

BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS,
FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

**BOARD OF EDUCATION OF CARROLL COUNTY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES	12
FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
STATEMENT OF FIDUCIARY NET POSITION	17
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	18
NOTES TO FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE (NON – GAAP BUDGETARY BASIS) – GENERAL FUND	50
RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP BASIS REVENUES AND EXPENDITURES – GENERAL FUND	51

**BOARD OF EDUCATION OF CARROLL COUNTY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018
(CONTINUED)**

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – MARYLAND STATE RETIREMENT AND PENSION SYSTEM – LAST TEN FISCAL YEARS	52
SCHEDULE OF BOARD CONTRIBUTIONS – MARYLAND STATE RETIREMENT AND PENSION SYSTEM – LAST TEN FISCAL YEARS	53
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – MARYLAND STATE RETIREMENT AND PENSION SYSTEM	54
OTHER POST EMPLOYMENT BENEFIT PLANS – GASB 74 LAST TEN FISCAL YEARS	55
NOTES TO THE REQUIRED SCHEDULES – OTHER POSTEMPLOYMENT PLANS – GASB 74	56
OTHER POST EMPLOYMENT BENEFIT PLANS – GASB 75 LAST TEN FISCAL YEARS	57

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County (the Board), a component unit of Carroll County, Maryland as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the component unit governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2018, and the respective changes in financial position thereof 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

During the fiscal year ended June 30, 2018, the Board adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the Board reported a restatement for the change in accounting principle (See Note 14). Our auditor's opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 10, and the required supplementary information, as listed in the table of contents on pages 50 through 57 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2018

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As management of the Board of Education of Carroll County (the Board), we offer readers of the Board's financial statements this discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2018. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents all of the Board's assets, liabilities, and deferred inflows/outflows of resources with the difference between the three reported as "net position." The statement combines and consolidates all of the Board's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities. The end result is net position segregated into three components: net investment in capital, 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 Board is improving or deteriorating.

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

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

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

The Board has three governmental funds:

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations found on pages 14 and 16.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

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

Budget and Actual Financial Statements

The Budgetary Comparison Schedule is presented for the General Fund, which has a legally adopted annual budget. This statement shows both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) can be found immediately following the basic governmental fund financial statements on page 50.

Financial Analysis of the Board as a Whole

As noted above, all activities are identified as governmental activities. Current and other assets totaled \$69.0 million, which mostly consists of investments and accounts receivable due from the County Commissioners of Carroll County. Noncurrent assets are composed of capital assets and account for approximately 85% of the Board's total assets. Current liabilities total \$50.0 million, of which approximately \$19.0 million is accrued salaries and fringes. It should be noted that this balance reflects payments made to 10-month staff members (such as teachers) who prefer to continue semi-monthly payrolls during July and August. Since these staff members have fulfilled their contractual obligation as of June 30th, the unpaid wages are reflected in this accrual. The accrued fringe portion of this balance is also primarily associated with the payments that will be made for 10-month staff members during July and August. Noncurrent liabilities are \$352.9 million and are predominantly tied to post-employment benefits.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Analysis of the Board as a Whole (Continued)

Condensed Statement of Net Position

	Governmental Activities	
	June 30, 2018	June 30, 2017*
	(In Millions)	
Current and Other Assets	\$ 69.0	\$ 67.9
Capital Assets	389.1	396.4
Total Assets	458.1	464.3
Deferred Outflows of Resources	10.1	5.5
Current Liabilities	50.0	45.7
Noncurrent Liabilities	352.9	141.6
Total Liabilities	402.9	187.3
Deferred Inflows of Resources	3.8	1.3
Net Position:		
Net Investment in Capital Assets	387.8	394.2
Restricted	0.6	0.4
Unrestricted	(326.9)	(113.4)
Total Net Position	\$ 61.5	\$ 281.2

**The Board implemented GASB Statement No. 75 effective July 1, 2017. The 2017 amounts presented above have not been restated to reflect the implementation of GASB 75.*

For budgetary purposes, acquisitions of equipment and capital improvements are considered expenditures. However, in accordance with Generally Accepted Accounting Principles (GAAP) and subject to the Board's Capitalization Policy, equipment and capital improvements for the current year totaled \$12.2 million, of which a net of \$(1.0) million was to construction in progress and \$13.2 million to capital assets subject to depreciation. Of the \$13.2 million subject to depreciation, \$8.1 million was transferred from construction in progress during the year.

The associated debt to finance the increase in capital outlay resides on the County Government and state of Maryland financial statements, as it is not a burden of Carroll County Public Schools.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Analysis of the Board as a Whole (Continued)

Changes in Net Position from Operating Results

	Governmental Activities	
	June 30, 2018	June 30, 2017*
	(In Millions)	
Revenues		
Program Revenues:		
Charge for Services	\$ 4.4	\$ 4.1
Operating Grants and Contributions	46.9	51.3
Capital Grants and Contributions	6.6	8.1
General Revenues:		
County Government	188.6	183.7
State (Unrestricted)	99.6	98.6
State Pension Aid	18.9	20.9
Other	4.4	5.1
Total Revenues	369.4	371.8
Expenses		
Instruction (Regular and Special Education)	270.2	260.7
Administration (Central and School)	42.6	50.7
Maintenance and Operations	44.3	40.4
Transportation	22.2	21.7
Student Personnel, Health, and Community Services	7.7	7.5
Food Services	6.1	5.9
Total Expenses	393.1	386.9
Special item - disposal of school buildings and land	-	(9.8)
Decrease in Net Position	\$ (23.7)	\$ (24.9)

**The Board implemented GASB Statement No. 75 effective July 1, 2017. The 2017 amounts presented above have not been restated to reflect the implementation of GASB 75.*

All costs identified in the Statement of Activities include the cost of salaries, wages, supplies, contracted services, and depreciation by function. In the case of regular instruction, depreciation expense on the school buildings and equipment in those schools account for \$14.5 million. Fringe benefits and depreciation can be tracked by individual or asset, respectively, and therefore, can be tied to a function. Review of the revenues identifies some fee for services circumstances, including use of facilities and tuition. Operating Grant revenues primarily include State and Federal Grants and reflect restricted sources. As detailed in the Statement of Activities, the general revenues include State and County revenue, as well as interest income, none of which meets the criteria for classification as program revenues.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Analysis of the Board as a Whole (Continued)

More specifically:

- The cost of all governmental services this year was \$393.1million.
- \$4.4 million of the costs were financed by users of the school district's programs through fees for service.
- The State and Federal governments subsidized the operations of certain programs with grants and contributions totaling almost \$46.9 million.
- The majority of the district's costs were financed by Carroll County and the state of Maryland taxpayers. Specifically, \$188.6 million was associated with Carroll County appropriations.
- \$6.6 million of additions to capital projects was financed by capital contributions from the state and county governments.

