

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS,**  
**FINANCIAL STATEMENTS AND**  
**REQUIRED AND OTHER SUPPLEMENTARY**  
**INFORMATION AND SINGLE AUDIT REPORT**  
**June 30, 2006**

## TABLE OF CONTENTS

	<b>PAGES</b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	3
<b>BASIC FINANCIAL STATEMENTS</b> .....	11
<b>GOVERNMENT WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	12
Statement of Activities.....	13
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds .....	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund .....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	17
Statement of Fiduciary Net Assets.....	18
Summary of Significant Accounting Policies.....	19
Notes to Financial Statements.....	26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b> .....	35
Budgetary Comparison Schedule for the General Fund .....	36
Notes to Required Supplementary Information .....	37

**TABLE OF CONTENTS (CONTINUED)**

	<b>PAGES</b>
<b>OTHER SUPPLEMENTARY INFORMATION</b> .....	38
<b>General Fund</b>	
Schedule of Revenues Compared to Budget (Non-GAAP Budgetary Basis) .....	39
Schedule of Expenditures Compared to Budget (Non-GAAP Budgetary Basis) .....	40
<b>Food Service Fund</b>	
Comparative Schedule of Revenues and Expenditures Compared To Budget (Non-GAAP Budgetary Basis) .....	44
Schedule of Revenues and Expenditures by School (Non-GAAP Budgetary Basis) .....	45
<b>School Funds</b>	
Schedule of Changes in School Activities Funds Payable (Non-GAAP Budgetary Basis) .....	46
<b>SINGLE AUDIT SECTION</b> .....	47
Schedule of Expenditures of Federal Awards.....	48
Summary of Significant Accounting Policies.....	51
Notes to Schedule of Expenditures of Federal Awards .....	52
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	53
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133.....	55
Schedule of Findings and Questioned Costs.....	57

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County, a component unit of Carroll County, Maryland, as of and for the year ended June 30, 2006, which collectively comprise the Board of Education of Carroll County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education of Carroll County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2006 on our consideration of the Board of Education of Carroll County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3-10 and budgetary comparison information on pages 36 and 37 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Carroll County's basic financial statements. The schedules on pages 39 through 46 presented as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Baltimore, Maryland  
September 1, 2006

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

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, 2006. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

**Overview of the Financial Statements**

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

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

The financial statements also include notes that explain some of the information in the statements and, in some cases, provide even greater levels of detail. The required supplementary information is followed by a section of supplementary budgetary schedules, which primarily provides additional budgetary review. In this last section of other supplementary information, the Board has chosen to include additional detail beyond that which is required. This additional detail provides information on select operations at individual schools, as well as detailed expenditure data comparable to the reporting required by the Maryland State Department of Education.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

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

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

<b>Type of Analysis</b>	<b>Government-Wide Financials</b>	<b>Governmental Fund Financials</b>	<b>Budgetary Basis</b>
Scope	Entire school system	All activities of the school system (food service, capital projects, and certain school funds)	Reflects only the Current Operating/ General Fund
Required Financial Statements	Statement of Net Assets and Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances, and Fiduciary Fund Balance Sheet	Budgetary Comparison Schedule presented as Required Supplementary Information
Accounting Basis and Measurement Focus	Full accrual accounting and economic resource focus	Modified accrual accounting and current financial focus	Budgetary basis and current financial focus
Type of Asset/ Liability Information	All assets and liabilities, including short and long term, as well as financial and capital	Assets and liabilities considered reasonably current (generally within one year), no long-term liabilities or capital assets included	A budgetary basis balance sheet is not presented
Type of Inflow/ Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or immediately following the year; expenditures only when the goods/services are received and the related liability is payable	Revenues for which cash is received during or immediately following the year; includes expenditures and open encumbrances

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

**Government-Wide Financial Statements**

The school system-wide statements report information about the school system as a whole using accounting methods similar to those used by private sector companies. The two statements on the school system-wide level, report net assets and changes in net assets and are intended to evaluate the school system's financial health or position. Net assets are defined as total assets, less total liabilities. These statements will, over time, reflect improvements or deteriorations in the school system's financial strength. These statements consider the non-financial factors, including depreciation of school buildings and other facilities, which are necessary to determine overall financial strength.

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

**Fund Financial Statements**

The Fund Financial Statements are designed to provide additional levels of detail on the school system's funds as opposed to the school system as a whole. Funds are accounting devices used by the school system to keep track of specific sources of funding and spending.

The school system has four funds reported here:

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

Food Service Fund is the fund that captures the financial activities of the cafeteria operations.

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

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



**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

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

As noted above, all activities are identified as governmental activities, as opposed to business-type activities. Current assets totaled \$38.7 million, most of which appears as accounts receivable due from other governments. This is primarily due from the County Commissioners of Carroll County. Noncurrent assets are composed of capital assets and account for approximately 89% of the school system's total assets. Current liabilities total \$33.8 million, of which over \$15.9 million is accrued payroll and related withholdings. It should be noted that this balance reflects payments made to 10-month staff members (such as teachers) who prefer to continue bi-weekly payrolls during July and August. Since these staff members have fulfilled their contractual obligation as of June 30<sup>th</sup>, the unpaid wages are reflected in this accrual. The Accrued Fringe portion of this balance is also primarily associated with the payments that will be made for 10-month staff members' during July and August. Noncurrent liabilities are over \$30.2 million and are predominantly tied to compensated absences for employees.

**Condensed Statement of Net Assets**

	<b>Governmental Activities June 30, 2006</b>	<b>Governmental Activities June 30, 2005</b>
	<i>(In Millions)</i>	<i>(In Millions)</i>
Current and other assets	\$ 38.7	\$ 39.9
Capital assets	<u>301.6</u>	<u>296.4</u>
Total assets	<u>\$ 340.3</u>	<u>\$ 336.3</u>
Current liabilities	\$ 33.8	\$ 35.5
Non current liabilities	<u>30.2</u>	<u>27.9</u>
Total liabilities	<u>\$ 64.0</u>	<u>\$ 63.4</u>
Net assets:		
Invested in capital assets, net of related debt	293.0	287.0
Restricted	0.6	0.7
Unrestricted deficit	<u>(17.4)</u>	<u>(14.8)</u>
<b>Total net assets</b>	<u>\$ 276.2</u>	<u>\$ 272.9</u>

The school system's revenues exceeded expenses by \$3.3 million. For budgetary purposes, acquisitions of equipment and capital improvements are considered expenditures. However in accordance with Generally Accepted Accounting Principles (GAAP) and subject to the Boards Capitalization Policy, the equipment and capital improvements, amounting to \$35.7 million are capitalized and subject to depreciation. The school system has continued to be in a growth pattern, due to increasing County population and enrollments. Consequently, the school system has been constructing new buildings and renovating/expanding existing ones. This capital outlay has resulted in increases in capital assets. The associated debt to finance these acquisitions resides on the County Government and State of Maryland financial statements, as it is not a burden of Carroll County Public Schools.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

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

**Changes in Net Assets from Operating Results**

	<b>Governmental Activities June 30, 2006</b>	<b>Governmental Activities June 30, 2005</b>
	<i>(In Millions)</i>	<i>(In Millions)</i>
<b>Revenues</b>		
Program revenues:		
Charge for services	\$ 5.2	\$ 5.0
Operating grants and contributions	37.4	34.8
Capital grants and contributions	18.1	23.6
General revenues:		
County government	135.8	126.7
State (unrestricted)	89.1	80.4
State pension aid	12.2	11.6
Other	<u>0.9</u>	<u>0.7</u>
Total revenues	<u>298.7</u>	<u>282.8</u>
<b>Expenses</b>		
Instruction (regular and special education)	202.6	193.2
Administration (central and school)	32.5	28.4
Maintenance and operations	32.7	20.2
Transportation	16.8	16.0
Student services and health	4.6	4.0
Food services	<u>6.2</u>	<u>6.0</u>
Total expenses	<u>295.4</u>	<u>267.8</u>
<b>Increase in net assets</b>	<u><u>\$ 3.3</u></u>	<u><u>\$ 15.0</u></u>

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 \$9.3 million. Due to reporting capabilities, no expenses are unallocated. Fringe benefits and depreciation can be tracked by individual or asset, respectively, and therefore can be tied to a function. Review of the revenues identifies some fee for services circumstances, including use of facilities and tuition. Operating Grant revenues include primarily State and Federal Grants and reflect restricted sources. As detailed in the Statement of Activities, the general revenues include State and County revenue, as well as interest income, none of which meets the criteria for classification as program revenues. More specifically:

- The cost of all governmental services this year was \$295.4 million.
- \$5.2 million of the costs were financed by users of the school districts programs through fees for service.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

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

- The state and federal governments subsidized certain programs with grants and contributions totaling almost \$37.4 million.
- Most of the district's costs, however, were financed by Carroll County and State of Maryland taxpayers.
- Of that portion, \$135.8 million was associated with Carroll County government allocations.
- The state and county governments financed \$18.1 million in principally capital asset purchases.

