)</u> | <u>299,870,707</u> |
| Capital assets, net | <u>\$ 317,406,368</u> | <u>\$ 18,517,006</u> | <u>\$ (16,921,484)</u> | <u>\$ 319,001,890</u> |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 CAPITAL ASSETS (CONTINUED)

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

| Governmental activities | |
|--|----------------------|
| Regular education | \$ 428,050 |
| Special education | 6,261 |
| Supporting services: | |
| Pupil services | 2,216 |
| Health services | 3,551 |
| Administration | 69,140 |
| Instructional support | 50,951 |
| Operation and maintenance of facilities | 984,165 |
| Transportation | 99,607 |
| Community services | 2,853 |
| School lunch services | 23,887 |
| Planning and construction | 863,403 |
| Unallocated | <u>14,110,630</u> |
| Total depreciation expense - governmental activities | <u>\$ 16,644,714</u> |

The Board has active school construction projects at June 30, 2015, as follows:

| | Spent to Date | Remaining Commitment |
|---------------------------------------|---------------------|-------------------------|
| St. Charles High School and Pool | \$ - | \$ 287,622 |
| Dr. G. Brown Elementary School Boiler | <u>1,009,411</u> | <u>41,220</u> |
| Total | <u>\$ 1,009,411</u> | <u>\$ 328,842</u> |

NOTE 4 RETIREMENT SYSTEM – STATE OF MARYLAND DESCRIPTION

Plan Description

Certain Board employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers Pension System of the State of Maryland. This systems are part of the Maryland State Retirement and Pension System (the State System), and is a cost-sharing multiple-employer public employee retirement system. The State System provides pension, death and disability benefits to plan members and beneficiaries. The State of Maryland pays a substantial portion of employer contributions on behalf of the Board. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 15-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555. The System also issues a publically available financial report that can be obtained at <http://www.sra.state.md.us>.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Benefits provided

The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of the Teachers' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of the Teachers' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Teachers' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the Teachers' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' Pension System.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Contributions

The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System are required to contribute 5-7 % annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

The State makes a substantial portion of the Board's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the Board. The State's contributions on behalf of the Board for the year ended June 30, 2015, was \$21,789,928. The fiscal 2015 contribution made by the State on behalf of the Board has 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 in the Statement of Activities.

Beginning in FY 2013, the State of Maryland General Assembly passed a bill that required the Boards of Education in Maryland to begin paying the normal cost for their teachers into the Teachers' Retirement and Pension Systems. The legislation structured this as a four year phase in to the full normal cost so that 50% was paid in FY 2013. Full normal cost will be paid in FY 2017 and each year thereafter. The Board's required contribution to the Teachers' Retirement and Pension Systems for the year ended June 30, 2015 was \$6,383,304.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the Board, therefore, the Board is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

| | |
|--|-----------------------|
| State's proportionate share of the net pension liability | \$ 203,938,312 |
| Board's proportionate share of the net pension liability | <u>-</u> |
| Total | <u>\$ 203,938,312</u> |

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2015, the Board recognized pension expense of \$21,789,928 and revenue of \$21,789,928 for support provided by the State. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Inflation | 2.90% general, 3.4% wage |
| Salary increases | 3.40% to 11.9%, including inflation |
| Investment rate of return | 7.65% |

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2025.

The economic and demographic actuarial assumptions used in the June 30, 2014 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2006-2010, which was completed during FY 2011. Certain assumptions from the experience study including mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the System's Board for the first use in the actuarial valuation as of June 30, 2012. The System's Board of Trustees adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% price inflation are being phased in over a four-year period. As a result, an investment return assumption of 7.65% and an inflation assumption of 2.90% were used for the June 30, 2014 valuation. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Public Equity | 35% | 4.70% |
| Fixed Income | 10% | 2.00% |
| Credit Opportunity | 10% | 3.00% |
| Real Return | 14% | 2.80% |
| Absolute Return | 10% | 5.00% |
| Private Equity | 10% | 6.30% |
| Real Estate | 10% | 4.50% |
| Cash | <u>1%</u> | 3.14% |
| Total | <u>100%</u> | |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Actuarial Assumptions (Continued)

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 14.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The single discount rate used to measure the total pension liability was 7.65%. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

**NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN**

General Information about the Pension Plan

Plan Description

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Plan Description (Continued)

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

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

Plan Administration

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

Investment Policy

The Pension Committee is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price. The following was the Plan's adopted asset allocation policy as of June 30, 2015:

| Asset Class | Minimum | Maximum | Target |
|----------------------|---------|---------|--------|
| Equities | 30% | 70% | 56% |
| Fixed Income | 30% | 80% | 41% |
| Cash and Equivalents | 0% | 15% | 3% |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Concentrations

The Pension plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the pension plan's fiduciary net positions, the following of June 30, 2015:

| Investment | % of Pension Fiduciary Net Position | Fair Market Value |
|-------------------------------|---|-------------------------|
| IShares Core S&P 500 | 13.32% | \$ 12,431,542 |
| IShares MSCI EAFE | 8.65% | 8,073,515 |
| Oppenheimer Developing Market | 5.84% | 5,447,227 |

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2015 was 0.88%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

Benefits Provided

All employees not covered by the State System who work at least four hours per day and at least 10 months per year must join the Plan as a condition of employment. Participants are required to contribute 5% of their gross earnings to the Plan. Participants are eligible for full benefits upon retirement at age 60, the normal retirement date or age 55, the early retirement date. Full benefits in the Plan are defined as 1.5% of the Average Monthly Earnings multiplied by the years of continuous service through July 1, 1998, plus 2.0% of the Average Monthly Earnings multiplied by the years of continuous service after July 1, 1998 prior to the normal retirement date.

Employees Covered by Benefit Terms

At July 1, 2014, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

| | |
|--|-------|
| Retirees and beneficiaries receiving benefits | 284 |
| Terminated plan members entitled to but not yet receiving benefits | 266 |
| Active plan members | 467 |
| Total | 1,017 |

Contributions

Although the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Board uses the minimum and maximum contribution rules of that law as a guideline for contributions. At July 1, 2014, the minimum and maximum contribution computed under ERISA was \$5,251,554 and \$5,085,000, respectively. For fiscal year 2015, the Board contributed \$5,084,543 to the Plan while participants contributed \$984,728. These contributions amounted to approximately 26.2% and 26.3% of covered payroll, respectively.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Net Pension Liability

The net pension liability of the plan was measured as of June 30, 2015, and the net pension liability was determined by an actuarial valuation as of that date.

| | |
|-----------------------------|----------------------|
| Total pension liability | \$ 106,131,412 |
| Plan fiduciary net position | <u>(93,319,482)</u> |
| Net pension liability | <u>\$ 12,811,930</u> |

| | |
|---|--------|
| Plan fiduciary net position as a percentage of the total pension liability | 87.93% |
|---|--------|

Actuarial Assumptions

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

| | |
|----------------------------|--|
| Valuation Date | July 1, 2014* |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Period | 20 Years |
| Asset Valuation Method | Market value of Assets |
| Investment Rate of Return | 7.00% per year compounded annually, net of investment expenses |
| Projected salary increases | Years of service based 3.50-10.00% |
| Cost of living adjustments | 2.75-3.00% per year |
| General inflation | 3.00% per year |
| Retirement | Experience-based table of rates |
| Mortality rate | RP-2014 Mortality table, with no collar adjustment projected to valuation date with Scale MP-2014 |
| Experience Studies | The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as full eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study has not been completed. |

