

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

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

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### INDEPENDENT AUDITORS' REPORT

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles County, Maryland, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 19, 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 59 through 61, the schedules of net pension liability, 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 62 through 64 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 65, the schedule of revenues and expenditures-budget and actual- non-GAAP budgetary basis- general fund on page 66, and the general fund reconciliation of revenues and expenditures on page 67, 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 68 - 77 as listed in the table of contents is 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 27, 2016, 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 27, 2016



## 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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 27, 2016.

#### **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 27, 2016

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

As Management of the Board of Education of Charles County (the Board) we offer readers of the Board's financial statements this discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2016. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

**Overview of the Financial Statements**

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

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the Board's overall financial strength.
- The next two statements are *fund financial statements* that focus on individual parts of the Board, 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 Board's *Government-wide Financial Statements* provide a broad view of the Board's operations in a manner similar to a private sector business enterprise. The statements provide both short-term and long-term information about the Board's financial position, which assists in assessing the Board'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 Board'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 Board'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 Board is improving or deteriorating.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

**Government-Wide Financial Statements (Continued)**

The *Statement of Activities* presents information showing how the Board'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 Board. The majority of the Board's revenue is general revenue, grants and contributions from other governments.

The governmental activities of the Board include Administration, Mid-level Administration, Instruction, 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 Board-wide financial statements can reflect governmental activities and business-type activities. While the Board'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 Board's operations. All of the funds of the Board 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 Board 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 Board has four governmental funds:

General Fund includes most of the Board'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, 2016**

**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 Board. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Board's own programs. Accordingly, there is no analysis of the Board's fiduciary funds included in this Management's Discussion and Analysis. The accounting used for fiduciary funds is the accrual basis of accounting.

The Board'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 Schedule of Revenues and Expenditures– Budget and Actual – Non-GAAP Budgetary Basis 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 Schedule of Revenues and Expenditures– Budget and Actual – Non-GAAP Budgetary Basis can be found immediately following the basic governmental fund financial statements on page 67.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Financial Analysis of the Board as A Whole (Government-Wide)**

The Board implemented GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79) during the year ended June 30, 2016. GASB 72 address accounting and financial reporting related to fair value measurements of assets and liabilities. Our auditors' opinion was not modified with respect to this implementation. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

The Board's combined Net Position as of June 30, 2016 totaled \$154.7 million, a decrease of \$23.0 million or 12.2%.

**Condensed Statement of Net Position (in millions of dollars)**

	Governmental Activities		Total Percent
	2015	2016	Change 2015-2016
<b>Assets</b>			
Current and other assets	\$ 76.9	\$ 71.0	(7.7)%
Capital assets	319.0	321.4	0.8%
Total assets	<u>\$ 395.9</u>	<u>\$ 392.4</u>	(0.9)%
<b>Deferred Outflows of Resources</b>	<u>7.5</u>	<u>9.9</u>	32.0%
<b>Liabilities</b>			
Long-term liabilities	\$ 179.6	\$ 202.2	12.6%
Other liabilities	46.2	41.9	(9.3)%
Total liabilities	<u>\$ 225.8</u>	<u>\$ 244.1</u>	8.1%
<b>Deferred Inflows of Resources</b>	<u>1.4</u>	<u>3.5</u>	150.0%
<b>Net Position</b>			
Investment in capital assets	\$ 315.4	\$ 318.1	0.9%
Restricted	\$ -	\$ 1.5	100%
Unrestricted	(139.2)	(164.9)	18.5%
Total net position	<u>\$ 176.2</u>	<u>\$ 154.7</u>	(12.2)%

The major portion of the Board's total assets, \$318.1 million (81.9%) 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 Board's Net Position decreased by \$21.5 million in 2016 as opposed to a decrease of \$36.2 million in 2015.

- The Board's government-wide activities had an unrestricted net position of (\$164.9) million at June 30, 2016, a decrease of \$25.7 million. This is the result of an increase in the other postemployment benefits liability in fiscal year 2016 of \$22.4 million. At the end of the fiscal year, the Board's other postemployment benefits liability totaled \$179.5 million.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

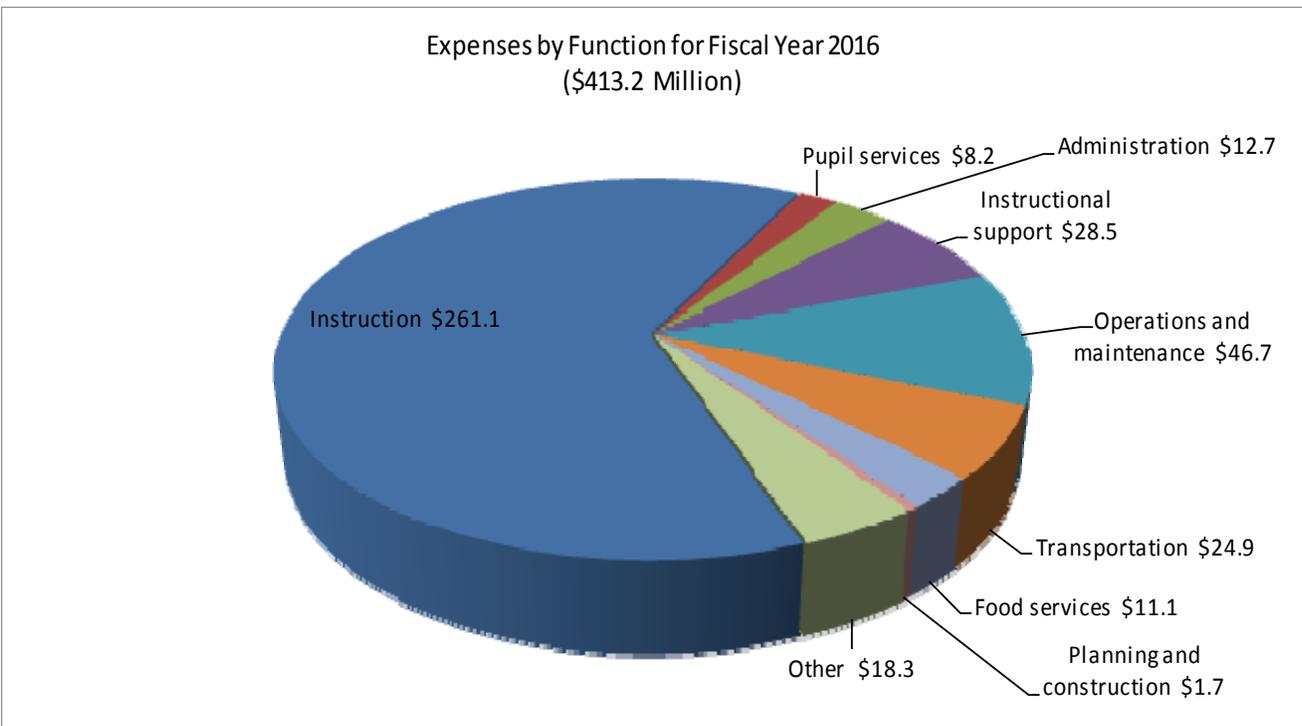
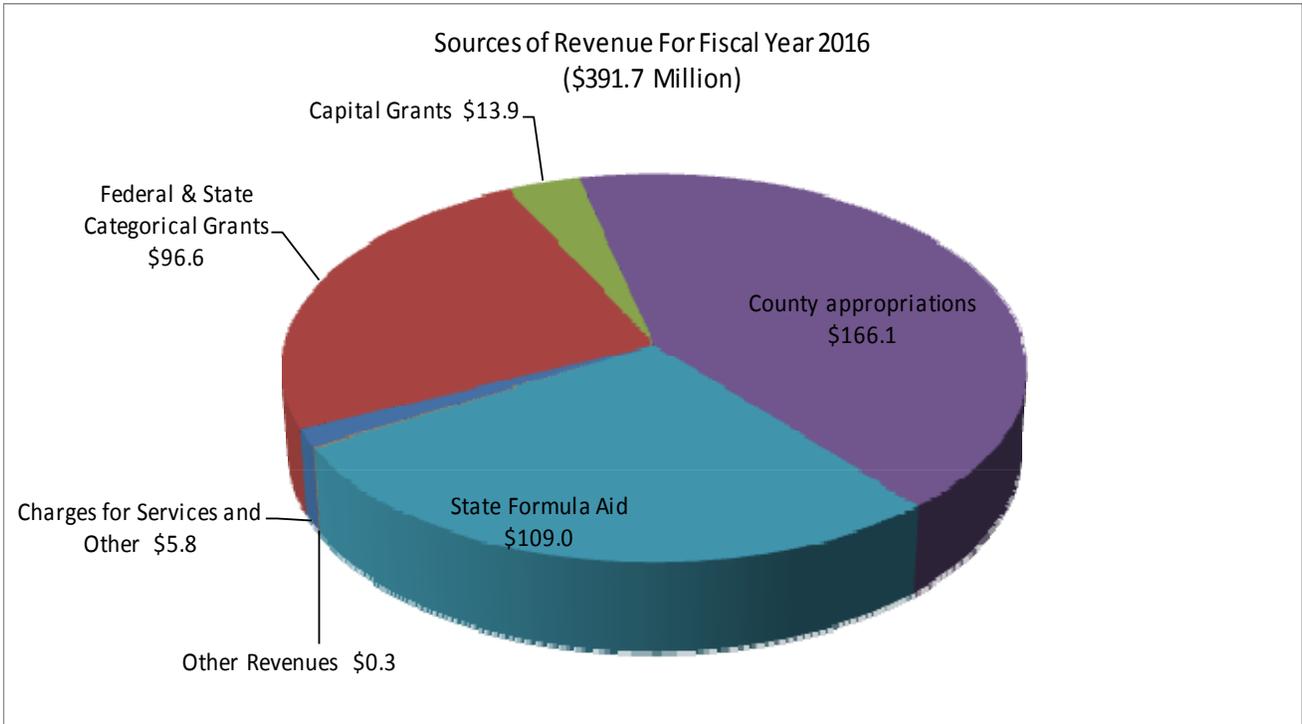
- The Board's revenues of \$391.7 million increased \$0.3 million 0.1% over last year. In this fiscal year there were decreases in Charges for services (\$0.2 million) and capital grants and contributions (\$3.4 million); and increases in operating grants and contributions (\$1.4 million) and general revenues (\$2.5 million). The slight overall increase of \$0.3 million is due to an increase in county appropriations (\$4.2 million) which was offset with decreases in Capital Grants and contributions (\$3.4 million) due to in this year there was no new school construction and State formula aid (\$1.8 million) grant decreases in State Net Taxable income and Geographic Cost of Education Index.
- Expenses totaled \$413.2 million or \$4.5 million more than fiscal year 2015. The largest increase in expenses occurred in Instruction (\$2.5 million) for Project Lead the Way initiatives, technology enhancements for school classrooms, athletic equipment, purchases of instructional materials and textbooks for the Maryland College and Career Ready Standards and software for the James E. Richmond Science Center; and Operations and Maintenance (\$2.1 million) due to increased spending in school maintenance and replacement projects at various schools. In addition, Pupil Services had an increase in expense (\$0.5 million or 6.5%) due to the new student system.

