

CALVERT COUNTY PUBLIC SCHOOLS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

**CALVERT COUNTY PUBLIC SCHOOLS
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YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
of Calvert County
Calvert County Public Schools
Prince Frederick, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calvert County Public Schools (CCPS), a component unit of Calvert County, Maryland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise CCPS' 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 CCPS' 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 CCPS' 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 CCPS as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter- Change in Accounting Principle

As described in Note-12 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Other Pension Employee Benefits – an amendment of GASB statement No. 45. Our opinion is not modified with respect to this matter. The implementation of this standard resulted in a restatement of the net position for governmental activities.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, other post-employment benefit schedules, and budgetary comparison information as listed in the table of contents, respectively, 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

The Other Supplementary Information as listed in the table of contents 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Education
of Calvert County
Calvert County Public Schools

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of CCPS' 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 CCPS' internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Baltimore, Maryland
September 28, 2018

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This section of Calvert County Public Schools' (CCPS') annual financial report includes a discussion and analysis of the school Board's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with CCPS' financial statements, which immediately follow this section.

Overview

- With bank balances as of June 30, 2018 totaling \$16.8 million, Calvert County Public Schools is financially secure.
- County, State, and Federal funding are the major factors contributing to the financial status of CCPS.
- In accordance with Maryland State Department of Education requirements, CCPS' financial records are maintained on a budgetary basis. This basis is used for all budget to actual analysis.
- Outlays for new capital assets increased during the year.

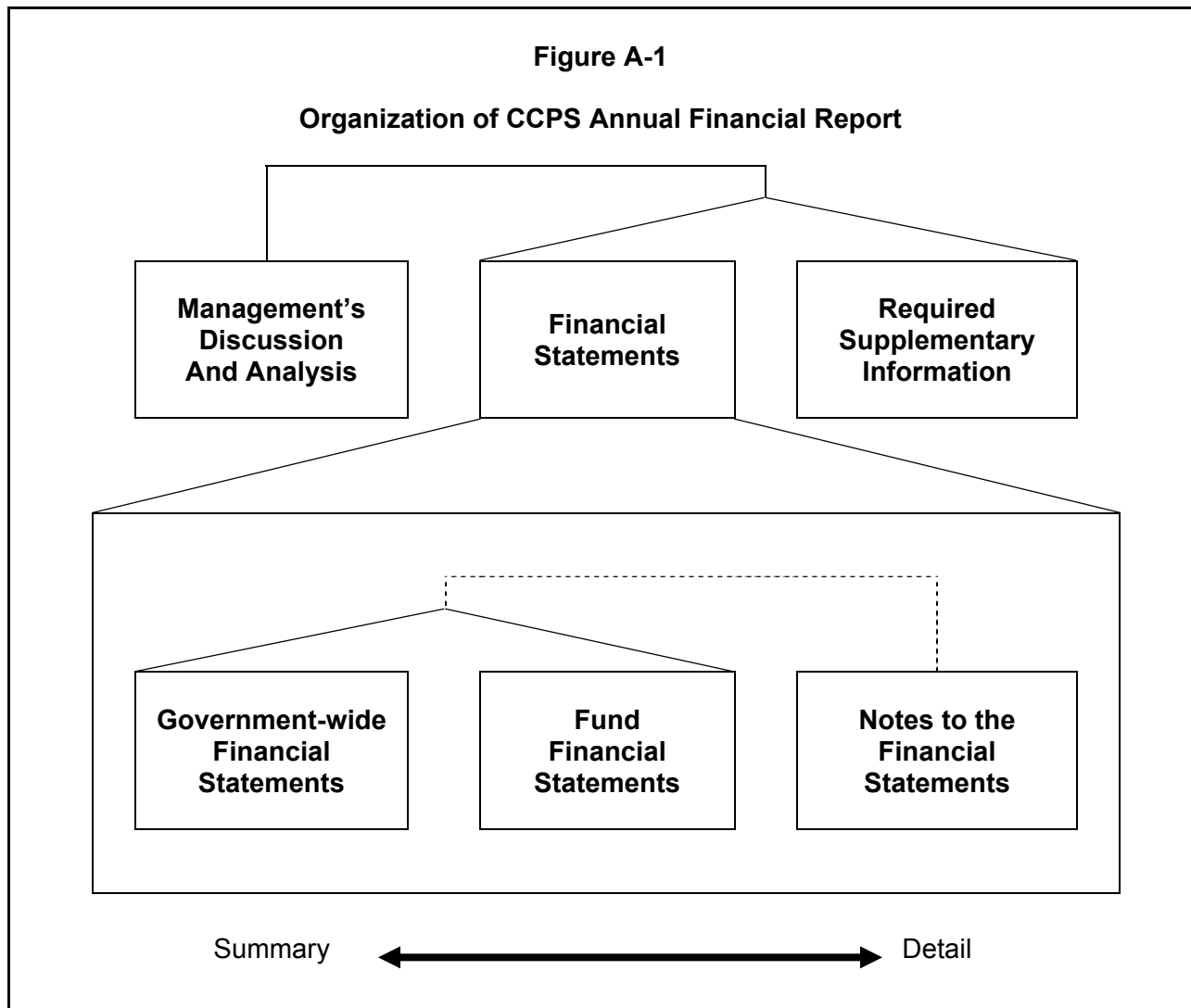
Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements, and required supplementary information. The financial statements include two kinds of statements that present different views of the Board:

- The first two statements are CCPS government-wide financial statements that provide both short-term and long-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of CCPS, reporting its operation in more detail than its government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which CCPS acts solely as a trustee or agent for the benefit of others.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of CCPS budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Figure A-2 summarizes the major features of the Board's financial statements, including the portion of CCPS activities covered and the types of information contained. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

FIGURE A-2			
Major Features of the CCPS Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Board (except fiduciary funds)	The activities of the Board that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the Board administers resources on behalf of someone else, such as student activities and scholarship monies
Required financial statements	Statement of Net Position Statement of Activities	Balance sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of flow information	All revenues earned and expenses incurred during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

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

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

In government-wide financial statements, CCPS' activities are classified as governmental activities. Most of CCPS' basic services (such as regular and special education, transportation, and administration) are reported here. The fees charged to cover the costs of some services such as the Child Nutrition Program are also included in the governmental activities. County appropriations and State formula aid finance most of CCPS' activities.

In government-wide financial statements, CCPS' reports only governmental activities.

Governmental activities: CCPS' basic services are included here, such as regular and special education, transportation, and administration. County appropriations and State formula aid finance most of these activities.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

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

The school system has three governmental funds:

The General Fund (Current Expenses Fund) includes most of the school system's basic functions and generally follows the requirements of the Maryland State Department of Education.

The Special Revenue Fund (Cafeteria Fund) captures the financial activities of the Child Nutrition Program operations.

The Capital Projects Fund (School Construction 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.

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.

Fiduciary Fund Financial Statements. The fiduciary funds are used to account for resources held for the benefit of parties outside the school system. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the school system's own programs. Accordingly, there is no analysis of the 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 school system's fiduciary funds include an Agency Fund which reflects liabilities due to student groups that are earmarked for specific student groups at individual schools.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Net Position. CCPS combined net position for Governmental Activities (in millions of dollars) as of June 30, 2018 and 2017 is as follows:

	Governmental Activities		Total %age Change
	FY 2017	FY 2018	FY 17 - 18
Assets			
Cash and Cash Equivalents	\$ 25.7	\$ 23.4	(8.9)%
Accounts Receivable	16.3	20.8	27.6
Inventories	-	0.1	-
Other Assets	0.1	-	(100.0)
Prepays	-	0.9	-
Capital Assets Less			-
Accumulated Depreciation	231.2	261.8	13.2
Total Assets	273.3	307.0	12.3
Deferred Outflows of Resources	4.6	18.5	302.2
Liabilities			
Other Liabilities	23.7	26.5	11.8
Long-term Obligations	111.5	146.9	31.7
Total Liabilities	135.2	173.4	28.3
Deferred Inflows of Resources	0.8	5.4	575.0
Net Position			
Net Investment in Capital Assets	231.2	261.8	13.2
Restricted	-	0.1	-
Unrestricted	(89.2)	(115.1)	29.0
Total Net Position	\$ 142.0	\$ 146.7	3.3 %

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Capital Assets: By the end of FY 2018, CCPS had invested \$261,812,093 for governmental activities in a broad range of capital assets, including school building construction, equipment, and paving. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$7,548,398 for governmental activities. A summary of capital asset activity is as follows:

Governmental Activities

	Balance at June 30, 2017	Increases	Decreases/ Transfers	Balance at June 30, 2018	Percentage of Change
Land	\$ 3,849,196	\$ -	\$ 3,013	\$ 3,846,183	-0.1%
Land Improvements	6,250,495	806,645	-	7,057,140	12.9%
Construction in Progress	21,480,520	36,409,140	944,376	56,945,284	165.1%
Buildings and Improvements	314,211,885	1,005,806	7,084	315,210,607	0.3%
Equipment	10,326,278	1,057,304	2,207,241	9,241,909	-10.5%
Totals at Historic Cost	<u>\$ 356,118,374</u>	<u>\$ 39,278,895</u>	<u>\$ 3,161,714</u>	<u>\$ 392,301,123</u>	<u>10.2%</u>

Outlays for construction in progress increased in FY 2018 compared to the prior year because of on-going construction of the new Northern High School facility which will replace the current building.

Capital funds were used to pay costs associated with new construction and renovations/improvements to existing structures.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Statement of Activities. For the year ended June 30, 2018, below is a schedule of changes in net position from operating results (in millions of dollars) derived from the CCPS statement of activities.

	Governmental Activities		Total %age Change
	FY 2017	FY 2018	FY 17 - 18
Program Revenues			
Charges for Services	\$ 3.3	\$ 3.4	91.2%
Operating Grants/Contributions	51.7	63.2	18.2
Capital Grants/Contributions	17.2	36.7	53.1
General Revenues			
Local Appropriations	114.7	121.3	5.4
State Aid	59.7	60.0	0.5
Federal Aid	1.3	1.2	(8.3)
Interest/Investment Earnings	-	0.1	100.0
Total Revenues	<u>\$ 247.9</u>	<u>\$ 285.9</u>	<u>\$ 169.8</u>
Expenses			
Instruction	\$ 168.9	\$ 169.6	0.4
Administration	8.9	11.4	21.9
Mid-Level Administration	16.8	13.1	(28.2)
Pupil Personnel Services	2.0	2.0	-
Health Services	2.4	4.5	46.7
Pupil Transportation	14.7	15.9	7.5
Operation of Plant & Equipment	25.8	8.2	-
Food Services	4.6	10.5	56.2
Maintenance of Plant	1.8	13.0	86.2
Community Services	5.2	3.7	(40.5)
Total Expenses	<u>\$ 251.1</u>	<u>\$ 251.9</u>	<u>\$ 150.1</u>
Decrease in Net Position	<u>\$ (3.2)</u>	<u>\$ 34.0</u>	<u>\$ 19.7</u>

Beginning FY 2018, activities for the General Fund (Current Expense Fund) and the Special Revenue Fund (Cafeteria Fund) are consolidated under governmental activities on the statement of activities. The statement of activities shows that the local appropriation for the FY 2018 operating budget was \$121,267,489 which represents an increase of \$6,573,651 from FY 2017. Total revenues from governmental activities for FY 2018 were \$285,901,112 which represents an increase of \$37,923,766 from FY 2017. FY 2018 expenditures for governmental activities were \$251,912,684 which represents an increase of \$841,202 from FY 2017. The net position for governmental activities increased \$4,735,449 in FY 2018.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Factors influencing the change in the CCPS budget are as follows:

- Providing salaries necessary to retain and recruit highly qualified staff to serve the student population.
- Providing services to meet special education mandates and individual needs. Providing services to allow for an increase in achievement for students.
- Providing a quality health insurance plan that is affordable to the staff.
- FY 2018 was the first year of a four-year funding formula which was agreed upon by the Board of Education and the Board of County Commissioners. In FY 2018, the Board of County Commissioners provided funding in excess of Maintenance of Effort. As a result of the funding formula, the local appropriation for FY 2018 exceeded the FY 2017 appropriation by \$6,573,651.
- The FY 2018 operating budget was constructed with a planned use of prior year fund balance in the amount of \$559,424. CCPS ended the year with an excess of revenues over expenditures in the amount of \$365,872. Therefore, we did not use any prior year fund balance in FY 2018.