Financial Analysis of the Board's Funds

In the General Fund, revenues decreased by .3% to \$356.1 million. The General Fund decrease is attributable to a 2.7% increase in the appropriation from the County government a 3.6% decrease in unrestricted State revenue and a 26.6% decrease in miscellaneous revenue.

The Food Service Operation reflected a net change in fund balance of \$540,695 for the year ended June 30, 2018 versus a net change in fund balance of \$593,657 for the prior year. The decrease in net change in fund balance resulted from a slight increase in overhead.

The Capital Projects Fund reflected a net change in fund balance of \$3,102,676 for the year ended June 30, 2018, versus a net change in fund balance of \$(42,609) for the prior year. The change in Fund Balance resulted from a transfer of funds from the General Fund of \$3,350,000 during the year for the purpose of funding projects related to roofing for which adequate funding would not have been available through other sources. The remaining fund balance at year-end represents amounts of funding for roofing projects and technology improvements at June 30, 2018.

Limitations affecting the availability of resources in the General Fund include nonspendable resources of \$791,055, restricted resources of \$303,120, assigned resources of \$4,146,779, and unassigned resources of \$11,210,109.

Budgetary Highlights

Over the course of each fiscal year, the Board revises the annual current operating budget. Generally, the budgets fluctuate for one of two reasons. First, when grants are awarded during the year, an amendment is made to adjust the budget as a whole. In addition, the system is required by law to maintain budgets by category or function. Therefore, the Board makes transfers between budgeted categorical amounts to more accurately reflect changing conditions. These transfers do not impact the budget total as a whole. As reflected in the Budgetary Comparison Schedule (Non-GAAP Budgetary Basis), none of the Board's categories were overspent at year-end.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Budgetary Highlights (Continued)

The Board ended the fiscal year with an excess of expenditures over revenues and other financing sources (Non-GAAP Budgetary Basis) of \$(5,940,751). Beginning fiscal year 2008, thereafter, the Board of Carroll County Commissioners, and the Board agreed to create a fund balance reserve account to guard against unanticipated revenue shortfalls and minimize the impact on operations of the Board when unexpected, one-time expenses occur.

The budgetary process is designed to reflect revenues equal to expenditures. However, actual revenues and expenditures, non-GAAP basis, were lower than budgeted. In fiscal year 2018, current operating fund actual revenues fell short of the final budget by approximately \$2.9 million. The majority of the shortfall was within the restricted portion, as a result of grants that cross into fiscal year 2019 and fewer grant funds carried forward from fiscal year 2017.

Specific categories of expenditures exceeded the original budget. Budget transfers between categories were approved to more closely align with actual expenditures, so that at year-end all categories were in compliance. In fiscal year 2018, current operating fund actual expenses were less than the final budget by approximately \$9.6 million. The majority of the decrease was within the instructional salaries and capital outlay categories as fewer expenditures were incurred relating to these categories than originally budgeted.

Capital Asset Administration

By the end of fiscal year 2018, the Board had invested over \$389.1 million in capital assets net of depreciation, predominantly buildings. Total depreciation expense for the year approximated \$16.8 million, increasing accumulated depreciation on assets to \$265.1 million. Included in the Construction in Progress balance is the work in progress on the Piney Ridge Elementary, Friendship Valley Elementary, Francis Scott Key High, South Carroll High and Westminster High Roof Replacement projects. The County government issues the debt associated with these capital projects; therefore, the Board financial statements do not reflect outstanding debt associated with these capital assets.

Factors Bearing on the Board's Future

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

1. State aid is calculated based on a number of factors, most significantly being enrollment. Carroll County Public Schools have seen a decrease in enrollment in recent years, as measured by full-time equivalent student counts, and this is projected to continue in the next several years. The decrease in enrollment could have a negative impact on the amount of future state aid received.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Factors Bearing on the Board's Future (Continued)

2. School Boards are required to pay the normal cost of retirement for teachers and the full cost of retirement for non-teacher employees. Specifically of concern is that future increases in pension costs will outpace future increases in revenues.
3. While we continue to experience favorable rates and claims, health care costs are increasing as a percentage of the budget overall. Continued increases in health care costs that outpace increases in revenue would have to be covered by reductions to other mission critical expenditures.
4. Considerable downturns in the economy or other factors further reducing revenue generated by the county or state government could limit their ability to provide legally mandated levels of funding to Carroll County Public Schools.

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, stakeholders and creditors with a general overview of the system's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Carroll County Public Schools, 125 North Court Street, Westminster, Maryland 21157.

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 4,101,542
Investments	45,000,000
Accounts Receivable	252,274
Due from Primary Government	13,881,775
Due from Other Units of Government	4,652,412
Inventory	674,725
Prepaid Expenses	412,624
Total Current Assets	68,975,352
Noncurrent Assets	
Capital Assets :	
Nondepreciable Assets	16,681,997
Depreciable Assets, Net	372,419,832
Total Noncurrent Assets	389,101,829
Total Assets	458,077,181
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pension	4,148,959
Deferred Outflows of Resources Related to OPEB	5,995,323
Total Deferred Outflows of Resources	10,144,282
LIABILITIES	
Current Liabilities	
Accounts Payable	4,690,207
Accrued Salaries and Fringes	18,962,383
Accrued Health Claims	7,900,000
Accrued Expenses	8,491,457
Accrued Interest	48,288
Due to Student Groups	2,011,113
Due to Other Governments	14,630
Due to Primary Government	4,008,265
Unearned Revenue	1,121,098
Current Portion of Capital Lease Obligations	814,687
Current Portion of Compensated Absences Payable	1,900,000
Total Current Liabilities	49,962,128
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences Payable	13,049,904
Net Other Postemployment Benefits Liability	324,118,000
Net Pension Liability	15,759,548
Total Noncurrent Liabilities	352,927,452
Total Liabilities	402,889,580
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pension	3,343,015
Deferred Inflows of Resources Related to OPEB	466,000
Total Deferred Inflows of Resources	3,809,015
NET POSITION	
Net Investment in Capital Assets	387,757,179
Restricted for:	
Grants	303,120
Food Services	303,736
Unrestricted	(326,841,167)
Total Net Position	\$ 61,522,868