**Changes in Net Position (in millions of dollars)**

	<u>Governmental Activities</u>		Change	% Change
	2015	2016		
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 6.0	\$ 5.8	\$ (0.2)	(3.3)%
Operating grants and contributions	95.2	96.6	1.4	1.5%
Capital grants and contributions	17.3	13.9	(3.4)	(19.7)%
General revenues				
County appropriations	161.9	166.1	4.2	2.6%
State formula aid	110.8	109.0	(1.8)	(1.6)%
Other	0.2	0.3	0.1	50.0%
Total revenues	<u>391.4</u>	<u>391.7</u>	<u>0.3</u>	<u>0.1%</u>
<b>Expenses</b>				
Instruction	258.6	261.1	2.5	1.0%
Support services				
Pupil services	7.7	8.2	0.5	6.5%
Administration	12.6	12.7	0.1	0.8%
Instructional support	27.5	28.5	1.0	3.6%
Operations and maintenance	44.6	46.7	2.1	4.7%
Transportation	24.9	24.9	-	0.0%
Food services	11.1	11.1	-	0.0%
Planning and construction	4.2	1.7	(2.5)	(59.5)%
Other	17.5	18.3	0.8	4.6%
Total expenditures	<u>408.7</u>	<u>413.2</u>	<u>4.5</u>	<u>1.2%</u>
(Decrease)/Increase in net position	<u>\$ (17.3)</u>	<u>\$ (21.5)</u>	<u>\$ 4.2</u>	<u>(26.0)%</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Revenues and Expenditures by Source and Function**



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Governmental Activities**

The county appropriation for the operating budget in fiscal year 2016 was \$166.1 million or \$4.2 million more than in fiscal year 2015. Total cost of services decreased 1.1% from 2015. Also, the net cost of services increased by \$6.7 million or 2.3%, in fiscal year 2015 the net cost increased by \$34.5 million or 13.5%.

**Net Cost of Governmental Activities:** The cost of the nine major Board 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 Board by each of the activities. General revenues, including county appropriations and state aid, must support the net cost of the Board's activities.

**Net Cost of Government Activities (in millions of dollars)**

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
			Change			Change
	2015	2016	2015-2016	2015	2016	2015-2016
Instruction	\$ 258.6	\$ 261.1	(1.0)%	\$ 184.1	\$ 186.3	(1.2)%
Pupil services	7.7	8.2	(6.5)%	7.7	7.6	1.3%
Administration	12.6	12.7	(0.8)%	12.1	12.3	(1.7)%
Instructional support	27.5	28.5	(3.6)%	26.7	28.0	(4.9)%
Operations and maintenance	44.6	46.7	(4.7)%	44.5	46.1	(3.6)%
Transportation	24.9	24.9	0.0%	14.6	14.2	2.7%
Food services	11.1	11.1	0.0%	(1.5)	(2.2)	(46.7)%
Planning and construction	4.2	1.7	59.5%	(14.1)	(12.5)	11.3%
Other	17.5	18.3	(4.6)%	16.2	17.2	(6.2)%
<b>Total</b>	<b>\$ 408.7</b>	<b>\$ 413.2</b>	<b>(1.1)%</b>	<b>\$ 290.3</b>	<b>\$ 297.0</b>	<b>(2.3)%</b>

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

The general fund is the operating fund for the Board. On a GAAP basis the Board ended the fiscal year with a general fund balance of \$25.8 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 Board reported a total governmental funds balance of \$30.5 million as compared to last year's combined ending balance of \$33.2 million or \$2.7 million less than last year.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Changes in Fund Balance - Governmental Funds - GAAP Basis**

	General Fund	Restricted Programs Fund	Food Services Fund	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
State of Maryland	\$ 181,606,586	\$ 1,899,636	\$ 412,952	\$ 12,320,689	\$ 196,239,863
Federal government	895,010	11,153,396	7,259,022	-	19,307,428
Other sources	1,223,548	1,762,038	5,303,175	272,045	8,560,806
Local sources	<u>166,121,100</u>	<u>268,513</u>	<u>-</u>	<u>1,258,630</u>	<u>167,648,243</u>
Total revenues	<u>349,846,244</u>	<u>15,083,583</u>	<u>12,975,149</u>	<u>13,851,364</u>	<u>391,756,340</u>
<b>EXPENDITURES</b>					
Current:					
Administration	8,950,898	246,178	-	-	9,197,076
Mid-level administration	21,392,685	417,934	-	-	21,810,619
Instruction:					
Instructional salaries	125,664,711	3,177,133	-	-	128,841,844
Materials of instruction	6,305,262	1,004,521	-	-	7,309,783
Other costs of instruction	1,889,021	614,262	-	-	2,503,283
Special Education	30,935,780	4,387,537	-	-	35,323,317
Student personnel services	4,116,023	5,705	-	-	4,121,728
Health service	2,984,718	700	-	-	2,985,418
Transportation	24,314,224	135,766	-	-	24,449,990
Operations	24,633,104	31,469	-	-	24,664,573
Maintenance	9,637,172	22,075	-	-	9,659,247
Food service	-	16,502	10,676,379	-	10,692,881
Community Service	922,810	956,997	-	-	1,879,807
Fixed Charges	87,936,904	2,360,895	1,507,737	-	91,805,536
Capital outlay	<u>4,698,687</u>	<u>712,818</u>	<u>-</u>	<u>13,851,318</u>	<u>19,262,823</u>
Total expenditures	<u>354,381,999</u>	<u>14,090,492</u>	<u>12,184,116</u>	<u>13,851,318</u>	<u>394,507,925</u>
Excess (deficiency) of revenue over expenditures	(4,535,755)	993,091	791,033	46	(2,751,585)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>30,347,049</u>	<u>512,471</u>	<u>2,517,769</u>	<u>(156,167)</u>	<u>33,221,122</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 25,811,294</u>	<u>\$ 1,505,562</u>	<u>\$ 3,308,802</u>	<u>\$ (156,121)</u>	<u>\$ 30,469,537</u>

Excess of revenues over expenditures resulted in increases or (decreases) in fund balances. Further analysis and explanation of Fund Balance classifications can be found in Note 15.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**General Fund Budgetary Highlights – Non-GAAP**

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

Over the course of the year, the Board 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 Board 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 2016 was an appropriation for the use of fund balance in the amount of \$5,201,086. Final results for the year was an excess of expenditures over revenues in the amount of \$4,225,886 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 \$0.4 million less than the anticipated budgetary levels due to Local Out of State/County Tuition not meeting budget. Actual revenues from the State of Maryland were more than budget due to reimbursements related to "non-domiciled students". Total budgetary surplus in Federal revenues related to the ROTC Program (\$25,010).

**EXPENDITURES**

All revenue shortfalls were offset by total planned expenditure savings of \$1.4 million from unfilled positions, turnover (including associated employee benefits) and contracted services throughout the Board.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**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>2015</u>	<u>2016</u>	<u>Change</u>
Health insurance reserve (self-insurance 7.5% of claims)	\$ 3,114,850	\$ 3,597,669	\$ 482,819
Contingency reserve (1% of annual operating budget)	3,644,000	3,327,764	(316,236)
Capital maintenance/ technology reserve	<u>7,599,934</u>	<u>3,248,146</u>	<u>(4,351,788)</u>
Total unassigned fund balance at June 30	<u>\$ 14,358,784</u>	<u>\$ 10,173,579</u>	<u>\$ (4,185,205)</u>

**Food Service Budget to Actual – Non-GAAP**

Budget and 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, 2016**

**General Fund Budget and Actual - Non-GAAP Budgetary Basis**

	2016			Variances Positive (Negative)	2015
	Original Budget	As amended Budget	Actual		Actual
<b>REVENUES</b>					
State of Maryland	\$ 160,265,546	\$ 160,265,546	\$ 160,311,004	\$ 45,458	\$ 159,660,608
Federal government	870,000	870,000	895,010	25,010	977,333
Other sources	1,719,080	1,719,080	1,223,548	(495,532)	1,311,084
Local sources	<u>166,121,100</u>	<u>166,121,100</u>	<u>166,121,100</u>	<u>-</u>	<u>161,921,600</u>
Total revenues	<u>328,975,726</u>	<u>328,975,726</u>	<u>328,550,662</u>	<u>(425,064)</u>	<u>323,870,625</u>
<b>EXPENDITURES</b>					
Administration	9,375,305	8,975,305	8,959,608	15,697	8,738,464
Mid-level administration	22,356,320	21,756,320	21,719,852	36,468	20,895,939
Instructional salaries	127,233,203	126,018,203	125,664,711	353,492	124,377,435
Materials of instruction	4,287,882	4,987,882	4,872,165	115,717	7,711,291
Other costs of instruction	2,562,405	2,062,405	1,889,021	173,384	1,649,674
Special education	30,938,372	30,938,372	30,936,875	1,497	29,804,913
Student personnel services	3,654,649	4,254,649	4,137,153	117,496	3,635,147
Health service	3,205,300	3,205,300	3,134,974	70,326	3,032,453
Transportation	24,729,013	24,729,013	24,410,753	318,260	24,138,511
Operations	25,233,565	24,233,565	24,224,606	8,959	25,406,896
Maintenance	8,044,775	8,744,775	8,683,437	61,338	8,371,798
Community service	749,157	1,049,157	953,489	95,668	732,752
Capital outlay	3,977,971	6,577,971	6,548,582	29,389	4,158,068
Fixed charges	<u>67,828,895</u>	<u>66,643,895</u>	<u>66,641,322</u>	<u>2,573</u>	<u>63,636,563</u>
Total expenditures	<u>334,176,812</u>	<u>334,176,812</u>	<u>332,776,548</u>	<u>1,400,264</u>	<u>326,289,904</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>(5,201,086)</u>	<u>(5,201,086)</u>	<u>(4,225,886)</u>	<u>975,200</u>	<u>(2,419,279)</u>
<b>OTHER FINANCING SOURCES</b>					
Use of prior year fund balance	<u>5,201,086</u>	<u>5,201,086</u>	<u>4,225,886</u>	<u>(975,200)</u>	<u>2,419,279</u>
Total other financing sources	<u>5,201,086</u>	<u>5,201,086</u>	<u>4,225,886</u>	<u>(975,200)</u>	<u>2,419,279</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES *</b>					
	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Use of budgetary fund balance			(4,225,886)		
<b>FUND BALANCE AT JUNE 30, 2015</b>			<u>19,775,253</u>		
<b>FUND BALANCE AT JUNE 30, 2016</b>			<u>\$ 15,549,367</u>		