FINANCIAL ANALYSIS OF FUNDS

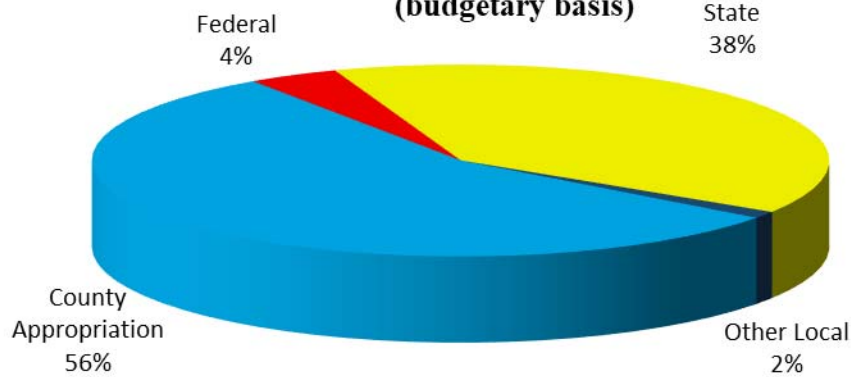
Historically, the Board of County Commissioners has provided for increased annual appropriations to CCPS's Operating Budget. A significant portion of the state funding allocated to CCPS is subject to the State Aid equalization formula. This formula attempts to overcome individual school Board funding disparities. Based on each Board's assessable wealth per student, this formula provides for the allocation of fewer dollars to higher wealth Boards and more dollars to lower wealth Boards. For FY 2018, the local appropriation provided by the Board of County Commissioners was \$121,267,489, which is a component of the local sources of funding recognized within the Current Expense Fund. Of the total funding provided by the Board of County Commissioners for FY 2018, \$4,994,291 was required to pay the local government's contribution to the teachers' pension plan as mandated by state law.

Below is a summary (on budgetary basis) of Current Expense Fund increases:

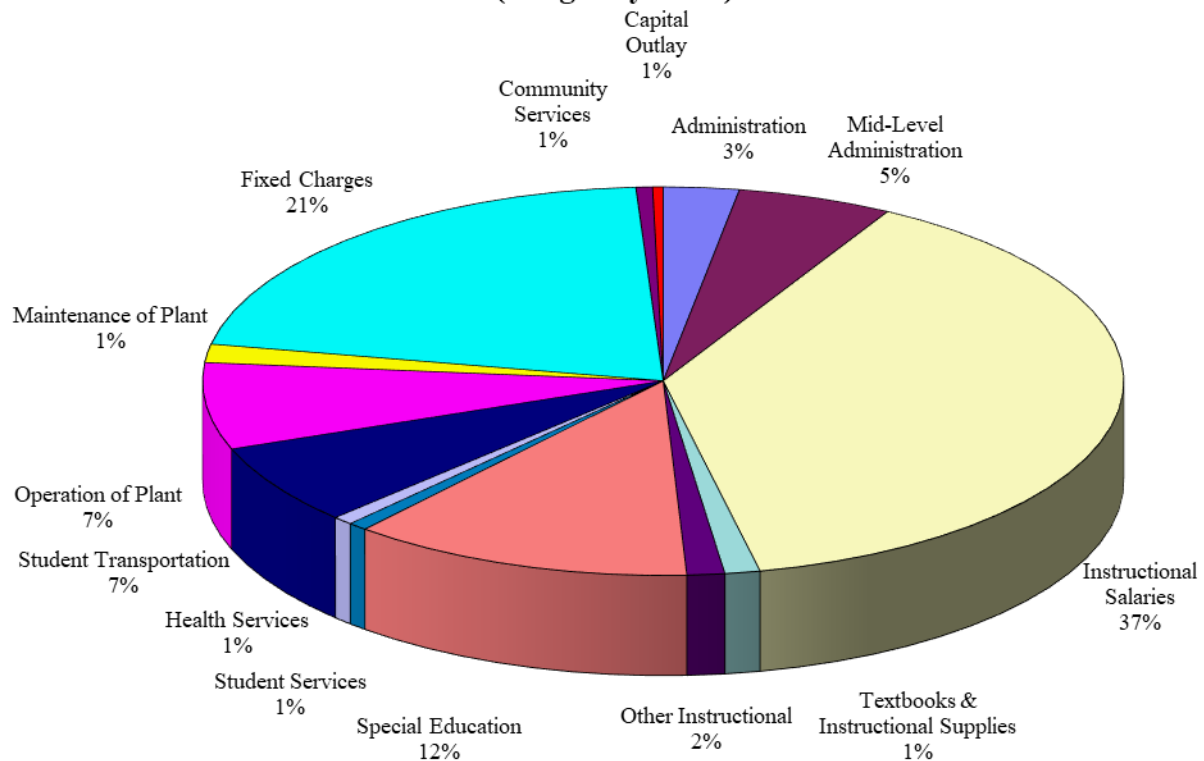
Fund	FY 2017 Revenues	FY 2018 Revenues	Increase from FY 2017	
			Amount	Percent
Unrestricted	\$ 199,381,319	\$ 206,121,163	\$ 6,739,844	3.4%
Restricted	11,509,405	11,021,011	(488,394)	-4.2%
Total	<u>\$ 210,890,724</u>	<u>\$ 217,142,174</u>	<u>\$ 6,251,450</u>	3.0%

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

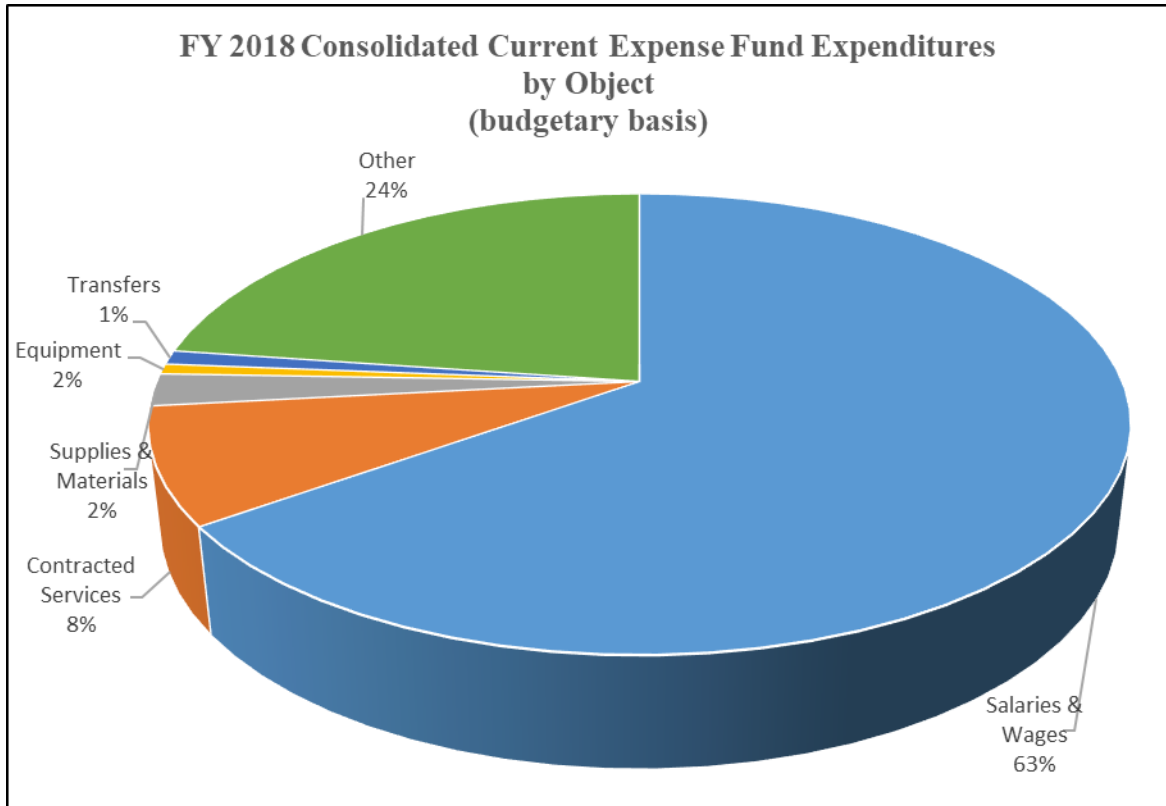
**FY 2018 Consolidated Current Expense Fund Revenues by Source
(budgetary basis)**



**FY2018 Consolidated Current Expense Fund Expenditures by Category
(budgetary basis)**



**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**



Approximately 56% of the financing for the CCPS' FY 2018 operating budget came from the County Government, 38% came from the State of Maryland, and the remainder was from other sources such as the Federal Government, tuition, fees, and income from the investment of cash.

The General Fund is intended to finance instructional programs and the daily operations which support those programs. The education of students is a labor-intensive enterprise that is reflected in personnel costs. In FY 2018, salaries consumed 63% of the total expenditures in the General Fund and continues to account for the largest part of the operating budget.

The second largest object classification within the General Fund is "other" which includes costs associated with fixed charges and utilities. In FY 2018, these expenditures comprised 24% of the total General Fund operating budget.

Employees of CCPS have the option to select one of three (traditional, preferred provider network, or health maintenance organization - HMO) health insurance plans. Employee co-pays, deductibles, and health insurance benefits are negotiated. For FY 2018, employees paid 10% of the Individual Plan premium cost, 20% of the Family/Two-Employee Plan premium cost, and 28% of the Self/Child, Self/Spouse, and Family Plan premium cost. CCPS pays 100% of the remaining plan cost.

CCPS health insurance plans have modified retrospective funding arrangements with annual settlements. With these arrangements, premiums paid in excess of claim expenses are refunded to CCPS. Additionally, claim expenses in excess of paid premiums are subject to a 5% annual premium

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

call. Annual settlements resulting in either refunds or premium calls may cause significant fluctuation in the annual current expense fund budget. In order to alleviate these fluctuations, CCPS established a committed fund balance for health insurance. . As of June 30, 2018, the balance in the committed fund balance for health insurance was \$4,082,905. This fund balance has sufficient funds to meet the target of two years of annual premium calls.

In FY 2018, CCPS received a refund in the amount of \$3,013,786 upon settlement of the FY 2017 plan year.

The Child Nutrition Program revenues continue to be stable. The fund balance increased \$106,834 in FY 2018. As of June 30, 2018, the Child Nutrition Program reported a total net fund balance in the amount of \$1,883,311.