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenues		Net (Expenses)	
		Charges for Service	Operating Grants and Contributions	Revenue and Changes in Net Position	
			Capital Grants and Contributions	Total Governmental Activities	
FUNCTIONS/PROGRAMS					
GOVERNMENTAL ACTIVITIES					
INSTRUCTION					
Regular Education	\$ 211,239,615	\$ 717,967	\$ 23,853,280	\$ 6,570,260	\$ (180,098,108)
Special Education	58,969,394	-	19,109,084	-	(39,860,310)
Total Instruction	270,209,009	717,967	42,962,364	6,570,260	(219,958,418)
SUPPORT SERVICES					
Administration	8,750,920	-	175,125	-	(8,575,795)
Mid-Level Administration	33,863,824	-	247,523	-	(33,616,301)
Student Personnel Services	2,282,254	-	1,894	-	(2,280,360)
Student Health Services	5,144,048	-	10,993	-	(5,133,055)
Student Transportation Services	22,213,684	-	40,169	-	(22,173,515)
Operation of Plant	30,246,032	-	22,162	-	(30,223,870)
Maintenance of Plant	14,024,273	-	133,791	-	(13,890,482)
Community Services	308,119	255,599	19,072	-	(33,448)
Food Services	6,121,484	3,428,011	3,327,569	-	634,096
Total Support Services	122,954,638	3,683,610	3,978,298	-	(115,292,730)
Total Governmental Activities	\$ 393,163,647	\$ 4,401,577	\$ 46,940,662	\$ 6,570,260	(335,251,148)
GENERAL REVENUES					
Local Appropriations					188,649,046
State Aid					118,487,193
Investment Earnings					625,011
Miscellaneous					3,725,847
Total General Revenues					311,487,097
CHANGE IN NET POSITION					(23,764,051)
NET POSITION, BEGINNING OF YEAR, as Restated					85,286,919
NET POSITION, END OF YEAR					\$ 61,522,868

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CARROLL COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,099,639	\$ 1,903	\$ -	\$ 4,101,542
Investments	45,000,000	-	-	45,000,000
Accounts Receivable	239,931	12,343	-	252,274
Due from Other Funds	-	1,476,547	3,534,373	5,010,920
Due from Fiduciary Fund	-	572,092	-	572,092
Due from Primary Government	12,521,560	-	1,360,215	13,881,775
Due from Other Units of Government	3,546,692	163,796	941,924	4,652,412
Inventory	378,431	296,294	-	674,725
Prepaid Expenses	412,624	-	-	412,624
Total Assets	<u>\$ 66,198,877</u>	<u>\$ 2,522,975</u>	<u>\$ 5,836,512</u>	<u>\$ 74,558,364</u>
LIABILITIES				
Accounts Payable	\$ 2,270,414	\$ 41,925	\$ 2,377,868	4,690,207
Accrued Salaries and Fringes	18,670,487	291,896	-	18,962,383
Accrued Health Claims	7,900,000	-	-	7,900,000
Accrued Expenses	8,491,457	-	-	8,491,457
Due to Other Funds	5,009,799	-	1,120	5,010,919
Due to Fiduciary Fund	2,496,582	-	86,624	2,583,206
Due to Other Governments	14,630	-	-	14,630
Due to Primary Government	4,008,265	-	-	4,008,265
Unearned Revenue	886,180	234,918	-	1,121,098
Total Liabilities	<u>49,747,814</u>	<u>568,739</u>	<u>2,465,612</u>	<u>52,782,165</u>
FUND BALANCES				
Nonspendable	791,055	296,295	-	1,087,350
Restricted	303,120	7,441	-	310,561
Committed	-	-	3,370,900	3,370,900
Assigned	4,146,779	1,650,500	-	5,797,279
Unassigned	11,210,109	-	-	11,210,109
Total Fund Balances	<u>16,451,063</u>	<u>1,954,236</u>	<u>3,370,900</u>	<u>21,776,199</u>
Total Liabilities and Fund Balance	<u>\$ 66,198,877</u>	<u>\$ 2,522,975</u>	<u>\$ 5,836,512</u>	<u>\$ 74,558,364</u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total fund balances - governmental funds (page 13)	\$ 21,776,199
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of these assets is \$654,201,239, and the accumulated depreciation is \$265,099,410.	389,101,829
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of capital lease obligations \$814,687 and compensated absences payable \$14,949,904.	(15,764,591)
Accrued interest is reported when due and payable in the funds and is reported when incurred on governmental activities.	(48,288)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(15,759,548)
Other postemployment benefit obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(324,118,000)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not presented in the funds.	
Deferred outflows of resources related to pensions and OPEB.	10,144,282
Deferred inflows of resources related to pensions and OPEB	<u>(3,809,015)</u>
TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES (page 12)	<u><u>\$ 61,522,868</u></u>

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Food Services Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local Sources	\$ 188,647,050	\$ -	\$ 4,916,358	\$ 193,563,408
State Sources	151,322,025	82,541	1,653,902	153,058,468
Federal Sources	10,780,257	3,163,204	-	13,943,461
Earnings on Investments	625,011	-	-	625,011
Charges for Services	973,566	3,428,011	-	4,401,577
Miscellaneous Revenues	3,725,847	81,824	-	3,807,671
Total Revenues	<u>356,073,756</u>	<u>6,755,580</u>	<u>6,570,260</u>	<u>369,399,596</u>
EXPENDITURES				
Administration	5,683,953	-	-	5,683,953
Instruction	142,995,195	-	-	142,995,195
Student Personnel Services	1,784,647	-	-	1,784,647
Student Health Services	3,952,762	-	-	3,952,762
Student Transportation Services	21,744,284	-	-	21,744,284
Operation of Plant	23,910,456	-	-	23,910,456
Maintenance of Plant	6,594,304	-	-	6,594,304
Fixed Charges	76,859,623	-	-	76,859,623
Mid-Level Administration	25,170,330	-	-	25,170,330
Community Services	281,932	-	-	281,932
Special Education	45,418,050	-	-	45,418,050
Costs of Operation - Food Services	-	6,214,885	-	6,214,885
Capital Outlay	4,776,699	-	6,817,584	11,594,283
Debt Service -				
Principal	930,441	-	-	930,441
Interest	61,802	-	-	61,802
Total Expenditures	<u>360,164,478</u>	<u>6,214,885</u>	<u>6,817,584</u>	<u>373,196,947</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,090,722)</u>	<u>540,695</u>	<u>(247,324)</u>	<u>(3,797,351)</u>
OTHER FINANCING SOURCES				
Transfers In (Out)	<u>(3,350,000)</u>	<u>-</u>	<u>3,350,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(7,440,722)</u>	<u>540,695</u>	<u>3,102,676</u>	<u>(3,797,351)</u>
Fund Balances - Beginning of Year	<u>23,891,785</u>	<u>1,413,541</u>	<u>268,224</u>	<u>25,573,550</u>
FUND BALANCES - END OF YEAR	<u>\$ 16,451,063</u>	<u>\$ 1,954,236</u>	<u>\$ 3,370,900</u>	<u>\$ 21,776,199</u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Total net changes in fund balances - governmental funds (page 15) \$ (3,797,351)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, which is capitalized \$12,277,451, exceed depreciation expenses, \$18,619,682, in the period. (6,342,231)

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This is the amount that vacation and sick leave used exceeded the amounts earned. 657,195

The execution of a capital lease agreement provides current financial resources to governmental funds, while the repayment of the lease principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount of principal payments on the capital lease obligation for this year. 930,441

In the Statement of Activities, only the gain or loss on sale of the capital assets is reported. In the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed. (955,195)

OPEB costs reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. (14,219,983)

Governmental funds report Board pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense. (36,927)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 12) \$ (23,764,051)

BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	OPEB Plan Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 482,610
Investments	22,648,586	-
Accounts Receivable	-	1,045
Due from Other Funds	-	2,583,205
Prepaid Expenses	-	49,508
Total Assets	22,648,586	\$ 3,116,368
LIABILITIES		
Accounts Payable	\$ -	\$ 180,948
Due to Student Groups	-	2,363,328
Due to Other Funds	-	572,092
Total Liabilities	-	\$ 3,116,368
NET POSITION		
Net Position Restricted for OPEB	\$ 22,648,586	

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

	<u>OPEB Plan Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 5,995,323
Total Contributions	<u>5,995,323</u>
 Investment Earnings:	
Net Appreciation in Fair Value of Investments	<u>1,723,920</u>
Total Additions	7,719,243
 DEDUCTIONS	
Benefits Paid to Plan Members	<u>5,245,322</u>
 CHANGE IN NET POSITION	 2,473,921
 Net Position - Beginning of Year	 <u>20,174,665</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 22,648,586</u></u>

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The Board of Education of Carroll County is a component unit of Carroll County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. The Board does not have any component units, as it does not have any entities that it is considered to be financially accountable for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 and as amended by GASB Statement No. 39 and GASB Statement No. 61.

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

Government-Wide and Fund Financial Statements

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

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

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

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

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

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

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of, and changes in financial position, and generally only current assets, current liabilities, and deferred inflows/outflows of resources are included on the Balance Sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major revenue sources subject to the availability criterion are the local, state, and federal revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Expenditures related to compensated absences are recorded when payment is due or when payable resulting from resignations or retirements.

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board reports the following major governmental funds:

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

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

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

Additionally, the Board reports the following fiduciary funds:

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

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

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity

Investments

Investments, including OPEB Plan Trust investments consisting of money market and mutual funds are stated at fair value.

Receivables and Payables

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

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Inventory

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

Prepaid Items

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

Capital Assets

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

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

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

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

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

Assets	Years
Buildings	50
Improvements	20
Equipment	3 - 10

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Unearned Revenues

Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for grants and unused commodities at June 30, 2018, since title does not pass to the Board until the commodities are used.

Compensated Absences Payable

Compensated absences consist primarily of sick and vacation time earned but not taken. Employees hired prior to July 1, 1997 meeting specified service requirements are eligible to accumulate sick time and upon retirement, are entitled to payment for unused sick time at 50% of their accrued sick leave balance at their previous three-year average daily rate. Employees hired prior to July 1, 1997 may accumulate unused sick time and will be paid for a maximum of 250 days or their accumulated balance at June 30, 2003, whichever is greater. Employees hired July 1, 1997 and later are eligible for accumulated unlimited sick time but are not entitled to payment for unused sick time upon retirement. The Board pays out accumulated sick time over a five-year period upon retirement. There is a maximum accrual of 40 paid vacation days for those employees eligible to earn and accumulate vacation time, which is paid out immediately upon retirement. Vested absences are accrued when incurred in the government-wide financial statements.

School Construction Debt

The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the County government. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt. The authorization for annual expenditures related to debt service emanate from the Carroll County Operating Budget Ordinance.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period.

Pensions

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

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 Carroll County Public Schools Retiree Health Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan 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.

Net Position/Fund Equity

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets - This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net position - This category presents net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Unrestricted net position - This category presents the net position of the Board, not restricted for any purpose.

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

Nonspendable

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

Restricted

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

Committed

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Assigned

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

Unassigned

All other spendable amounts.

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

In-kind Contributions

In-kind contributions represent noncash transactions for costs of services provided by Carroll County, Maryland, which are primarily for use of facilities (including rent, utilities, insurance, and maintenance costs). The fair value of these services was \$1,784,646 for the year ended June 30, 2018. These services are included as in-kind contributions in county revenue and a corresponding amount in the operating expenses of the Board.

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING POLICIES

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

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

1. Prior to December, the staff accumulates and summarizes data for a proposed operating budget (General Fund).
2. During January, the Superintendent of Schools submits a proposed operating budget to the Board.
3. Public hearings are held to obtain citizens' comments.
4. During February, the Board adopts the proposed budget.
5. On March 1, the budget is submitted to the Carroll County Commissioners for approval.
6. During May, the County Commissioners hold final hearings and adopt the budget which becomes effective July 1.
7. The General Fund budget is adopted on a basis consistent with GAAP except for the inclusion of encumbrances as expenditures and the exclusion of pension payments made by the State on behalf of the Board. Budget comparisons presented in this report are on a non-GAAP budgetary basis. The required supplementary information budgetary comparison schedule reflects the budget as amended.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING POLICIES (CONTINUED)

8. Request for adjustments to major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.
9. Requests for transfers between major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.
10. Expenditures may not legally exceed appropriations at the major category level. In addition, all appropriations lapse at year-end.

During the year, the Board of Education did not require any supplemental appropriations. The original operating budget approved by the County Commissioners is presented below:

Original Operating Budget Approved by the County Commissioners	\$ 345,616,263
Approved Supplemental Appropriations	4,000,000
Amended Operating Budget for Fiscal Year 2018	\$ 349,616,263

NOTE 3 CASH AND CASH EQUIVALENTS

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

Deposits

At year-end, the carrying value of the Board's combined deposits was \$4,580,644 and cash on hand was \$3,508. The bank balance of deposits was \$5,869,627. The bank balance was covered either by federal depository insurance or collateral held by the financial institution's trust department in the Board's name. Statutes authorize secured time deposits in Maryland banks and requires uninsured deposits to be fully collateralized. Therefore, under the reporting requirements of GASB Statement No.40, the Board's deposits are not subject to custodial or credit risk at year-end.

Investments

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

At June 30, 2018, the Board had investments totaling \$45,000,000 in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established under the Annotated Code of Maryland and is rated AAAm by Standard and Poor's, their highest rating for money market funds. MLGIP is a 2a7 like pool, which is not registered with the Securities and Exchange Commission, but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method and maintains a \$1 per share value.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

OPEB Plan Trust (the Trust) investments of \$22,648,586 are invested in the Carroll County Master Retiree Benefit Trust, which consists of money market and mutual funds. The Trust investments are reported at fair value. The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- *Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.
- *Level 2* – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation of other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value:

Carroll County Master Retiree Benefit Trust (Trust): The underlying investments of the Trust are reported at fair value based on quoted prices for similar assets in active markets.

The Trust is valued using Level 2 measurements at June 30, 2018.