\* The net change in fund balance includes \$5,201,086 budgeted as an appropriation (i.e. decrease) of fund balance.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Capital Asset and Long-Term Debt**

**Capital Assets**

During the year, the Board 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, additional construction costs, and building alterations).	\$ 4.7
Boiler/ Roof Replacements	4.8
Total	\$ 9.5

During fiscal year 2016, capital assets increased \$ 2.4 million, which was an increase of 0.75% from fiscal year 2015. Some of the changes were as follows:

- Land increased due to the purchase of land for the new elementary school.
- Land Improvements increased due to new fencing, paving, playground improvements, concrete work, track refurbishment, and parking lot extension and resurfacing.
- Construction in progress included lighting projects (\$810,000), Full Day Kindergarten Projects (\$3.8 million), and a New Elementary school (\$928,000).
- Equipment and furniture increased due to the purchase of vehicles, a bus, heat pump units, and computer equipment (servers and switches).

**Capital Assets (in millions of dollars)**

	Governmental Activities		Change
	2015	2016	2015-2016
Land	\$ 16.9	\$ 17.8	\$ 0.9
Construction in progress	2.2	7.4	5.2
Land improvements	12.1	14.6	2.5
Buildings	529.5	538.3	8.8
Equipment and furniture	30.7	31.6	0.9
Accumulated depreciation	(272.4)	(288.3)	(15.9)
Total	\$ 319.0	\$ 321.4	\$ 2.4

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Capital Assets** (Continued)

Over the next five years, the Board anticipates opening a new elementary school, completing four full day kindergarten additions, an open space enclosure project, site improvements for two elementary schools, renovations and additions at Dr. Mudd Elementary, Eva Turner Elementary and Benjamin Stoddert Middle, and safety/security upgrades and improvements at McDonough High, La Plata High and T.C. Martin Elementary.

The Board's fiscal year 2017 capital improvement program budget includes spending another \$24.7 million for capital projects, principally in five areas:

- \$1.8 million for full day kindergarten additions.
- \$1.4 million for site improvements and asphalt replacement.
- \$1.3 million for various maintenance projects, portable classrooms, and playground replacement.
- \$12.4 million for the new elementary school.
- \$7.8 million for Dr. Mudd Elementary renovation.

**Long-Term Debt**

At year-end, the Board had \$203.6 million in long-term liabilities. Compensated absences including accumulated vacation and sick leave for the Board's employees available upon termination accounted for \$8.4 million. The Board also has an obligation of \$179.5 million for post-employment benefits other than pensions (OPEB). The Technology loan 2 accounted of \$1.7 million of the debt. The Board has an obligation of \$13.9 million for its pension liability. More detailed information about the Board'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 slightly increased after a four-year period of declining enrollments and will most likely lead to future increases in State funding. Free and reduced student population has been increasing that provides 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 75 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 Board funded the second phase of St. Charles High School in the fall of 2015 which required a major commitment in staff, operating and startup costs. Additional funds will be needed to fund operating costs for a new elementary school, scheduled to open in the Fall of 2018. 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, 2016**

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 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 Board's Financial Management**

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 60,444,375
Accounts receivable	
Federal	5,050,465
State of Maryland	1,537,795
Other sources	3,612,612
Inventories	404,435
Capital assets	
Land and construction in progress	25,205,817
Other capital assets, net of depreciation	<u>296,165,957</u>
Total Assets	<u>392,421,456</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Changes in pension plan assumptions	2,293,484
Difference between projected and actual earnings on pension plan investments	<u>7,652,807</u>
Total deferred outflows of resources	<u>9,946,291</u>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	 <b><u>\$ 402,367,747</u></b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 8,685,727
Accrued salaries and fringe benefits	25,182,334
Payroll taxes and withholding payable	147,350
Other liabilities	141,779
Payable for health insurance	2,989,170
Unearned revenue	3,433,785
Noncurrent liabilities:	
Due within one year	1,305,448
Due in more than one year	<u>202,249,032</u>
Total Liabilities	<u>244,134,625</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Differences between expected and actual experience	2,058,827
Changes in pension plan assumptions	<u>1,461,396</u>
Total deferred inflows of resources	<u>3,520,223</u>
 <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	 <b><u>\$ 247,654,848</u></b>
 <b>NET POSITION</b>	
Net investment in capital assets	\$ 318,099,647
Restricted for:	
Grants	1,505,562
Unrestricted	<u>(164,892,310)</u>
Total Net Position	<u>\$ 154,712,899</u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	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	
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>INSTRUCTION</b>					
Regular education	\$ 216,267,213	\$ 546,289	\$ 59,302,736	\$ -	\$ (156,418,188)
Special Education	<u>44,843,272</u>	<u>78,657</u>	<u>14,871,515</u>	-	<u>(29,893,100)</u>
Total instruction	<u>261,110,484</u>	<u>624,946</u>	<u>74,174,251</u>	-	<u>(186,311,287)</u>
<b>SUPPORT SERVICES</b>					
Pupil services	8,233,256	-	605,092	-	(7,628,164)
Administration	12,724,889	-	395,427	-	(12,329,462)
Instructional support	28,544,728	-	553,671	-	(27,991,057)
Operation and maintenance	46,696,929	35,673	535,988	-	(46,125,268)
Transportation	24,863,854	-	10,687,810	-	(14,176,044)
Community services	3,641,465	219,434	914,970	-	(2,507,061)
School lunch services	11,057,722	4,954,017	8,335,130	-	2,231,425
Planning and construction	1,691,032	-	367,753	13,851,364	12,528,085
Unallocated depreciation expense	<u>14,676,380</u>	-	-	-	<u>(14,676,380)</u>
Total support services	<u>152,130,256</u>	<u>5,209,124</u>	<u>22,395,841</u>	<u>13,851,364</u>	<u>(110,673,927)</u>
Total Governmental Activities	<u>\$ 413,240,740</u>	<u>\$ 5,834,070</u>	<u>\$ 96,570,092</u>	<u>\$ 13,851,364</u>	<u>(296,985,214)</u>
<b>GENERAL REVENUES</b>					
County appropriations					166,121,100
State aid not restricted to specific purposes					109,033,004
Earnings on investment					77,596
Miscellaneous					<u>269,113</u>
					<u>275,500,813</u>
<b>CHANGE IN NET POSITION</b>					(21,484,401)
<b>NET POSITION, BEGINNING OF YEAR</b>					<u>176,197,300</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 154,712,899</u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and short-term investments	\$ 57,739,421	\$ -	\$ 2,683,798	\$ 21,156	\$ 60,444,375
Accounts receivable:					
Federal	66,415	3,327,968	352,934	1,303,148	5,050,465
State of Maryland	887,322	622,442	28,031	-	1,537,795
Other sources	1,162,181	117,564	39,762	2,293,105	3,612,612
Due from other funds	-	2,036,707	984,744	-	3,021,451
Inventories	172,064	-	232,371	-	404,435
Total Assets	<u>\$ 60,027,403</u>	<u>\$ 6,104,681</u>	<u>\$ 4,321,640</u>	<u>\$ 3,617,409</u>	<u>\$ 74,071,133</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 6,629,214	\$ 304,887	\$ 202,872	\$ 1,548,754	\$ 8,685,727
Accrued salaries and fringe benefits	23,521,633	1,054,899	605,802	-	25,182,334
Payroll taxes and withholding payable	144,114	3,236	-	-	147,350
Due to other governments	-	118,110	-	-	118,110
Due to other funds	796,675	-	-	2,224,776	3,021,451
Due to fiduciary funds	23,669	-	-	-	23,669
Payable for health insurance	2,989,170	-	-	-	2,989,170
Unearned revenue	111,634	3,117,987	204,164	-	3,433,785
Total liabilities	<u>34,216,109</u>	<u>4,599,119</u>	<u>1,012,838</u>	<u>3,773,530</u>	<u>43,601,596</u>
<b>FUND BALANCE (DEFICIT)</b>					
Nonspendable - inventory	172,064	-	232,371	-	404,435
Restricted	-	1,505,562	-	-	1,505,562
Assigned	15,465,651	-	3,076,431	-	18,542,082
Unassigned	10,173,579	-	-	(156,121)	10,017,458
Total fund balance (deficit)	<u>25,811,294</u>	<u>1,505,562</u>	<u>3,308,802</u>	<u>(156,121)</u>	<u>30,469,537</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>					
	<u>\$ 60,027,403</u>	<u>\$ 6,104,681</u>	<u>\$ 4,321,640</u>	<u>\$ 3,617,409</u>	<u>\$ 74,071,133</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, 2016**

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 30,469,537</b>
 <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Difference Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported assets in governmental funds:		
The cost of capital assets	609,687,134	
Accumulated depreciation	<u>(288,315,360)</u>	
		321,371,774
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 \$2,293,484 related to changes in pension plan assumptions, and \$7,652,807 related to difference between projected and actual earnings on pension plan investments		
	9,946,291	
Deferred inflows of resources related to pensions includes \$2,058,827 related to differences between expected and actual experiences, and \$1,461,396 related to changes in pension plan assumptions		
	<u>(3,520,223)</u>	
		6,426,068
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	(13,922,398)	
Net OPEB obligation	(179,512,916)	
Note payable	(1,723,373)	
Compensated absences	<u>(8,395,793)</u>	
		<u>(203,554,480)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$ <u>154,712,899</u></b>