*To calculate the plan's Total Pension Liability (TPL), the July 1, 2014 Valuation was used to estimate the TPL as of June 30, 2015. The July 1, 2014 TPL was increased by service cost and interest and decreased by benefit payments. If a change in Plan was implemented, that amount was also reflected.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2015.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

**NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Actuarial Assumptions (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------------|--------------------------|---|
| US Large Cap | 13.50% | 6.25% |
| US Mid/ Small Cap | 12.50% | 7.50% |
| International Equities (unhedged) | 9.00% | 6.75% |
| Emerging International Equities | 6.00% | 9.50% |
| Core Bonds | 34.00% | 1.30% |
| High-Yield Bonds | 4.00% | 5.00% |
| Emerging Market Debt (Local Currency) | 3.00% | 4.50% |
| Real Estate (Core) | 3.00% | 5.75% |
| Hedge Funds Mod Vol | 8.00% | 5.00% |
| Commodities | 4.00% | 5.25% |
| Cash | 3.00% | 0.50% |

Discount Rate

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

Changes in Net Pension Liability

| | <u>Increase (Decrease)</u> | | |
|---|------------------------------------|--|----------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| Balances as of June 30, 2014 | \$ 98,660,635 | \$ 90,865,613 | \$ 7,795,022 |
| Changes for the year: | | | |
| Service cost | 2,890,137 | - | 2,890,137 |
| Interest | 6,954,089 | - | 6,954,089 |
| Differences between expected and actual experience | (1,733,314) | - | (1,733,314) |
| Changes of assumptions | 3,773,150 | - | 3,773,150 |
| Contributions - employer | - | 5,085,000 | (5,085,000) |
| Contributions - member | - | 984,727 | (984,727) |
| Net investment income | - | 797,427 | (797,427) |
| Benefit payments, including refunds of members contributions | (4,413,285) | (4,413,285) | - |
| Net changes | <u>7,470,777</u> | <u>2,453,869</u> | <u>5,016,908</u> |
| Balances at June 30, 2015 | <u>\$ 106,131,412</u> | <u>\$ 93,319,482</u> | <u>\$ 12,811,930</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Sensitivity of Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------|------------------------|-------------------------|------------------------|
| Net Pension Liability | \$ 26,559,035 | \$ 12,811,930 | \$ 1,351,301 |

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended June 30, 2015, the Board recognized pension expense of \$3,965,127. As of June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 1,393,449 |
| Changes in assumptions | 3,033,317 | - |
| Net difference between projected and actual earnings on pension plan investments | 4,496,913 | - |
| Total | \$ 7,530,230 | \$ 1,393,449 |

Amounts reported as deferred outflows of resources and deferred inflows of resources relates to pensions will be recognized in pension expense as follows:

Year Ended June 30:

| | |
|------------|--------------|
| 2016 | \$ 1,524,196 |
| 2017 | 1,524,196 |
| 2018 | 1,524,196 |
| 2019 | 1,524,197 |
| 2020 | 39,996 |
| Thereafter | - |

Payable to the Pension Plan

At June 30, 2015, the Board reported a payable of \$1,488,296 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

Funding Policy

Medical and Dental Benefits - Retirees are eligible for continued membership in one of the school system's group medical and dental plans provided that they have at least 10 years service with the Charles County Public Schools. The school system pays 75% of the premiums for these plans. The medical and dental benefits paid by the Board for the year ended June 30, 2015 was \$10,660,252. As of June 30, 2015, 7,033 eligible participants were receiving these benefits.

Life Insurance Benefits - The Board pays 75% of the life insurance premiums for retirees with at least 10 years of service. The amount of insurance coverage is based on the employees' annual salary upon retirement. The life insurance benefits paid by the Board for the year ended June 30, 2015 was \$178,525. As of June 30, 2015, 2,833 eligible participants were receiving these benefits.

Annual OPEB Cost and Net OPEB Obligation

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

| | |
|--|------------------------------|
| Annual required contribution | \$ 36,861,000 |
| Interest on net OPEB obligation | 6,937,000 |
| Adjustment to annual required contribution | <u>(7,763,000)</u> |
| Annual OPEB cost | 36,035,000 |
| Contributions made | <u>(17,660,252)</u> |
| Increase in net OPEB obligations | 18,374,748 |
| Net OPEB obligations - beginning of year | <u>138,742,727</u> |
| Net OPEB obligations - end of year | <u><u>\$ 157,117,475</u></u> |

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligations |
|-------------------|---------------------|--|-------------------------|
| June 30, 2013 | \$ 32,225,000 | 41.4% | \$ 118,702,349 |
| June 30, 2014 | 34,127,000 | 41.3% | 138,742,727 |
| June 30, 2015 | 36,035,000 | 49.0% | 157,117,475 |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the Plan was 4.98% funded. The actuarial accrued liability for benefits was \$392,715,000, and the actuarial value of assets was \$19,576,001, resulting in an unfunded actuarial accrued liability (UAAL) of \$373,138,999. The covered payroll (annual payroll of active employees covered by the Plan) was \$187,000,000 and the ratio of the UAAL to the covered payroll was 200%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 4.7% initially, reduced by decrements to an ultimate rate of 3.9% and is attained in 2077. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Additional information as of the latest actuarial valuation follows:

| | |
|------------------------------|---|
| Valuation Date | July 1, 2014 |
| Actuarial Cost Method | Projected unit credit method |
| Amortization Method | Closed, level of percent of payroll |
| Asset Valuation Method | Market value of Assets |
| Actuarial Assumptions: | |
| Investment Rate of Return | 5.0% per year compounded annually |
| Payroll Growth Rate | 3.0% per year |
| Healthcare Cost Trend Rates: | |
| Medical | 4.7% initial / 3.9% ultimate (not applicable to life insurance) |
| Dental | 5.0% per year |

NOTE 7 TRUST FUNDS

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

| Condensed Statement of Net Position | | | |
|---|------------------------------|-----------------------|-----------------------|
| | Retiree Health Trust Fund | Pension Trust Fund | Total |
| Assets | | | |
| Investments, including cash and cash equivalents | \$ 23,776,708 | \$ 91,831,187 | \$ 115,607,895 |
| Other assets | <u>7,023,669</u> | <u>1,488,296</u> | <u>8,511,965</u> |
| Total assets | <u>30,800,377</u> | <u>93,319,483</u> | <u>124,119,860</u> |
| Liabilities | | | |
| | - | - | - |
| Net position - Held in trust for retiree health/pension benefits | <u>\$ 30,800,377</u> | <u>\$ 93,319,483</u> | <u>\$ 124,119,860</u> |
| Additions | | | |
| Contributions | \$ 17,660,252 | \$ 6,069,271 | \$ 23,729,523 |
| Net investment gain/(loss) | <u>200,707</u> | <u>1,096,825</u> | <u>1,297,532</u> |
| Total additions | <u>17,860,959</u> | <u>7,166,096</u> | <u>25,027,055</u> |
| Deductions | | | |
| Benefits paid | 10,660,252 | 4,413,285 | 15,073,537 |
| Administrative expenses | <u>-</u> | <u>298,942</u> | <u>298,942</u> |
| Total deductions | <u>10,660,252</u> | <u>4,712,227</u> | <u>15,372,479</u> |
| Change in net position | 7,200,707 | 2,453,869 | 9,654,576 |
| Net position - beginning of year | <u>23,599,670</u> | <u>90,865,614</u> | <u>114,465,284</u> |
| Net position - end of year | <u>\$ 30,800,377</u> | <u>\$ 93,319,483</u> | <u>\$ 124,119,860</u> |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 DEBT SERVICE