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

Investment Rate Risk

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. In this regard, the Board limits its investments, other than investments in the OPEB Plan Trust to overnight deposits that are insured or collateralized with securities held by a custodian in the Board's name. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

NOTE 4 INVENTORY

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

General Fund

Custodial Supplies	\$ 186,818
Equipment, Repair and Maintenance Supplies	191,613
Total General Fund	<u>378,431</u>

Food Services Fund

Supplies	25,699
Food	270,595
Total Food Services Fund	<u>296,294</u>

Total Inventories	<u><u>\$ 674,725</u></u>
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BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 CAPITAL ASSETS

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

Governmental Activities	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital Assets not Being Depreciated				
Land and Improvements	\$ 14,142,128	\$ -	\$ -	\$ 14,142,128
Construction in Progress	3,504,475	7,091,930	8,056,537	2,539,868
Total Capital Assets, not Being Depreciated	17,646,603	7,091,930	8,056,537	16,681,996
Capital Assets Being Depreciated				
Equipment	42,740,112	1,832,007	3,002,488	41,569,631
Building and Improvements	584,539,561	11,410,051	-	595,949,612
Total Capital Assets, Being Depreciated	627,279,673	13,242,058	3,002,488	637,519,243
Less - Accumulated Depreciation				
Equipment	34,850,275	2,086,672	2,047,293	34,889,654
Building and Improvements*	213,676,746	16,533,010	-	230,209,756
Total Accumulated Depreciation	248,527,021	18,619,682	2,047,293	265,099,410
Total Capital Assets Being Depreciated, Net	378,752,652	(5,377,624)	955,195	372,419,833
Capital Assets, Net	<u>\$ 396,399,255</u>	<u>\$ 1,714,306</u>	<u>\$ 9,011,732</u>	<u>\$ 389,101,829</u>

The Board purchased the Winchester Building from the County during the current year; therefore, depreciation expense reflects \$1,850,181 in accumulated depreciation on the building at the time of purchase from the County.

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

Regular Education	\$ 14,544,530
Special Education	129,587
Administration	5,686
Mid Level Administration	60,325
Student Personnel Services	6,754
Student Health Services	8
Student Transportation Services	67,928
Operation of Plant	1,050,710
Maintenance of Plant	855,177
Food Services	48,796
Total Depreciation Expense - Governmental Activities	<u>\$ 16,769,501</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 CAPITAL ASSETS (CONTINUED)

At June 30, 2018, the Board has construction commitments consisting of the following:

	Future Amounts to be Expended	Future Funding to be Provided
Sandymount Elementary HVAC	\$ 2,923,416	\$ 2,923,416
Westminster High School Electrical Equipment	1,999,161	1,999,161
Robert Moton Elementary School Roof	1,871,117	1,871,117
Elmer Wolfe Elementary School Roof	1,743,117	1,743,117
Linton Springs Elementary Roof	1,672,000	1,672,000
Sandymount Elementary School Roof	1,508,158	1,508,158
Runnymede Elementary School Roof	1,467,131	1,467,131
Carrolltowne Elementary School Roof	1,330,431	1,330,431
Liberty High School Science Rooms	1,024,500	1,024,500
Technology Improvements	1,000,000	1,000,000
South Carroll High Science Rooms	850,010	850,010
Francis Scott Key High School	285,255	285,255
Total	<u>\$ 17,674,296</u>	<u>\$ 17,674,296</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 INTERFUND BALANCES

The composition of interfund balances as of June 30, 2018 is as follows:

	Due From	Due To
General Fund		
Food Service	\$ -	\$ 1,475,427
Capital Projects	-	3,534,372
Agency	-	2,496,582
Total General Fund	-	7,506,381
Food Service Fund		
General	1,475,427	-
Capital Projects	1,120	-
Agency	572,092	-
Total Food Service Fund	2,048,639	-
Capital Projects Fund		
General	3,534,373	-
Food Service	-	1,120
Agency	-	86,624
Total Capital Projects Fund	3,534,373	87,744
Agency Fund		
General	2,496,581	-
Food Service	-	572,092
Capital Projects	86,624	-
Total Agency Fund	2,583,205	572,092
Total Interfund Balances	\$ 8,166,217	\$ 8,166,217

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

NOTE 7 LONG-TERM DEBT

Long-term debt at June 30, 2018 consisted of amounts due under capital leases and compensated absences payable as further discussed in Note 1.

In October of 2004, the Board entered into a 10-year energy management plan to provide air conditioning to three elementary schools. Additionally, the plan upgraded water and lighting fixtures. During the fiscal year ended June 30, 2018, no new capital leases were entered into by the Board.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30	Energy Management Equipment
2019	\$ 844,235
Less Interest	(29,548)
Present Value of Future Minimum Lease Payments	\$ 814,687

Interest expense related to capital leases was \$61,802 for the year ended June 30, 2018. This amount was allocated to the maintenance of plant function.

Changes in capital lease obligations for the year ended June 30, 2018 were as follows:

Balance, at June 30, 2017	\$ 1,745,128
Additions	-
Reductions	(930,441)
Balance at June 30, 2018	814,687
Amounts Due Within One Year	(814,687)
Capital Lease Obligations Noncurrent	\$ -

Changes in compensated absences payable for the year ended June 30, 2018 were as follows:

Balance at June 30, 2017	\$ 15,607,099
Additions	1,176,261
Reductions	(1,833,456)
Balance at June 30, 2018	14,949,904
Amounts Due Within One Year	(1,900,000)
Compensated Absence Noncurrent Portion	\$ 13,049,904

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 PENSION PLANS

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

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 PENSION PLANS (CONTINUED)

General Information about the Plan (Continued)

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.

Beginning in FY2017, the Board pays 100% of the normal cost for their teachers 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. For the year ended June 30, 2018, the Board's contribution was \$7,260,805. The state's contributions on behalf of the Board for the year ended June 30, 2018 was \$18,929,832. The fiscal 2018 contribution made by the state on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses 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 6.74% 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 \$1,648,441.

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

Employees' Retirement and Pension Systems

At June 30, 2018, the Board reported a liability of \$15,759,548 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, 2017, the Board's proportionate share was 0.0728809%, which is a decrease of .0081724 from its proportion measured as of June 30, 2016.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 PENSION PLANS (CONTINUED)

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

Employees' Retirement and Pension Systems (Continued)

For the year ended June 30, 2018, the Board recognized pension expense of \$1,685,375. 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	\$ -	\$ 1,145,779
Changes in Assumptions	657,768	-
Change in Proportion	417,188	2,197,236
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,186,781	-
Difference Between Board contributions and Proportionate Share of Contributions	238,781	-
Board Contributions Subsequent to the Measurement Date	1,648,441	-
Total	\$ 4,148,959	\$ 3,343,015

\$1,648,441 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 86,720
2020	331,483
2021	(99,693)
2022	(798,114)
2023	(362,893)
Thereafter	-

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 PENSION PLANS (CONTINUED)

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

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 Boards 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	\$ 222,226,515
Board's Proportionate Share of the Net Pension Liability	-
Total	\$ 222,226,515

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 \$26,190,637 and revenue of \$18,929,832 for support provided by the state. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

Actuarial assumptions. The total pension liability in the June 30, 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	3.15% to 9.15%, including inflation
Investment rate of return	7.50%

Mortality rates were based on RP-2014 Mortality Table 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, 2015. As a result, an investment return assumptions of 7.50% and an inflation assumption of 2.65% were used in the June 30, 2017 valuation.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 PENSION PLANS (CONTINUED)

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

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	Allocation	Rate of Return
Public Equity	36%	5.3%
Private Equity	11%	7.0%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	8%	3.1%
Total	100%	

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, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 10.02%. 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.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 PENSION PLANS (CONTINUED)

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

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	\$ 22,334,401	\$ 15,759,548	\$ 10,304,280

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.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS

Plan Description

Plan administration. The Board administers the Carroll County Public Schools Retiree Health Plan (the Plan), a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) to eligible employees who retire from employment with the Carroll County Public School System.