During FY 2018, State and County funds were appropriated for architectural services for Northern High School and systemic renovations for several other schools. The capital fund revenues in FY 2018 were \$36,696,423 and \$17,181,264 in FY 2017.

In accordance with the Annotated Code of Maryland, annual school budgets must be submitted to their respective governing bodies – county commissioners, county council, and county executive, or for Baltimore City, the Mayor and City Council of Baltimore City. Each governing body will establish annual appropriations and will set spending limits by category. Accordingly, all school districts including CCPS are financially dependent, thus lacking taxing ability and the authority to borrow funds.

FACTORS BEARING ON THE FUTURE OF CCPS

At the time these financial statements were prepared and audited, CCPS was aware of several existing circumstances that could significantly affect its future financial status:

At the end of FY 2017, the Board of Education and the Board of County Commissioners agreed to a four-year funding formula which became effective on July 1, 2017. Among the provisions of the agreement is a stipulation that the local appropriation will not be decreased if student enrollment declines. The CCPS unrestricted budget increased by \$6,573,651 for FY 2018 as a result of increased funding from the County Government. The amount of the cost sharing of the teachers' pension plan that the county was responsible for paying in FY 2018 was \$4,994,291. Our projections indicate that annual operating costs will continue to increase due to factors such as salary provisions in the negotiated agreements, the teacher pension cost-sharing, unfunded Federal and State mandates and continuing increases in employee costs and operating overhead.

- FY 2018 was the second year of a four-year labor agreement with teachers and support staff. These employees received one step increase in FY 2018. Additionally, employees who were employed with CCPS in the same bargaining unit since FY 2015 received one restoration step in FY 2018. Teachers and support staff will receive one step increase in FY 2019 plus one restoration step for employees who have been employed with CCPS in the same bargaining unit since FY 2014.
- Group health insurance rates continue to increase. The prior usage experience of CCPS is a determining factor used in negotiations with the health insurance provider. In an effort to ensure that the health insurance plan remains affordable and sustainable by curtailing significant increases in health insurance costs, CCPS issued a Request for Proposal (RFP) for its health

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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insurance plan during FY 2015 and again in FY 2018. As a result, we experienced a minimal increase in insurance rates of 1.1% in FY 2018 and 0.0% in FY 2019.

- CCPS implemented GASB Statement #75 as of June 30, 2018. The statement required a restatement of beginning net position for the net OPEB liability and related deferred outflow and inflow of resources. The restatement decreased net position by \$29,252,979. CCPS did not restate prior year financial statements.
- The following OPEB recent payments have been made on behalf of CCPS – \$-0- in FY 2017 and \$13,880,336 in FY 2018. Additionally, CCPS contributed \$1,186,308 to OPEB in FY 2018. The net cumulative OPEB liability for CCPS has been fully reflected within these statements in the amount of \$130,684,290.
- CCPS implemented Governmental Accounting Standards Board Statement #68 in FY 2015. This Statement requires that an employer who participates in a cost-sharing pension plan recognize a liability for its proportionate share of the net pension liability. The employer is also required to recognize pension expense and report deferred outflows and deferred inflows of resources related to its proportionate share of the collective pension expense.
- The most recent financial data and analysis provided by the Maryland State Department of Education (MSDE) was published in The Fact Book for FY 2015. This data showed the “Cost per Pupil Belonging to Calvert County” in FY 2014 was \$13,429 which ranked Calvert 10th among 24 school districts in the State. The Fact Book for FY 2014 showed the “Cost per Pupil Belonging to Calvert County” in FY 2013 was \$13,074 which ranked Calvert 11th among the 24 school districts in the State. CCPS operates a cost efficient system whose student achievement indicators such as advance placement enrollment and test results, state assessment results, and SAT results place CCPS in the top echelons of schools in Maryland.
- The annual crafting of the budget takes into consideration the population of student enrollment. CCPS has experienced a continual decline in the pupil growth rate over the past decade. Since FY 2009, our pupil growth rate (which directly impacts revenues received from State & County Governments) has declined as follows:

<u>Fiscal Year</u>	<u>Pupil Growth Rate</u>
2009	-1.72%
2010	-0.22
2011	-1.51
2012	-1.47
2013	-1.55
2014	-0.39
2015	-1.46
2016	-0.20
2017	-0.36
2018	-0.51

The 0.51% decrease in student enrollment in FY 2018 is equivalent to 79 full-time students.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

- In December 2015, President Obama signed the Every Student Succeeds Act (ESSA) which supersedes the federal No Child Left Behind (NCLB) Act of 2002. The provisions of ESSA are designed to:
 - Promote equity through protections for disadvantaged and high-need students;
 - Require all U.S. students be taught to high academic standards which will achieve college and career readiness;
 - Ensure educators, families, students, and communities are provided important information through statewide assessments that measure student progress toward reaching high standards on an annual basis;
 - Increase access to high quality preschool;
 - Maintain the expectation of accountability and positive changes in the lowest-performing schools.
- The Maryland Bridge to Excellence in the Public Schools Act, the federal Every Student Succeeds Act, and Maryland's Elementary and Secondary Education Act (ESEA) Flexibility Request provide the framework for the school system's Master Plan.

The Comprehensive Master Plan describes goals, objectives, and strategies that will be used to improve student achievement and meet State performance standards and local performance standards in each segment of the student population. This includes reform measures at each level: elementary, middle, and high schools. It obligates the system to approved strategies and outcomes.

This plan is updated annually and is submitted to the Maryland State Department of Education in October of each year. A critical component of the Master Plan is documenting how restricted and unrestricted funds are allocated to improve student achievement, close achievement gaps, and ensure student progress.

- CCPS has implemented the Common Core State Standards adopted by the State of Maryland.
- CCPS continues to integrate technology and Universal Design for Learning (UDL) into instruction and the curriculum.
- CCPS is using teacher and principal evaluation systems that use student growth as one component of the evaluation.
- Future Ready is an initiative undertaken by CCPS to expand and improve the use of technology in the schools. It involves improving the infrastructure and component structure of technology in our school system. This initiative includes the following:
 - Increasing the bandwidth from 2G to 10G
 - One-to-One computers for students (at all levels)
 - Updating the Learning Management System (LMS) used by CCPS
 - Utilizing digital curriculum
- In FY 2016, CCPS adopted Policy Statement #1015 regarding equity in our school system. The purpose of the policy is to ensure the following:
 - All policies, procedures and practices are equitable;
 - The recruitment, hiring, support and retention of culturally, racially, and linguistically diverse administrative, instructional and support personnel;
 - All students receive an education that maximizes their potential to achieve college and career readiness regardless of their race, culture, gender, orientation, or economic status;

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

- Achievement for all students is raised by closing achievement and opportunity gaps amount student subgroups.
- In FY 2017, CCPS developed a strategic plan that was approved by the Board of Education in September 2017. The plan has five priorities and is intended to guide the academic and operational direction of the school system for the next five years. The five priorities are outlined below.
 - Equity – Not all students enter the educational system with the same resources, abilities, and opportunities due to societal, cultural, environmental, and demographic inequities. CCPS will take a proactive and strategic approach in addressing inequities in resources, services, and opportunities to ensure that all students develop the necessary knowledge, skills, and understanding for life after high school. CCPS will provide equitable learning opportunities for all students; promote a culturally responsive workforce; and promote equitable allocation of resources that is transparent and clearly communicated.
 - Student Outcomes – CCPS is committed to producing graduates who are responsible 21st century citizens. CCPS will provide students with equitable access to academically challenging and enriching learning experiences through innovative and differentiated teaching approaches that drive student growth and performance. CCPS is also committed to eliminating all achievement gaps.
 - Climate & Culture – There is an increasing amount of stress on the lives of children and their families. Schools nationwide are also experiencing growth in more severe behavioral challenges as well. While the causes are unclear, the impact on teachers, schools, and students is seen every day. CCPS will integrate students' social-emotional and behavioral learning into daily instruction; provide an environment that is nurturing, respectful, and safe for all; and build and nurture the wellness ad morale amongst staff.
 - Workforce – CCPS will ensure that all students are supported by a high-quality workforce committed to and driven by the belief that all students can succeed. CCPS values the diversity of its students and is continually striving to reflect the diversity of the student population in its workforce. CCPS will enhance the diversity of its workforce; retain high-quality staff; and provide staff with personalized and differentiated professional learning that enables them to grow while increasing student success.
 - Community Engagement – Family and community involvement in education are key factors in meeting and addressing the rising and complex social, emotional, and behavioral needs of our students. Families and community members must be equal partners in helping to address these issues as well as supporting the education of our students. CCPS will ensure that all staff, families, and community businesses and organizations are actively engaged with the Board as advocates, allies, and partners to increase equity, access, and results for all students.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

CCPS will utilize specific measures to monitor progress towards achieving the five priorities.

Each year Calvert County Public Schools allocates a portion of the operating budget to each school based upon the school's projected enrollment. The formula for allocating a portion of the budget to schools is as follows:

Elementary School Allocation = Projected Student Enrollment multiplied by \$124.23 Per Student

Middle School Allocation = Projected Student Enrollment multiplied by \$129.77 Per Student

High School Allocation = Projected Student Enrollment multiplied by \$144.63 Per Student

Calvert County Public Schools recognizes that some schools have a greater financial need because they have a higher student population with special needs due to factors such as poverty, immigration, and learning challenges requiring certain kinds of special education services. While developing the FY 2019 budget, Calvert County Public Schools sought to provide additional financial assistance to schools with a higher number of students:

1. who are enrolled in the free & reduced meals program;
2. for whom English is a second language; or
3. who are enrolled in regional special education programs (such as autism and behavioral development classes).

We have developed a formula that provides additional funding for schools with a higher number of students in the 3 classifications outlined above. The FY 2019 budget contains \$472,693 of supplemental funding for 8 schools (Calvert Elementary, Dowell Elementary, St. Leonard Elementary, Patuxent/Appeal Campus, Calvert Middle, Mill Creek Middle, Calvert High, and Patuxent High). We will analyze data and utilize reports to determine how students benefited from the supplemental funding provided to these schools.

HOW WE PLAN TO MEET THE LEARNING NEEDS OF OUR STUDENTS

Although the school system has experienced success in all goal areas, many challenges remain. To address these challenges, the school system will continue to focus on its mission to produce graduates who are responsible citizens who are prepared for college and careers. Accomplishing this mission will require us to continue to focus on effective, purposeful instruction that increases rigor and high levels of learning for all students.

**CALVERT COUNTY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

CONTACT CALVERT COUNTY PUBLIC SCHOOLS MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of CCPS' finances and to demonstrate CCPS' accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Edith Hutchins
Chief Financial Officer
Calvert County Public Schools
1305 Dares Beach Road
Prince Frederick, Maryland 20678
You are also invited to visit our web site at www.calvertnet.k12.md.us.