School Construction Debt

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

NOTE 9 INTERFUND ACCOUNTS

At June 30, 2015, the amounts due to and from other funds were as follows:

| | Due From Other Funds | Due To Other Funds |
|--------------------------------------|-------------------------|-----------------------|
| General fund | \$ - | \$ 1,579,987 |
| Special revenue - food service | - | 18,087 |
| Special revenue - restricted program | 2,870,546 | - |
| Capital projects - total | - | 1,272,472 |
| Total | \$ 2,870,546 | \$ 2,870,546 |

NOTE 10 LONG-TERM LIABILITIES

The following is an analysis of the changes in long-term liabilities for the year ended June 30, 2015:

| | Beginning Balance | Net Increase (Decrease)* | Ending Balance | Amount Due Within One Year |
|-----------------------------|----------------------|-----------------------------|-------------------|-------------------------------|
| Compensated absences | \$ 8,572,254 | \$ 74,589 | \$ 8,646,843 | \$ 963,548 |
| Net OPEB obligation | 138,742,727 | 18,374,748 | 157,117,475 | - |
| Technology Loan 1 | 2,300,433 | (1,012,018) | 1,288,415 | 1,028,630 |
| Technology Loan 2 | 2,872,287 | (574,457) | 2,297,830 | 574,457 |
| Net pension liability | 7,795,022 | 5,016,908 | 12,811,930 | - |
| Total long-term liabilities | \$ 160,282,723 | \$ 21,879,770 | \$ 182,162,493 | \$ 2,566,635 |

* The net increase (decrease) for the technology loans represented only decrease in the form of payments, no additional amount borrowed in the current year.

The technology loan 1 requires quarterly payments of principal and interest in the amount of \$260,845 through July 15, 2016. Interest rate on the loan is 1.63%. For fiscal year 2015, the total payment for technology loan 1 was \$1,043,379, which was comprised of \$1,012,018 of principal and \$31,361 of interest payments.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 LONG-TERM LIABILITIES (CONTINUED)

The future annual payments due under the technology loan 1 as of June 30, 2015 are:

| Year Ended June 30, | Principal | Interest | Total |
|-----------------------------|---------------------|------------------|---------------------|
| 2016 | \$ 1,028,630 | \$ 14,749 | \$ 1,043,379 |
| 2017 | 259,785 | 1,060 | 260,845 |
| Total minimum loan payments | <u>\$ 1,288,415</u> | <u>\$ 15,809</u> | <u>\$ 1,304,224</u> |

The technology loan 2 requires yearly payments of principal in the amount of \$574,457 through August 1, 2018. Interest rate on the loan is 0.00%. For fiscal year 2015, the total payment for technology loan 2 was \$574,457, which was a payment of principal only.

The future annual payments due under the technology loan 2 as of June 30, 2015 are:

| Year Ended June 30, | Principal | Interest | Total |
|-----------------------------|---------------------|-------------|---------------------|
| 2016 | \$ 574,457 | \$ - | \$ 574,457 |
| 2017 | 574,457 | - | 574,457 |
| 2018 | 574,457 | - | 574,457 |
| 2019 | 574,457 | - | 574,457 |
| Total minimum loan payments | <u>\$ 2,297,830</u> | <u>\$ -</u> | <u>\$ 2,297,830</u> |

For the governmental activities, compensated absences, net pension obligations, net other post-employment benefits obligations, and technology loan 1 are generally liquidated by the General Fund, and technology loan 2 is liquidated through the Capital Projects Fund.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Board is committed under various leases for the use of equipment. The leases cover annual and multi-year periods with various expiration dates through June 2018. These leases are considered to be operating leases for accounting purposes.

The future annual minimum lease payments due under these operating leases as of June 30, 2015 are:

| Year Ended June 30, | Principal |
|------------------------------|-------------------|
| 2016 | \$ 600,461 |
| 2017 | 176,691 |
| 2018 | 31,325 |
| Total minimum lease payments | <u>\$ 808,477</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Rental expenditures for the year ended June 30, 2015 amounted to approximately \$673,375.

Litigation

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

Health Insurance

The Board entered into an agreement with BlueCross BlueShield of Maryland for health insurance under a claim made policy. The Board underwrites 75% of the cost of health insurance based on an estimate and the employees contribute 25%. Actual contribution rates by the Board may vary based on actual claims. The policy arrangement includes a stop-loss provision for claims in excess of \$150,000. A liability in the amount of \$2,380,000 has been recorded for the estimated claims incurred but not reported at the end of the year.

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

| | 2015 | 2014 |
|------------------------------------|----------------|----------------|
| Accrued health claims: | | |
| Unpaid claims at beginning of year | \$ 1,910,000 | \$ 2,090,000 |
| Incurred claims (including IBNR) | 25,185,668 | 24,415,956 |
| Claim payments | (29,475,668) | (28,415,956) |
| Unpaid claims at end of year | \$ (2,380,000) | \$ (1,910,000) |

NOTE 12 FUND BALANCE DEFICIT

The Capital Projects Fund reflects a deficit unassigned fund balance for June 30, 2015 because revenues, provided by the State and County needed to liquidate encumbrances outstanding, are not received and recognized until invoices for goods and services rendered are received and approved by the Board. The deficit will be eliminated through future funding provided by local and state sources.

NOTE 13 RISK MANAGEMENT

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

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 RISK MANAGEMENT (CONTINUED)

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

NOTE 14 ENCUMBRANCES

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

Encumbrances at June 30, 2015 are for the following uses:

| | General Fund | Restricted Programs Fund |
|----------------------------------|---------------|-----------------------------|
| Encumbrances: | | |
| Administration | \$ 439,156 | \$ - |
| Mid-Level Administrative | 35,083 | - |
| Instruction | 3,213,343 | 63,934 |
| Special Education | 95,817 | 776 |
| Student Personnel Services | 55,670 | - |
| Student Health Services | 5,613 | - |
| Student Transportation | 104,007 | - |
| Operation & Maintenance of Plant | 4,637,688 | - |
| Food Service | - | - |
| Community Service | - | - |
| Capital Outlay | 1,988,057 | 447,761 |
| Total encumbrances | \$ 10,574,434 | \$ 512,471 |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15 FUND BALANCE