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, 2016**

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
State of Maryland	\$ 181,606,586	\$ 1,899,636	\$ 412,952	\$ 12,320,689	\$ 196,239,863
Federal government	895,010	11,153,396	7,259,022	-	19,307,428
Other sources	1,223,548	1,762,038	5,303,175	272,045	8,560,806
Local sources	<u>166,121,100</u>	<u>268,513</u>	<u>-</u>	<u>1,258,630</u>	<u>167,648,243</u>
Total revenues	<u>349,846,244</u>	<u>15,083,583</u>	<u>12,975,149</u>	<u>13,851,364</u>	<u>391,756,340</u>
<b>EXPENDITURES</b>					
Current:					
Administration	8,950,898	246,178	-	-	9,197,076
Mid-level administration	21,392,685	417,934	-	-	21,810,619
Instruction:					
Instructional salaries	125,664,711	3,177,133	-	-	128,841,844
Materials of instruction	6,305,262	1,004,521	-	-	7,309,783
Other costs of instruction	1,889,021	614,262	-	-	2,503,283
Special Education	30,935,780	4,387,537	-	-	35,323,317
Student personnel services	4,116,023	5,705	-	-	4,121,728
Health service	2,984,718	700	-	-	2,985,418
Transportation	24,314,224	135,766	-	-	24,449,990
Operations	24,633,104	31,469	-	-	24,664,573
Maintenance	9,637,172	22,075	-	-	9,659,247
Food service	-	16,502	10,676,379	-	10,692,881
Community Service	922,810	956,997	-	-	1,879,807
Fixed Charges	87,936,904	2,360,895	1,507,737	-	91,805,536
Capital outlay	<u>4,698,687</u>	<u>712,818</u>	<u>-</u>	<u>13,851,318</u>	<u>19,262,823</u>
Total expenditures	<u>354,381,999</u>	<u>14,090,492</u>	<u>12,184,116</u>	<u>13,851,318</u>	<u>394,507,925</u>
Excess (deficiency) of revenues Over expenditures	(4,535,755)	993,091	791,033	46	(2,751,585)
<b>FUND BALANCES,</b>					
<b>BEGINNING OF YEAR</b>	<u>30,347,049</u>	<u>512,471</u>	<u>2,517,769</u>	<u>(156,167)</u>	<u>33,221,122</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 25,811,294</u>	<u>\$ 1,505,562</u>	<u>\$ 3,308,802</u>	<u>\$ (156,121)</u>	<u>\$ 30,469,537</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, 2016**

**Total Net Change in Fund Balances - Governmental Funds**

\$ (2,751,585)

**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	20,046,740
Depreciation expense for the year	(17,271,194)
Net book value of assets disposed of during the year.	(405,662)

2,369,884

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.

(821,181)

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.

(22,395,441)

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.

1,862,872

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.

251,050

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ (21,484,401)**

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	Pension and Retiree Health Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,627,492	\$ 2,599,880
Investments	118,089,986	-
Contribution receivable	6,800,000	-
Due from Board of Education	23,669	-
Total assets	<u>131,541,147</u>	<u>\$ 2,599,880</u>
<b>LIABILITIES</b>		
Due to student groups	-	2,599,880
Total liabilities	<u>-</u>	<u>\$ 2,599,880</u>
<b>NET POSITION</b>		
Held in trust for retiree health/pension benefits	<u>\$ 131,541,147</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, 2016**

	<u>Pension and Retiree Health Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 19,044,246
Plan members	<u>3,297,787</u>
Total contributions	<u>22,342,033</u>
Investment earnings:	
Interest and dividends	305,190
Net increase in fair value of investments	<u>1,039,846</u>
Total investment earnings	1,345,036
Less investment expense	<u>317,342</u>
Net investment gain	<u>1,027,694</u>
Total additions	<u>23,369,727</u>
<b>DEDUCTIONS</b>	
Benefits paid to members	15,907,435
Administrative expenses	<u>41,005</u>
Total deductions	<u>15,948,440</u>
<b>CHANGE IN NET POSITION</b>	7,421,287
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>124,119,860</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 131,541,147</u></u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 Board 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, 2016**

**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. Agency funds have no measurement focus, but use accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. The Board considers all non-reimbursement type revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and workers’ compensation. Liabilities for compensated absences and workers compensation are recognized as fund liabilities and expenditures when amounts are due and payable. State aid is recorded at the time of receipt or earlier, if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. 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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

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**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 Fund: the Restricted Programs Fund which consists of individual funds for state, local, and federal grants restricted for specific purposes and the Food Service Fund.

- **Capital Projects Funds** - The Capital Improvement Program Fund and the School Construction 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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Budgets and Budgetary Accounting (Continued)**

3. Legal budgetary control is employed for the General Fund only. The Capital Projects budget and the Special Revenue - Restricted Program are prepared on a project length basis and program basis, respectively, and, accordingly, annual budgetary comparisons are not presented in the financial statements. The Special Revenue – Food Service Fund budget is adopted by the Board for management purposes only, and is not subject to and under the control of the Charles County Commissioners. Accordingly, budgetary comparisons are not presented as required supplementary information, but are shown as other supplementary information.
4. Budgets are prepared and adopted on a budgetary basis which differs from GAAP due to the inclusion of encumbrances as expenditures and the usage of budget surplus as a revenue source to balance the budget.
5. The Board may transfer funds between major categories with approval by the County Commissioners. The Board has the authority to transfer funds between objects (i.e., salaries and wages, contracted services, supplies and materials) within the major categories, but must notify the County of such action. In accordance with Education Article 5-105 of the Annotated Code of Maryland, the Board may not exceed the appropriation by category without transfer and approval by the County.
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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Compensated Absence**

Employees earn annual leave at the rate of 16 - 25 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 76 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.

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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Fund Balance (Continued)**

*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.

**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 with the exception of MLGIP. Changes in the fair value of investments are recorded in investment income. The MLGIP's value is reported at amortized cost.

**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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Capital Assets (Continued)**

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

**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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Governmental Accounting Standards Board (GASB) Pronouncements**

The Board implemented GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79) during the year ended June 30, 2016. GASB 72 address accounting and financial reporting related to fair value measurements of assets and liabilities. Our auditors' opinion was not modified with respect to this implementation. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

**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 \$27,965,624 and the bank balance was \$38,083,259. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

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

**Investments**

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

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

The assets of the MABE Trust are managed by Wells Fargo Advisors and consist of money market funds, U.S. government securities, fixed income securities, mortgage-backed securities, equity securities, mutual funds, and certificates of deposits. At June 30, 2016, the pooled assets of the MABE Trust were valued at \$234,355,905 in total, of which the Board's share was \$30,566,233.

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 is a 2a7 like pool, which is not registered with the Securities & Exchange Commission (SEC), but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). The pool has an AAAM rating from Standards and Poors and maintains a \$1.00 per share value. The pool is designed to give local government units of the State an investment vehicle for short-term investments of funds. 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 amortized cost of the pool is the same as the value of the pool shares.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

A summary of cash and investments at June 30, 2016 is as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total	Weighted Average Maturity in Years
Cash on hand	\$ 1,964	\$ -	\$ 1,964	N/A
Deposits	25,365,686	2,599,880	27,965,566	N/A
Money market mutual funds	-	6,627,492	6,627,492	N/A
MLGIP	35,076,725	-	35,076,725	N/A
MABE Trust	-	30,566,233	30,566,233	8.26%
U.S. Government & agencies	-	4,682,002	4,682,002	7.74%
Municipal Bonds	-	117,424	117,424	25.30%
Corporate bonds	-	10,276,516	10,276,516	12.15%
Equity mutual funds	-	14,272,141	14,272,141	N/A
Fixed income mutual funds	-	9,368,527	9,368,527	N/A
Closed end mutual funds	-	31,049,932	31,049,932	N/A
Common stocks	-	8,202,084	8,202,084	N/A
US Government Mortgage Pool	-	5,604,174	5,604,174	23.92%
Corporate Backed Securities	-	2,219,742	2,219,742	3.62%
Mortgage-backed securities	-	1,731,211	1,731,211	27.70%
<b>Total</b>	<b>\$ 60,444,375</b>	<b>\$ 127,317,358</b>	<b>\$ 187,761,733</b>	

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2016:

	S&P Ratings										
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Unrated
U.S Treasury Securities	-	-	-	-	-	-	-	-	-	-	4,682,002
Corporate bonds	127,048	85,214	270,639	683,911	363,125	1,697,222	1,541,444	2,315,636	2,063,296	875,461	253,520
US Govt Mortgage Pool	-	-	-	-	-	-	-	-	-	-	5,604,174
Corporate Backed Securities	-	-	-	-	-	-	-	-	-	-	2,219,742
Mortgage Backed Securities	-	-	-	-	-	-	-	-	-	-	1,731,211
Municipal Bonds	12,350	43,229	25,903	-	35,942	-	-	-	-	-	-
<b>Grand total</b>	<b>\$ 139,398</b>	<b>\$ 128,443</b>	<b>\$ 296,542</b>	<b>\$ 683,911</b>	<b>\$ 399,067</b>	<b>\$ 1,697,222</b>	<b>\$ 1,541,444</b>	<b>\$ 2,315,636</b>	<b>\$ 2,063,296</b>	<b>\$ 875,461</b>	<b>\$ 14,490,649</b>

	FMV	Less than 1	1-5 Years	6-10 Years	11-15 Years	16-20 Years	20+ Years
US Treasury Securities	4,682,002	-	2,600,223	1,047,338	-	151,292	883,149
Corporate Bonds	10,276,516	-	2,426,583	4,551,527	1,082,675	-	2,215,731
US Govt Mortgage Pool	5,604,174	-	-	-	363,772	508,517	4,731,885
Corporate Backed Securities	2,219,742	-	2,094,855	124,887	-	-	-
Mortgage Backed Securities	1,731,211	-	26,818	54,467	-	264,221	1,385,705
Municipal Bonds	117,424	-	-	-	25,903	-	91,521
<b>Grand total</b>	<b>\$ 24,631,069</b>	<b>\$ -</b>	<b>\$ 7,148,479</b>	<b>\$ 5,778,219</b>	<b>\$ 1,472,350</b>	<b>\$ 924,030</b>	<b>\$ 9,307,991</b>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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.

**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.

**Foreign Credit Risk**

The Board and the Board of Education of Charles County Defined Benefit Pension Plan (The Plan)'s investment policies do not allow for investments denominated in foreign currencies. The Board and the Plan do not hold such investments.

**Investments and Valuation**

The Board and the Board of Education of Charles County Defined Benefit Pension Plan (The Plan) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments and Valuation (Continued)**

- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value.