FINANCIAL STATEMENTS

CALVERT COUNTY PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
<hr/>	
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 23,447,916
Due from Other Units of Government	
Federal Government	1,812,977
State of Maryland	417,419
Calvert County	18,331,089
Other	231,592
Total Due from Other Units of Government	<hr/> 20,793,077
Due from Student Activity Funds	33,180
Other receivables	12,910
Prepaid costs	915,550
Inventories	76,088
Total Current Assets	<hr/> <hr/> 45,278,721
NONCURRENT ASSETS	
Capital Assets Not Being Depreciated	60,791,467
Capital Assets Being Depreciated	331,509,656
Less: Accumulated Depreciation	<hr/> (130,489,030)
Total Noncurrent Assets, Net	<hr/> 261,812,093
Total Assets	<hr/> <hr/> 307,090,814
DEFERRED OUTFLOWS OF RESOURCES	
Pension (Note 4)	3,424,973
Other Post Employment Benefits (Note 7)	<hr/> 15,066,644
<hr/>	
LIABILITIES	
CURRENT LIABILITIES	
Salaries, Wages and Payroll Deductions	14,117,208
Accounts Payable and Other Current Liabilities	6,108,948
Unearned Revenue	6,068,204
Current Portion of Compensated Absences	107,321
Other Liabilities	93,851
Total Current Liabilities	<hr/> 26,495,532
NONCURRENT LIABILITIES	
Noncurrent Portion of Compensated Absences	3,723,757
Net Pension Liability	12,487,018
Net OPEB Liability	<hr/> 130,684,290
Total Noncurrent Liabilities	<hr/> 146,895,065
Total Liabilities	<hr/> <hr/> 173,390,597
DEFERRED INFLOWS OF RESOURCES	
Pension (Note 4)	2,915,116
Other Post Employment Benefits (Note 7)	<hr/> 2,530,198
NET POSITION	
Net Investment in Capital Assets	261,812,093
Restricted Grants	75,471
Unrestricted	<hr/> (115,141,044)
Total Net Position	<hr/> <hr/> <hr/> \$ 146,746,520

See accompanying Notes to Financial Statements.

**CALVERT COUNTY PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
<u>Instruction</u>					
Regular Education	\$ 112,978,728	\$ 332,559	\$ 34,741,273	\$ 36,696,423	\$ (41,208,473)
Special Education	56,586,422	-	13,714,315	-	(42,872,107)
Total Instructions	169,565,150	332,559	48,455,588	36,696,423	(84,080,580)
<u>Support Services</u>					
Administration	11,430,835	-	1,047,683	-	(10,383,152)
Mid-level Administration	13,117,621	-	2,169,831	-	(10,947,790)
Pupil Personnel Services	1,972,377	-	279,100	-	(1,693,277)
Health Services	4,527,570	-	446,175	-	(4,081,395)
Pupil Transportation	15,902,112	-	6,118,347	-	(9,783,765)
Operation of Plant and Equipment	8,182,419	-	2,134,324	-	(6,048,095)
Food Services	10,494,967	3,106,997	1,556,752	-	(5,831,218)
Maintenance of Plant	12,992,336	-	432,902	-	(12,559,434)
Community Services	3,727,297	-	536,406	-	(3,190,891)
Total Support Services	82,347,534	3,106,997	14,721,520	-	(64,519,017)
Total Governmental Activities	251,912,684	3,439,556	63,177,108	36,696,423	(148,599,597)
GENERAL REVENUES					
					121,267,489
					59,959,641
					1,222,144
					138,751
					182,588,025
CHANGE IN NET POSITION					
					33,988,428
					142,011,071
					(29,252,979)
					112,758,092
NET POSITION - END OF YEAR					\$ 146,746,520

See accompanying Notes to Financial Statements.

CALVERT COUNTY PUBLIC SCHOOLS
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund (Current Expense Fund)	Special Revenue Fund (Cafeteria Fund)	Capital Projects Fund (School Construction Fund)	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 21,263,856	\$ 2,111,435	\$ 72,625	\$ 23,447,916
Due from Other Units of Government				
Federal Government	1,812,977	-	-	1,812,977
State of Maryland	344,968	72,451	-	417,419
Calvert County	11,290,000	-	7,041,089	18,331,089
Other	231,592	-	-	231,592
Total Due from Other Units of Government	13,679,537	72,451	7,041,089	20,793,077
Due From Capital Projects Fund	5,529,168	-	-	5,529,168
Due from Student Activity Funds	33,180	-	-	33,180
Other receivables	12,910			12,910
Prepaid Expenses	915,550	-	-	915,550
Inventories	39,833	36,255	-	76,088
Total Assets	<u>\$ 41,474,034</u>	<u>\$ 2,220,141</u>	<u>\$ 7,113,714</u>	<u>\$ 50,807,889</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Salaries, Wages and Payroll Deductions	\$ 13,937,510	\$ 179,698	\$ -	\$ 14,117,208
Current Liabilities	4,578,604	35,692	1,494,652	6,108,948
Due to General Fund	-	-	5,529,168	5,529,168
Unearned Revenue	5,946,764	121,440	-	6,068,204
Other Liabilities	103,851	-	-	103,851
Total Liabilities	<u>24,566,729</u>	<u>336,830</u>	<u>7,023,820</u>	<u>31,927,379</u>
FUND BALANCES				
Nonspendable	955,383	36,255	-	991,638
Restricted	3,020	72,451	-	75,471
Committed	11,151,585	1,774,605	-	12,926,190
Assigned	1,138,939	-	89,894	1,228,833
Unassigned	3,658,378	-	-	3,658,378
Total Fund Balances	<u>16,907,305</u>	<u>1,883,311</u>	<u>89,894</u>	<u>18,880,510</u>
Total Liabilities and Fund Balances	<u>\$ 41,474,034</u>	<u>\$ 2,220,141</u>	<u>\$ 7,113,714</u>	<u>\$ 50,807,889</u>

See accompanying Notes to Financial Statements.

**CALVERT COUNTY PUBLIC SCHOOLS
RECONCILIATION OF THE BALANCE SHEET— GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds	\$ 18,880,510
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of capital assets	\$ 392,301,123	
Accumulated depreciation	<u>(130,489,030)</u>	
		261,812,093

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Long-term liabilities at year end consist of:

Net OPEB Liability	(130,684,290)	
Net Pension Liability	(12,487,018)	
Compensated Absences	<u>(3,831,078)</u>	
		(147,002,386)

Deferred outflows of resources related to pensions include \$3,398,695 deferred outflows of resources pension expense and \$1,274,850 deferred outflow of 2018 employer contributions related to pensions.	3,424,973
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Deferred outflows of resources related to OPEB include \$15,066,644 deferred outflows of resources pension expense and \$15,066,644 deferred outflow of 2018 employer contributions related to pensions.	15,066,644
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Pension related deferred inflows of resources	(2,915,116)
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OPEB related deferred inflows of resources	(2,530,198)
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Miscellaneous Adjustment	<u>10,000</u>
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Total Net Position - Governmental Activities	<u>\$ 146,746,520</u>
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CALVERT COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	General Fund (Current Expense Fund)	Special Revenue Fund (Cafeteria Fund)	Capital Projects Fund (School Construction Fund)	Total Governmental Funds
REVENUES				
From Local Sources	\$ 126,128,775	\$ -	\$ 22,021,514	\$ 148,150,289
From State Sources	81,785,506	28,979	14,674,000	96,488,485
From United States Government Sources	665,803	1,451,400	-	2,117,203
From Other Sources:				
Student	-	972,942	-	972,942
Federal Funds Received Through State	5,452,566	-	-	5,452,566
Federal Funds Received Through	2,553,234	-	-	2,553,234
Donated Commodities	-	283,550	-	283,550
Other	556,290	2,134,025	909	2,691,224
Total Revenues	<u>217,142,174</u>	<u>4,870,896</u>	<u>36,696,423</u>	<u>258,709,493</u>
EXPENDITURES				
Current:				
Administration	7,345,698	-	-	7,345,698
Mid-level Administration	11,039,492	-	-	11,039,492
Instructional Salaries	80,722,762	-	-	80,722,762
Textbooks and Instructional Supplies	3,183,993	-	-	3,183,993
Other Instructional Costs	4,368,473	-	-	4,368,473
Special Education	26,701,483	-	-	26,701,483
Pupil Personnel Services	1,641,555	-	-	1,641,555
Health Services	1,519,706	-	-	1,519,706
Pupil Transportation	14,443,171	-	-	14,443,171
Operation of Plant and Equipment	15,429,216	-	-	15,429,216
Maintenance of Plant	3,146,386	-	-	3,146,386
Fixed Charges	44,341,605	-	-	44,341,605
Community Services	1,169,367	-	-	1,169,367
Food Services:				
Cafeteria Salaries and Wages	-	2,004,269	-	2,004,269
Contracted Services	-	79,311	-	79,311
Food and Supplies	-	1,827,921	-	1,827,921
Capital Outlay	1,969,100	852,561	36,695,514	39,517,175
Total Expenditures	<u>217,022,007</u>	<u>4,764,062</u>	<u>36,695,514</u>	<u>258,481,583</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>120,167</u>	<u>106,834</u>	<u>909</u>	<u>227,910</u>
NET CHANGE IN FUND BALANCES	120,167	106,834	909	227,910
Fund Balance - Beginning of Year	16,787,138	1,776,477	88,985	18,652,600
FUND BALANCE - END OF YEAR	<u>\$ 16,907,305</u>	<u>\$ 1,883,311</u>	<u>\$ 89,894</u>	<u>\$ 18,880,510</u>

See accompanying Notes to Financial Statements.

**CALVERT COUNTY PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Changes in Fund Balances - Total Governmental Funds **\$ 227,910**

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. This is the amount by which capital outlays exceed depreciation expense in the period.

Capital outlays	\$ 38,334,519	
Depreciation expense	<u>(7,548,398)</u>	30,786,121

Upon disposal, the difference between the cost basis of capital assets and the accumulated depreciation is recorded as a loss in the Statement of Activities. for Governmental funds, all capital assets are initially recorded as expenditures and therefore, no loss is recognized upon disposal. This year, the cost basis of the disposed capital assets equaled the accumulated depreciation.

Cost basis of the disposed capital assets	\$ 2,181,541	
Accumulated depreciation	<u>(2,072,355)</u>	109,186

The net effect of various miscellaneous transactions involving capital assets, such as loss on disposal of capital assets is to decrease net position		25,703
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In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts earned exceeded vacation and sick leave used.		(218,745)
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Contributions to the pension plan in the current fiscal year are not included in the statement of activities		1,274,850
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Contributions to the OPEB plan in the current fiscal year are not included in the statement of activities		15,066,644
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In the statement of activities, certain operating expenses are measured by the amounts accrued during the year. In the governmentation funds expenditures for these items are measured in the amount of financial resources expended, as follows:

Net OPEB Expense	(11,748,270)	
Net Pension Expense	<u>(1,578,824)</u>	(13,327,094)

Miscellaneous Adjustments		<u>43,853</u>
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Change in Net Position of Governmental Activities		<u>\$ 33,988,428</u>
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See accompanying Notes to Financial Statements.

**CALVERT COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Agency Fund (School Activities Fund)
	<hr/>
ASSETS	
Cash and Short-Term Investments	\$ 2,069,986
	<hr/>
Total Assets	\$ 2,069,986
	<hr/> <hr/>
LIABILITIES	
Due to Student Groups	\$ 2,036,806
Due to General Fund	33,180
	<hr/>
Total Liabilities	\$ 2,069,986
	<hr/> <hr/>

See accompanying Notes to Financial Statements.

**CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Education of Calvert County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. It is composed of five elected voting members, and one student member. The student member serves for one year and has no voting privileges. The Board has the responsibility to maintain a reasonable, uniform system of public schools to provide quality education for all youth in Calvert County (the County).

The voting members are elected on a nonpartisan basis. One member is elected from each of the three election districts for four-year terms and two members are elected at large for four-year terms to provide for staggered service rotation.