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

In the general fund, revenues increased by 8% to \$274.4 million. The general fund increase is attributable to a 7% increase in the appropriation from the County government and a 10% increase in unrestricted State revenue. Much of this increase was necessary to fund the beginning of the Full Day Kindergarten implementation, as well as fund the salary increases negotiated by the various bargaining groups.

The Food Service Operation reflected a net change in fund balance of \$(6,859) for the year ended June 30, 2006 versus a net change in fund balance of \$5,526 for the prior year.

The Capital Projects Fund reflects no change to fund balance since revenues exactly offset expenses. This fund is designed not to maintain net assets since expenditures should be offset by revenue in each fiscal year.

Limitations affecting the availability of resources in the General Fund include a reserve for inventories of approximately \$367,800 and a reserve for prepaids of approximately \$412,500.

**Budgetary Highlights**

Over the course of each fiscal year, the school system revises the annual current operating budget. Generally, the budgets fluctuate for one of two reasons. First, when grants are awarded during the year, an amendment is done to adjust the budget as a whole. In addition, the system is required to maintain budgets by category, or function. Therefore, the school system makes transfers within budgeted line items to more accurately reflect changing conditions. These transfers do not impact the budget total as a whole. As reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance on the Budget (Non-GAAP) Basis, none of the school system's categories were overspent at year-end. Most importantly, the school system ended the fiscal year with an excess of revenues over expenditures of \$363,330. This fund balance will be returned to the County Commissioners of Carroll County.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

**Budgetary Highlights (Continued)**

The budgetary process is designed to reflect revenues equal to expenditures. However, on the Fund statements, actual expenditures and actual revenues were both lower than budgeted. Most of this variance is associated with grants that cross fiscal years, and therefore are not fully recognized or expended during the twelve-month fiscal cycle. For instance, the current operating fund actual revenues fell short of the final budget by almost \$4.0 million. Virtually all of this shortfall was within the restricted portion, illustrating grants that cross into fiscal year 2007.

Specific examples include Smaller Learning Communities at \$489,538 and Special Education and Medical Assistance at \$1.7 million. These revenues will be realized and received in fiscal year 2007 to offset fiscal year 2007 grant related expenditures.

Specific areas of expenditure exceeded original budgets. However, budget transfers between categories were approved to more closely align with actual expenditures, so that at year-end all categories were in compliance. For fiscal year 2006, transfers were made out of fixed charges to maintenance of plant, operation of plant, and instructional areas. The school system is self-insured for medical, dental, prescription, and vision coverage. Actual claims in 2006 were lower than actuarial projections, creating a surplus in those line items.

**Capital Asset Administration**

By the end of fiscal year 2006, the school system had invested over \$301.6 million in capital assets net of depreciation, predominantly buildings. Total depreciation expense for the year exceeded \$10.9 million, increasing accumulated depreciation on assets to \$127.9 million. Included in the Construction in Progress balance is the work completed on two HVAC replacements, Full Day Kindergarten construction projects, and the work completed by Johnson Controls. Student population has grown steadily over the past decade, necessitating the additional construction projects. Fiscal year 2007 capital budgets reflect another new Elementary School to be built in the Manchester area, over \$1.0 million in HVAC improvements, and over \$5.8 million in funds to expand existing elementary schools to house Full Day Kindergarten classes. The County government issues the debt associated with these capital projects, therefore, the school system financial statements do not reflect outstanding debt associated with these capital assets.

**Factors Bearing on the School System's Future**

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

1. The school system has begun implementing President Bush's "No Child Left Behind Act." Increased costs will be associated with hiring and retaining "highly qualified" teachers and paraprofessionals.

**BOARD OF EDUCATION OF CARROLL COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

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

2. The State is mandating Full Day Kindergarten by July 2007. In FY2006, several elementary schools with sufficient classroom capacity implemented Full Day Kindergarten. Construction expansion took place at additional schools during the year as well. For FY2007, additional construction is necessary for the remaining elementary schools. Additional expense in the general fund will be required as additional kindergarten teachers, assistants, and supplies are needed annually.
  
3. The Government Accounting Standards Board (GASB) recently issued GASB Statement No. 45, *Accounting for Other Post-Employment Benefits*. The Board of Education of Carroll County does offer other non-pension benefits to retirees and therefore will be recognizing a liability in fiscal year 2008 in accordance with this statement. The entire effect of this accounting change is not presently known.

**Contacting the Board's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 11,981,457
Investments	1,281,727
Accounts receivable	745,915
Due from other units of government	23,549,753
Inventory	622,422
Other current assets	474,164
Total current assets	38,655,438
<b>NONCURRENT ASSETS</b>	
Capital assets (net of accumulated depreciation):	
Land and improvements	12,339,252
Construction in progress	17,431,003
Equipment	11,002,318
Buildings and improvements	260,861,692
Total noncurrent assets	301,634,265
Total assets	340,289,703
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	3,552,926
Accrued salaries and fringes	15,914,893
Accrued health claims	2,922,582
Accrued expenses	5,490,971
Accrued interest	48,289
Due to student groups	1,738,796
Due to other governments	173,826
Deferred revenue	1,510,956
Current portion of capital lease obligations	414,002
Current portion of compensated absences payable	2,050,000
Total current liabilities	33,817,241
<b>NONCURRENT LIABILITIES</b>	
Long-term portion of capital lease obligations	8,195,927
Long-term portion of compensated absences payable	22,012,693
Total noncurrent liabilities	30,208,620
Total liabilities	64,025,861
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	293,024,336
Restricted for:	
Food services	652,180
Unrestricted	(17,412,674)
<b>TOTAL NET ASSETS</b>	<b>\$ 276,263,842</b>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2006**

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>INSTRUCTION</b>					
Regular education	\$ 165,582,364	\$ 526,458	\$ 17,681,395	\$ 18,051,514	\$ (129,322,997)
Special education	37,026,409	-	16,555,131	-	(20,471,278)
Total instruction	202,608,773	526,458	34,236,526	18,051,514	(149,794,275)
<b>SUPPORT SERVICES</b>					
Administration	6,386,851	-	255,345	-	(6,131,506)
Mid-level administration	26,072,717	-	712,235	-	(25,360,482)
Student personnel services	1,436,079	-	660	-	(1,435,419)
Student health services	3,124,660	-	86,475	-	(3,038,185)
Student transportation services	16,827,410	-	171,505	-	(16,655,905)
Operation of plant	23,947,509	-	672	-	(23,946,837)
Maintenance of plant	8,513,146	-	-	-	(8,513,146)
Community services	263,956	310,028	31,448	-	77,520
Food services	6,189,745	4,369,367	1,879,291	-	58,913
Total support services	92,762,073	4,679,395	3,137,631	-	(84,945,047)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 295,370,846</b>	<b>\$ 5,205,853</b>	<b>\$ 37,374,157</b>	<b>\$ 18,051,514</b>	<b>(234,739,322)</b>
<b>GENERAL REVENUES</b>					
Local appropriations					135,806,760
State Aid					101,341,046
Interest and investment earnings					533,242
Miscellaneous					404,895
Total general revenues					238,085,943
<b>CHANGES IN NET ASSETS</b>					3,346,621
<b>NET ASSETS, BEGINNING OF YEAR</b>					272,917,221
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 276,263,842</b>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.