Fund balance at June 30, 2015 consists of the following:

| | General Fund | Restricted Programs Fund | Food Service Fund | Capital Projects |
|----------------------------------|----------------------|-----------------------------|----------------------|---------------------|
| Nonspendable - Inventory | <u>\$ 212,743</u> | <u>\$ -</u> | <u>\$ 249,462</u> | <u>\$ -</u> |
| Restricted for: | | | | |
| Administration | - | - | - | - |
| Mid-Level Administration | - | - | - | - |
| Instruction | - | 63,934 | - | - |
| Special Education | - | 776 | - | - |
| Operation & Maintenance of Plant | - | - | - | - |
| Food Service | - | - | - | - |
| Community Service | - | - | - | - |
| Capital Outlay | - | 447,761 | - | - |
| Total restricted for | <u>-</u> | <u>512,471</u> | <u>-</u> | <u>-</u> |
| Assigned for: | | | | |
| Administration | 439,156 | - | - | - |
| Mid-Level Administration | 35,083 | - | - | - |
| Instruction | 3,213,343 | - | - | - |
| Special Education | 95,817 | - | - | - |
| Student Personnel Services | 55,670 | - | - | - |
| Student Health Services | 5,613 | - | - | - |
| Student Transportation | 104,007 | - | - | - |
| Operation & Maintenance of Plant | 4,637,688 | - | - | - |
| Capital Outlay | 1,988,057 | - | - | - |
| Food Service | - | - | 2,268,307 | - |
| Subsequent year expenditures | 5,201,088 | - | - | - |
| Total assigned for | <u>15,775,522</u> | <u>-</u> | <u>2,268,307</u> | <u>-</u> |
| Unassigned | <u>14,358,784</u> | <u>-</u> | <u>-</u> | <u>(156,167)</u> |
| Total fund balance | <u>\$ 30,347,049</u> | <u>\$ 512,471</u> | <u>\$ 2,517,769</u> | <u>\$ (156,167)</u> |

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

The Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which improves accounting and financial reporting by state and local government employers whose employees are provided benefits through pensions. The Board is now required to record a liability for future pension benefits in excess of accumulated plan assets.

These pronouncements require the restatement of the June 30, 2014 net position of governmental activities as follows:

| | |
|--|-----------------------|
| Net position July 1, 2014, as previously stated | \$ 212,398,921 |
| Cumulative affect of application of GASB 68, net pension liability | <u>(18,945,984)</u> |
| Net position July 1, 2014, as restated | <u>\$ 193,452,937</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

Teachers' Retirement and Pension Systems:

| | |
|---|-----------------------|
| Board's proportionation of the net pension liability | 0.0% |
| Board's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability of the Board | <u>203,938,312</u> |
| Total | <u>\$ 203,938,312</u> |
| | |
| Board's covered employee payroll | \$ 166,442,075 |
| Board's proportionate share of the net pension liability as a percentage of its covered employee payroll | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.53% |

The amounts presented for fiscal year 2015 were determined as of July 1 of two years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the Board implemented GASB 68 during fiscal year 2015. As such, only one year of information is available.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM (CONTINUED)

Last Ten Fiscal Years

Teachers Retirement and Pension System

| | 2015 | 2014 | 2013 | 2012* | 2011* | 2010* | 2009* | 2008* | 2007* | 2006* |
|--|--------------------|--------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 6,383,304 | \$ 4,989,645 | \$ 3,936,516 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>(6,383,304)</u> | <u>(4,989,645)</u> | <u>(3,936,516)</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's covered-employee payroll | \$ 166,442,075 | \$ 166,561,146 | \$ 165,631,397 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered employee payroll | 3.84% | 3.00% | 2.38% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | 3.84% | 3.00% | 2.38% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM (CONTINUED)

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2014 valuation:

- Investment return assumption changed from 7.7% to 7.65%
- Inflation assumption changed from 2.95% to 2.90%
- Disability mortality assumption for State Police and LEOPS changed to:

RP-2000 Disability Mortality: 505 table for males and 75% for females, but not less than RP-2000 Combined Health Mortality table projected to year 2025

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

| | |
|-------------------------------|--|
| Actuarial | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years for State system |
| Asset Valuation Method | 5-year smoothed market; 20% collar |
| Inflation | 2.90% general, 3.4% wage |
| Salary Increases | 3.40% to 11.90% including inflation |
| Investment Rate of Return | 7.65% |
| Retirement Age | Experienced based table of rates that are specific to the type of eligibility condition. Last updated for 2012 valuation pursuant to an experience study of the period 2006-2010 |
| Mortality | RP-2000 Combined Health Mortality Table projected to the year 2025 |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

**BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN- DEFINED BENEFIT
PENSION PLAN**

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

| | 2014 | 2015 |
|---|----------------------|-----------------------|
| Total pension liability | | |
| Service cost | \$ 2,140,866 | \$ 2,890,137 |
| Interest | 6,585,023 | 6,954,089 |
| Benefit changes | - | - |
| Different between actual & expected if any | - | (1,733,314) |
| Assumption changes | - | 3,773,150 |
| Benefit payments | (3,925,897) | (4,413,285) |
| Net change in total pension liability | 4,799,992 | 7,470,777 |
| Total pension liability- beginning | 93,860,643 | 98,660,635 |
| Total pension liability- ending (a) | <u>\$ 98,660,635</u> | <u>\$ 106,131,412</u> |
| Plan fiduciary net position | | |
| Contribution- employer | \$ 5,251,554 | \$ 5,085,000 |
| Contribution- member | 966,598 | 984,727 |
| Net investment income | 9,567,475 | 797,427 |
| Benefit payments | (3,925,897) | (4,413,285) |
| Administrative expense | - | - |
| Other | - | - |
| Net change in plan fiduciary net position | 11,859,730 | 2,453,869 |
| Plan fiduciary net position- beginning | 79,005,883 | 90,865,613 |
| Plan fiduciary net position- ending (b) | <u>\$ 90,865,613</u> | <u>\$ 93,319,482</u> |
| Net pension on liability (a-b) | <u>\$ 7,795,022</u> | <u>\$ 12,811,930</u> |
| Plan fiduciary net position as a percentage of total liability | 92.10% | 87.93% |
| Covered employee payroll | \$ 20,059,710 | \$ 19,095,035 |
| Net pension liability as a percentage of covered employee payroll | 38.86% | 67.10% |

Notes to Schedule:

Changes of assumptions: Mortality table: RP-2000 Mortality, sex distinct, projected to date of decrement using Scale BB to RP-2014 Mortality table, with no collar adjustment projected to valuation date with Scale MP-2014

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

**BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN- DEFINED BENEFIT
PENSION PLAN (CONTINUED)**

Schedule of Employer Contributions

| FY Ending 30-Jun | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency Excess | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|---------------------|---|------------------------|--------------------------------------|--------------------|---|
| 2006 | \$ 1,997,220 | \$ 2,964,454 | \$ 967,234 | \$ 12,485,228 | 23.74% |
| 2007 | \$ 2,289,359 | \$ 3,222,000 | \$ 932,641 | \$ 14,563,647 | 22.12% |
| 2008 | \$ 3,042,434 | \$ 3,953,528 | \$ 911,094 | \$ 16,042,718 | 24.64% |
| 2009 | \$ 3,414,781 | \$ 4,177,712 | \$ 762,931 | \$ 18,241,021 | 22.90% |
| 2010 | \$ 3,815,722 | \$ 6,032,806 | \$ 2,217,084 | \$ 19,864,036 | 30.37% |
| 2011 | \$ 4,153,768 | \$ 5,523,768 | \$ 1,370,000 | \$ 19,808,871 | 27.89% |
| 2012 | \$ 4,332,303 | \$ 5,249,987 | \$ 917,684 | \$ 19,594,555 | 26.79% |
| 2013 | \$ 3,572,997 | \$ 4,395,188 | \$ 822,191 | \$ 19,791,615 | 22.21% |
| 2014 | \$ 3,493,190 | \$ 5,251,554 | \$ 1,758,364 | \$ 20,059,710 | 26.18% |
| 2015 | \$ 3,517,634 | \$ 5,085,000 | \$ 1,567,366 | \$ 19,095,035 | 26.63% |

Schedule of Investment Returns*

| Year Ended June 30: | Actual Money Weighted Rate of Return, Net of Investment Expense |
|---------------------|---|
| 2014 | 12.24% |
| 2015 | 0.88% |