Reporting Entity

For financial reporting purposes the Board of Education of Calvert County (sometimes referred to herein as Calvert County Public Schools or the Board) has been defined as a component unit of Calvert County, Maryland. This conclusion was reached based on the following criteria: (1) the County is 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; and (3) the Board cannot borrow funds, but the County can and does issue bonds to finance school system operations. Therefore, the financial statements of the Board are included in the County's financial statements. The Board does not have any component units, as it does not have any entities that it is considered to be financially accountable for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 and as amended by GASB Statement No. 39 and GASB Statement No. 61. As a separate financial reporting entity, the Board includes its operating departments and the school activities fund in its financial statements.

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the Calvert County Public Schools as a whole. For the most part, the effect of interfund activity has been removed from these statements. The activities of the General Fund (Current Expense Fund) and Capital Projects Fund (School Construction Fund) have been presented as governmental activities in the government-wide financial statements. The activities of the Special Revenue Fund (Cafeteria Fund) have been presented as business-type activities in those statements because a majority of that fund's revenues comes from charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Local appropriations, state and federal aid and other items which are not classified as program revenues are presented as general revenues of the Board.

**CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All individual governmental funds are considered to be major funds and are reported as separate columns in the fund financial statements. The Board has no proprietary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Local appropriations and state and federal aid associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria have been met. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. However, agency funds do use the accrual basis of accounting.

The Board reports the following funds in the fund financial statements:

Governmental Funds

General Fund (Current Expense Fund) – The General Fund is used to account for all financial resources of the Board except those required to be accounted for in another fund.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Special Revenue Fund (Cafeteria Fund) – The Special Revenue Fund is used to account for the financial resources of the child nutrition program. A substantial portion of its revenues is derived from various governmental agencies and students. The child nutrition program is not intended to be self-sustaining from food sales. However, the fund is presented as a business-type activity in the government-wide financial statements because a majority of its revenues comes from charges for services.

Capital Projects Fund (School Construction Fund) – The Capital Projects Fund is used to account for all financial resources relating to the construction of additional schools, as well as alterations and additions to existing schools.

Fiduciary Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The school funds account for the funds of other persons or organizations which are the direct responsibility of the principals of the respective schools.

Specific Accounting Policies

The accounting policies of Calvert County Public Schools conform to generally accepted accounting principles (GAAP) as related to governmental entities. All governmental and business-type activities of the School System follow GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance, contained in pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA)*, which incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in FASB, AICPA and Accounting Principles Board Opinions (APB), guidance issued before November 30, 1989.

Additional information about the Board's accounting policies follows:

Cash and Cash Equivalents – The Board maintains pooled and various separate cash accounts for its funds. The Board considers any instrument with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$5,000 or more and a useful life of at least five years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs 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.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific Accounting Policies (Continued)

Capital Assets (Continued)

Property, plant and equipment are depreciated using the straight-line method over estimated useful lives of 45 years for buildings, improvements, and infrastructure, and 5-15 years for equipment.

Assets which have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases, that the Board reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

Current Expense Fund – Revenues from the County are recognized in the year for which they were appropriated by the County. Grant revenues from the State and the United States Government are recognized in accordance with the terms of the related grants, generally on a cost-reimbursement basis, except for revenue under Public Law 874, Impact Aid, which is recognized in accordance with entitlement notices received from the United States Department of Education.

Cafeteria Fund – Revenues from patrons and students are recognized as earned. Revenues from the State and United States Government in the cafeteria fund are recorded as earned based upon rates established by the respective governmental units.

School Construction Fund – Revenues from the State and County are recognized as earned on a cost-reimbursement basis. The Board is not obligated to repay principal or interest on any debt incurred by the State and County for school construction. Such bonds and loans are obligations of the State and County.

Donated Commodities – The value of commodities donated is determined by the United States Department of Agriculture at time of the donation and is included in revenues and expenditures in the year received.

Inventories and Prepaid Costs – Inventories, principally instructional supplies and materials, are stated at the lower of cost (first-in, first-out) or market. The inventories are charged to expenditures when used (consumption method). Prepaid costs are also charged to expenditures under the consumption method.

Due To / From – The primary purposes for these interfund balances are short-term and long-term loans and amounts due to and from other funds for expenditures made on their behalf.

Accrued Salaries and Wages – The Current Expense Fund's liabilities for salaries and wages generally result from the provisions of a negotiated agreement under which ten-month and eleven-month employees are paid over the summer for salaries earned during the previous school year.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific Accounting Policies (Continued)

Compensated Absences – Board employees who are employed on a 12-month basis are granted annual leave at varying rates based on years of service. Employees in the administrators and supervisors bargaining unit may accumulate annual leave up to a maximum of 53 days. Employees in the teachers bargaining unit may accumulate annual leave up to a maximum of 30 days. Employees in the support staff bargaining unit may accumulate annual leave up to a maximum of 38 days. Upon termination of employment, accumulated annual leave is paid to the employee.

Annual leave taken during the year is recorded as a general fund expenditure in the fund financial statements. The amount of unpaid salaries and wages at the end of the fiscal year is not recorded in the fund financial statements because it is expected to be liquidated with expendable available resources of future periods, i.e., future budget appropriations. However, this liability and related expenses are recorded in the government-wide financial statements.

Board employees earn sick leave at the rate of one day per month with no limit on the amount which can be carried over annually. Upon termination of employment, accumulated sick leave is not paid to the employee but is credited to months of service in the calculation of the employee's retirement benefits.

Unearned Revenues – Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for grants and for revenues received from the State for the subsequent fiscal year as of June 30, 2018.

Pension Liability – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, the Board reports a liability of its proportionate share of the net pension liability of the Maryland State Employee Retirement System. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board's OPEB Plan and additions to/deductions from the Board's fiduciary net position have been determined on the same basis as they are reported by the Board. For this purpose, The Board recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflow and Deferred outflow of resources – The Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has two items that meet the criterion described above. These are the deferrals of pension and OPEB expenses that result from the implementation of GASB Statements 68 and 75.

Use of Estimates – 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 the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budget Policy

The Board operates within the following budget requirements for local educational agencies as specified by State law:

1. The Board's only legally adopted budget must be submitted annually for its General Fund in writing to the County by April 1 of each year.
2. The County must approve the budget ordinance by June 1 of each year.
3. The budget is prepared and approved by major expenditure/encumbrance category as specified by State law.
4. The Board may request supplemental appropriations and transfer funds between major categories with the approval of the County. 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.
5. Unencumbered appropriations lapse at the end of each fiscal year, except in the capital projects fund, where appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary compliance is measured using the budgetary basis of accounting, the purpose of which is to demonstrate compliance with the legal requirements of Calvert County, the State of Maryland, and special federal and state programs. The budgetary basis differs from GAAP, which is used for the fund financial statements, in that encumbrances, which represent commitments to purchase goods and services, are treated as expenditures of the current period rather than as assignments of the fund balance. Revenue and a related accounts receivable is also recognized for encumbrances to the extent that the Board expects to receive matched funds from third parties to reimburse the Board for expenditures. The other principal difference is that under the budgetary basis, assignments of the prior year's fund balance are treated as revenue of the current period. The general fund budgetary basis schedules of revenues and expenditures and encumbrances, budget and actual, and a reconciliation to the fund financial statements are presented as required supplementary information to these financial statements.

Net Position / Fund Balance Reporting

Net Position – Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any capital related debt. There was no related debt at June 30, 2018. Net position is reported as restricted when there are limitations placed on their use through external restrictions imposed by grantors, laws or regulations of other governments, or enabling legislation.

The Board reports fund balance of governmental funds within one of the fund balance categories listed below:

1. Nonspendable – amounts that cannot be spent because they are either not in spendable form or they are legally required to be maintained intact, generally inventories and prepaid expenses.
2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed – amounts that can only be used for specific purposes determined by a formal action of the Board of Education, the highest level of decision-making authority for the school system. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes. Under the Board's adopted policy, the Superintendent, Director of Finance, or Director of Procurement and Resource Management may assign amounts for specific purposes.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Unassigned – all other spendable amounts. The general fund is the only fund that may report a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed amounts restricted or committed to those purposes, it may be necessary to report a negative unassigned fund balance in those funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are 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.

NOTE 2 CASH AND INVESTMENTS

Cash on Hand

At June 30, 2018, cash on hand for petty cash and change funds was \$805.

Deposits

At year-end, the carrying amount of the Board's deposits was \$25,367,734 consisting of cash in the amount of \$23,447,111 in the governmental activities and \$2,069,986 in the agency fund with corresponding bank balances of \$16,807,352. Of the bank balances, all deposits were covered by Federal Depository Insurance and collateral held in the Board's name. The Board has a contractual agreement with a bank for funds to be transferred daily from overnight investments to cover checks as presented.

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 to overnight repurchase agreements and requires that collateral securities underlying the repurchase agreements have a market value of at least 102% of 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 to overnight deposits that are insured or collateralized with securities held by a custodian in the Board's name. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations, and repurchase agreements secured by direct government or agency obligations.

**CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 DUE FROM CALVERT COUNTY

The County's annual operating appropriation to the Board is disbursed to the Board in agreed-upon installments throughout each fiscal year. At June 30, 2018, \$11,290,000 the Board's fiscal 2018 appropriation remained outstanding and was collected in July and August. As of June 30, 2018, \$7,041,089 was due for construction projects.

NOTE 4 RETIREMENT AND PENSION SYSTEMS OF THE STATE OF MARYLAND

General Information about the Plan

Plan description. The employees of the Board are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System 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 and the Employees' 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 and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

**CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 RETIREMENT AND PENSION SYSTEMS OF THE STATE OF MARYLAND (CONTINUED)

General Information about the Plan (Continued)

A member of either the Teachers' or Employees' 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 either the Teachers' or Employees' 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 either the Teachers' or Employees' 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 either the Teachers' or Employees' 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' or Employees' 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' or Employees' 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' or Employees' Pension System.

Contributions. The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' 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.

**CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 RETIREMENT AND PENSION SYSTEMS OF THE STATE OF MARYLAND (CONTINUED)

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

Beginning in FY2018, the Board pays the normal cost for their employees in the Teachers' Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System. The Board's normal cost for the year ended June 30, 2018 was \$4,994,291. The State's contributions on behalf of the Board for the year ended June 30, 2018 was \$12,558,351. The FY2018 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 is also included as revenues and expenses in the statement of activities.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2018, was 5.03% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2018 of \$1,274,850.

Employees Retirement and Pension Systems. At June 30, 2018, the Board reported a liability of \$12,487,018 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2017. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2018, the Board's proportionate share was 0.057%.

For the year ended June 30, 2018, the Board recognized pension expense of \$2,026,382 at June 30, 2018, 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	\$ -	\$ 915,401
Changes in Assumptions	525,797	-
Change in Proportion	436,341	1,999,715
Net Difference Between Projected and Actual		-
Earnings on Pension Plan Investments	997,220	-
Changes in Proportionate Share of Contributions	190,765	
Board Contributions Subsequent to the Measurement Date	1,274,850	-
Total	<u>\$ 3,424,973</u>	<u>\$ 2,915,116</u>

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 RETIREMENT AND PENSION SYSTEMS OF THE STATE OF MARYLAND (CONTINUED)

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

\$1,274,850 was reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30.</u>	<u>Amount</u>
2019	\$ (105,041)
2020	(297,746)
2021	52,534
2022	663,519
2023	451,727

Teachers' Retirement and Pension Systems. At June 30, 2018, 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 and the Board pays the normal cost related to the Board's members in the Teachers' Retirement and Pension Systems; 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	\$ 133,421,391
Board's Proportionate Share of the Net Pension Liability	-
Total	<u><u>\$ 133,421,391</u></u>

The net pension liability was measured as of June 30, 2017, 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, 2018, the Board recognized pension expense of \$12,558,351 and revenue of \$12,558,351 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.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 RETIREMENT AND PENSION SYSTEMS OF THE STATE OF MARYLAND (CONTINUED)

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

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.65% general, 3.15% wage
Salary Increases	3.30% to 9.20%, including inflation
Investment Rate of Return	7.50%

Mortality rates were based on RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to the System's experience.