Management of the Plan is vested in the Board of Education of Carroll County.

Benefits provided. The Board provides medical and prescription drug benefits to retirees pursuant to two medical plans for retired employees based on negotiated agreements with various bargaining groups. Benefits are provided by a third-party insurer.

Contributions.

For retirees over the age of 65 who retired prior to September 1, 1988, the percentage of the stipend paid by the Board was dependent upon the retiree's years of service and ranged from 10% to 100%. For retirees who retired after September 1, 1988, the percentage of the stipend paid by the Board is dependent upon the retiree's years of service and ranges from 0% to 100%. These percentages are applied to stipends established annually by the Board for individual, husband/wife, parent/child, and family coverages. Only Carroll County Board of Education years of service are considered. Additional employer contributions to the Plan may be budgeted, if funding is available. The Board does not have an actuarially determined contribution, or a statutory or contractual required contribution to the Plan.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 74 – FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan membership. At June 30, 2018, plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	1,396
Inactive Plan Members Entitled to but not Yet Receiving Benefit Payments	-
Active Plan Members	<u>3,192</u>
Total Plan Members	<u><u>4,588</u></u>

Investments

Investment policy.

The following was the Board's adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
U.S. Large Cap Equities	45%
U.S. Small/Mid Cap Equities	10%
Foreign Equities	10%
Real Estate (REITs)	10%
Core Fixed Income	25%
Cash	<u>0%</u>
Total	<u><u>100%</u></u>

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Board

The components of the net OPEB liability of the Board at June 30, 2018 were as follows:

Total OPEB Liability	\$ 372,523,000
Plan Fiduciary Net Position	<u>22,649,000</u>
Board's Net OPEB Liability	<u><u>\$ 349,874,000</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.08%
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**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 74 – FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability of the Board (Continued)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, rolled forward to the measurement date of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Health Care Cost Trend Rates:	
Pre-65 Medical	7.0% Initial / 5.1% Ultimate (Not Applicable to Life)
Post-65 Medical	7.0% Initial / 4.8% Ultimate (Not Applicable to Life)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, adjusted for morality improvements based on Scale AA.

The actuarial assumptions used to measure the total OPEB liability in the July 1, 2017 valuation, rolled forward to June 30, 2018 were based on the results of an actuarial experience study for the period 2010-2014 after completion of the June 30, 2014 valuations.

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. Large Cap Equities	5.6%
U.S. Small/Mid Cap Equities	6.7%
Foreign Equities	6.8%
Real Estate (REITs)	6.1%
Core Fixed Income	1.3%
Cash	0.0%

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 74 – FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability of the Board (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 3.72%. The benefit payment stream for the Plan is discounted based on an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for years when the projected benefit payouts are expected to be unfunded and 7.00% for years when the projected benefit payouts are expected to be funded. The actuarial valuation used a combined investment rate of return and the bond rate to come to a single equivalent rate.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.72%) or 1-percentage point higher (4.72%) than the current discount rate:

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Net OPEB Liability	\$ 423,130,000	\$ 349,874,000	\$ 291,797,000

Sensitivity of the net OPEB liability to changes in the health care cost trend rates. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	\$ 279,999,000	\$ 349,874,000	\$ 442,814,000

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 75 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

Net OPEB Liability of the Board (Continued)

The Board's 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.

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

Inflation	2.20 Percent
Salary Increases	3.00 Percent, Average, Including Inflation
Investment Rate of Return	7.0 Percent, Net of OPEB Plan Investment Expense, Including Inflation
Health Care Cost Trend Rates	
Pre-65 Medical	7.0% Initial / 5.1% Ultimate (Not Applicable to Life)
Post-65 Medical	7.0% Initial / 4.8% Ultimate (Not Applicable to Life)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equities	45%	5.6%
U.S. Small/Mid Cap Equities	10%	6.7%
Foreign Equities	10%	6.8%
Real Estate (REITs)	10%	6.1%
Core Fixed Income	25%	1.3%
Cash	0%	0.0%
Total	100%	

Discount rate. The discount rate used to measure the total OPEB liability was 3.81%. The benefit payment stream for the Plan is discounted based on an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for years when the projected benefit payouts are expected to be unfunded and 7.00% for years when the projected benefit payouts are expected to be funded. The actuarial valuation used a combined investment rate of return and the bond rate to come to a single equivalent rate.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 75 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/16	\$ 327,867,000	\$ 16,135,000	\$ 311,732,000
Changes for the Year:			
Service Cost	13,259,000	-	13,259,000
Interest	12,317,000	-	12,317,000
Contributions - Employer	-	11,400,000	(11,400,000)
Net Investment Income	-	1,790,000	(1,790,000)
Benefit Payments	(9,150,000)	(9,150,000)	-
Administrative Expense	-	-	-
Net Changes	16,426,000	4,040,000	12,386,000
Balances at 6/30/17	<u>\$ 344,293,000</u>	<u>\$ 20,175,000</u>	<u>\$ 324,118,000</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentagepoint higher (4.81 percent) than the current discount rate:

	1% Decrease 2.81%	Discount Rate 3.81%	1% Increase 4.81%
Net OPEB Liability	\$ 392,831,000	\$ 324,118,000	\$ 269,674,000

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current health care cost trend rates:

	1% Decrease 4.00%	Healthcare Cost Trend Rates 5.00%	1% Increase 6.00%
Net OPEB Liability	\$ 261,553,000	\$ 324,118,000	\$ 406,918,000

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

GASB 75 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2018, the Board recognized OPEB expense of \$24,252,000. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Projected and Actual Earnings	\$ -	\$ 466,000
Employer Contributions Subsequent to the Measurement Date	<u>5,995,323</u>	<u>-</u>
Total	<u><u>\$ 5,995,323</u></u>	<u><u>\$ 466,000</u></u>

Employer contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ (116,000)
2020	(116,000)
2021	(116,000)
2022	(118,000)
2023	-
Thereafter	-

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 FUND BALANCE

Fund balance at June 30, 2018 consists of the following:

	General Fund	Food Service Fund	Capital Projects Fund
Fund Balances			
Nonspendable for:			
Inventory	\$ 378,431	\$ 296,295	\$ -
Prepaid Expenses	412,624	-	-
Total Nonspendable	<u>791,055</u>	<u>296,295</u>	<u>-</u>
Restricted for:			
Regular Instruction	28,641	-	-
Maintenance of Plant	90,791	-	-
Mid-level administration	119	-	-
Cost of Operation - Food Service	-	7,441	-
Special Education	183,569	-	-
Total Restricted	<u>303,120</u>	<u>7,441</u>	<u>-</u>
Committed for:			
Capital Outlay	-	-	3,370,900
Assigned to:			
Administration	112,059	-	-
Regular Instruction	1,932,878	-	-
Student Personnel	8,934	-	-
Student Health Services	143	-	-
Student Transportation Services	490	-	-
Operation of Plant	571,082	-	-
Maintenance of Plant	930,541	-	-
Fixed Charges	31,364	-	-
Mid-Level Administration	168,667	-	-
Special Education	371,741	-	-
Cost of Operation - Food Service	-	1,650,500	-
Capital Outlay	18,880	-	-
Total Assigned	<u>4,146,779</u>	<u>1,650,500</u>	<u>-</u>
Unassigned	<u>11,210,109</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 16,451,063</u>	<u>\$ 1,954,236</u>	<u>\$ 3,370,900</u>

NOTE 11 ENCUMBRANCES

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

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 ENCUMBRANCES (CONTINUED)

Encumbrances at June 30, 2018 are for the following uses:

	<u>General Fund</u>	<u>Food Service Fund</u>
Administration	\$ 112,059	\$ -
Regular Instruction	1,961,519	-
Student Personnel	8,934	-
Student Health Services	143	-
Student Transportation Services	490	-
Operation of Plant	571,082	-
Maintenance of Plant	205,961	-
Fixed Charges	2,500	-
Mid-Level Administration	168,786	-
Community Services	-	-
Special Education	555,310	-
Cost of Operation - Food Service	-	7,441
Capital Outlay	18,880	-
Total Encumbrances	<u>\$ 3,605,664</u>	<u>\$ 7,441</u>

NOTE 12 LITIGATION AND CONTINGENCIES

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

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

The Board leases equipment under agreements reported as operating leases. The annual lease payments are recorded as expenses in the Government-Wide Statement of Activities and expenditures in the General Fund. Operating lease terms extend through the year ending June 30, 2022.

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

<u>Year Ending June 30,</u>	<u>Minimum Annual Lease Payments</u>
2019	\$ 399,159
2020	315,284
2021	83,439
2022	-
Total	<u>\$ 797,882</u>

Operating lease expenditures/expenses for the year ended June 30, 2018 were \$340,496.

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 RISK MANAGEMENT

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

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

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At June 30, 2018, liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated by an actuary based on the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The estimate of the claims liability also includes amounts for non-incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation are another component of the claims liability estimate.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Accrued Health Claims:		
Unpaid Claims at Beginning of Year	\$ 7,750,000	\$ 8,250,000
Incurred Claims (Including IBNR)	51,730,349	49,701,630
Claim Payments	<u>(51,580,349)</u>	<u>(50,201,630)</u>
Unpaid Claims at End of Year	<u>\$ 7,900,000</u>	<u>\$ 7,750,000</u>

BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 RESTATEMENT

The Board adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*, which improves accounting and financial reporting by state and local government employers whose employees are provided benefits through pensions. The Board is now required to record a liability for future other postemployment benefits in excess of accumulated plan contributions. This pronouncement requires the restatement of the June 30, 2017 net position of governmental activities.

Net Position, June 30, 2017, as Previously Stated	\$ 281,177,993
Cumulative Affect of Application of GASB 75, Net OPEB Liability	(203,254,180)
Cumulative Affect of Application of GASB 75, Deferred Outflow of Resources	<u>7,363,106</u>
Net Position, June 30, 2017, Restated	<u><u>\$ 85,286,919</u></u>

BOARD OF EDUCATION OF CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULE
(NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Non-GAAP Actual	Variances Positive (Negative) Final Budget To Actual
REVENUES				
Local Sources	\$ 188,843,300	\$ 188,843,300	\$ 188,649,046	\$ (194,254)
State Sources	132,956,416	132,956,416	132,596,195	(360,221)
Federal Sources	14,001,258	14,001,258	10,830,038	(3,171,220)
Other Revenues	4,473,046	4,473,046	5,324,424	851,378
Total Revenues	<u>340,274,020</u>	<u>340,274,020</u>	<u>337,399,703</u>	<u>(2,874,317)</u>
EXPENDITURES				
Administration	5,585,869	5,585,869	5,210,445	375,424
Instructional Salaries	123,725,185	123,725,185	120,640,662	3,084,523
Student Personnel Services	1,691,997	1,691,997	1,623,717	68,280
Student Health Services	3,618,560	3,618,560	3,603,372	15,188
Student Transportation Services	21,563,541	21,813,541	21,629,306	184,235
Operation of Plant	23,371,829	23,371,829	22,899,186	472,643
Maintenance of Plant	7,375,410	7,375,410	7,234,365	141,045
Fixed Charges	77,280,829	77,280,829	76,907,675	373,154
Community Services	432,000	432,000	281,571	150,429
Capital Outlay	4,083,182	8,083,182	4,720,630	3,362,552
Mid-level Administration	23,622,834	23,372,834	22,935,917	436,917
Special Education	42,548,160	42,548,160	42,258,933	289,227
Instructional Textbooks/Supplies	8,101,365	8,101,365	7,835,933	265,432
Other Instructional Costs	2,615,502	2,615,502	2,208,742	406,760
Total Expenditures	<u>345,616,263</u>	<u>349,616,263</u>	<u>339,990,454</u>	<u>9,625,809</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (5,342,243)</u>	<u>\$ (9,342,243)</u>	<u>(2,590,751)</u>	<u>\$ 6,751,492</u>
OTHER FINANCING SOURCES				
Use of Prior Year Fund Balance	5,342,243	9,342,243	-	(9,342,243)
Transfers Out	-	-	(3,350,000)	(3,350,000)
Total Other Financing Sources	<u>5,342,243</u>	<u>9,342,243</u>	<u>(3,350,000)</u>	<u>(12,692,243)</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(5,940,751)</u>	<u>\$ (5,940,751)</u>
FUND BALANCE AT JUNE 30, 2017			<u>18,966,426</u>	
FUND BALANCE AT JUNE 30, 2018			<u>\$ 13,025,675</u>	

**BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND
OUTFLOWS AND GAAP BASIS REVENUES AND EXPENDITURES –
GENERAL FUND
JUNE 30, 2018**

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

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

BUDGETARY GENERAL FUND

Revenues (non-GAAP budgetary basis)	\$ 337,399,703
Decrease in fiscal year revenues generated by fiscal year changes in encumbrances of expenditure driven grants	(255,779)
State pension payments	18,929,832
Revenues and other financing sources (GAAP basis)	<u>\$ 356,073,756</u>
Expenditures (non-GAAP budgetary basis)	\$ 339,990,454
Encumbrance adjustment, net	1,244,192
State pension payments	18,929,832
Total expenditures (GAAP basis)	<u>\$ 360,164,478</u>

BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM –
LAST TEN FISCAL YEARS

	Measurement date			
	June 30,			
	2017	2016	2015	2014
Employees' Retirement and Pension System:				
Board's proportion of the net pension liability	0.0728809000%	0.0810533000%	0.0860101000%	0.0810238661%
Board's proportionate share of the net pension liability	\$ 15,759,555	\$ 19,123,733	\$ 17,874,365	\$ 14,379,091
Board's covered payroll	\$ 18,066,196	\$ 18,450,534	\$ 18,578,684	\$ 18,923,349
Board's proportionate share of the net pension liability as a percentage of its covered payroll	87.23%	103.65%	96.21%	75.99%
Plan fiduciary net position as a percentage of the total pension liability	66.71%	62.97%	66.26%	69.53%
Teachers' Retirement and Pension System:				
Board's proportion 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	222,226,515	241,411,271	273,808,237	201,622,624
Total	\$ 222,226,515	\$ 241,411,271	\$ 273,808,237	\$ 201,622,624
Board's covered payroll	\$ 157,648,906	\$ 157,648,906	\$ 158,300,988	\$ 161,727,709
Board's proportionate share of the net pension liability as a percentage of its covered 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%	70.76%	69.53%

The Board implemented GASB 68 during fiscal year 2015. As such, only four years of information is available.

**BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF BOARD CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM –
LAST TEN FISCAL YEARS**

Employees' Retirement and Pension System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,648,441	\$ 1,483,375	\$ 1,578,985	\$ 1,812,859	\$ 1,888,149	\$ 1,700,004	\$ 2,138,012	\$ 2,195,960	\$ 1,540,379	\$ 1,468,332
Contributions in relation to the contractually required contribution	(1,648,441)	(1,483,375)	(1,578,985)	(1,812,859)	(1,888,149)	(1,700,004)	(2,138,012)	(2,195,960)	(1,540,379)	(1,468,332)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 19,224,863	\$ 18,066,196	\$ 18,450,534	\$ 18,578,684	\$ 18,923,349	\$ 19,401,668	\$ 19,437,320	\$ 20,169,913	\$ 20,137,996	\$ 19,727,705
Contributions as a percentage of covered payroll	8.6%	8.2%	8.6%	9.8%	10.0%	8.8%	11.0%	10.9%	7.6%	7.4%

Teachers' Retirement and Pension System

	2018	2017	2016	2015	2014	2013	2012*	2011*	2010*	2009*
Contractually required contribution	\$ 7,260,805	\$ 6,934,964	\$ 7,468,196	\$ 6,495,621	\$ 5,077,441	\$ 4,005,782	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(7,260,805)	(6,934,964)	(7,468,196)	(6,495,621)	(5,077,441)	(4,005,782)	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 167,638,683	\$ 162,004,457	\$ 157,648,906	\$ 158,300,988	\$ 161,727,709	\$ 164,766,880	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	4.3%	4.3%	4.7%	4.1%	3.1%	2.4%	0.0%	0.0%	0.0%	0.0%

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

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
JUNE 30, 2018**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2017 valuation:

- Inflation assumption changed from 2.90% to 2.65%

**BOARD OF EDUCATION OF CARROLL COUNTY
OTHER POST EMPLOYMENT BENEFITS – GASB 74
LAST TEN FISCAL YEARS**

SCHEDULE OF CHANGES IN THE BOARD’S NET OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ 13,764,000	\$ 13,259,000
Interest Cost	12,981,000	12,317,000
Experience Losses/(Gains)	2,006,000	-
Changes in Assumptions	8,632,000	-
Benefit Payments	<u>(9,153,000)</u>	<u>(9,150,000)</u>
Net Change in Total OPEB Liability	28,230,000	16,426,000
Total OPEB Liability - Beginning of the Year	<u>344,293,000</u>	<u>327,867,000</u>
Total OPEB Liability - End of the Year	<u><u>\$ 372,523,000</u></u>	<u><u>\$ 344,293,000</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 5,995,000	\$ 7,363,000
Contributions - Member	3,908,000	4,037,000
Net investment Income	1,724,000	1,790,000
Benefit Payments	<u>(9,153,000)</u>	<u>(9,150,000)</u>
Net Change in Fiduciary Net Position	2,474,000	4,040,000
Fiduciary Net Position - Beginning of the Year	<u>20,175,000</u>	<u>16,135,000</u>
Fiduciary Net Position - End of the Year	<u><u>\$ 22,649,000</u></u>	<u><u>\$ 20,175,000</u></u>
 Net OPEB Liability	 <u><u>\$ 349,874,000</u></u>	 <u><u>\$ 324,118,000</u></u>
 Fiduciary Net Position as a Percentage of the Total OPEB Liability	 6.08%	 5.86%
 Covered Employee Payroll*	 n/a	 n/a
Net OPEB Liability as a Percentage of Covered Payroll	n/a	n/a

**Contributions to the OPEB Plan are not based on a measure of pay, therefore, covered employee payroll is*

MONEY WEIGHTED RATE OF RETURN

	<u>2018</u>	<u>2017</u>
Average money-weighted rate of return, net of investment expense	8.40%	11.10%

The Board implemented GASB 74 during fiscal year 2017. As such, only two years of information is available.

**BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO THE REQUIRED SCHEDULES
OTHER POST EMPLOYMENT BENEFITS – GASB 74
JUNE 30, 2018**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Discount Rate:
June 30, 2017 – 3.81%
June 30, 2018 – 3.72%

**BOARD OF EDUCATION OF CARROLL COUNTY
OTHER POST EMPLOYMENT BENEFITS – GASB 75
LAST TEN FISCAL YEARS**

SCHEDULE OF THE CHANGES IN THE BOARD’S NET OPEB LIABILITY AND RELATED RATIOS

	Measurement date June 30, 2017
Total OPEB Liability	
Service Cost	\$ 13,259,000
Interest	12,317,000
Changes of Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	(9,150,000)
Net Change in Total OPEB Liability	16,426,000
Total OPEB Liability - Beginning	327,867,000
Total OPEB Liability - Ending (a)	\$ 344,293,000
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 7,363,000
Net Investment Income	1,790,000
Benefit Payments	(5,113,000)
Administrative Expense	-
Net Change in Plan Fiduciary Net Position	4,040,000
Total Fiduciary Net Position - Beginning	16,135,000
Total Fiduciary Net Position - Ending (b)	\$ 20,175,000
 Board's Net OPEB Liability - Ending (a) - (b)	\$ 324,118,000
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.86%
 Covered-Employee Payroll	\$ 202,552,220
 Board's Net OPEB Liability as a Percentage of Covered-Employee Payroll	160%

Notes to Schedule:

Benefit Changes. None.

Changes of Assumptions. None.

This schedule is presented to illustrate the requirement to show information for 10 years. However, the Board implemented GASB 75 during the current fiscal year. As such, only one year of information is available.