Schedule of the Employer's Net Pension Liability*

| FY Ending 30-Jun | Total Pension Liability | Plan Net Position | Net Pension Liability | Plan Net Position as a % of Total Pension Liability | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|---------------------|-------------------------------|-------------------------|-----------------------------|---|--------------------|---|
| 2014 | \$ 98,660,635 | \$ 90,865,613 | \$ 7,795,022 | 92.10% | \$ 20,059,710 | 38.86% |
| 2015 | \$ 106,131,412 | \$ 93,319,482 | \$ 12,811,930 | 87.93% | \$ 19,095,035 | 67.10% |

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

**BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN- DEFINED BENEFIT
PENSION PLAN (CONTINUED)**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2014 valuation:

- RP-2000 Mortality, sex distinct, projected to date of decrement using Scale BB to RP-2014 Mortality table, with no collar adjustment projected to valuation date with Scale MP-2014

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

| | |
|----------------------------|--|
| Valuation Date | July 1, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Period | 20 Years |
| Asset Valuation Method | Market value of assets |
| Investment Rate of Return | 7.00% per year compounded annually, net of investment expenses |
| Projected Salary Increases | Years of service based 3.50 - 10.00% |
| Cost of Living Adjustments | 2.75 - 3.00% per year |
| General Inflation | 3.00% per year |
| Retirement | Experience- based table of rates |
| Mortality Rate | RP-2014 Mortality table, with no collar adjustment projected to valuation date with Scale MP-2014 |
| Experience Studies | The actuarial assumptions used in the valuation were based on standard table modified for certain plan features such as full eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study has not been completed. |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

RETIREE HEALTH PLAN TRUST

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a/c) |
|-----------------------------|--|--|---------------------------------|--------------------------|---------------------------|--|
| June 30, 2011 | \$ 5,155,000 | \$ 309,778,000 | \$ 304,623,000 | 1.66% | \$ 184,000,000 | 166% |
| June 30, 2012 | 11,463,000 | 383,592,000 | 372,129,000 | 2.99% | 184,000,000 | 202% |
| June 30, 2013 ** | 11,279,902 | 340,742,000 | 329,462,098 | 3.31% | 187,000,000 | 176% |
| June 30, 2014 | 17,286,000 | 364,325,000 | 347,039,000 | 4.74% | 187,000,000 | 186% |
| June 30, 2015 | 19,576,001 | 392,715,000 | 373,138,999 | 4.98% | 187,000,000 | 200% |

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

Schedule of Employer Contributions

| Fiscal Year Ending | Annual Required Contribution | Actual Contribution | Percentage Contributed | Net OPEB Obligations |
|--------------------|---------------------------------|---------------------|---------------------------|-------------------------|
| June 30, 2011 | \$ 29,066,000 | \$ 13,324,148 | 45.8% | \$ 74,261,988 |
| June 30, 2012 | 35,317,000 | 9,651,522 | 27.3% | 99,829,466 |
| June 30, 2013 | 32,465,000 | 13,352,117 | 41.1% | 118,702,349 |
| June 30, 2014 | 34,614,000 | 14,086,623 | 40.7% | 138,742,727 |
| June 30, 2015 | 36,861,000 | 17,660,252 | 47.91% | 157,117,475 |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2015

| | Original Budget | As Amended Budget | Actual | Variances Positive (Negative) |
|--|--------------------|----------------------|----------------|-------------------------------------|
| REVENUES | | | | |
| State of Maryland | \$ 159,625,034 | \$ 159,625,034 | \$ 159,660,608 | \$ 35,574 |
| Federal government | 870,000 | 870,000 | 977,333 | 107,333 |
| Other sources | 1,719,080 | 1,719,080 | 1,311,084 | (407,996) |
| Local sources | 161,921,600 | 161,921,600 | 161,921,600 | - |
| Total revenues | 324,135,714 | 324,135,714 | 323,870,625 | (265,089) |
| EXPENDITURES | | | | |
| Administration | 8,924,443 | 8,741,943 | 8,738,464 | 3,479 |
| Mid-level administration | 21,321,466 | 20,909,166 | 20,895,939 | 13,227 |
| Instructional salaries | 127,767,960 | 125,067,960 | 124,377,435 | 690,525 |
| Materials of instruction | 5,161,347 | 7,775,546 | 7,711,291 | 64,255 |
| Other costs of instruction | 2,387,229 | 1,858,230 | 1,649,674 | 208,556 |
| Special Education | 29,836,656 | 29,836,656 | 29,804,913 | 31,743 |
| Student personnel services | 3,664,689 | 3,664,689 | 3,635,147 | 29,542 |
| Health service | 3,144,300 | 3,144,300 | 3,032,453 | 111,847 |
| Transportation | 24,231,116 | 24,231,116 | 24,138,511 | 92,605 |
| Operations | 25,586,511 | 25,863,811 | 25,406,896 | 456,915 |
| Maintenance | 7,480,173 | 8,375,073 | 8,371,798 | 3,275 |
| Community Service | 734,757 | 734,757 | 732,752 | 2,005 |
| Capital Outlay | 2,751,582 | 4,172,182 | 4,158,068 | 14,114 |
| Fixed Charges | 64,344,571 | 64,344,571 | 63,636,563 | 708,008 |
| Total expenditures | 327,336,800 | 328,720,000 | 326,289,904 | 2,430,096 |
| Excess (deficiency) of revenues over expenditures | (3,201,086) | (4,584,286) | (2,419,279) | 2,165,007 |
| OTHER FINANCING SOURCES | | | | |
| Use of prior year fund balance | 3,201,086 | 4,584,286 | 2,419,279 | (2,165,007) |
| Total other financing sources | 3,201,086 | 4,584,286 | 2,419,279 | (2,165,007) |
| Excess of revenues and other financing sources over expenditures * | \$ - | \$ - | - | \$ - |
| Use of budgetary fund balance | | | (2,419,279) | |
| FUND BALANCE AT JUNE 30, 2014 | | | 22,194,532 | |
| FUND BALANCE AT JUNE 30, 2015 | | | \$ 19,775,253 | |

* The net change in fund balance includes \$4,584,286 budgeted as an appropriation (i.e. decrease) of fund balance.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

General Fund - Reconciliation of Revenues and Expenditures

| | |
|--|-----------------------|
| Actual revenues (non-GAAP budgetary basis) | \$ 323,870,625 |
| Pension contribution by the State of Maryland on behalf of the Board | <u>21,867,596</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances | <u>\$ 345,738,221</u> |
| | |
| Actual expenditures (non-GAAP budgetary basis) | \$ 326,289,904 |
| Encumbrance adjustment, net | 909,350 |
| Pension contribution by the State of Maryland on behalf of the Board | <u>21,867,596</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances | <u>\$ 349,066,850</u> |

OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2015

| | Original Budget | As Amended Budget | Actual | Variances Positive (Negative) |
|------------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|
| State of Maryland | | | | |
| State - Foundation | \$ 104,971,728 | \$ 104,971,728 | \$ 104,971,728 | \$ - |
| Compensatory aid | 28,928,798 | 28,928,798 | 28,928,798 | - |
| Transportation | 10,260,683 | 10,260,683 | 10,260,683 | - |
| Handicapped children | 6,396,799 | 6,285,799 | 6,285,806 | 7 |
| Tuition - handicapped | 1,188,000 | 1,188,000 | 1,186,306 | (1,694) |
| Other (LEP grant) | 1,126,076 | 1,126,076 | 1,126,076 | - |
| Out of county living | - | - | 37,261 | 37,261 |
| Guaranteed tax base | - | - | - | - |
| CGEI | 3,501,859 | 3,501,859 | 3,501,859 | - |
| High Road | - | - | - | - |
| Medicaid revenues | 909,000 | 1,020,000 | 1,020,000 | - |
| Net Taxable Income | <u>2,342,091</u> | <u>2,342,091</u> | <u>2,342,091</u> | <u>-</u> |
| | <u>159,625,034</u> | <u>159,625,034</u> | <u>159,660,608</u> | <u>35,574</u> |
| Federal Government | | | | |
| Impact aid | 388,000 | 388,000 | 448,324 | 60,324 |
| ROTC | 430,000 | 430,000 | 456,972 | 26,972 |
| Impact aid special education | <u>52,000</u> | <u>52,000</u> | <u>72,037</u> | <u>20,037</u> |
| | <u>870,000</u> | <u>870,000</u> | <u>977,333</u> | <u>107,333</u> |
| Other sources | | | | |
| Tuition - summer school | 127,000 | 188,200 | 102,437 | (85,763) |
| Tuition - nonresident | 963,000 | 841,000 | 596,124 | (244,876) |
| Tuition - Novel | 30,000 | 30,000 | 15,250 | (14,750) |
| Tuition - parents payments | 74,100 | 74,100 | 55,081 | (19,019) |
| Summer youth camp | 26,000 | 47,000 | 46,840 | (160) |
| Rent from school facilities | 210,100 | 210,100 | 183,882 | (26,218) |
| Sale of property | 10,000 | 10,000 | 5,799 | (4,201) |
| Interest income | 74,880 | 29,880 | 29,732 | (148) |
| Insurance recovery | - | - | - | - |
| Vending commissions | 69,000 | 69,000 | 68,140 | (860) |
| Payroll transfers | 100,000 | 168,000 | 167,922 | (78) |
| Other | 35,000 | 24,800 | 27,025 | 2,225 |
| Rebates | - | 27,000 | 12,675 | (14,325) |
| Unclaimed estates | <u>-</u> | <u>-</u> | <u>177</u> | <u>177</u> |
| | <u>1,719,080</u> | <u>1,719,080</u> | <u>1,311,084</u> | <u>(407,996)</u> |
| Local sources | | | | |
| Operational budget | <u>161,921,600</u> | <u>161,921,600</u> | <u>161,921,600</u> | <u>-</u> |
| Total Revenues | <u>\$ 324,135,714</u> | <u>\$ 324,135,714</u> | <u>\$ 323,870,625</u> | <u>\$ (265,089)</u> |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2015

| | Original Budget | As Amended Budget | Actual | Variances Positive (Negative) |
|-----------------------------------|--------------------|----------------------|-------------------|-------------------------------------|
| Administration | | | | |
| Salaries and wages | \$ 6,958,851 | \$ 6,615,251 | \$ 6,612,329 | \$ 2,922 |
| Contracted services | 1,272,006 | 1,365,006 | 1,367,271 | (2,265) |
| Supplies and materials | 473,975 | 538,975 | 537,745 | 1,230 |
| Other charges | 313,102 | 293,002 | 291,647 | 1,355 |
| Equipment | 46,215 | 117,200 | 117,180 | 20 |
| Transfers in | (139,706) | (187,491) | (187,708) | 217 |
| | <u>8,924,443</u> | <u>8,741,943</u> | <u>8,738,464</u> | <u>3,479</u> |
| Mid-level administration | | | | |
| Salaries and wages | 20,276,928 | 19,583,081 | 19,583,020 | 61 |
| Contracted services | 344,530 | 249,761 | 249,092 | 669 |
| Supplies and materials | 415,826 | 521,443 | 518,371 | 3,072 |
| Other charges | 284,182 | 203,181 | 193,766 | 9,415 |
| Equipment | - | 351,700 | 351,690 | 10 |
| | <u>21,321,466</u> | <u>20,909,166</u> | <u>20,895,939</u> | <u>13,227</u> |
| Instruction salaries | | | | |
| Salaries and wages | 127,767,960 | 125,067,960 | 124,377,435 | 690,525 |
| Materials of instruction | | | | |
| Supplies and materials | 5,161,347 | 7,775,546 | 7,711,291 | 64,255 |
| Other costs of instruction | | | | |
| Contracted services | 1,615,740 | 1,325,130 | 1,238,279 | 86,851 |
| Other charges | 496,830 | 327,100 | 226,043 | 101,057 |
| Equipment | 174,659 | 136,000 | 135,581 | 419 |
| Outgoing transfers | 100,000 | 70,000 | 49,771 | 20,229 |
| | <u>2,387,229</u> | <u>1,858,230</u> | <u>1,649,674</u> | <u>208,556</u> |
| Special Education | | | | |
| Salaries and wages | 24,659,913 | 24,653,134 | 24,632,369 | 20,765 |
| Contracted services | 1,786,972 | 1,928,251 | 1,924,131 | 4,120 |
| Supplies and materials | 81,441 | 79,441 | 79,307 | 134 |
| Other charges | 58,330 | 75,830 | 75,551 | 279 |
| Outgoing transfers | 3,250,000 | 3,100,000 | 3,093,555 | 6,445 |
| | <u>29,836,656</u> | <u>29,836,656</u> | <u>29,804,913</u> | <u>31,743</u> |
| Student personnel services | | | | |
| Salaries and wages | 3,408,638 | 3,454,059 | 3,444,765 | 9,294 |
| Contracted services | 232,043 | 188,526 | 174,552 | 13,974 |
| Supplies and materials | 14,408 | 14,408 | 10,323 | 4,085 |
| Other charges | 9,600 | 7,696 | 5,507 | 2,189 |
| Equipment | - | - | - | - |
| | <u>3,664,689</u> | <u>3,664,689</u> | <u>3,635,147</u> | <u>29,542</u> |

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2015
(CONTINUED)