The economic and demographic actuarial assumptions used in the June 30, 2017 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, after completion of the June 30, 2014 valuations. 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, 2016. As a result, an investment return assumption of 7.50% and an inflation assumption of 2.65% were used in the June 30, 2017 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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	36 %	5.30 %
Private Equity	11	7.00
Rate Sensitive	21	1.20
Credit Opportunity	09	3.60
Real Assets	15	5.70
Absolute Return	08	3.10
Total	100 %	

**CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 RETIREMENT AND PENSION SYSTEMS OF THE STATE OF MARYLAND (CONTINUED)

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

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2017.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The single discount rate used to measure the total pension liability was 7.50%. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. 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 plan's 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.

Sensitivity of the Net Pension Liability. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Board's net pension liability, calculated using a single discount rate of 7.50%, as well as what the Board's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Board's Proportionate Share of the Net Pension Liability	<u>\$ 17,696,576</u>	<u>\$ 12,487,018</u>	<u>\$ 8,164,556</u>

Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not record a net pension liability related to the Teachers' Retirement and Pension Systems.

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.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Increases	Decreases	Transfers	Balance at June 30, 2018
Capital Assets Not Being Depreciated					
Land	\$ 3,849,196	\$ -	\$ (3,013)	\$ -	\$ 3,846,183
Construction in Progress	21,480,520	36,409,140	(944,376)	-	56,945,284
Total Capital Assets Not Being Depreciated	25,329,716	36,409,140	(947,389)	-	60,791,467
Capital Assets Being Depreciated					
Land Improvements	6,250,495	806,645	-	-	7,057,140
Buildings and Improvements	314,211,885	1,005,806	(7,084)	-	315,210,607
Equipment	8,374,348	1,033,584	(1,950,678)	100,237	7,557,491
Food Service Equipment	1,951,930	23,720	(223,779)	(67,453)	1,684,418
Total Capital Assets Being Depreciated	330,788,658	2,869,755	(2,181,541)	32,784	331,509,656
Less - Accumulated Depreciation					
Land Improvements	3,858,254	329,588	-	-	4,187,842
Buildings and Improvements	113,264,626	6,753,604	(7,084)	-	120,011,146
Equipment	6,092,288	422,166	(1,841,492)	67,453	4,740,415
Food Service Equipment	1,797,819	43,040	(223,779)	(67,453)	1,549,627
Total Accumulated Depreciation	125,012,987	7,548,398	(2,072,355)	-	130,489,030
Total Capital Assets Being Depreciated, Net	205,775,671	(4,678,643)	(109,186)	32,784	201,020,626
Capital Assets, Net	\$ 231,105,387	\$ 31,730,497	\$ (1,056,575)	\$ 32,784	\$ 261,812,093

The Board experienced a loss on disposals of \$25,703 during the year ended June 30, 2018.

Depreciation expense for the year ended June 30, 2018 was charged to governmental functions as follows:

	Allocation of Total Dep. Exp.
Instruction:	
Regular Education	\$ 120,733
Special Education	12,840
Support Services:	
Administration	76,094
Mid-Level Administration	9,265
Transportation	-
Operation of Plant and Equipment	7,126,460
Food Service	43,040
Maintenance of Plant	159,966
Total	<u>\$ 7,548,398</u>

	Spent to Date
Calvert Country School	\$ 14,800
Northern High School	56,851,952
Northern Middle School	8,721
Patuxent High School	30,106
School Safety & Security	39,705
	<u>\$ 56,945,284</u>

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 3,612,333	\$ 2,255,961	\$ (2,037,216)	\$ 3,831,078	\$ 107,321
Net Pension Liability	\$ 15,788,242	-	(3,301,224)	12,487,018	-
Net OPEB Liability -restated	127,241,218	3,443,072		130,684,290	-
Total Governmental Activities	<u>\$ 146,641,793</u>	<u>\$ 5,699,033</u>	<u>\$ (5,338,440)</u>	<u>\$ 147,002,386</u>	<u>\$ 107,321</u>

NOTE 7 POSTEMPLOYMENT BENEFITS

Plan Description

The Board participates in the Calvert County, Maryland Post-Retirement Medical Plan (the Plan), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Calvert County Commissioners (the County). The Plan provides medical and life insurance benefits to retired employees of participating governmental entities. The County issues a publicly-available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Calvert County Commissioners, 175 Main Street, Prince Frederick, Maryland 20678, or by calling (410) 535-1600.

Benefits Provided

The Plan's board of trustees annually establishes a subsidy amount for each type of coverage under the Retiree's Health Plan. These subsidies are reviewed annually and are subject to change based on budgetary constraints. Retirees will earn the subsidy based on their years of creditable service, ranging from 20% to 100%. Retirees eligible for the disability plan earn 75% of their subsidy if approved under the Plan, and 100% of the subsidy if approved by Social Security. A 100% subsidy equates to the Plan covering 75% of the cost of the benefit coverage. The retiree is responsible for the difference between the cost of the selected Plan and the earned subsidy.

The number of participants eligible to receive benefits as of June 30, 2018 was 2,536.

Contributions

Participating governmental entities are contractually required to contribute at a rate assessed each year by the Plan. The Plan's board of trustees sets the employer contribution rate based on the actuarially determined annual required contribution. The Board's contribution for the year ended June 30, 2018 was \$15,066,644. \$13,880,336 of the contribution was paid by and on-behalf of the Board by Calvert County, and it's the Board's understanding that the remaining unfunded actuarial liability will be paid by and on-behalf of the Board by the County in future fiscal years. The Board makes contributions directly to the Plan when possible.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Status and Funding Progress

As of July 1, 2018, the most recent actuarial valuation date, the Plan was 25.84% funded. The actuarial accrued liability for benefits was \$176,218,347 and the actuarial value of assets was \$45,534,057 resulting in an unfunded actuarial accrued liability (UAAL) of \$130,684,290.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Board reported a liability of \$130,684,290 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of the County. At June 30, 2018 the Board's proportion was determined as 72%.

For the year ended June 30, 2018, the Board recognized OPEB expense of \$11,748,270. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	2,530,198
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	-
District Contributions Subsequent to the Measurement Date	15,066,644	-
Total	<u>\$ 15,066,644</u>	<u>\$ 2,530,198</u>

\$15,066,644 was reported as deferred outflows of resources and \$2,530,198 as deferred inflows of resources. \$15,066,644 of the deferred outflows of resources was from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018.

<u>Year Ended June 30:</u>	Amount
2019	\$ (632,550)
2020	(632,550)
2021	(632,550)
2022	(632,548)

**CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary increases	5.65 percent, average, including inflation 2.3%
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	3.94 percent for 2019

Mortality rates were based on the RP-2014 Healthy Annuitant White Collar Mortality Table Combined Mortality Table, RP-2014 Employee White Collar Mortality Table and RP-2014 Disabled Annuitant Tables for Males or Females, as appropriate.

The long-term expected rate of return on OPEB 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 OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the County's financial statements.

Discount rate. The discount rate used to measure the total OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions from school Board will be made annually. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current discount rate:

	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Net OPEB Liability (Asset)	<u>\$ 207,777,058</u>	<u>\$ 130,684,290</u>	<u>\$ 105,490,410</u>

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.94% decreasing to 2.94%) or 1-percentage-point higher (3.94% increasing to 4.94%) than the current healthcare cost trend rates:

	1% Decrease 2.94%	Healthcare Cost Trend Rates 3.94%	1% Increase 4.94%
Net OPEB Liability (Asset)	<u>\$ 103,469,629</u>	<u>\$ 130,684,290</u>	<u>\$ 165,888,660</u>

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

NOTE 8 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; personal injury; and natural disasters. The Board is one of sixteen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The Board pays an annual premium to the Pool for its property, liability, and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole based on loss data and are allocated to members based on student enrollment and number and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$5 million per district per year.

Additionally, the Board is one of fifteen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). The Fund was established to provide workers' compensation indemnity and medical benefits coverage for participating school boards. The Fund is operated under regulations promulgated by the State Workers' Compensation Commission (COMAR 14.09.02).

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 RISK MANAGEMENT (CONTINUED)

Each Fund participant pays an annual premium calculated on their payroll, according to the standard classification, with an experience modification applied. Although premiums billed to the Fund members are determined on an actuarial basis, ultimate liability for claims remains with the respective members and accordingly, the insurance risks are not transferred to the Fund. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and distributes as dividends to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverage, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim.

Settled claims from these risks have not exceeded the planned coverage during any of the past three years.

The Board is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement the insurance carrier assesses an initial charge paid by the Board through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the Board, up to a maximum of 5%. If the actual claims and expenses are less than the billed premium, the Board would be entitled to a refund. As of June 30, 2018, the Board has a balance of \$1,029,063 in their rate stabilization fund held with the insurance carrier, this is included in the cash and cash equivalents for the general fund.

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 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 encumbrances outstanding at year-end are reported as restricted or assignments of fund balances since they do not constitute expenditures or liabilities.

	Restricted Encumbrances	Assigned Encumbrances
Administration	\$ -	\$ 61,450
Mid-Level Administration	-	-
Textbooks and Supplies	-	-
Other Instructional Costs	3,020	-
Special Education	-	-
Pupil Personnel Services	-	-
Health Services	-	-
Pupil Transportation	-	-
Operation of Plant	-	308,555
Maintenance of Plant	-	70,772
Fixed Charges	-	-
Community Services	-	-
Capital Outlay	-	698,162
Total	<u>\$ 3,020</u>	<u>\$ 1,138,939</u>

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 FUND BALANCE

Fund Balance at June 30, 2018 consisted of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Fund Balances				
Nonspendable for:				
Inventory	\$ 39,833	\$ 36,255	\$ -	\$ 76,088
Prepaid Expenses	915,550	-	-	915,550
Total Nonspendable	955,383	36,255	-	991,638
Restricted for:				
Administration	-	-	-	-
Textbooks and Supplies	-	-	-	-
Other Instructional Costs	3,020	-	-	3,020
Special Education	-	-	-	-
Food Service	-	72,451	-	-
Total Restricted	3,020	72,451	-	75,471
Committed for:				
Healthcare	4,082,905	-	-	4,082,905
Leave	309,928	-	-	309,928
Legal Fees	104,445	-	-	104,445
NHS Construction	3,000,000	-	-	3,000,000
Textbooks, Other costs	654,307	-	-	654,307
Safety and Security	2,000,000	-	-	2,000,000
Transportation Fuel	1,000,000	-	-	1,000,000
Total Committed	11,151,585	-	-	11,151,585
Assigned for:				
Administration	61,450	-	-	61,450
Mid-Level Administration	-	-	-	-
Instructional Supplies	-	-	-	-
Other Instructional Costs	-	-	-	-
Special Education	-	-	-	-
Pupil Personnel Services	-	-	-	-
Pupil Transportation	-	-	-	-
Operation of Plant	308,555	-	-	308,555
Maintenance of Plant	70,772	-	-	70,772
Food Service	-	1,774,605	-	1,774,605
Capital Outlay	698,162	-	89,894	788,056
Total Assigned	1,138,939	1,774,605	89,894	3,003,438
Unassigned:	3,658,378	-	-	3,658,378
Total Fund Balances	\$ 16,907,305	\$ 1,883,311	\$ 89,894	\$ 18,880,510

CALVERT COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 CONTINGENCIES

Litigation

In the normal course of operation, the Board is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the Board's financial condition.