**BOARD OF EDUCATION OF CARROLL COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2006**

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,973,892	\$ 7,565	\$ -	\$ 11,981,457
Investments	1,281,727	-	-	1,281,727
Accounts receivable	740,854	5,061	-	745,915
Due from other funds	107,173	847,488	-	954,661
Due from other units of government	20,964,028	39,198	2,546,527	23,549,753
Inventory	367,796	254,626	-	622,422
Other current assets	474,164	-	-	474,164
<b>TOTAL ASSETS</b>	<u>\$ 35,909,634</u>	<u>\$ 1,153,938</u>	<u>\$ 2,546,527</u>	<u>\$ 39,610,099</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,174,517	\$ 15,567	\$ 2,362,841	\$ 3,552,925
Accrued salaries and fringes	15,432,026	482,867	-	15,914,893
Accrued health claims	2,922,582	-	-	2,922,582
Accrued expenses	5,490,971	-	-	5,490,971
Due to other funds	2,509,771	-	183,686	2,693,457
Due to other governments	173,826	-	-	173,826
Deferred revenue	1,507,633	3,324	-	1,510,957
<b>Total liabilities</b>	<u>29,211,326</u>	<u>501,758</u>	<u>2,546,527</u>	<u>32,259,611</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	6,172,866	97,122	-	6,269,988
Inventories	367,796	254,626	-	622,422
Prepaid	412,500	-	-	412,500
Unreserved:				
Undesignated	(254,854)	300,432	-	45,578
<b>Total fund balances</b>	<u>6,698,308</u>	<u>652,180</u>	<u>-</u>	<u>7,350,488</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 35,909,634</u>	<u>\$ 1,153,938</u>	<u>\$ 2,546,527</u>	<u>\$ 39,610,099</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**BOARD OF EDUCATION OF CARROLL COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006**

Total fund balances – governmental funds (page 14) \$ 7,350,488

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$429,540,812, and the accumulated depreciation is \$(127,906,547). 301,634,265

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 leases obligations and compensated absences payable. (32,672,622)

Accrued interest is reported when due and payable in the funds and is reported when incurred on governmental activities. (48,289)

**TOTAL NET ASSETS, GOVERNMENTAL ACTIVITIES (page 12) \$ 276,263,842**

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 135,574,426	\$ -	\$ 11,111,428	\$ 146,685,854
State sources	124,190,375	48,202	6,940,086	131,178,663
Federal sources	12,179,488	1,758,380	-	13,937,868
Earnings on investments	498,071	35,171	-	533,242
Charges for services	836,486	4,369,367	-	5,205,853
Miscellaneous revenues	1,103,278	72,708	-	1,175,986
Total revenues	<u>274,382,124</u>	<u>6,283,828</u>	<u>18,051,514</u>	<u>298,717,466</u>
<b>EXPENDITURES</b>				
Administration	4,990,209	-	-	4,990,209
Instruction	126,642,133	-	-	126,642,133
Student personnel services	1,243,868	-	-	1,243,868
Student health services	2,554,652	-	-	2,554,652
Student transportation services	16,402,932	-	-	16,402,932
Operation of plant	20,688,137	-	-	20,688,137
Maintenance of plant	7,474,310	-	-	7,474,310
Fixed charges	39,459,554	-	-	39,459,554
Mid-level administration	21,843,780	-	-	21,843,780
Community services	287,213	-	-	287,213
Special education	31,398,223	-	-	31,398,223
Costs of operation - food services	-	6,290,687	-	6,290,687
Capital outlay	756,674	-	18,051,514	18,808,188
Total expenditures	<u>273,741,685</u>	<u>6,290,687</u>	<u>18,051,514</u>	<u>298,083,886</u>
<b>NET CHANGE IN FUND BALANCES</b>	640,439	(6,859)	-	633,580
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>6,057,869</u>	<u>659,039</u>	<u>-</u>	<u>6,716,908</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 6,698,308</u>	<u>\$ 652,180</u>	<u>\$ -</u>	<u>\$ 7,350,488</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and 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  
June 30, 2006**

Total net change in fund balances – governmental funds (page 16) \$ 633,580

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, which is capitalized \$16,198,936, exceeds depreciation expenses, \$10,981,059, in the period. 5,217,877

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, vacation and sick leave earned exceeded the amounts used by: (3,527,807)

The execution of a capital lease agreement provides current financial resources to governmental funds, while the repayment of the lease principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount of principal payments on the lease obligation for this year. 803,513

In the Statement of Activities, only the gain or loss on sale of the capital assets is reported. In the governmental funds, however, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed. (12,639)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. 232,097

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 3,346,621  
(page 13)

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2006**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 431,722
Due from other funds	1,738,796
Accounts receivable	200
Prepaid expenses	<u>1,708</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,172,426</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 332,756
Due to student groups	<u>1,839,670</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,172,426</u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**FINANCIAL REPORTING ENTITY**

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

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

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

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

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

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

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

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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



**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)**

The following types of transactions are reported as program revenues. Tuition paid directly by students and parents is identified as charges for services. Additionally, sales associated with the Food Service Operation are identified as charges for services, while state and federal support for this function is identified as operating grants and contributions. Grant-related revenue that is specifically restricted for use by a particular function is separated in the Statement of Activities.

The Board reports the following major governmental funds:

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

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

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

Additionally, the Board reports the following fiduciary fund:

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

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

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Investments**

Investments are reported at fair market value in accordance with GASB Statement No. 31.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

**Receivables and Payables**

All interfund receivables and payables are displayed in the fund statements as “due to/due from other funds.” These amounts offset each other and are eliminated from the government-wide Statement of Net Assets, so as to not overstate the Board’s assets and liabilities. All trade receivables are reported net of an allowance for uncollectibles.

**Inventory**

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

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

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

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

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

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

**Deferred Revenues**

Deferred revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for reimbursable-type grants and unused commodities at June 30, 2006, since title does not pass to the Board until the commodities are used.

**Compensated Absences Payable**

The current portion of compensated absences that has matured due to resignations or retirements is included in accrued wages in the General Fund. The Board recognizes expenditures for these items, which include salaries and salary related payments, as incurred. Vested absences earned but not taken were \$24,062,693 at June 30, 2006 and are reflected in the entity wide Statement of Net Assets.

These absences consist primarily of sick and vacation time earned but not taken. Employees hired prior to July 1, 1997 meeting specified service requirements are eligible to accumulate sick time and upon retirement, are entitled to payment for unused sick time at 50% of their current daily rate. Employees hired prior to July 1, 1997 may accumulate unused sick time and will be paid for a maximum of 250 days or their accumulated balance at June 30, 2003, whichever is greater. Employees hired July 1, 1997 and later are eligible for accumulated unlimited sick time but are not entitled to payment for unused sick time upon retirement. There is a maximum accrual of 30 vacation days for those employees eligible to earn and accumulate vacation time.

**Encumbrances**

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

**School Construction Debt**

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)**

**Fund Equity**

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

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING POLICIES**

Legal budgetary control is employed for the General Fund only. The School Fund does not have a legally adopted annual budget. Capital Projects are budgeted on a project basis only. Management employs budgetary control over the Food Service Fund for operational purposes only.

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

1. Prior to December, the staff accumulates and summarizes data for a proposed operating budget (General Fund).
2. During January, the Superintendent of Schools submits a proposed operating budget to the Board.
3. Public hearings are held to obtain citizens' comments.
4. During February, the Board adopts the proposed budget.
5. On March 1, the budget is submitted to the Carroll County Commissioners for approval.
6. During April, the budget is reviewed by the County Commissioners. Additional public hearings are held to obtain citizens' comments.
7. During May, the County Commissioners hold final hearings and adopt the budget which becomes effective July 1.
8. 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.
9. Request 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. 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.
11. Expenditures may not legally exceed appropriations at the major category level. In addition, all appropriations lapse at year-end.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING POLICIES (CONTINUED)**

During the year, the County Commissioners adopted supplemental appropriations for the Board of Education’s General Fund budget. The approved budget and supplemental appropriations are presented below:

Original operating budget approved by the County Commissioners	\$ 263,810,070
Approved supplemental appropriations	<u>2,736,911</u>
<b>Amended Operating Budget for Fiscal Year 2006</b>	<b><u>\$ 266,546,981</u></b>

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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

**Deposits**

At year-end, the carrying value of the Board’s combined deposits including amounts invested in repurchase agreements was \$11,981,457 and \$1,281,727 was invested in the Maryland Local Government Investment Pool. The bank balance of deposits, including amounts invested in repurchase agreements, was \$16,316,067 and cash on hand was \$150. Of the bank balance, \$322,507 was covered by federal depository insurance and \$15,993,557 was covered by collateral held by the financial institution’s trust department in the Board’s name. Statutes authorize secured time deposits in Maryland banks. Statutes require uninsured deposits to be fully collateralized. Therefore, under the reporting requirements of Governmental Accounting Standards Board Statement No.40, the Board’s deposits are not subject to custodial or credit risk at year-end. Because of the short-term maturity and type of the investments there is limited interest rate risk.