| | Original Budget | As Amended Budget | Actual | Variances Positive (Negative) |
|--------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|
| Health Service | | | | |
| Contracted services | \$ 3,116,600 | \$ 3,116,600 | \$ 3,004,956 | \$ 111,644 |
| Supplies and materials | 27,700 | 27,700 | 27,497 | 203 |
| | <u>3,144,300</u> | <u>3,144,300</u> | <u>3,032,453</u> | <u>111,847</u> |
| Transportation | | | | |
| Salaries and wages | 976,395 | 966,195 | 967,014 | (819) |
| Contracted services | 23,148,606 | 22,992,452 | 22,899,118 | 93,334 |
| Supplies and materials | 24,875 | 28,004 | 27,950 | 54 |
| Other charges | 6,240 | 186,065 | 186,029 | 36 |
| Equipment | 75,000 | 58,400 | 58,400 | - |
| | <u>24,231,116</u> | <u>24,231,116</u> | <u>24,138,511</u> | <u>92,605</u> |
| Operations | | | | |
| Salaries and wages | 10,528,070 | 10,773,684 | 10,772,630 | 1,054 |
| Contracted services | 2,738,382 | 2,775,682 | 2,708,275 | 67,407 |
| Supplies and materials | 1,465,509 | 2,420,395 | 2,420,488 | (93) |
| Other charges | 10,714,250 | 9,288,950 | 8,900,442 | 388,508 |
| Equipment | 140,300 | 605,100 | 605,061 | 39 |
| | <u>25,586,511</u> | <u>25,863,811</u> | <u>25,406,896</u> | <u>456,915</u> |
| Maintenance | | | | |
| Salaries and wages | 3,594,791 | 3,632,691 | 3,632,472 | 219 |
| Contracted services | 2,646,882 | 1,186,482 | 1,184,462 | 2,020 |
| Supplies and materials | 1,200,904 | 1,485,004 | 1,483,642 | 1,362 |
| Other charges | 1,720 | 4,120 | 4,047 | 73 |
| Equipment | 35,876 | 2,066,776 | 2,067,175 | (399) |
| | <u>7,480,173</u> | <u>8,375,073</u> | <u>8,371,798</u> | <u>3,275</u> |
| Community Service | | | | |
| Salaries and wages | 20,500 | 71,840 | 71,755 | 85 |
| Contracted services | 707,667 | 657,417 | 655,558 | 1,859 |
| Supplies and materials | 6,540 | 5,500 | 5,439 | 61 |
| Other charges | 50 | - | - | - |
| | <u>734,757</u> | <u>734,757</u> | <u>732,752</u> | <u>2,005</u> |
| Capital outlay | | | | |
| Salaries and wages | 364,282 | 448,282 | 442,245 | 6,037 |
| Contracted services | 762,320 | 1,398,048 | 1,390,692 | 7,356 |
| Supplies and materials | 3,430 | 930 | 527 | 403 |
| Other charges | 2,550 | 2,550 | 2,325 | 225 |
| Equipment | 1,619,000 | 2,322,372 | 2,322,279 | 93 |
| | <u>2,751,582</u> | <u>4,172,182</u> | <u>4,158,068</u> | <u>14,114</u> |
| Fixed Charges | | | | |
| Other charges | 64,344,571 | 64,344,571 | 63,636,563 | 708,008 |
| Total Expenditures | <u>\$ 327,336,800</u> | <u>\$ 328,720,000</u> | <u>\$ 326,289,904</u> | <u>\$ 2,430,096</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS SUB-FUNDS
 JUNE 30, 2015**

| | Capital Improvement Programs | School Construction | Technology 2 Fund | Total |
|---|------------------------------------|------------------------|----------------------|---------------------|
| ASSETS | | | | |
| Cash and short-term investments | \$ - | \$ 21,115 | \$ - | \$ 21,115 |
| Accounts receivable | | | | |
| Other sources | <u>1,976,198</u> | <u>1</u> | <u>-</u> | <u>1,976,199</u> |
| Total Assest | <u>\$ 1,976,198</u> | <u>\$ 21,116</u> | <u>\$ -</u> | <u>\$ 1,997,314</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 881,009 | \$ - | \$ - | \$ 881,009 |
| Due to other funds | <u>1,278,021</u> | <u>(5,549)</u> | <u>-</u> | <u>1,272,472</u> |
| Total liabilities | <u>2,159,030</u> | <u>(5,549)</u> | <u>-</u> | <u>2,153,481</u> |
| FUND BALANCES (DEFICIT) | | | | |
| Assigned | - | 26,665 | - | 26,665 |
| Unassigned | <u>(182,832)</u> | <u>-</u> | <u>-</u> | <u>(182,832)</u> |
| Total fund balance (deficit) | <u>(182,832)</u> | <u>26,665</u> | <u>-</u> | <u>(156,167)</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,976,198</u> | <u>\$ 21,116</u> | <u>\$ -</u> | <u>\$ 1,997,314</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS SUB-FUNDS
 YEAR ENDED JUNE 30, 2015**

| | Capital Improvement Programs | School Construction | Technology 2 Fund | Total |
|--|------------------------------------|------------------------|----------------------|---------------------|
| REVENUES | | | | |
| State of Maryland | \$ - | \$ 10,536,636 | \$ - | \$ 10,536,636 |
| Local sources | 6,778,744 | - | - | 6,778,744 |
| Other sources | <u>-</u> | <u>11</u> | <u>-</u> | <u>11</u> |
| Total revenues | <u>6,778,744</u> | <u>10,536,647</u> | <u>-</u> | <u>17,315,391</u> |
| EXPENDITURES | | | | |
| Operations: | | | | |
| Contracted services | - | - | 8,690 | 8,690 |
| Materials | - | - | 7,006 | 7,006 |
| Equipment | - | - | 81,022 | 81,022 |
| Capital outlay: | | | | |
| Contracted services | 12,537,051 | 2,331,007 | - | 14,868,058 |
| Materials | 1,572,586 | - | - | 1,572,586 |
| Computers and equipment | <u>340,538</u> | <u>-</u> | <u>-</u> | <u>340,538</u> |
| Total expenditures | <u>14,450,175</u> | <u>2,331,007</u> | <u>96,718</u> | <u>16,877,900</u> |
| Excess (deficiency) of revenues Over expenditures | (7,671,431) | 8,205,640 | (96,718) | 437,491 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in (out) | <u>8,200,000</u> | <u>(8,200,000)</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 528,569 | 5,640 | (96,718) | 437,491 |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | <u>(711,401)</u> | <u>21,025</u> | <u>96,718</u> | <u>(593,658)</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$ (182,832)</u> | <u>\$ 26,665</u> | <u>\$ -</u> | <u>\$ (156,167)</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
NON-GAAP BASIS – SPECIAL REVENUE
RESTRICTED PROGRAMS FUND
YEAR ENDED JUNE 30, 2015**

| | <u>Restricted Programs Fund</u> |
|--------------------------------------|---|
| REVENUES | |
| State of Maryland | \$ 2,875,774 |
| Federal government | 11,225,855 |
| Other sources | 1,499,653 |
| Local government | <u>297,473</u> |
| Total revenues | <u>15,898,755</u> |
| EXPENDITURES | |
| Administration | 410,676 |
| Mid-level administration | 668,095 |
| Instructional salaries | 4,093,811 |
| Materials of instruction | 1,032,793 |
| Other costs of instruction | 1,076,224 |
| Special Education | 4,127,321 |
| Health service | 1,195 |
| Transportation | 101,356 |
| Operations | 58,374 |
| Maintenance | 49,796 |
| Food service | 35,328 |
| Community Service | 870,249 |
| Capital outlay | 1,036,212 |
| Fixed Charges | <u>2,337,325</u> |
| Total expenditures | <u>15,898,755</u> |
| Excess of Revenues Over Expenditures | <u>\$ -</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
SPECIAL REVENUE – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2015**