Grant Program

The Board received grant revenues from County, State, and Federal sources. Amounts received under such programs are restricted to use in accordance with the terms of the respective grants. The use of such funds is subject to audit by the grantors. Consequently, the Board is contingently liable to refund amounts received in excess of allowable expenditures, if any. In the opinion of management, no material refunds will be required as the result of expenditures disallowed by the grantors.

NOTE 12 CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standard Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Other Pension Employment Benefits (an amendment of GASB statement No. 45)* during the fiscal year ending June 30, 2018. The implementation of the statement required the Board to restate beginning net position for the OPEB liability as of the measurement period (fiscal year ending June 30, 2017). As a result, net position for the governmental activities at July 1, 2017 was restated to decrease net position by \$29,252,979.

REQUIRED SUPPLEMENTARY INFORMATION

CALVERT COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
BUDGET AND ACTUAL — UNRESTRICTED AND RESTRICTED
YEAR ENDED JUNE 30, 2018

	Budget			Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	As Originally Adopted	Transfers and Amendments	Final Budgeted		
Revenues					
Local Sources	\$ 126,704,140	\$ 3,611,163	\$ 130,315,303	\$ 126,128,724	\$ (4,186,579)
State Sources	82,120,308	-	82,120,308	81,785,506	(334,802)
Federal Sources	10,119,138	-	10,119,138	9,227,944	(891,194)
Use of Prior Year Fund Balance	559,424	1,186,308	1,745,732	-	(1,745,732)
Total Revenues	<u>219,503,010</u>	<u>\$ 4,797,471</u>	<u>\$ 224,300,481</u>	<u>\$ 217,142,174</u>	<u>\$ (7,158,307)</u>
Expenditures					
Administration	\$ 6,402,890	\$ 1,130,504	\$ 7,533,394	\$ 7,328,593	\$ 204,801
Mid-level Administration	11,248,353	(181,512)	11,066,841	11,039,128	27,713
Instructional Salaries	82,071,649	(533,728)	81,537,921	80,722,763	815,158
Textbooks and Instructional Supplies	2,602,717	676,807	3,279,524	3,160,874	118,650
Other Instructional Costs	3,907,563	1,716,564	5,624,127	4,107,076	1,517,051
Special Education	27,191,550	(38,033)	27,153,517	26,699,800	453,717
Pupil Personnel Services	1,682,022	(2,912)	1,679,110	1,641,531	37,579
Health Services	1,582,016	(176)	1,581,840	1,519,706	62,134
Pupil Transportation	14,634,969	-	14,634,969	14,430,714	204,255
Operation of Plant	15,646,316	(885)	15,645,431	15,245,841	399,590
Maintenance of Plant	3,306,316	-	3,306,316	3,207,197	99,119
Fixed Charges	47,068,072	626,650	47,694,722	44,341,605	3,353,117
Community Services	1,325,345	-	1,325,345	1,169,367	155,978
Capital Outlay	833,232	1,404,192	2,237,424	2,162,107	75,317
Total Expenditures	<u>219,503,010</u>	<u>4,797,471</u>	<u>224,300,481</u>	<u>216,776,302</u>	<u>7,524,179</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	365,872	<u>\$ 365,872</u>
Fund Balance - Budgetary Basis - Beginning of Year				15,560,593	
Excess of Revenues Over Expenditures and Encumbrances				365,872	
Cancelled Encumbrances and Other Adjustments				<u>94,586</u>	
Fund Balance - Budgetary Basis - End of Year				16,021,051	
Encumbrances Outstanding as of June 30, 2018				1,141,959	
Revenues Generated by Changes in Encumbrances of Expenditure Driven Grants				(228)	
Net Change in Pure Encumbrances				<u>(245,477)</u>	
Fund Balance - GAAP Basis - End of Year				<u>\$ 16,917,305</u>	

CALVERT COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
BUDGET AND ACTUAL — UNRESTRICTED
YEAR ENDED JUNE 30, 2018

	Budget			Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	As Originally Adopted	Transfers and Amendments	Final Budgeted		
Revenues					
Local Sources	\$ 121,165,112	\$ 3,611,163	\$ 124,776,275	\$ 124,813,015	\$ 36,740
State Sources	80,092,426	-	80,092,426	80,086,004	(6,422)
Federal Sources	1,255,000	-	1,255,000	1,222,144	(32,856)
Use of Prior Year Fund Balance	559,424	1,186,308	1,745,732	-	(1,745,732)
Total Revenues	<u>203,071,962</u>	<u>4,797,471</u>	<u>207,869,433</u>	<u>206,121,163</u>	<u>(1,748,270)</u>
Expenditures					
Administration	\$ 6,226,065	\$ 1,130,504	\$ 7,356,569	\$ 7,153,083	\$ 203,486
Mid-level Administration	11,178,755	(181,512)	10,997,243	10,969,530	27,713
Instructional Salaries	79,843,150	(533,728)	79,309,422	79,082,082	227,340
Textbooks and Instructional Supplies	2,345,928	676,807	3,022,735	2,924,017	98,718
Other Instructional Costs	2,230,368	1,716,564	3,946,932	3,605,909	341,023
Special Education	22,702,682	(38,033)	22,664,649	22,344,461	320,188
Pupil Personnel Services	1,634,390	(2,912)	1,631,478	1,602,396	29,082
Health Services	1,446,318	(176)	1,446,142	1,395,878	50,264
Pupil Transportation	14,507,077	-	14,507,077	14,377,497	129,580
Operation of Plant	14,943,875	(885)	14,942,990	14,701,211	241,779
Maintenance of Plant	3,306,316	-	3,306,316	3,207,197	99,119
Fixed Charges	41,995,489	626,650	42,622,139	42,295,739	326,400
Community Services	-	-	-	-	-
Capital Outlay	711,549	1,404,192	2,115,741	2,096,291	19,450
Total Expenditures	<u>203,071,962</u>	<u>4,797,471</u>	<u>207,869,433</u>	<u>205,755,291</u>	<u>2,114,142</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,872</u>	<u>\$ 365,872</u>

CALVERT COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
BUDGET AND ACTUAL —RESTRICTED
YEAR ENDED JUNE 30, 2018

	Budget				Variance with Final Budget Positive (Negative)
	As Originally Adopted	Transfers and Amendments	Final Budgeted	Actual Budgetary Basis	
Revenues					
Local Sources	\$ 5,539,028	\$ -	\$ 5,539,028	\$ 1,315,709	\$ (4,223,319)
State Sources	2,027,882	-	2,027,882	1,699,502	(328,380)
Federal Sources	8,864,138	-	8,864,138	8,005,800	(858,338)
Total Revenues	<u>\$ 16,431,048</u>	<u>\$ -</u>	<u>\$ 16,431,048</u>	<u>\$ 11,021,011</u>	<u>\$ (5,410,037)</u>
Expenditures					
Administration	176,825	-	176,825	175,510	1,315
Mid-level Administration	69,598	-	69,598	69,598	-
Instructional Salaries	2,228,499	-	2,228,499	1,640,681	587,818
Textbooks and Instructional Supplies	256,789	-	256,789	236,857	19,932
Other Instructional Costs	1,677,195	-	1,677,195	501,167	1,176,028
Special Education	4,488,868	-	4,488,868	4,355,339	133,529
Pupil Personnel Services	47,632	-	47,632	39,135	8,497
Health Services	135,698	-	135,698	123,828	11,870
Pupil Transportation	127,892	-	127,892	53,217	74,675
Operation of Plant	702,441	-	702,441	544,630	157,811
Maintenance of Plant	-	-	-	-	-
Fixed Charges	5,072,583	-	5,072,583	2,045,866	3,026,717
Community Services	1,325,345	-	1,325,345	1,169,367	155,978
Capital Outlay	121,683	-	121,683	65,816	55,867
Total Expenditures	<u>\$ 16,431,048</u>	<u>\$ -</u>	<u>\$ 16,431,048</u>	<u>\$ 11,021,011</u>	<u>\$ 5,410,037</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALVERT COUNTY PUBLIC SCHOOLS
RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND
OUTFLOWS AND GAAP BASIS REVENUES AND EXPENDITURES —
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

Revenues

Budgetary Basis	\$ 217,142,174
Total Revenues (GAAP Basis)	<u><u>\$ 217,142,174</u></u>

Expenditures

Budgetary Basis	\$ 216,776,302
Add: Prior Year Encumbrances	1,455,136
Less: Prior Year Encumbrances Closed During the Current Year	(67,472)
Less: Current Encumbrances	<u>(1,141,959)</u>
Total Expenditures and Other Financing Uses (GAAP Basis)	<u><u>\$ 217,022,007</u></u>

CALVERT COUNTY PUBLIC SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2018

Employees' Retirement and Pension System:

	2018	2017	2016	2015
Board's proportionation of the net pension liability	0.05774690000000000000%	0.06691630000000000000%	0.06895280000000000000%	0.06373767986528700000%
Board's proportionate share of the net pension liability	\$ 12,487,018	\$ 15,788,250	\$ 14,329,572	\$ 11,311,354
Board's covered employee payroll	14,893,973	14,469,213	14,172,855	15,480,738
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	83.84%	109.12%	101.11%	73.07%
Plan fiduciary net position as a percentage of the total pension liability	66.71%	62.97%	66.26%	73.65%

Teachers' Retirement and Pension System:

Board's proportionation of the net pension liability	0.0%	0.0%	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	145,089,938	170,642,937	141,629,004	152,207,986
Total	145,089,938	170,642,937	141,629,004	152,207,986
Board's covered employee payroll	\$ -	\$ 111,359,818	\$ 112,124,454	\$ 104,835,359
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	71.41%	67.95%	69.53%	69.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CALVERT COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S CONTRIBUTION
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2018**

Employees' Retirement and Pension System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,274,850	\$ 1,175,347	\$ 1,303,584	\$ 1,453,337	\$ 1,484,557	\$ 1,362,356	\$ 2,012,647	\$ 1,654,559	\$ 1,160,410	\$ 1,062,232
Contributions in relation to the contractually required contribution	1,274,850	1,175,347	1,303,584	1,453,337	1,484,557	1,362,356	2,012,647	1,654,559	1,160,410	1,062,232
Contribution deficiency (excess)	\$ 1,275,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 14,893,973	\$ 14,469,213	\$ 14,172,855	\$ 15,480,738	\$ 14,770,745	\$ 15,062,796	\$ 15,588,080	\$ 15,178,442	\$ 15,177,027	\$ 14,284,313
Contributions as a percentage of covered-employee payroll	9%	8%	9%	9%	10%	9%	13%	11%	8%	7%

Teachers' Retirement and Pension System

	2018	2017	2016	2015	2014	2013	2012*	2011	2010	2009
Contractually required contribution	\$ 4,994,291	\$ 4,951,040	\$ 5,910,295	\$ 4,598,758	\$ 3,594,696	\$ 2,835,940	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	4,994,291	4,951,040	5,910,295	4,598,758	3,594,696	2,835,940	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 110,893,973	\$ 111,359,818	\$ 112,124,454	\$ 104,835,359	\$ 106,780,951	\$ 111,686,094	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	5%	4%	5%	4%	3%	3%	0%	0%	0%	0%

* The Board was not contractually required to contribute to the Teachers' Retirement and Pension System prior to FY 2013.