**Investments**

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

The Board is a participant of the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore - based financial institution, Mercantile-Safe Deposit and Trust Company. The pool has a AAAM rating from Standard and Poors and maintains a \$1.00 per share value. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair market value of the pool is the same as the value of the pool shares.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

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

**Investments**

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

**NOTE 3 – INVENTORY**

Inventory consists of the following for the general fund:

Custodial supplies	\$ 169,201
Equipment, repair and maintenance supplies	198,595
Food service supplies	28,643
Food	<u>225,983</u>
<b>Total inventories</b>	<b><u>\$ 622,422</u></b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Balance at June 30, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at June 30, 2006</b>
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land and improvements	\$ 12,341,315	\$ -	\$ (2,063)	\$ 12,339,252
Construction in progress	<u>36,947,265</u>	<u>7,807,762</u>	<u>(27,324,024)</u>	<u>17,431,003</u>
Total capital assets, not being depreciated	<u>49,288,580</u>	<u>7,807,762</u>	<u>(27,326,087)</u>	<u>29,770,255</u>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Equipment	35,288,559	4,150,534	(1,474,208)	37,964,885
Equipment under capital lease	4,816,683	-	-	4,816,683
Building and improvements	<u>325,424,325</u>	<u>31,564,664</u>	<u>-</u>	<u>356,988,989</u>
Total capital assets being depreciated	<u>365,529,567</u>	<u>35,715,198</u>	<u>(1,474,208)</u>	<u>399,770,557</u>
<b>LESS – ACCUMULATED DEPRECIATION</b>				
Building and improvements	88,253,800	7,873,497	-	96,127,297
Equipment under capital lease	4,816,683	-	-	4,816,683
Equipment	<u>25,318,637</u>	<u>3,107,562</u>	<u>(1,463,632)</u>	<u>26,962,567</u>
Total accumulated depreciation	<u>118,389,120</u>	<u>10,981,059</u>	<u>(1,463,632)</u>	<u>127,906,547</u>
Total capital assets, being depreciated, net	<u>247,140,447</u>	<u>24,734,139</u>	<u>(10,576)</u>	<u>271,864,010</u>
<b>CAPITAL ASSETS, NET</b>	<b><u>\$ 296,429,027</u></b>	<b><u>\$ 32,541,901</u></b>	<b><u>\$(27,336,663)</u></b>	<b><u>\$ 301,634,265</u></b>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

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

Regular education	\$ 9,297,844
Special education	135,942
Administration	343,038
Mid level administration	110,957
Student personnel services	22,422
Student health services	2,885
Student transportation services	106,603
Operation of plant	694,962
Maintenance of plant	227,395
Food services	<u>39,011</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 10,981,059</u></b>

At June 30, 2006, the Board has construction commitments consisting of the following:

	<u>Future Amounts to be Expended</u>	<u>Future Funding to be Provided</u>
West Middle HVAC	\$ 1,811,669	\$ -
Ebb Valley Elementary	6,089,500	6,089,500
Full Day Kindergarten	<u>5,809,260</u>	<u>5,809,260</u>
<b>Total</b>	<b><u>\$ 13,710,429</u></b>	<b><u>\$ 11,898,760</u></b>

**NOTE 5 – INTERFUND BALANCES**

The composition of interfund balances as of June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 630,115
Food Service Fund	Capital Projects Fund	1,120
School Fund	General Fund	1,879,656
School Fund	Capital Projects Fund	75,393
Food Service Fund	School Fund	216,253
General Fund	Capital Projects Fund	<u>107,173</u>
<b>Total</b>		<b><u>\$ 2,909,710</u></b>

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.



**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 6 – LONG-TERM DEBT**

Long-term debt at June 30, 2006 consists of amounts due under capital leases and compensated absences payable as further discussed in the Summary of Significant Accounting Policies.

During the fiscal year ended June 30, 2006, new capital leases were entered into by the Board. In October of 2004, Phase IV of an energy management plan was entered into providing air conditioning to three elementary schools. Additionally, the plan will upgrade water and lighting fixtures.

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

Year Ending June	Energy Management Equipment
2007	\$ 716,818
2008	738,322
2009	760,472
2010	783,286
2011	806,785
5 years ending 2016	3,476,544
5 years ending 2021	<u>3,735,106</u>
Total future payments	11,017,333
Less interest	<u>(2,407,404)</u>
<b>Present value of future minimum lease payments</b>	<b><u>\$ 8,609,929</u></b>

The net book value of assets under capital lease at June 30, 2006 is \$0. Amortization expense related to assets under capital lease is included in depreciation expense.

Interest expense related to capital leases was \$568,361 for the year ended June 30, 2006. This amount was allocated to functions as follows:

Maintenance of plant and equipment	<u>\$ 568,361</u>
------------------------------------	-------------------

Changes in capital lease obligations for the year ended June 30, 2006 were as follows:

Balance at June 30, 2005	\$ 9,413,442
Additions	-
Reductions	<u>(803,513)</u>
<b>Balance at June 30, 2006</b>	<b>8,609,929</b>
<b>Amounts due within one year</b>	<u><b>(414,002)</b></u>
<b>Capital lease obligations non-current</b>	<b><u>\$ 8,195,927</u></b>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Changes in compensated absences payable for the year ended June 30, 2006 were as follows:

Balance at June 30, 2005	\$ 20,534,886
Additions	4,989,680
Reductions	<u>(1,461,873)</u>
<b>Balance at June 30, 2006</b>	<b>24,062,693</b>
<b>Amounts due within one year</b>	<u><b>(2,050,000)</b></u>
<b>Compensated absence non-current portion</b>	<u><b>\$ 22,012,693</b></u>

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

**NOTE 7 – PENSION PLAN**

The employees of the Board are covered by the State Retirement and Pension System of Maryland which is a cost sharing employer public employee retirement system (the State System). Most Board employees participate in the State System. The State System prepares a Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension Systems of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

**Plan Description**

The State System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of the several plans which are managed by the Board of Trustees for the State System. All State employees and employees of the participating entities are eligible for coverage by the plans. The State System provides retirement, death, and disability benefits in accordance with State statutes.

**Funding Policy**

The Board's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the State System, all benefits of the State System are funded in advance. The entry age normal cost method is the actuarial cost method used. Both the Board and covered employees are required by State statute to contribute to the State System. The employees contribute 2% to 7% of compensation, as defined, depending on the participant's plan.

The contribution requirements of the State System members, as well as the State and participating governmental employees are established and may be amended by the Board of Trustees for the State System. Benefits are provided in accordance with State statutes.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Funding Policy (Continued)**

The State makes a substantial portion of the Board's annual required contributions to the State System on behalf of the Board. The State's contributions on behalf of the Board for the years ended June 30, 2006, 2005, and 2004 amounted to \$12,180,637, \$11,582,831, and \$10,883,129, respectively. The fiscal 2006 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses on the Statement of Activities.

The Board made its share of the required contributions during the years ended June 30, 2006, 2005, and 2004 of \$1,130,506, \$1,081,932, and \$679,496, respectively.

The contributions are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability over a 40-year period (as provided by law) from July 1, 1980.

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The Board provides medical benefits to retirees pursuant to two medical benefit plans for retired employees based on negotiated agreements with various bargaining groups. For retirees over the age of 65 who retired prior to September 1, 1988, the percentage of the premium paid by the Board is dependent upon the retiree's years of service and ranges from 10% to 100%. For retirees who retired after September 1, 1988, the percentage of the premium paid by the Board is dependent upon the retiree's years of service and ranges from 0% to 100%. These percentages are applied to premiums established annually by the Board for individual, husband/wife, parent/child, and family coverages. Only Carroll County Board of Education years of service are considered. The employer's contributions are financed on a pay-as-you-go basis and the future payment of these benefits is contingent upon the annual approval of the operating budget. The medical benefits paid by the Board for the year ended June 30, 2006 were \$1,404,317. As of June 30, 2006, 702 eligible participants were receiving benefits.

The Board has not assessed the impact on its financial position or results of operations of implementing GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will be effective for the Board in fiscal year 2008. It will require prospective recognition of the cost of these benefits as they are earned rather than as they are paid in the government-wide and proprietary and fiduciary fund financial statements. Recognition in governmental fund financial statements will be on the modified accrual basis.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 9 – LITIGATION AND CONTINGENCIES**

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

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

**NOTE 10 – RISK MANAGEMENT**

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

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

The Board has also established limited risk management programs for healthcare insurance. In the past, healthcare insurance was covered by a third party carrier. Effective January 1, 1998, the Board, with Aetna U.S. Healthcare, established a new arrangement of providing coverage for future medical claims. Effective July 1, 2005, employees contribute 15% towards this coverage. Deposits are made by the Board into a bank account used only for payments resulting from health insurance claims.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At June 30, 2006, liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated by an actuary based on the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The estimate of the claims liability also includes amounts for non-incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation are another component of the claims liability estimate. The liability for claims and judgments is reported in the General Fund. Changes in the balances of claims liabilities are as follows:

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 10 – RISK MANAGEMENT (CONTINUED)**

	<b>Year Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>ACCRUED HEALTH CLAIMS</b>		
Unpaid claims at beginning of year	\$ 2,408,964	\$ 2,317,423
Incurred claims (including IBNR)	24,675,299	21,400,694
Claim payments	<u>(24,161,735)</u>	<u>(21,309,153)</u>
<b>UNPAID CLAIMS AT END OF YEAR</b>	<u>\$ 2,922,528</u>	<u>\$ 2,408,964</u>