Interest in MABE Trust- the MABE Trust is a Common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. Underlying assets in these funds include money market funds, U.S. government securities, fixed income securities, asset backed securities, equity securities, mutual funds and exchange traded fund and are valued at fair value based on quoted prices for similar assets in active markets. The Board may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments and Valuation (Continued)**

The Board and the Plan had the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Balance June 30, 2016
<b>Investments by fair value level:</b>				
<b>Debt Securities:</b>				
Corporate Bonds	\$ -	\$ 10,276,516	\$ -	\$ 10,276,516
US Govt Mortgage Pool	-	5,604,174	-	5,604,174
Corporate Backed Securities	-	2,219,742	-	2,219,742
Mortgage Backed Obligations	-	1,731,211	-	1,731,211
Municipal Bonds	-	117,424	-	117,424
US Treasury Securities	4,460,765	221,237	-	4,682,002
Total Debt Securities:	4,460,765	20,170,304	-	24,631,069
<b>Equity Securities:</b>				
Common stocks	8,202,084	-	-	8,202,084
Equity mutual funds	14,272,141	-	-	14,272,141
Fixed income mutual funds	9,368,527	-	-	9,368,527
Closed end mutual funds	31,049,932	-	-	31,049,932
Total Equity Securities:	62,892,684	-	-	62,892,684
MABE OPEB Trust	\$ -	\$ 30,566,233	\$ -	30,566,233
<b>Cash and Investments carried at amortized cost:</b>				
Cash on hand				1,964
Deposits				27,965,566
Money Market Mutual Funds				6,627,492
MLGIP				35,076,725
Total Cash and Investments at amortized cost:				69,671,747
Total Cash and Investments				\$ 187,761,733

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 is as follows:

Governmental Activities	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
<b>Capital assets not being depreciated</b>				
Land	\$ 16,894,675	\$ 1,067,324	\$ (156,500)	\$ 17,805,499
Construction-in-progress	2,236,508	12,226,590	(7,062,780)	7,400,318
Total capital assets, not being depreciated	<u>19,131,183</u>	<u>13,293,914</u>	<u>(7,219,280)</u>	<u>25,205,817</u>
<b>Capital assets being depreciated</b>				
Buildings and improvements	529,516,958	9,551,596	(757,109)	538,311,445
Land improvements	12,103,397	2,537,496	(22,230)	14,618,663
Furniture and equipment	30,744,966	1,726,515	(920,272)	31,551,209
Total capital assets being depreciated	<u>572,365,321</u>	<u>13,815,607</u>	<u>(1,699,611)</u>	<u>584,481,317</u>
<b>Less - accumulated depreciation</b>				
Buildings and improvements	(239,928,006)	(14,597,202)	516,972	(254,008,236)
Land improvements	(8,490,581)	(829,948)	22,001	(9,298,528)
Furniture and equipment	(24,076,027)	(1,844,044)	911,475	(25,008,596)
Total accumulated depreciation	<u>(272,494,614)</u>	<u>(17,271,194)</u>	<u>1,450,448</u>	<u>(288,315,360)</u>
Total capital assets, being depreciated, net	<u>299,870,707</u>	<u>(3,455,587)</u>	<u>(249,163)</u>	<u>296,165,957</u>
Capital assets, net	<u>\$ 319,001,890</u>	<u>\$ 9,838,327</u>	<u>\$ (7,468,443)</u>	<u>\$ 321,371,774</u>

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

<b>Governmental activities</b>	
Regular education	\$ 447,743
Special education	3,975
Supporting services:	
Pupil services	1,935
Health services	3,551
Administration	63,226
Instructional support	89,363
Operation and maintenance of facilities	1,088,492
Transportation	101,289
Community services	1,439
School lunch services	21,207
Planning and construction	772,594
Unallocated	<u>14,676,380</u>
Total depreciation expense - governmental activities	<u>\$ 17,271,194</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

The Board has active school construction projects at June 30, 2016, as follows:

	Spent to Date	Remaining Commitment
Full Day Kindergarten Addition/ Renovation	\$ 3,983,929	\$ 142,402
Dr. G. Brown Elementary School Boiler	-	134,704
Total	\$ 3,983,929	\$ 277,106

**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>.

**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 retirees' benefits allowance will be computed. Some of these options require actuarial reductions based on the retirees' and/or designated beneficiary's attained age and similar actuarial factors.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Benefits provided (Continued)**

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.

**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, 2016, was \$21,295,582. 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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Contributions (Continued)**

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, 2016 was \$7,339,061.

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

At June 30, 2016, 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	\$ 277,781,307
Board's proportionate share of the net pension liability	-
Total	<u>\$ 277,781,307</u>

The net pension liability was measured as of June 30, 2015, 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, 2016, the Board recognized pension expense of \$28,634,643 and revenue of \$21,295,582 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.

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70% general, 3.2% wage
Salary increases	1.49% to 3.20%
Investment rate of return	7.55%

Mortality rates were based on RP-2014 Mortality Tabled with projected generational mortality improvements based on the MP 204 2- dimensional mortality improvement scale.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Actuarial Assumptions (Continued)**

The economic and demographic actuarial assumptions used in the June 30, 2015 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2010-2014, which was completed during FY 2014. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumptions of 7.55% and an inflation assumption of 2.70% were used in the June 30, 2015 valuation.

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%	6.30%
Fixed Income	10%	0.06%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	<u>1%</u>	0.00%
Total	<u>100%</u>	

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, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Discount rate**

The single discount rate used to measure the total pension liability was 7.55%. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. 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.

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.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**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, 2016:

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

**Concentrations**

The Pension plan held investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the pension plan's fiduciary net positions, the following of June 30, 2016:

Investment	% of Pension Fiduciary Net Position	Fair Market Value
IShares Core S&P 500	16.78%	\$ 15,933,166
IShares MSCI EAFE	11.84%	11,239,245
Vanguard Mid Cap	7.04%	6,680,784

**Rate of Return on Investments**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for FY 2016 was 1.28%. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**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, 2015, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	303
Terminated plan members entitled to but not yet receiving benefits	273
Active plan members	502
Total	1,078

**Contributions**

Per Section VII of the plan agreement, the Board establishes contribution amounts based on an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount necessary to pay all of the Plan cost (in excess of Participant contributions) that the actuary determines to be necessary to maintain the Plan as a qualified plan under the Internal Revenue Code and Regulations. For the year ended June 30, 2016, the average active employee contribution rate was 5.0 percent of annual pay. For fiscal year 2016, the Board contributed \$4,090,857 to the Plan while participants contributed \$1,031,619. These contributions amounted to approximately 20.1% of covered payroll.

**Net Pension Liability**

The net pension liability of the plan was measured as of June 30, 2016, and the net pension liability was determined by an actuarial valuation as of that date.

Total pension liability	\$ 108,873,643
Plan fiduciary net position	(94,951,245)
Net pension liability	\$ 13,922,398

Plan fiduciary net position as a percentage of the total pension liability	87.21%
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**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Actuarial Assumptions**

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

Valuation Date	July 1, 2015*
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% limited to 150% of original benefit
General inflation	3.00% per year
Retirement	Experience-based table of rates
Mortality rate	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015
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, 2015 Valuation was used to estimate the TPL as of June 30, 2016. The July 1, 2015 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, 2016.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Actuarial Assumptions (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap	17.00%	6.50%
US Mid/ Small Cap	14.00%	7.90%
International Equities (unhedged)	12.00%	6.50%
Emerging International Equities	4.00%	9.30%
Core Bonds	32.00%	0.80%
High-Yield Bonds	4.00%	4.50%
Emerging Market Debt (Local Currency)	2.00%	4.50%
Real Estate (Core)	4.00%	6.30%
Hedge Funds Mod Vol	4.00%	3.30%
Commodities	4.00%	3.00%
Cash	1.00%	0.00%
Master Limited Partnerships	2.00%	6.50%

**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**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances as of June 30, 2015</b>	\$ 106,131,412	\$ 93,319,482	\$ 12,811,930
<b>Changes for the year:</b>			
Service cost	3,005,742	-	3,005,742
Interest	7,478,300	-	7,478,300
Differences between expected and actual experience	(1,244,586)	-	(1,244,586)
Changes of assumptions	(1,809,348)	-	(1,809,348)
Contributions - employer	-	4,090,857	(4,090,857)
Contributions - member	-	1,031,619	(1,031,619)
Net investment income	-	1,197,164	(1,197,164)
Benefit payments, including refunds of members contributions	(4,687,877)	(4,687,877)	-
Net changes	<u>2,742,231</u>	<u>1,631,763</u>	<u>1,110,468</u>
<b>Balances at June 30, 2016</b>	<b>\$ 108,873,643</b>	<b>\$ 94,951,245</b>	<b>\$ 13,922,398</b>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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	\$ 27,745,494	\$ 13,922,398	\$ 2,378,214

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

For the year ended June 30, 2016, the Board recognized pension expense of \$4,912,038. As of June 30, 2016, 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	\$ -	\$ 2,058,827
Changes in assumptions	2,293,484	1,461,396
Net difference between projected and actual earnings on pension plan investments	7,652,807	-
Total	\$ 9,946,291	\$ 3,520,223

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:	
2017	\$ 2,006,932
2018	2,006,932
2019	2,006,932
2020	522,730
2021	(117,458)
Thereafter	-

**Payable to the Pension Plan**

At June 30, 2016, the Board reported a payable of \$800,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 Board. 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 Board's group medical and dental plans provided that they have at least 10 years of service with the Charles County Public Schools. The Board pays 75% of the premiums for these plans. The medical and dental benefits paid by the Board for the year ended June 30, 2016 was \$12,808,935. As of June 30, 2016, 7,291 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, 2016 was \$260,489. As of June 30, 2016, 1,008 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	\$ 41,059,000
Interest on net OPEB obligation	7,617,000
Adjustment to annual required contribution	<u>(9,061,000)</u>
Annual OPEB cost	39,615,000
Contributions made	<u>(17,219,559)</u>
Increase in net OPEB obligations	22,395,441
Net OPEB obligations - beginning of year	<u>157,117,475</u>
Net OPEB obligations - end of year	<u>\$ 179,512,916</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, 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligations
June 30, 2014	\$ 34,127,000	41.3%	\$ 138,742,727
June 30, 2015	36,035,000	49.0%	157,117,475
June 30, 2016	39,615,000	43.5%	179,512,916

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the Plan was 5.76% funded. The actuarial accrued liability for benefits was \$437,499,000, and the actuarial value of assets was \$25,194,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$412,305,000. 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 220%.