**CALVERT COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2018**

	2018	2017*	2016*	2015*	2014*	2013*	2012*	2011*	2010*	2009*
Total OPEB liability										
Service cost	\$ 6,135,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	9,017,419	-	-	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments	(5,775,000)	-	-	-	-	-	-	-	-	-
Net change in total OPEB liability	9,377,775	-	-	-	-	-	-	-	-	-
Total OPEB liability - beginning	166,840,572									
Total OPEB liability - ending (a)	\$ 176,218,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 5,775,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income	5,934,703	-	-	-	-	-	-	-	-	-
Benefit payments	(5,775,000)	-	-	-	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	5,934,703	-	-	-	-	-	-	-	-	-
Total fiduciary net position - beginning	39,599,354									
Total fiduciary net position - ending (b)	\$ 45,534,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's net OPEB liability - ending (a) - (b)	\$ 130,684,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total OPEB liability	25.84%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 131,572,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's net OPEB liability as a percentage of covered-employee payroll	75%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Notes to Schedule:

Changes of assumptions.

The trend assumption was updated to the most recent table released by the Society of Actuaries, but with a 2.3% inflation assumption
The trend was adjusted to include the Cadillac tax that takes effect in 2022.

The retirement, disability, termination, salary scale, and mortality assumption was updated to the most recent rates used for 7/1/2017
State of Maryland Pension Plan.

* information not available

**CALVERT COUNTY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
YEAR ENDED JUNE 30, 2018**

	2018	2017 *	2016 *	2015 *	2014 *	2013 *	2012 *	2011*	2010 *	2009 *
Contribution	\$ 15,066,644									
Contributions in relation to the Contractually required contribution	15,066,644									
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 131,572,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	11.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Valuation date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Inflation	2.30%
Healthcare cost trend rates	3.94%
Salary increases	5.65%
Investment rate of return	7.00%
Retirement age	45

* information not available

OTHER SUPPLEMENTARY INFORMATION

CALVERT COUNTY PUBLIC SCHOOLS
GENERAL FUND (CURRENT EXPENSE FUND) — BUDGETARY BASIS
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
(BUDGET AND ACTUAL)
YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUE			
From Local Sources:			
County Funds	\$ 121,267,489	\$ 121,267,489	\$ -
Tuition	945,392	927,003	(18,389)
Interest and Other	8,102,422	3,934,232	(4,168,190)
Prior-Year Fund Balance	1,745,732	-	(1,745,732)
Total from Local Sources	<u>132,061,035</u>	<u>126,128,724</u>	<u>(5,932,311)</u>
From State Sources:			
Current Expense	60,199,399	70,102,343	9,902,944
Transportation	5,814,633	5,814,633	-
Handicapped Children	3,775,706	3,775,706	-
Other thru MSDE	11,690,869	1,292,370	(10,398,499)
State from Other Sources	639,701	800,454	160,753
Total from State Sources	<u>82,120,308</u>	<u>81,785,506</u>	<u>(334,802)</u>
From United States Government sources:			
Directly Received	330,000	388,991	58,991
U.S. Navy - NJROTC	275,000	276,812	1,812
Received through Other Sources	9,514,138	8,562,141	(951,997)
Total from Federal Sources	<u>10,119,138</u>	<u>9,227,944</u>	<u>(891,194)</u>
Total Revenue	<u>\$ 224,300,481</u>	<u>\$ 217,142,174</u>	<u>\$ (7,158,307)</u>

CALVERT COUNTY PUBLIC SCHOOLS
GENERAL FUND (CURRENT EXPENSE FUND) — BUDGETARY BASIS
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
(BUDGET AND ACTUAL)
YEAR ENDED JUNE 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES AND ENCUMBRANCES			
Administration:			
Salaries and Wages	\$ 4,576,263	\$ 4,504,101	\$ 72,162
Contracted Services	1,191,601	1,117,614	73,987
Supplies and Materials	66,680	45,750	20,930
Equipment	83,920	79,227	4,693
Outgoing Transfers	1,357,158	1,355,679	1,479
Other Charges	257,772	226,222	31,550
Total Administration	7,533,394	7,328,593	204,801
Mid-Level Administration:			
Salaries and Wages	10,765,832	10,755,432	10,400
Supplies and Materials	70,249	66,947	3,302
Other Charges	225,630	211,624	14,006
Equipment	5,130	5,125	5
Total Mid-Level Administration	11,066,841	11,039,128	27,713
Instructional Salaries	81,537,921	80,722,763	815,158
Textbooks and Instructional Supplies	3,279,524	3,160,874	118,650
Other Instructional Costs:			
Contracted Services	1,026,793	798,194	228,599
Other Charges	1,173,379	679,492	493,887
Equipment	3,415,537	2,625,134	790,403
Outgoing Transfers	8,418	4,256	4,162
Total Other Instructional Costs	5,624,127	4,107,076	1,517,051
Special Education:			
Salaries and Wages	23,964,832	23,698,064	266,768
Contracted Services	730,612	703,343	27,269
Supplies and Materials	160,926	149,846	11,080
Other Charges	223,787	236,349	(12,562)
Equipment	40,332	86,361	(46,029)
Outgoing Transfers	2,033,028	1,825,837	207,191
Total Special Education	27,153,517	26,699,800	453,717
Pupil Personnel Services:			
Salaries and Wages	1,253,642	1,241,542	12,100
Contracted Services	292,878	274,325	18,553
Supplies and Materials	21,000	20,850	150
Other Charges	96,590	89,814	6,776
Equipment	15,000	15,000	-
Total Pupil Personnel Services	1,679,110	1,641,531	37,579
Health Services:			
Salaries and Wages	1,523,901	1,470,359	53,542
Contracted Services	5,350	1,775	3,575
Supplies and Materials	32,774	30,716	2,058
Other Charges	17,750	14,825	2,925
Equipment	2,065	2,031	34
Total Health Services	1,581,840	1,519,706	62,134

CALVERT COUNTY PUBLIC SCHOOLS
GENERAL FUND (CURRENT EXPENSE FUND) — BUDGETARY BASIS
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
(BUDGET AND ACTUAL)
YEAR ENDED JUNE 30, 2018
(CONTINUED)

	Final Budget	Actual	Positive (Negative)
EXPENDITURES			
AND ENCUMBRANCES (Continued)			
Pupil Transportation:			
Salaries and Wages	\$ 1,294,795	\$ 1,296,034	\$ (1,239)
Contracted Services	13,230,099	13,047,805	182,294
Supplies and Materials	7,780	3,195	4,585
Other Charges	70,695	59,522	11,173
Equipment	31,600	24,158	7,442
Total Pupil Transportation	<u>14,634,969</u>	<u>14,430,714</u>	<u>204,255</u>
Operation of Plant:			
Salaries and Wages	8,025,594	7,897,822	127,772
Contracted Services	1,271,254	1,255,060	16,194
Supplies and Materials	1,075,354	974,442	100,912
Other Charges	5,042,986	4,944,193	98,793
Equipment	230,243	174,324	55,919
Total Operation of Plant	<u>15,645,431</u>	<u>15,245,841</u>	<u>399,590</u>
Maintenance of Plant:			
Salaries and Wages	2,230,415	2,239,764	(9,349)
Contracted Services	264,000	251,275	12,725
Supplies and Materials	608,300	515,299	93,001
Other Charges	5,800	4,791	1,009
Equipment	197,801	196,068	1,733
Total Maintenance of Plant	<u>3,306,316</u>	<u>3,207,197</u>	<u>99,119</u>
Fixed Charges			
Other Charges	47,694,722	44,341,605	3,353,117
Total Fixed Charges	<u>47,694,722</u>	<u>44,341,605</u>	<u>3,353,117</u>
Community Services:			
Salaries and Wages	1,043,338	959,277	84,061
Contracted Services	109,577	69,567	40,010
Supplies and Materials	97,951	76,075	21,876
Other Charges	66,154	56,269	9,885
Equipment	8,325	8,179	146
Total Community Services	<u>1,325,345</u>	<u>1,169,367</u>	<u>155,978</u>
Capital Outlay:			
Salaries and Wages	235,549	235,549	-
Contracted Services	158,754	140,356	18,398
Supplies and Materials	1,000	3,022	(2,022)
Other Charges	1,500	1,288	212
Equipment	1,840,621	1,781,892	58,729
Total Capital Outlay	<u>2,237,424</u>	<u>2,162,107</u>	<u>75,317</u>
Total Expenditures and Encumbrances	<u>224,300,481</u>	<u>216,776,302</u>	<u>7,524,179</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ 365,872</u>	<u>\$ 365,872</u>

**CALVERT COUNTY PUBLIC SCHOOLS
SCHEDULE OF CHANGES IN NET POSITION
SCHOOL ACTIVITIES FUND — AGENCY FUND
YEAR ENDED JUNE 30, 2018**

	Balance June 30, 0-Jan-00	Additions/ Receipts	Reductions/ Disbursements	Balance June 30, 2018
ASSETS				
Cash by Schools:				
Elementary Schools				
PAC - Appeal	\$ 7,488	\$ 12,284	\$ 8,609	\$ 11,163
Barstow	18,663	64,313	64,624	18,352
Beach	12,510	116,765	108,863	20,412
Calvert	20,020	51,592	42,034	29,578
Dowell	40,370	93,525	97,316	36,579
Huntingtown	72,400	97,653	93,020	77,033
Mt. Harmony	53,643	128,102	110,682	71,063
Mutual	25,203	50,776	52,290	23,689
PAC - Patuxent	10,552	66,221	65,938	10,835
Plum Point	40,469	145,645	144,621	41,493
St. Leonard	21,003	55,559	57,270	19,292
Sunderland	55,817	94,386	93,575	56,628
Windy Hill	50,684	121,438	124,560	47,562
Middle Schools				
Calvert	27,689	96,406	93,056	31,039
Mill Creek	29,979	86,835	77,966	38,848
Northern	74,015	159,672	155,498	78,189
Plum Point	46,070	184,919	180,768	50,221
Southern	30,343	79,684	85,899	24,128
Windy Hill	49,284	147,914	136,750	60,448
High Schools				
Calvert	208,059	807,581	740,395	275,245
Huntingtown	155,622	924,311	866,590	213,343
Northern	465,972	881,746	877,579	470,139
Patuxent	214,953	582,738	576,168	221,523
Centers				
Career Technology Academy	100,128	139,160	169,120	70,168
Calvert Country	40,117	22,940	28,006	35,051
Central Office	48,713	-	10,748	37,965
Total Assets	<u>\$ 1,919,766</u>	<u>\$ 5,212,165</u>	<u>\$ 5,061,945</u>	<u>\$ 2,069,986</u>
LIABILITIES				
Liabilities of the School Activity Funds	<u>\$ 1,919,766</u>	<u>\$ 5,212,165</u>	<u>\$ 5,061,945</u>	<u>\$ 2,069,986</u>