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variances Positive (Negative) Final Budget To Actual</u>
<b>REVENUES</b>				
Local sources	\$ 135,585,160	\$ 135,806,760	\$ 135,806,760	\$ -
State sources	112,073,349	112,909,088	112,052,465	(856,623)
Federal sources	14,041,780	14,927,652	12,248,344	(2,679,308)
Other revenues	2,109,781	2,903,481	2,442,677	(460,804)
Total revenues	<u>263,810,070</u>	<u>266,546,981</u>	<u>262,550,246</u>	<u>(3,996,735)</u>
<b>EXPENDITURES</b>				
Administration	5,076,585	5,259,719	5,128,289	131,430
Instructional salaries	109,174,665	107,739,666	106,538,013	1,201,653
Student personnel services	1,161,693	1,193,693	1,179,554	14,139
Student health services	2,520,070	2,485,912	2,391,438	94,474
Student transportation services	16,908,247	16,487,769	16,462,297	25,472
Operation of plant	19,043,452	20,829,240	20,610,339	218,901
Maintenance of plant	5,915,739	7,001,480	6,974,746	26,734
Fixed charges	41,229,472	39,568,865	39,450,539	118,326
Community services	351,380	370,761	287,256	83,505
Capital outlay	747,256	1,019,256	1,014,078	5,178
Mid-level administration	20,098,311	20,426,644	20,366,063	60,581
Special education	30,516,649	31,411,955	29,945,697	1,466,258
Instructional textbooks/supplies	8,011,519	8,591,455	8,318,164	273,291
Other instructional costs	3,055,032	4,160,566	3,520,443	640,123
Total expenditures	<u>263,810,070</u>	<u>266,546,981</u>	<u>262,186,916</u>	<u>4,360,065</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>363,330</u>	<u>(363,330)</u>
<b>FUND BALANCE AT JUNE 30, 2005</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to County	<u>-</u>	<u>-</u>	<u>(363,330)</u>	<u>363,330</u>
<b>FUND BALANCE AT JUNE 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2006**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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

**NOTE 2 – BUDGETARY TO GAAP RECONCILIATION**

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

**BUDGETARY GENERAL FUND**

Revenues (non-GAAP budgetary basis)	\$ 262,550,246
Increase in fiscal year revenues generated by fiscal year changes in encumbrances of expenditure driven grants	(143,270)
Prior year non-GAAP fund balance transferred to County	(205,489)
State pension payments	<u>12,180,637</u>
<b>Revenues and other financing sources (GAAP basis)</b>	<b><u>\$ 274,382,124</u></b>
Expenditures (non-GAAP budgetary basis)	\$ 262,186,916
Encumbrance adjustment, net	(1,567,274)
State pension payments	12,180,637
Expenditures financed through capital leases	<u>941,406</u>
<b>Expenditures (GAAP basis)</b>	<b><u>\$ 273,741,685</u></b>



**OTHER SUPPLEMENTARY INFORMATION**

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**(NON-GAAP BUDGETARY BASIS)**  
**June 30, 2006**

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Local Sources</b>			
Carroll County Government	\$ 135,806,760	\$ 135,806,760	\$ -
<b>State of Maryland</b>			
State share of current expense	88,992,764	88,992,764	-
Pupil transportation	7,119,697	7,119,697	-
Special Education	5,878,648	5,878,648	-
Compensatory Education	5,228,585	5,228,585	-
Handicapped Non-Public Placement	3,290,000	3,200,259	(89,741)
Judy Center	431,456	358,847	(72,609)
Aging Schools	356,711	356,711	-
Limited English Proficient	266,166	266,166	-
Infant and Toddlers Program	165,589	165,589	-
EEEP	150,203	150,203	-
Adult Education and Literacy Services	114,694	114,694	-
Other state	914,575	220,302	(694,273)
Total state	<u>112,909,088</u>	<u>112,052,465</u>	<u>(856,623)</u>
<b>United States Government</b>			
Special Education	6,375,872	6,145,230	(230,642)
Medical Assistance Program	2,591,696	1,165,404	(1,426,292)
Title I Grants to Local Educational Agencies	1,698,026	1,161,431	(536,595)
Twenty-First Century Community Learning Centers	1,353,467	993,048	(360,419)
Improving Teacher Quality State Grants	819,476	716,414	(103,062)
Career and Technology Education	337,070	333,705	(3,365)
Adult Education - State Grant Program	332,381	301,373	(31,008)
Fund for the Improvement of Education	339,730	288,078	(51,652)
Innovative Education Program Strategies	281,649	274,698	(6,951)
Education Technology State Grants	232,295	135,536	(96,759)
Other federal revenue	565,990	733,427	167,437
Total federal	<u>14,927,652</u>	<u>12,248,344</u>	<u>(2,679,308)</u>
<b>Miscellaneous</b>			
Rebates	135,000	189,204	54,204
Medicare Part D rebate	-	186,873	186,873
Sale of surplus equipment	11,000	18,442	7,442
Other miscellaneous	-	10,376	10,376
Total miscellaneous	<u>146,000</u>	<u>404,895</u>	<u>258,895</u>
<b>Local</b>			
Tuition and fees:			
Athletic fees	286,300	305,455	19,155
Summer school	166,917	86,683	(80,234)
Outdoor school	132,000	118,581	(13,419)
Nonresident pupils	11,000	4,786	(6,214)
Adult education	9,201	7,985	(1,216)
Other tuition	21,519	7,810	(13,709)
Rental of school facilities	361,798	310,028	(51,770)
Interest income	495,000	498,071	3,071
Other local	1,131,246	555,640	(575,606)
Total local	<u>2,614,981</u>	<u>1,895,039</u>	<u>(719,942)</u>
<b>Incoming Transfers</b>			
From other school units within Maryland	7,500	-	(7,500)
From other school units outside Maryland	135,000	142,743	7,743
Total transfers	<u>142,500</u>	<u>142,743</u>	<u>243</u>
<b>TOTAL REVENUES</b>	<u>\$ 266,546,981</u>	<u>\$ 262,550,246</u>	<u>\$ (3,996,735)</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**(NON-GAAP BUDGETARY BASIS)**  
**June 30, 2006**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Administration</b>			
Salaries	\$ 3,550,571	\$ 3,538,138	\$ 12,433
Contracted services	777,627	613,661	163,966
Materials and supplies	166,655	142,817	23,838
Other charges	368,498	419,356	(50,858)
Equipment - additional	6,000	14,746	(8,746)
Equipment - replacement	135,000	399,551	(264,551)
Transfer (indirect cost recovery)	255,368	20	255,348
	<u>5,259,719</u>	<u>5,128,289</u>	<u>131,430</u>
<b>Mid-Level Administration</b>			
Salaries	18,519,977	18,852,790	(332,813)
Contracted services	305,043	237,776	67,267
Materials and supplies	617,671	477,649	140,022
Other charges	929,020	728,634	200,386
Equipment - additional	28,708	49,280	(20,572)
Equipment - replacement	26,225	19,934	6,291
	<u>20,426,644</u>	<u>20,366,063</u>	<u>60,581</u>
<b>Instructional Salaries</b>			
Regular	101,683,830	97,853,847	3,829,983
Hourly	5,425,811	4,526,031	899,780
Add-ons, team leaders, dept chair	1,336,984	1,336,736	248
Substitutes	2,555,109	2,301,428	253,681
Other	550,826	519,971	30,855
Hiring turnover	(3,812,894)	-	(3,812,894)
	<u>107,739,666</u>	<u>106,538,013</u>	<u>1,201,653</u>
<b>Textbooks and Instructional Supplies</b>			
Textbooks	1,324,119	1,334,516	(10,397)
Library media	1,250,476	1,416,769	(166,293)
Computer supplies	1,371,786	964,710	407,076
General supplies	4,134,525	4,100,149	34,376
Other	510,549	502,020	8,529
	<u>8,591,455</u>	<u>8,318,164</u>	<u>273,291</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**(NON-GAAP BUDGETARY BASIS)**  
**June 30, 2006**  
**(CONTINUED)**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Instructional Costs</b>			
Contracted services	\$ 1,656,290	\$ 1,375,389	\$ 280,901
Other charges	652,657	510,461	142,196
Equipment - additional	497,886	599,584	(101,698)
Equipment - replacement	1,100,271	822,982	277,289
Transfers to MD/LEA	55,725	55,605	120
Other outgoing transfers	197,737	156,422	41,315
	<u>4,160,566</u>	<u>3,520,443</u>	<u>640,123</u>
Total other instructional costs			
<b>Student Personnel Services</b>			
Salaries	1,053,689	1,033,193	20,496
Contracted services	105,196	98,159	7,037
Materials and supplies	14,789	15,267	(478)
Other charges	8,019	4,993	3,026
Equipment - additional	-	3,250	(3,250)
Equipment - replacement	12,000	24,692	(12,692)
	<u>1,193,693</u>	<u>1,179,554</u>	<u>14,139</u>
Total student personnel services			
<b>Health Services</b>			
Salaries	2,393,859	2,256,722	137,137
Contracted services	39,122	37,901	1,221
Materials and supplies	92,934	86,897	6,037
Other charges	(50,340)	9,803	(60,143)
Equipment - additional	10,337	-	10,337
Other outgoing transfers	-	115	(115)
	<u>2,485,912</u>	<u>2,391,438</u>	<u>94,474</u>
Total health services			
<b>Transportation of Pupils</b>			
Salaries	1,316,963	1,164,280	152,683
Contracted services	14,917,449	14,858,134	59,315
Materials and supplies	16,297	20,189	(3,892)
Other charges	235,734	245,972	(10,238)
Equipment - additional	-	19,737	(19,737)
Equipment - replacement	1,326	153,985	(152,659)
	<u>16,487,769</u>	<u>16,462,297</u>	<u>25,472</u>
Total transportation of pupils			