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, 2015, 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, 2016, was 21 years.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2015
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
<b>Assets</b>			
Investments, including cash and cash equivalents	\$ 30,566,233	\$ 94,151,245	\$ 124,717,478
Other assets	6,023,669	800,000	6,823,669
Total assets	36,589,902	94,951,245	131,541,147
<b>Liabilities</b>			
	-	-	-
<b>Net position - Held in trust for retiree health/pension benefits</b>	<b>\$ 36,589,902</b>	<b>\$ 94,951,245</b>	<b>\$ 131,541,147</b>
<b>Additions</b>			
Contributions	\$ 17,219,558	\$ 5,122,475	\$ 22,342,033
Net investment gain/(loss)	(210,475)	1,238,169	1,027,694
Total additions	17,009,083	6,360,644	23,369,727
<b>Deductions</b>			
Benefits paid	11,219,558	4,687,877	15,907,435
Administrative expenses	-	41,005	41,005
Total deductions	11,219,558	4,728,882	15,948,440
<b>Change in net position</b>	5,789,525	1,631,762	7,421,287
<b>Net position - beginning of year</b>	30,800,377	93,319,483	124,119,860
<b>Net position - end of year</b>	\$ 36,589,902	\$ 94,951,245	\$ 131,541,147

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016, the amounts due to and from other funds were as follows:

	Due From Other Funds	Due To Other Funds
General fund	\$ -	\$ 820,344
Special revenue - food service	984,744	-
Special revenue - restricted program	2,036,707	-
Fiduciary fund- other post employment benefits	23,669	-
Capital projects - total	-	2,224,776
Total	<u>\$ 3,045,120</u>	<u>\$ 3,045,120</u>

**NOTE 10 LONG-TERM LIABILITIES**

The following is an analysis of the changes in long-term liabilities for the year ended June 30, 2016:

	Beginning Balance	Net Increase (Decrease)*	Ending Balance	Amount Due Within One Year
Compensated absences	\$ 8,646,843	\$ (251,050)	\$ 8,395,793	\$ 730,991
Net OPEB obligation	157,117,475	22,395,441	179,512,916	-
Technology Loan 1	1,288,415	(1,288,415)	-	-
Technology Loan 2	2,297,830	(574,457)	1,723,373	574,457
Net pension liability	<u>12,811,930</u>	<u>1,110,468</u>	<u>13,922,398</u>	-
Total long-term liabilities	<u>\$ 182,162,493</u>	<u>\$ 21,391,987</u>	<u>\$ 203,554,480</u>	<u>\$ 1,305,448</u>

\* 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%. This loan was paid off early in June 2016. For fiscal year 2016, the total payment for technology loan 1 was \$1,304,592, which was comprised of \$1,288,415 of principal and \$15,117 of interest payments.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 LONG-TERM LIABILITIES (CONTINUED)**

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 2016, 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, 2016 are:

Year Ended June 30,	Principal	Interest	Total
2017	574,457	-	574,457
2018	574,457	-	574,457
2019	574,458	-	574,458
Total minimum loan payments	<u>\$ 1,723,373</u>	<u>\$ -</u>	<u>\$ 1,723,373</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, 2016 are:

Year Ended June 30,	Principal
2017	\$ 520,518
2018	343,604
2019	101,409
Total minimum lease payments	<u>\$ 965,531</u>

Rental expenditures for the year ended June 30, 2016 amounted to approximately \$697,571.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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 claims made policy. The Board underwrites 75% of the cost of health insurance based on an estimate and the employees contribute 25%. Actual contribution rates by the Board may vary based on actual claims. The policy arrangement includes a stop-loss provision for claims in excess of \$300,000. A liability in the amount of \$2,989,170 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:

	2016	2015
<b>Accrued health claims:</b>		
Unpaid claims at beginning of year	\$ 2,380,000	\$ 1,910,000
Incurred claims (including IBNR)	26,976,946	25,185,668
Claim payments	(26,367,776)	(24,715,668)
Unpaid claims at end of year	\$ 2,989,170	\$ 2,380,000

**NOTE 12 FUND BALANCE DEFICIT**

The Capital Projects Fund reflects a deficit unassigned fund balance for June 30, 2016 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, 2016**

**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, 2016 are for the following uses:

	General Fund	Restricted Programs Fund
Encumbrances:		
Administration	\$ 447,866	\$ -
Mid-Level Administrative	362,250	-
Instruction	1,780,246	145,203
Special Education	96,912	138,657
Student Personnel Services	76,800	598,688
Student Health Services	155,869	-
Student Transportation	200,536	-
Operation & Maintenance of Plant	3,275,455	513,866
Food Service	-	-
Community Service	30,679	6,452
Capital Outlay	3,837,952	102,696
Total encumbrances	\$ 10,264,565	\$ 1,505,562

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 FUND BALANCE**

Fund balance at June 30, 2016 consists of the following:

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects
<b>Nonspendable - Inventory</b>	\$ 172,064	\$ -	\$ 232,371	\$ -
<b>Restricted for:</b>				
Administration	-	-	-	-
Mid-Level Administration	-	-	-	-
Instruction	-	145,203	-	-
Special Education	-	138,657	-	-
Student Personnel Services	-	598,688	-	-
Operation & Maintenance of Plant	-	513,866	-	-
Food Service	-	-	-	-
Community Service	-	6,452	-	-
Capital Outlay	-	102,696	-	-
Total restricted for	<u>-</u>	<u>1,505,562</u>	<u>-</u>	<u>-</u>
<b>Assigned for:</b>				
Administration	447,866	-	-	-
Mid-Level Administration	362,250	-	-	-
Instruction	1,780,246	-	-	-
Special Education	96,912	-	-	-
Student Personnel Services	76,800	-	-	-
Student Health Services	155,869	-	-	-
Student Transportation	200,536	-	-	-
Operation & Maintenance of Plant	3,275,455	-	-	-
Food Service	-	-	3,076,431	-
Community Service	30,679	-	-	-
Capital Outlay	3,837,952	-	-	-
Subsequent year expenditures	5,201,086	-	-	-
Total assigned for	<u>15,465,651</u>	<u>-</u>	<u>3,076,431</u>	<u>-</u>
<b>Unassigned</b>	10,173,579	-	-	(156,121)
Total fund balance	<u>\$ 25,811,294</u>	<u>\$ 1,505,562</u>	<u>\$ 3,308,802</u>	<u>\$ (156,121)</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	2016	2015
<b><u>Teachers' Retirement and Pension Systems:</u></b>		
Board's proportionation of the net pension liability	0.0%	0.0%
Board's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability of the Board	<u>277,781,307</u>	<u>203,938,312</u>
Total	<u>\$ 277,781,307</u>	<u>\$ 203,938,312</u>
Board's covered employee payroll	\$ 166,442,075	\$ 166,561,146
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	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 two years of information are available.*

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM (CONTINUED)**

**Last Ten Fiscal Years**

	2016	2015	2014	2013	2012*	2011*	2010*	2009*	2008*	2007*
<b><u>Teachers Retirement and Pension System</u></b>										
Contractually required contribution	\$ 7,339,061	\$ 6,383,304	\$ 4,989,645	\$ 3,936,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(7,339,061)</u>	<u>(6,383,304)</u>	<u>(4,989,645)</u>	<u>(3,936,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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	\$ 171,333,118	\$ 166,442,075	\$ 166,561,146	\$ 165,631,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	4.28%	3.84%	3.00%	2.38%	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, 2016**

**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 2015 valuation:

- Investment return assumption changed from 7.65% to 7.55%
- Inflation assumption changed from 2.90% to 2.70%

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

Actuarial	Entry Age Normal
Amortization Method	Level percent closed
Remaining Amortization Period	25-year closed schedule ending June 30, 2039, 23 years remaining
Asset Valuation Method	5-year smoothed market
Inflation	2.70% general, 3.2% wage
Salary Increases	1.49%-3.20%
Investment Rate of Return	7.55%
Retirement Age	Experienced based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to the 2015 Experience Study of the period July 1, 2010 to June 30, 2014
Mortality	RP-2014 Mortality Tabled with projected generational mortality improvements based on the MP 204 2- dimensional mortality improvement scale.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

**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	2016
Total pension liability			
Service cost	\$ 2,140,866	\$ 2,890,137	\$ 3,005,742
Interest	6,585,023	6,954,089	7,478,300
Benefit changes	-	-	-
Different between actual & expected if any	-	(1,733,314)	(1,244,586)
Assumption changes	-	3,773,150	(1,809,348)
Benefit payments	<u>(3,925,897)</u>	<u>(4,413,285)</u>	<u>(4,687,877)</u>
Net change in total pension liability	4,799,992	7,470,777	2,742,231
Total pension liability- beginning	<u>93,860,643</u>	<u>98,660,635</u>	<u>106,131,412</u>
Total pension liability- ending (a)	<u>\$ 98,660,635</u>	<u>\$ 106,131,412</u>	<u>\$ 108,873,643</u>
Plan fiduciary net position			
Contribution- employer	\$ 5,251,554	\$ 5,085,000	\$ 4,090,857
Contribution- member	966,598	984,727	1,031,619
Net investment income	9,567,475	797,427	1,197,164
Benefit payments	(3,925,897)	(4,413,285)	(4,687,877)
Administrative expense	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	11,859,730	2,453,869	1,631,763
Plan fiduciary net position- beginning	<u>79,005,883</u>	<u>90,865,613</u>	<u>93,319,482</u>
Plan fiduciary net position- ending (b)	<u>\$ 90,865,613</u>	<u>\$ 93,319,482</u>	<u>\$ 94,951,245</u>
Net pension on liability (a-b)	<u>\$ 7,795,022</u>	<u>\$ 12,811,930</u>	<u>\$ 13,922,398</u>
Plan fiduciary net position as a percentage of total liability	92.10%	87.93%	87.21%
Covered employee payroll	\$ 20,059,710	\$ 19,095,035	\$ 20,393,483
Net pension liability as a percentage of covered employee payroll	38.86%	67.10%	68.27

**Notes to Schedule:**

*Changes of assumptions:* Mortality table: RP-2014 Mortality table, with no collar adjustment projected to valuation date with Scale MP-2014 to RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015.

\*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, 2016**

**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
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%
2016	3,179,849	4,090,857	911,008	20,393,483	20.06%

Schedule of Investment Returns\*

Year Ended June 30:	Actual Money Weighted Rate of Return, Net of Investment Expense
2014	12.12%
2015	0.88%
2016	1.28%

Schedule of the Employer's Net Pension Liability\*

FY Ending 30-Jun	Total Pension Liability	Plan Fiduciary 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%
2016	108,873,643	94,951,245	13,922,398	87.21%	20,393,483	68.27%

\*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, 2016**

**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 2015 valuation:

- Mortality table: RP-2014 Mortality table, with no collar adjustment projected to valuation date with Scale MP-2014 to RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015.