| | Original Budget | As Amended Budget | Actual | Variances Positive (Negative) |
|---|--------------------|----------------------|-------------------|-------------------------------------|
| REVENUES | | | | |
| State of Maryland | \$ 229,637 | \$ 229,637 | \$ 410,629 | \$ 180,992 |
| Federal government | 6,724,636 | 6,724,636 | 6,838,121 | 113,485 |
| Local sources | <u>5,830,727</u> | <u>5,830,727</u> | <u>5,277,157</u> | <u>(553,570)</u> |
| Total revenues | <u>12,785,000</u> | <u>12,785,000</u> | <u>12,525,907</u> | <u>(259,093)</u> |
| EXPENDITURES | | | | |
| Food service | | | | |
| Salaries and wages | 4,225,924 | 4,225,924 | 4,001,836 | 224,088 |
| Contracted services | 110,000 | 110,000 | 68,354 | 41,646 |
| Supplies and materials | 6,546,377 | 6,546,377 | 6,430,169 | 116,208 |
| Other charges | 49,299 | 49,299 | 20,425 | 28,874 |
| Equipment | 60,000 | 60,000 | 10,230 | 49,770 |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total food service | 10,991,600 | 10,991,600 | 10,531,014 | 460,586 |
| Fixed Charges | <u>1,793,400</u> | <u>1,793,400</u> | <u>1,550,525</u> | <u>242,875</u> |
| Total expenditures | <u>12,785,000</u> | <u>12,785,000</u> | <u>12,081,539</u> | <u>703,461</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 444,368</u> | <u>\$ 444,368</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF CHANGES IN NET POSITION
STUDENT ACTIVITIES FUND – AGENCY FUND
YEAR ENDED JUNE 30, 2015**

| | Balance June 30, 2014 | Additions/ Receipts | Reductions/ Distributions | Balance June 30, 2015 |
|------------------------------------|--------------------------|------------------------|------------------------------|--------------------------|
| Cash by schools | | | | |
| Elementary Schools | | | | |
| C. Paul Barnhart | \$ 29,989 | \$ 52,748 | \$ 50,751 | \$ 31,986 |
| Berry | 34,166 | 126,305 | 129,215 | 31,256 |
| Dr. Gustavus Brown | 24,627 | 65,564 | 75,276 | 14,915 |
| Dr. Samuel A. Mudd | 13,293 | 48,588 | 49,912 | 11,969 |
| J.C. Parks | 44,465 | 74,078 | 83,269 | 35,274 |
| J.P. Ryon | 13,494 | 74,028 | 75,295 | 12,227 |
| Eva Turner | 11,676 | 28,409 | 31,563 | 8,522 |
| Dr. Thomas L. Higdon | 38,433 | 98,368 | 98,393 | 38,408 |
| Daniel of St. Thomas Jenifer | 7,397 | 60,615 | 51,842 | 16,170 |
| Dr. James Craik | 52,155 | 98,712 | 94,701 | 56,166 |
| Gale-Bailey | 19,788 | 44,503 | 48,490 | 15,801 |
| Indian Head | 19,970 | 39,959 | 33,562 | 26,367 |
| Malcolm | 28,289 | 47,764 | 49,347 | 26,706 |
| T.C. Martin | 27,577 | 101,448 | 105,477 | 23,548 |
| Arthur H. Middleton | 34,813 | 90,969 | 85,084 | 40,698 |
| Walter J. Mitchell | 20,153 | 106,471 | 98,357 | 28,267 |
| Mt. Hope/Nanjemoy | 24,268 | 60,598 | 54,330 | 30,536 |
| William B. Wade | 33,429 | 74,148 | 69,412 | 38,165 |
| Mary H. Matula | 57,629 | 91,235 | 85,721 | 63,143 |
| William Diggs | 12,277 | 97,613 | 99,210 | 10,680 |
| Mary B. Neal | 12,516 | 118,725 | 119,527 | 11,714 |
| Middle Schools | | | | |
| John Hanson | 37,898 | 102,945 | 97,187 | 43,656 |
| Matthew Henson | 75,215 | 113,333 | 108,569 | 79,979 |
| Piccowaxen | 65,575 | 81,676 | 79,478 | 67,773 |
| General Smallwood | 38,864 | 76,727 | 71,789 | 43,802 |
| Milton Somers | 24,522 | 125,429 | 123,307 | 26,644 |
| Benjamin Stoddert | 29,346 | 100,852 | 85,053 | 45,145 |
| Mattawoman | 103,330 | 130,152 | 131,946 | 101,536 |
| Theodore G. Davis | 6,305 | 138,734 | 103,889 | 41,150 |
| High Schools | | | | |
| La Plata | 226,268 | 600,796 | 609,874 | 217,190 |
| Lackey | 137,038 | 417,616 | 390,033 | 164,621 |
| Maurice J. McDonough | 209,287 | 502,272 | 512,825 | 198,734 |
| Thomas Stone | 267,790 | 343,601 | 390,875 | 220,516 |
| Westlake | 146,753 | 531,082 | 533,729 | 144,106 |
| North Point | 351,841 | 1,140,676 | 1,158,349 | 334,168 |
| St. Charles | 10,000 | 295,103 | 225,310 | 79,793 |
| Centers | | | | |
| F.B. Gwynn | 29,613 | 4,947 | 9,351 | 25,209 |
| Robert Stethem Education Center | 52,264 | 22,523 | 27,224 | 47,563 |
| Due to Student Groups | <u>\$ 2,372,313</u> | <u>\$ 6,329,312</u> | <u>\$ 6,247,522</u> | <u>\$ 2,454,103</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF NET POSITION –
 RETIREE HEALTH AND PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2015**

| | Retiree Health Trust Fund | Pension Trust Fund | Total |
|---|------------------------------|-----------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 6,497,989 | \$ 6,497,989 |
| Investments, at fair value with fiscal agent | 23,776,708 | 85,333,198 | 109,109,906 |
| Contribution receivable | 7,000,000 | 1,488,296 | 8,488,296 |
| Due from other funds | <u>23,669</u> | <u>-</u> | <u>23,669</u> |
| Total assets | <u>\$ 30,800,377</u> | <u>\$ 93,319,483</u> | <u>\$ 124,119,860</u> |
| NET POSITION | | | |
| Held in trust for retiree health/pension benefits | <u>\$ 30,800,377</u> | <u>\$ 93,319,483</u> | <u>\$ 124,119,860</u> |

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF CHANGES IN NET POSITION –
 RETIREE HEALTH AND PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2015**

| | Retiree Health Trust Fund | Pension Trust Fund | Total |
|--|------------------------------|-----------------------|-----------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 15,491,368 | \$ 5,084,543 | \$ 20,575,911 |
| Plan members | 2,168,884 | 984,728 | 3,153,612 |
| Total contributions | <u>17,660,252</u> | <u>6,069,271</u> | <u>23,729,523</u> |
| Investment earnings: | | | |
| Interest and dividends | - | 2,278,118 | 2,278,118 |
| Net (decrease) increase in fair value of investments | <u>200,707</u> | <u>(862,834)</u> | <u>(662,127)</u> |
| Investment (loss)/gain | 200,707 | 1,415,284 | 1,615,991 |
| Less investment expense | <u>-</u> | <u>318,459</u> | <u>318,459</u> |
| Net investment (loss)/gain | <u>200,707</u> | <u>1,096,825</u> | <u>1,297,532</u> |
| Total additions | <u>17,860,959</u> | <u>7,166,096</u> | <u>25,027,055</u> |
| DEDUCTIONS | | | |
| Benefits paid to members | 10,660,252 | 4,413,285 | 15,073,537 |
| Administrative expenses | <u>-</u> | <u>298,942</u> | <u>298,942</u> |
| Total deductions | <u>10,660,252</u> | <u>4,712,227</u> | <u>15,372,479</u> |
| CHANGE IN NET POSITION | 7,200,707 | 2,453,869 | 9,654,576 |
| NET POSITION, BEGINNING OF YEAR | <u>23,599,670</u> | <u>90,865,614</u> | <u>114,465,284</u> |
| NET POSITION, END OF YEAR | <u>\$ 30,800,377</u> | <u>\$ 93,319,483</u> | <u>\$ 124,119,860</u> |