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**(NON-GAAP BUDGETARY BASIS)**  
**June 30, 2006**  
**(CONTINUED)**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operation of Plant</b>			
Salaries	\$ 9,494,419	\$ 9,578,869	\$ (84,450)
Contracted services:			
Rent	1,345,062	1,357,895	(12,833)
Repair of equipment	487,798	479,768	8,030
Other	457,800	380,043	77,757
Supplies	609,467	571,204	38,263
Telephone	465,000	303,018	161,982
Gas and electric	6,046,779	5,882,622	164,157
Heating fuels	683,946	730,066	(46,120)
Water and sewage	710,932	679,003	31,929
Insurance	368,783	317,602	51,181
Other	50,174	43,453	6,721
Equipment - additional	71,500	170,147	(98,647)
Equipment - replacement	37,580	116,649	(79,069)
Total operation of plant	<u>20,829,240</u>	<u>20,610,339</u>	<u>218,901</u>
<b>Maintenance of Plant</b>			
Salaries	2,516,022	2,492,900	23,122
Contracted services:			
Repair of equipment	71,500	33,345	38,155
Repair of vehicles	66,214	70,566	(4,352)
Improvements to grounds	162,700	419,783	(257,083)
Improvements to buildings	1,837,610	1,768,361	69,249
Other	140,611	99,644	40,967
Materials and supplies	1,270,470	967,411	303,059
Other charges	161,109	147,228	13,881
Equipment - additional	52,100	63,115	(11,015)
Equipment - replacement	723,144	912,393	(189,249)
Total maintenance of plant	<u>7,001,480</u>	<u>6,974,746</u>	<u>26,734</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**(NON-GAAP BUDGETARY BASIS)**  
**June 30, 2006**  
**(CONTINUED)**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Fixed Charges</b>			
Medical insurance	\$ 19,019,963	\$ 19,300,400	\$ (280,437)
Social Security taxes	12,645,093	12,567,544	77,549
Employee retirement	1,642,212	1,403,520	238,692
Workmen's compensation	903,850	984,421	(80,571)
Sick leave conversion	1,185,000	1,140,874	44,126
Life insurance	165,391	221,725	(56,334)
Optical insurance	180,628	164,902	15,726
Dental insurance	845,363	626,796	218,567
Unemployment insurance	40,000	57,698	(17,698)
Property and liability insurance	219,431	213,567	5,864
Tuition reimbursement	795,134	869,054	(73,920)
Retiree health insurance	1,496,531	1,414,317	82,214
Flex benefit administration	75,000	87,408	(12,408)
Other	355,269	398,313	(43,044)
Total fixed charges	<u>39,568,865</u>	<u>39,450,539</u>	<u>118,326</u>
<b>Community Services</b>			
Salaries	272,806	259,024	13,782
Contract services	4,000	4,978	(978)
Supplies	16,899	10,930	5,969
Other charges	69,856	5,945	63,911
Equipment - additional	7,200	6,379	821
Total community services	<u>370,761</u>	<u>287,256</u>	<u>83,505</u>
<b>Special Education Services</b>			
Salaries	23,223,687	21,929,494	1,294,193
Contracted services	845,967	808,676	37,291
Materials and supplies	351,260	410,842	(59,582)
Other charges	215,151	169,214	45,937
Equipment - additional	64,654	154,443	(89,789)
Equipment - replacement	6,200	1,301	4,899
Transfers to Maryland LEA	39,000	84,946	(45,946)
Other transfers	6,666,036	6,386,781	279,255
Total special education services	<u>31,411,955</u>	<u>29,945,697</u>	<u>1,466,258</u>
<b>Capital Outlay</b>			
Salaries	649,306	634,055	15,251
Contracted services	351,000	355,660	(4,660)
Materials and supplies	3,700	6,248	(2,548)
Other charges	12,250	15,477	(3,227)
Equipment - replacement	3,000	2,638	362
Total capital outlay	<u>1,019,256</u>	<u>1,014,078</u>	<u>5,178</u>
<b>TOTAL CURRENT EXPENDITURES</b>	<u><u>\$ 266,546,981</u></u>	<u><u>\$ 262,186,916</u></u>	<u><u>\$ 4,360,065</u></u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**FOOD SERVICE FUND**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)**  
**June 30, 2006 and 2005**

	<u>Year Ended June 30, 2006</u>			<u>Year Ended June 30, 2005</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Percent of Total Revenue</u>	<u>Budget</u>	<u>Actual</u>	<u>Percent of Total Revenue</u>
<b>Revenues</b>						
Food sales:						
Lunches	\$ 3,829,633	\$ 3,381,781	53.8%	\$ 3,589,159	\$ 3,245,377	53.8%
Breakfasts	40,546	86,546	1.4%	38,000	70,695	1.2%
A La Carte	1,438,711	729,345	11.6%	1,350,000	731,716	12.1%
Milk	106,700	65,507	1.0%	100,000	67,607	1.1%
Federal reimbursement of portion of food costs	1,186,504	1,355,312	21.6%	1,110,000	1,258,441	20.9%
USDA commodities	426,800	403,151	6.4%	400,000	422,222	7.0%
State reimbursement of portion of food costs	64,020	46,633	0.7%	62,000	59,346	1.0%
Income from investments	5,335	35,171	0.6%	5,000	14,652	0.2%
Rebates on food purchases	64,020	34,729	0.6%	60,000	39,722	0.6%
Miscellaneous	140,504	145,654	2.3%	133,000	123,777	2.1%
<b>Total revenues</b>	<u>\$ 7,302,773</u>	<u>6,283,829</u>	<u>100.0%</u>	<u>\$ 6,847,159</u>	<u>6,033,555</u>	<u>100.0%</u>
<b>Expenditures</b>						
Cost of food sold	\$ 2,975,100	2,246,931	35.7%	\$ 2,700,100	2,233,428	37.0%
Salary and wages	3,903,648	3,609,469	57.4%	3,693,109	3,433,743	56.8%
Other supplies	289,250	262,545	4.2%	307,250	260,103	4.3%
Contracted services	5,450	974	0.0%	10,750	277	0.0%
Other charges	27,725	31,998	0.5%	38,050	25,120	0.4%
Equipment	101,600	136,166	2.2%	97,900	90,189	1.5%
<b>Total expenditures</b>	<u>\$ 7,302,773</u>	<u>6,288,083</u>	<u>100.0%</u>	<u>\$ 6,847,159</u>	<u>6,042,860</u>	<u>100.0%</u>
<b>Deficiency of revenues over expenditures</b>		<u>\$ (4,254)</u>	<u>0.0%</u>		<u>\$ (9,305)</u>	<u>0.0%</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**FOOD SERVICE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BY SCHOOL (NON-GAAP BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2006**