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

Valuation Date	July 1, 2015
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% limited to 150% of original benefit
General Inflation	3.00% per year
Retirement	Experience- based table of rates
Mortality Rate	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2015
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, 2016**

**RETIREE HEALTH PLAN TRUST**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c)
		Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)			
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%
June 30, 2016	25,194,000	437,499,000	412,305,000	5.76%	187,000,000	220%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required		Percentage Contributed	Net OPEB Obligations
	Contribution	Actual Contribution		
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
June 30, 2016	41,059,000	17,219,559	41.94%	179,512,916

**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, 2016**

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
<b>REVENUES</b>				
State of Maryland	\$ 160,265,546	\$ 160,265,546	\$ 160,311,004	\$ 45,458
Federal government	870,000	870,000	895,010	25,010
Other sources	1,719,080	1,719,080	1,223,548	(495,532)
Local sources	<u>166,121,100</u>	<u>166,121,100</u>	<u>166,121,100</u>	<u>-</u>
Total revenues	<u>328,975,726</u>	<u>328,975,726</u>	<u>328,550,662</u>	<u>(425,064)</u>
<b>EXPENDITURES</b>				
Administration	9,375,305	8,975,305	8,959,608	15,697
Mid-level administration	22,356,320	21,756,320	21,719,852	36,468
Instructional salaries	127,233,203	126,018,203	125,664,711	353,492
Materials of instruction	4,287,882	4,987,882	4,872,165	115,717
Other costs of instruction	2,562,405	2,062,405	1,889,021	173,384
Special Education	30,938,372	30,938,372	30,936,875	1,497
Student personnel services	3,654,649	4,254,649	4,137,153	117,496
Health service	3,205,300	3,205,300	3,134,974	70,326
Transportation	24,729,013	24,729,013	24,410,753	318,260
Operations	25,233,565	24,233,565	24,224,606	8,959
Maintenance	8,044,775	8,744,775	8,683,437	61,338
Community Service	749,157	1,049,157	953,489	95,668
Capital Outlay	3,977,971	6,577,971	6,548,582	29,389
Fixed Charges	<u>67,828,895</u>	<u>66,643,895</u>	<u>66,641,322</u>	<u>2,573</u>
Total expenditures	<u>334,176,812</u>	<u>334,176,812</u>	<u>332,776,548</u>	<u>1,400,264</u>
Excess (deficiency) of revenues over expenditures	<u>(5,201,086)</u>	<u>(5,201,086)</u>	<u>(4,225,886)</u>	<u>975,200</u>
<b>OTHER FINANCING SOURCES</b>				
Use of prior year fund balance	<u>5,201,086</u>	<u>5,201,086</u>	<u>4,225,886</u>	<u>(975,200)</u>
Total other financing sources	<u>5,201,086</u>	<u>5,201,086</u>	<u>4,225,886</u>	<u>(975,200)</u>
Excess of revenues and other financing sources over expenditures *	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Use of budgetary fund balance			(4,225,886)	
<b>FUND BALANCE AT JUNE 30, 2015</b>			<u>19,775,253</u>	
<b>FUND BALANCE AT JUNE 30, 2016</b>			<u>\$ 15,549,367</u>	

\* The net change in fund balance includes \$5,201,086 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, 2016**

**General Fund - Reconciliation of Revenues and Expenditures**

Actual revenues (non-GAAP budgetary basis)	\$ 328,550,662
Pension contribution by the State of Maryland on behalf of the Board	<u>21,295,582</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 349,846,244</u>
Actual expenditures (non-GAAP budgetary basis)	\$ 332,776,548
Encumbrance adjustment, net	309,869
Pension contribution by the State of Maryland on behalf of the Board	<u>21,295,582</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 354,381,999</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
<b>State of Maryland</b>				
State - Foundation	\$ 105,447,642	\$ 105,447,642	\$ 105,447,642	\$ -
Compensatory aid	30,264,547	30,264,547	30,264,547	-
Transportation	10,548,410	10,548,410	10,548,410	-
Handicapped children	7,010,857	6,864,857	6,864,857	-
Tuition - handicapped	1,188,000	1,176,450	1,181,278	4,828
Other (LEP grant)	1,311,728	1,311,728	1,311,728	-
Out of county living	-	11,550	52,180	40,630
CGEI	1,767,220	1,767,220	1,767,220	-
Medicaid revenues	909,000	1,055,000	1,055,000	-
Net Taxable Income	<u>1,818,142</u>	<u>1,818,142</u>	<u>1,818,142</u>	<u>-</u>
	<u>160,265,546</u>	<u>160,265,546</u>	<u>160,311,004</u>	<u>45,458</u>
<b>Federal Government</b>				
Impact aid	388,000	385,919	385,919	-
ROTC	430,000	420,258	445,268	25,010
Impact aid special education	<u>52,000</u>	<u>63,823</u>	<u>63,823</u>	<u>-</u>
	<u>870,000</u>	<u>870,000</u>	<u>895,010</u>	<u>25,010</u>
<b>Other sources</b>				
Tuition - summer school	127,000	94,400	84,415	(9,985)
Tuition - nonresident	963,000	800,500	351,035	(449,465)
Tuition - Novel	30,000	41,500	14,976	(26,524)
Tuition - parents payments	74,100	76,600	83,293	6,693
Summer youth camp	26,000	31,000	30,759	(241)
Rent from school facilities	210,100	210,100	188,675	(21,425)
Sale of property	10,000	14,500	14,500	-
Interest income	74,880	77,880	77,596	(284)
Restitution	-	6,000	4,241	(1,759)
Vending commissions	69,000	112,000	90,852	(21,148)
Payroll transfers	100,000	129,100	129,036	(64)
Other	35,000	90,500	125,577	35,077
Rebates	-	35,000	28,593	(6,407)
Unclaimed estates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,719,080</u>	<u>1,719,080</u>	<u>1,223,548</u>	<u>(495,532)</u>
<b>Local sources</b>				
Operational budget	<u>166,121,100</u>	<u>166,121,100</u>	<u>166,121,100</u>	<u>-</u>
Total Revenues	<u>\$ 328,975,726</u>	<u>\$ 328,975,726</u>	<u>\$ 328,550,662</u>	<u>\$ (425,064)</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
<b>Administration</b>				
Salaries and wages	\$ 7,156,213	\$ 6,741,213	\$ 6,741,017	\$ 196
Contracted services	1,552,906	1,532,806	1,532,332	474
Supplies and materials	466,775	647,875	643,879	3,996
Other charges	292,902	276,202	269,932	6,270
Equipment	46,215	22,915	18,623	4,292
Transfers in	(139,706)	(245,706)	(246,175)	469
	<u>9,375,305</u>	<u>8,975,305</u>	<u>8,959,608</u>	<u>15,697</u>
<b>Mid-level administration</b>				
Salaries and wages	20,944,350	20,279,350	20,278,441	909
Contracted services	305,530	463,975	463,308	667
Supplies and materials	822,778	803,333	803,230	103
Other charges	283,662	209,662	174,873	34,789
Equipment	-	-	-	-
	<u>22,356,320</u>	<u>21,756,320</u>	<u>21,719,852</u>	<u>36,468</u>
<b>Instruction salaries</b>				
Salaries and wages	127,233,203	126,018,203	125,664,711	353,492
<b>Materials of instruction</b>				
Supplies and materials	4,287,882	4,987,882	4,872,165	115,717
<b>Other costs of instruction</b>				
Contracted services	1,780,917	1,417,367	1,280,088	137,279
Other charges	506,830	261,647	231,217	30,430
Equipment	174,658	275,391	273,503	1,888
Outgoing transfers	100,000	108,000	104,213	3,787
	<u>2,562,405</u>	<u>2,062,405</u>	<u>1,889,021</u>	<u>173,384</u>
<b>Special Education</b>				
Salaries and wages	25,747,060	25,701,860	25,701,710	150
Contracted services	1,786,972	1,924,472	1,924,195	277
Supplies and materials	86,010	87,610	87,577	33
Other charges	68,330	66,130	66,109	21
Outgoing transfers	3,250,000	3,158,300	3,157,284	1,016
	<u>30,938,372</u>	<u>30,938,372</u>	<u>30,936,875</u>	<u>1,497</u>
<b>Student personnel services</b>				
Salaries and wages	3,398,599	3,525,599	3,464,912	60,687
Contracted services	232,043	705,042	654,957	50,085
Supplies and materials	14,407	14,408	12,051	2,357
Other charges	9,600	9,600	5,233	4,367
Equipment	-	-	-	-
	<u>3,654,649</u>	<u>4,254,649</u>	<u>4,137,153</u>	<u>117,496</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**  
**(CONTINUED)**

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
<b>Health Service</b>				
Contracted services	\$ 3,177,600	\$ 3,172,600	\$ 3,105,071	\$ 67,529
Supplies and materials	27,700	32,700	29,903	2,797
	<u>3,205,300</u>	<u>3,205,300</u>	<u>3,134,974</u>	<u>70,326</u>
<b>Transportation</b>				
Salaries and wages	1,000,692	1,084,571	1,075,908	8,663
Contracted services	23,622,206	23,371,827	23,084,074	287,753
Supplies and materials	24,875	24,875	9,736	15,139
Other charges	6,240	6,240	3,324	2,916
Equipment	75,000	241,500	237,711	3,789
	<u>24,729,013</u>	<u>24,729,013</u>	<u>24,410,753</u>	<u>318,260</u>
<b>Operations</b>				
Salaries and wages	10,710,288	10,718,288	10,713,913	4,375
Contracted services	2,740,206	2,017,806	2,017,803	3
Supplies and materials	1,465,509	2,983,709	2,983,604	105
Other charges	10,177,262	7,744,962	7,744,201	761
Equipment	140,300	768,800	765,085	3,715
	<u>25,233,565</u>	<u>24,233,565</u>	<u>24,224,606</u>	<u>8,959</u>
<b>Maintenance</b>				
Salaries and wages	3,640,235	3,595,735	3,594,846	889
Contracted services	3,146,882	1,887,282	1,827,747	59,535
Supplies and materials	1,200,904	1,413,904	1,413,575	329
Other charges	1,720	38,720	38,586	134
Equipment	55,034	1,809,134	1,808,683	451
	<u>8,044,775</u>	<u>8,744,775</u>	<u>8,683,437</u>	<u>61,338</u>
<b>Community Service</b>				
Salaries and wages	20,500	160,500	159,821	679
Contracted services	6,540	827,067	754,612	72,455
Supplies and materials	722,117	51,540	31,672	19,868
Other charges	-	10,050	7,384	2,666
	<u>749,157</u>	<u>1,049,157</u>	<u>953,489</u>	<u>95,668</u>
<b>Capital outlay</b>				
Salaries and wages	490,671	420,671	417,168	3,503
Contracted services	1,862,320	2,373,320	2,368,362	4,958
Supplies and materials	3,430	3,430	1,768	1,662
Other charges	2,550	7,550	6,637	913
Equipment	1,619,000	3,773,000	3,754,647	18,353
	<u>3,977,971</u>	<u>6,577,971</u>	<u>6,548,582</u>	<u>29,389</u>
<b>Fixed Charges</b>				
Other charges	67,828,895	66,643,895	66,641,322	2,573
Total Expenditures	<u>\$ 334,176,812</u>	<u>\$ 334,176,812</u>	<u>\$ 332,776,548</u>	<u>\$ 1,400,264</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS SUB-FUNDS  
 JUNE 30, 2016**