School	Revenues	Cost of Food Sold	Cafeteria Workers' Payroll	Other	Excess Revenues (Deficiency) Over Expenditures
Taneytown Elementary School	\$ 161,689	\$ 51,405	\$ 80,476	\$ 14,581	\$ 15,227
Northwest Middle School	199,925	67,642	112,140	17,494	2,649
Francis Scott Key High School	329,166	125,784	110,970	25,878	66,533
Runnymede Elementary School	142,187	49,764	83,776	16,256	(7,608)
Charles Carroll Elementary School	96,304	32,263	73,072	7,389	(16,420)
Sandymount Elementary School	101,722	31,594	80,890	7,733	(18,495)
Mechanicsville Elementary School	115,402	42,564	77,425	8,721	(13,308)
Eldersburg Elementary School	108,247	37,194	71,182	8,308	(8,436)
Linton Springs Elementary School	137,515	46,991	90,018	11,705	(11,199)
Sykesville Middle School	181,920	67,366	81,867	16,538	16,149
Freedom Elementary School	104,801	35,951	70,618	11,604	(13,372)
Carrolltowne Elementary School	83,564	29,531	71,536	7,553	(25,057)
Liberty High School	191,468	73,532	109,231	18,265	(9,560)
Oklahoma Road Middle School	162,176	59,742	82,822	15,620	3,993
Piney Ridge Elementary School	120,086	41,035	72,464	11,758	(5,171)
Manchester Elementary School	155,042	48,518	89,334	11,906	5,283
West Middle School	207,440	70,804	98,285	15,772	22,579
Winters Mill High School	297,690	108,447	130,327	23,843	35,073
William Winchester Elementary School	137,255	43,829	77,013	11,832	4,581
Westminster High School	634,710	236,333	351,621	57,039	(10,283)
North Carroll Middle School	138,909	46,659	80,248	13,052	(1,050)
Hampstead Elementary School	125,889	43,774	78,300	10,332	(6,517)
North Carroll High School	348,193	126,006	137,179	30,001	55,007
Spring Garden Elementary School	123,767	41,028	73,113	11,995	(2,369)
Shiloh Middle School	188,492	64,835	84,155	17,372	22,130
Winfield Elementary School	135,236	51,590	65,968	12,125	5,553
New Windsor Middle School	131,807	50,602	57,371	14,033	9,801
Elmer Wolfe Elementary School	111,302	34,095	70,684	9,693	(3,171)
Parr's Ridge Elementary School	83,515	36,718	63,729	8,525	(25,457)
Mt. Airy Elementary School	74,734	25,075	67,449	7,601	(25,391)
Mt. Airy Middle School	107,823	41,875	73,873	7,974	(15,899)
South Carroll High School	237,657	87,897	138,213	19,356	(7,809)
Food Services - unallocated	-	471	192,229	(121,436)	(71,264)
Century High School	305,485	132,778	122,904	26,736	23,067
Westminster Elementary School	131,268	43,604	65,113	11,780	10,771
Robert Moton Elementary	145,421	46,056	78,373	12,039	8,954
Friendship Valley Elementary School	89,959	28,664	73,132	8,524	(20,361)
Cranberry Station Elementary School	136,063	44,915	72,369	12,186	6,593
<b>Total</b>	<b>\$ 6,283,829</b>	<b>\$ 2,246,931</b>	<b>\$ 3,609,469</b>	<b>\$ 431,683</b>	<b>\$ (4,254)</b>



**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHOOL FUND**  
**SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS PAYABLE**  
**(NON-GAAP BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2006**

School	Organization Funds			Other Funds		
	Balance July 1, 2005	Net Change		Balance July 1, 2005	Net Change	
		For Year Increase (Decrease)	Balance June 30, 2006		For Year Increase (Decrease)	Balance June 30, 2006
Taneytown Elementary School	\$ 18,013	\$ 8,851	\$ 26,864	\$ 2,537	\$ 8	\$ 2,545
Northwest Middle School	35,674	888	36,562	11,575	1,522	13,097
Francis Scott Key High School	83,512	(4,653)	78,859	18,082	(4,224)	13,858
Runnymede Elementary School	6,691	488	7,179	7,245	(454)	6,791
Charles Carroll Elementary School	9,190	(942)	8,248	-	3,294	3,294
Sandymount Elementary School	8,267	5,421	13,688	3,809	899	4,708
Mechanicsville Elementary School	1,121	6,885	8,006	11,795	1,813	13,608
Eldersburg Elementary School	1,777	1,564	3,341	19,420	2,646	22,066
Linton Springs Elementary School	10,644	8,162	18,806	105	-	105
Sykesville Middle School	24,338	9,287	33,625	6,769	6,495	13,264
Freedom Elementary School	28,243	3,557	31,800	20,904	5,872	26,776
Carrolltowne Elementary School	11,353	6,549	17,902	9,787	4,457	14,244
Liberty High School	95,667	7,929	103,596	2,426	-	2,426
Oklahoma Road Middle School	47,212	12,445	59,657	5,525	3,642	9,167
Piney Ridge Elementary School	48,664	32,527	81,191	-	-	-
Manchester Elementary School	6,335	6,678	13,013	220	(2,492)	(2,272)
East Middle School	13,793	11,532	25,325	1,864	1,533	3,397
West Middle School	107,542	(248)	107,294	52,920	(12,550)	40,370
Winters Mill High School	131,016	(33,623)	97,393	20,291	21,817	42,108
William Winchester Elementary School	18,632	(2,527)	16,105	4,824	220	5,044
Westminster High School	120,270	44,904	165,174	690	1,462	2,152
C C Career & Technology Center	8,222	17,552	25,774	(3,908)	10,915	7,007
North Carroll Middle School	33,268	(1,373)	31,895	3,105	-	3,105
Hampstead Elementary School	20,304	4,714	25,018	-	-	-
North Carroll High School	171,082	(7,030)	164,052	824	645	1,469
Spring Garden Elementary School	28,581	14,750	43,331	12,700	(6,404)	6,296
Shiloh Middle School	22,744	24,402	47,146	224	-	224
Winfield Elementary School	10,911	(1,638)	9,273	15,830	(1,288)	14,542
New Windsor Middle School	32,403	(8,669)	23,734	4,297	2,331	6,628
Elmer Wolfe Elementary School	9,017	(409)	8,608	543	(2,932)	(2,389)
Parr's Ridge Elementary School	185	3,521	3,706	(60)	2,225	2,165
Mt. Airy Elementary School	8,981	(2,311)	6,670	9,115	3,455	12,570
Mt. Airy Middle School	33,356	(2,495)	30,861	8,598	7,921	16,519
South Carroll High School	(23,338)	(44,970)	(68,308)	8,443	10,751	19,194
Century High School	140,897	(53,146)	87,751	66,798	(28,063)	38,735
Westminster Elementary School	11,611	1,944	13,555	19,620	(5,721)	13,899
Robert Moton Elementary	8,843	(4,119)	4,724	3	(44)	(41)
Carroll Springs School	11,737	(334)	11,403	21	1	22
Friendship Valley Elementary School	15,292	(172)	15,120	-	2,850	2,850
Cranberry Station Elementary School	11,359	(580)	10,779	3,589	651	4,240
Gateway School	2,679	129	2,808	4,441	(84)	4,357
<b>Total</b>	<b>\$ 1,386,088</b>	<b>\$ 65,440</b>	<b>\$ 1,451,528</b>	<b>\$ 354,971</b>	<b>\$ 33,169</b>	<b>\$ 388,140</b>

**SINGLE AUDIT SECTION**

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2006**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Direct Programs:			
Fund for the Improvement of Education	84.215	S215L022177	\$ 288,078
Passed through Maryland State Department of Education:			
Adult Education - State Grant Program	84.002	600386-04	47,216
Adult Education - State Grant Program	84.002	600386-05	279
Adult Education - State Grant Program	84.002	600386-06	26,200
Adult Education - State Grant Program	84.002	600386-07	111,101
Adult Education - State Grant Program	84.002	600386-08	15,347
Adult Education - State Grant Program	84.002	600386-09	14,119
Adult Education - State Grant Program	84.002	600386-10	87,111
			<u>301,373</u>
Title I Grants to Local Educational Agencies	84.010	500363-01	235,604
Title I Grants to Local Educational Agencies	84.010	500364-01	21,748
Title I Grants to Local Educational Agencies	84.010	600355-01	141,614
Title I Grants to Local Educational Agencies	84.010	600539-01	869,316
Title I Grants to Local Educational Agencies	84.010	601053-01	49,725
Title I Grants to Local Educational Agencies	84.010	601784-01	6,786
			<u>1,324,793</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	500814-01	10,844
Special Education - Grants to States	84.027	600294-01	4,681,479
Special Education - Grants to States	84.027	600294-02	18,500
Special Education - Grants to States	84.027	600294-03	22,091
Special Education - Grants to States	84.027	600294-04	100,981
Special Education - Preschool Grants	84.173	600294-05	177,614
Special Education - Grants to States	84.027	600626-01	15,000
Special Education - Grants to States	84.027	600655-01	40,000
Special Education - Grants to States	84.027	600666-01	9,000
Special Education - Grants to States	84.027	601304-03	28,726
Special Education - Preschool Grants	84.173	601304-04	5,957
Special Education - Grants to States	84.027	601770-01	848,128
			<u>5,958,320</u>
Vocational Education - Basic Grants to States	84.048	600597-01	199,070
Vocational Education - Basic Grants to States	84.048	601748-01	15,000
Vocational Education - Basic Grants to States	84.048	601748-02	7,627
			<u>221,697</u>
Special Education - Grants for Infants and Families with Disabilities	84.181	601304-01	4,453
Special Education - Grants for Infants and Families with Disabilities	84.181	601304-02	182,458
			<u>186,911</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	R00P5201362	39,735
Safe and Drug-Free Schools and Communities - National Programs	84.184	R00P5205183	88,423
			<u>128,158</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	500367-01	64,870
Safe and Drug-Free Schools and Communities - State Grants	84.186	600513-01	14,387
			<u>79,257</u>
Even Start - State Educational Agencies	84.213	500982-01	2,144

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2006**  
(Continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Grant Number	Federal Expenditures
Fund for the Improvement of Education	84.215	500902-01	\$ 62,215
Fund for the Improvement of Education	84.215	601264-01	74,254
			<u>136,469</u>
Tech-Prep Education	84.243	600941-01	112,009
Twenty-First Century Community Learning Centers	84.287	500668-01	115,418
Twenty-First Century Community Learning Centers	84.287	501686-01	356,379
Twenty-First Century Community Learning Centers	84.287	600965-01	294,834
Twenty-First Century Community Learning Centers	84.287	602253-01	226,417
			<u>993,048</u>
State Grants for Innovative Programs	84.298	500368-02	34,342
State Grants for Innovative Programs	84.298	600439-01	61,108
State Grants for Innovative Programs	84.298	600439-02	179,248
			<u>274,698</u>
Education Technology State Grants	84.318	500846-01	107,501
Education Technology State Grants	84.318	601024-02	12,793
Education Technology State Grants	84.318	via Baltimore Co.	6,545
Education Technology State Grants	84.318	via Baltimore Co.	6,433
Education Technology State Grants	84.318	via Montgomery Co.	2,034
Education Technology State Grants	84.318	via Montgomery Co.	1,215
Education Technology State Grants	84.318	via Montgomery Co.	229
			<u>136,750</u>
Comprehensive School Reform Demonstration	84.332	401802-01	(10,547)
Comprehensive School Reform Demonstration	84.332	500969-02	30,160
Comprehensive School Reform Demonstration	84.332	500975-01	5,984
			<u>25,597</u>
English Language Acquisition Grants	84.365	600491-01	20,182
Mathematics & Science Partnerships	84.366	401663-01	56,575
Mathematics & Science Partnerships	84.366	600351-01	5,398
			<u>61,973</u>
Improving Teacher Quality State Grants	84.367	500365-01	292,971
Improving Teacher Quality State Grants	84.367	600465-01	423,443
			<u>716,414</u>
Hurricane Education Recovery	84.938	602018-01	28,000
<b>Total U.S. Department of Education</b>			<u><u>\$ 10,995,871</u></u>
<b>U.S. Department of Agriculture</b>			
Passed through Maryland State Department of Education:			
Food Donation	10.550	n/a	\$ 431,544
Child Nutrition Cluster:			
School Breakfast Program	10.553	n/a	151,583
National School Lunch Program	10.555	n/a	469,887
National School Lunch Program	10.555	n/a	734,278
Special Milk Program for Children	10.556	n/a	17
			<u>1,355,765</u>
<b>Total U.S. Department of Agriculture</b>			<u><u>\$ 1,787,309</u></u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2006**  
(Continued)

<b>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Commerce</b>			
Passed through Chesapeake Bay Trust			
Chesapeake Bay Studies	11.457	8175	\$ 463
<b>Total U.S. Department of Commerce</b>			<u>\$ 463</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Maryland State Department of Education:			
Preventive Health and Health Services Block Grant	93.991	600338-01	\$ 14,237
<b>Total U.S. Department of Health and Human Services</b>			<u>\$ 14,237</u>
<b>U.S. Department of Interior</b>			
Passed through Maryland State Department of Natural Resources:			
Sport Fish Restoration	15.605	K00P5200900	\$ 1,100
Sport Fish Restoration	15.605	K00P6201064	3,003
			<u>4,103</u>
<b>Total U.S. Department of Interior</b>			<u>\$ 4,103</u>
<b>U.S. Department of Labor</b>			
Passed through Maryland State Department of Labor, Licensing and Regulation Through Carroll County Government:			
WIA Youth Activities	17.259	n/a	\$ 9,938
<b>Total U.S. Department of Labor</b>			<u>\$ 9,938</u>
<b>U.S. National Science Foundation</b>			
Passed through Community Colleges of Baltimore County:			
Education and Human Resources	47.076	n/a	\$ 1,800
<b>Total U.S. National Science Foundation</b>			<u>\$ 1,800</u>
<b>U.S. Corporation for National and Community Service</b>			
Passed through Maryland State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	500876-01	\$ 1,621
Learn and Serve America - School and Community Based Programs	94.004	601004-02/3	18,419
			<u>20,040</u>
Passed through Maryland State Department of Education:			
Youth Ready to Respond	94.004	n/a	24,546
Youth Ready to Respond	94.004	n/a	11,944
			<u>36,490</u>
<b>Total U.S. Corporation for National and Community Service</b>			<u>\$ 56,530</u>
<b>Total Federal Expenditures</b>			<u>\$ 12,870,251</u>

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2006**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Board of Education of Carroll County (the Board) for the year ended June 30, 2006.

**Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the modified accrual basis of accounting. This basis of accounting is fully described in Note 1 to the Board's basic financial statements.

**Food Commodities**

The value of food commodities donated by the United States Department of Agriculture (the Department) is determined by the Department and is included in revenues and expenditures in the year received.

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2006**

**NOTE 1 – RELATION TO GENERAL PURPOSE FINANCIAL STATEMENTS AND  
FINANCIAL FEDERAL REPORTS**

The following schedule reconciles the amount per the financial statements to the amounts per the Schedule of Expenditures of Federal Awards for the year ended June 30, 2006:

	<b>Food Service Fund</b>	<b>General Fund</b>	<b>Total</b>
<b>REVENUE</b>			
<b>BALANCE PER FINANCIAL STATEMENTS</b>			
Federal revenues	\$ 1,758,380	\$ 12,248,344	\$ 14,006,724
<b>ADD</b>			
Miscellaneous adjustments			28,931
<b>LESS</b>			
Medical assistance revenue			<u>1,165,404</u>
<b>TOTAL PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 12,870,251</u>

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County as of and for the year ended June 30, 2006, which collectively comprise the Board of Education of Carroll County's basic financial statements and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board of Education of Carroll County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal controls over financial reporting that we did not consider to be material weaknesses and have reported these to management of the Board of Education of Carroll County in a separate letter dated September 1, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board of Education of Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our



audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Clifton Gundersen LLP*

Baltimore, Maryland  
September 1, 2006

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over Compliance and  
Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the Board of Education of Carroll County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Board of Education of Carroll County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board of Education of Carroll County's management. Our responsibility is to express an opinion on the Board of Education of Carroll County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Board of Education of Carroll County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board of Education of Carroll County's compliance with those requirements.

In our opinion, the Board of Education of Carroll County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## **Internal Control Over Compliance**

The management of the Board of Education of Carroll County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board of Education of Carroll County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Carroll County as of and for the year ended June 30, 2006, and have issued our report thereon dated September 1, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Carroll County basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Clifton Henderson LLP*

Baltimore, Maryland  
September 1, 2006

**BOARD OF EDUCATION OF CARROLL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	___	Yes	<u>X</u>	No
Reportable condition(s) identified that are not considered to be material weaknesses	___	Yes	<u>X</u>	None Reported
Noncompliance material to financial statements noted?	___	Yes	<u>X</u>	No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	___	Yes	<u>X</u>	No
Reportable condition(s) identified that are not considered to be material weaknesses	___	Yes	<u>X</u>	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___	Yes	<u>X</u>	No
--	-----	-----	----------	----

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.550	Food Donation
10.553/10.555/10.556	Child Nutrition Cluster
84.010	Title I
84.215	Funds for the Improvement of Education
84.287	21 <sup>st</sup> Century CLC
84.367	Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs	\$386,108
---	-----------

Auditee qualified as low-risk auditee?	<u>X</u>	Yes	___	No
--	----------	-----	-----	----

**BOARD OF EDUCATION OF CARROLL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2006**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY  
ACCEPTED GOVERNMENT AUDITING STANDARDS**

A. Reportable Conditions in Internal Control

None.

B. Compliance Findings

None.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**IV. PRIOR YEAR FINDINGS**

None.