	Capital Improvement Programs	School Construction	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ -	\$ 21,156	\$ 21,156
Accounts receivable			
Federal	-	1,303,148	1,303,148
Other sources	<u>2,293,099</u>	<u>6</u>	<u>2,293,105</u>
Total Assest	<u>\$ 2,293,099</u>	<u>\$ 1,324,310</u>	<u>\$ 3,617,409</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,212,925	\$ 335,829	\$ 1,548,754
Due to other funds	<u>1,263,006</u>	<u>961,770</u>	<u>2,224,776</u>
Total liabilities	<u>2,475,931</u>	<u>1,297,599</u>	<u>3,773,530</u>
 <b>FUND BALANCES (DEFICIT)</b>			
Unassigned	<u>(182,832)</u>	<u>26,711</u>	<u>(156,121)</u>
Total fund balance (deficit)	<u>(182,832)</u>	<u>26,711</u>	<u>(156,121)</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,293,099</u>	 <u>\$ 1,324,310</u>	 <u>\$ 3,617,409</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, 2016**

	Capital Improvement Programs	School Construction	Total
<b>REVENUES</b>			
State of Maryland	\$ -	\$ 12,320,689	\$ 12,320,689
Local sources	1,258,630	-	1,258,630
Other sources	<u>272,000</u>	<u>45</u>	<u>272,045</u>
Total revenues	<u>1,530,630</u>	<u>12,320,734</u>	<u>13,851,364</u>
<b>EXPENDITURES</b>			
Capital outlay:			-
Contracted services	10,015,266	2,483,688	12,498,954
Materials	60,954	-	60,954
Computers and equipment	<u>1,291,410</u>	<u>-</u>	<u>1,291,410</u>
Total expenditures	<u>11,367,630</u>	<u>2,483,688</u>	<u>13,851,318</u>
Excess (deficiency) of revenues Over expenditures	(9,837,000)	9,837,046	46
<b>OTHER FINANCING SOURCES</b>			
Transfers in (out)	<u>9,837,000</u>	<u>(9,837,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	46	46
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	<u>(182,832)</u>	<u>26,665</u>	<u>(156,167)</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ (182,832)</u>	<u>\$ 26,711</u>	<u>\$ (156,121)</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES –  
NON-GAAP BUDGETARY BASIS  
SPECIAL REVENUE – RESTRICTED PROGRAMS FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Restricted Programs Fund</u>
<b>REVENUES</b>	
State of Maryland	\$ 1,899,636
Federal government	11,153,396
Other sources	1,762,038
Local government	<u>268,513</u>
Total revenues	<u>15,083,583</u>
<b>EXPENDITURES</b>	
Administration	246,178
Mid-level administration	417,934
Instructional salaries	3,177,133
Materials of instruction	1,085,790
Other costs of instruction	614,262
Special education	4,525,418
Student personnel service	604,393
Health service	700
Transportation	135,766
Operations	495,775
Maintenance	71,635
Food service	16,502
Community service	963,449
Capital outlay	367,753
Fixed charges	<u>2,360,895</u>
Total expenditures	<u>15,083,583</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, 2016**

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
<b>REVENUES</b>				
State of Maryland	\$ 369,000	\$ 369,000	\$ 412,952	\$ 43,952
Federal government	6,713,744	6,713,744	7,259,022	545,278
Local sources	5,949,897	5,949,897	5,303,175	(646,722)
Total revenues	<u>13,032,641</u>	<u>13,032,641</u>	<u>12,975,149</u>	<u>(57,492)</u>
<b>EXPENDITURES</b>				
<b>Food service</b>				
Salaries and wages	4,401,058	4,401,058	4,124,048	277,010
Contracted services	149,000	90,500	88,218	2,282
Supplies and materials	6,359,826	6,444,826	6,414,772	30,054
Other charges	59,799	42,299	31,911	10,388
Equipment	95,000	86,000	17,430	68,570
Transfers out	-	-	-	-
Total food service	<u>11,064,683</u>	<u>11,064,683</u>	<u>10,676,379</u>	<u>388,304</u>
Fixed Charges	<u>1,967,958</u>	<u>1,967,958</u>	<u>1,507,737</u>	<u>460,221</u>
Total expenditures	<u>13,032,641</u>	<u>13,032,641</u>	<u>12,184,116</u>	<u>848,525</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,033</u>	<u>\$ 791,033</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND**  
**SCHEDULE OF CHANGES IN NET POSITION**  
**STUDENT ACTIVITIES FUND – AGENCY FUND**  
**YEAR ENDED JUNE 30, 2016**

	Balance June 30, 2015	Additions/ Receipts	Reductions/ Distributions	Balance June 30, 2016
Cash by schools				
Elementary Schools				
C. Paul Barnhart	\$ 31,986	\$ 53,262	\$ 55,105	\$ 30,143
Berry	31,256	121,544	115,375	37,425
Dr. Gustavus Brown	14,916	38,084	45,799	7,201
Dr. Samuel A. Mudd	11,969	48,909	48,765	12,113
J.C. Parks	35,274	87,850	96,358	26,766
J.P. Ryon	12,228	69,247	69,697	11,778
Eva Turner	8,522	47,330	40,619	15,233
Dr. Thomas L. Higdon	38,408	89,380	95,742	32,046
Daniel of St. Thomas Jenifer	16,170	63,851	68,264	11,757
Dr. James Craik	56,166	109,031	113,600	51,597
Gale-Bailey	15,801	57,288	58,613	14,476
Indian Head	26,367	36,878	28,682	34,563
Malcolm	26,706	52,809	53,155	26,360
T.C. Martin	23,548	133,150	121,403	35,295
Arthur H. Middleton	40,698	63,718	68,909	35,507
Walter J. Mitchell	28,267	105,837	104,313	29,791
Mt. Hope/Nanjemoy	30,536	59,933	62,949	27,520
William B. Wade	38,165	96,720	87,889	46,996
Mary H. Matula	63,143	83,329	84,756	61,716
William Diggs	10,680	103,483	103,313	10,850
Mary B. Neal	11,714	96,602	85,203	23,113
Middle Schools				
John Hanson	43,655	111,092	119,397	35,350
Matthew Henson	79,979	129,455	125,912	83,522
Piccowaxen	67,773	94,761	92,563	69,971
General Smallwood	43,802	69,221	69,893	43,130
Milton Somers	26,644	123,109	118,327	31,426
Benjamin Stoddert	45,145	135,221	131,765	48,601
Mattawoman	101,536	164,101	158,332	107,305
Theodore G. Davis	41,150	108,726	113,031	36,845
High Schools				
La Plata	217,190	622,048	626,507	212,731
Lackey	164,621	462,745	403,155	224,211
Maurice J. McDonough	198,733	422,365	436,881	184,217
Thomas Stone	220,516	324,198	323,441	221,273
Westlake	144,106	470,353	488,242	126,217
North Point	334,168	983,499	939,363	378,304
St. Charles	79,793	449,421	379,597	149,617
Centers				
F.B. Gwynn	25,209	4,784	6,950	23,043
Robert Stethem	47,563	35,372	41,064	41,871
Education Center				
Due to Student Groups	<u>\$ 2,454,103</u>	<u>\$ 6,328,706</u>	<u>\$ 6,182,929</u>	<u>\$ 2,599,880</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND  
 COMBINING SCHEDULE OF NET POSITION –  
 RETIREE HEALTH AND PENSION TRUST FUNDS  
 YEAR ENDED JUNE 30, 2016**

	Retiree Health Trust Fund	Pension Trust Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 6,627,492	\$ 6,627,492
Investments	30,566,233	87,523,753	118,089,986
Contribution receivable	6,000,000	800,000	6,800,000
Due from other funds	23,669	-	23,669
Total assets	<u>\$ 36,589,902</u>	<u>\$ 94,951,245</u>	<u>\$ 131,541,147</u>
<b>NET POSITION</b>			
Held in trust for retiree health/pension benefits	<u>\$ 36,589,902</u>	<u>\$ 94,951,245</u>	<u>\$ 131,541,147</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, 2016**

	Retiree Health Trust Fund	Pension Trust Fund	Total
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 14,953,390	\$ 4,090,856	\$ 19,044,246
Plan members	2,266,168	1,031,619	3,297,787
Total contributions	<u>17,219,558</u>	<u>5,122,475</u>	<u>22,342,033</u>
Investment earnings:			
Interest and dividends	-	305,190	305,190
Net (decrease) increase in fair value of investments	<u>(210,475)</u>	<u>1,250,321</u>	<u>1,039,846</u>
Investment (loss)/gain	(210,475)	1,555,511	1,345,036
Less investment expense	<u>-</u>	<u>317,342</u>	<u>317,342</u>
Net investment (loss)/gain	<u>(210,475)</u>	<u>1,238,169</u>	<u>1,027,694</u>
Total additions	<u>17,009,083</u>	<u>6,360,644</u>	<u>23,369,727</u>
<b>DEDUCTIONS</b>			
Benefits paid to members	11,219,558	4,687,877	15,907,435
Administrative expenses	<u>-</u>	<u>41,005</u>	<u>41,005</u>
Total deductions	<u>11,219,558</u>	<u>4,728,882</u>	<u>15,948,440</u>
<b>CHANGE IN NET POSITION</b>	5,789,525	1,631,762	7,421,287
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>30,800,377</u>	<u>93,319,483</u>	<u>124,119,860</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 36,589,902</u>	<u>\$ 94,951,245</u>	<u>\$ 131,541,147</u>