

THE 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, 2005

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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, 2005, 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, 2005, 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, 2005 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 37 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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.

Clifton Gundersen LLP

Baltimore, Maryland
September 1, 2005

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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, 2005. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

The Board's 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, 2005**

Overview of the Financial Statements (continued)

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

| Type of Analysis | Government-Wide Financials | Governmental Fund Financials | Budgetary Basis |
|---|---|--|---|
| 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 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, 2005

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 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 not earmarked for specific student groups at individual schools.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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 \$39.9 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 87% of the school system's total assets. Current liabilities total \$35.5 million, of which over \$14.2 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 30th, the unpaid wages are reflected in this accrual. The Accrued Fringe portion of this balance is also primarily associated with the payments that will be made for 10-month staff members' during July and August. Noncurrent liabilities are over \$27.9 million and are predominantly tied to compensated absences for employees.

Condensed Statement of Net Assets

| | Governmental Activities June 30, 2005 | Governmental Activities June 30, 2004 |
|---|--|--|
| | <i>(In Millions)</i> | <i>(In Millions)</i> |
| Current and other assets | \$ 39.9 | \$ 32.2 |
| Capital assets | <u>296.4</u> | <u>274.1</u> |
| Total assets | <u>\$ 336.3</u> | <u>\$ 306.3</u> |
| Long-term debt outstanding | \$ 27.9 | \$ 18.6 |
| Other liabilities | <u>35.5</u> | <u>29.7</u> |
| Total liabilities | <u>\$ 63.4</u> | <u>\$ 48.3</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 287.0 | 273.7 |
| Restricted | 0.7 | 0.7 |
| Unrestricted deficit | <u>(14.8)</u> | <u>(16.4)</u> |
| Total net assets | <u>\$ 272.9</u> | <u>\$ 258.0</u> |

The school system's revenues exceeded expenses by \$14,962,231. 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, these amounting to \$34.6 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, 2005**

Financial Analysis of the School System as a Whole (continued)

Changes in Net Assets from Operating Results

| | Governmental Activities June 30, 2005 | Governmental Activities June 30, 2004 |
|---|--|--|
| | <i>(In Millions)</i> | <i>(In Millions)</i> |
| Revenues | | |
| Program revenues: | | |
| Charge for services | \$ 5.0 | \$ 4.9 |
| Operating grants and contributions | 34.8 | 18.9 |
| Capital grants and contributions | 23.6 | 18.3 |
| General revenues: | | |
| County government | 126.7 | 119.5 |
| State (unrestricted) | 80.4 | 87.5 |
| State pension aid | 11.6 | 10.9 |
| Other | <u>0.7</u> | <u>0.4</u> |
| Total revenues | <u>282.8</u> | <u>260.4</u> |
| Expenses | | |
| Instruction (regular and special education) | 193.2 | 175.7 |
| Administration (central and school) | 28.4 | 26.7 |
| Maintenance and operations | 20.2 | 26.2 |
| Transportation | 16.0 | 15.3 |
| Student services and health | 4.0 | 3.7 |
| Food services | <u>6.0</u> | <u>5.8</u> |
| Total expenses | <u>267.8</u> | <u>253.4</u> |
| Increase in net assets | <u>\$ 15.0</u> | <u>\$ 7.0</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 \$10.5 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. State and Federal Grants account for the Operating Grant revenues 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 \$267.8 million
- Some of the costs \$(5.0) million were financed by users of the school districts programs through fees for service
- The state and federal governments subsidized certain programs with grants and contributions totaling almost \$34.8 million

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Financial Analysis of the School System as a Whole (continued)

- Most of the district's costs, however, were financed by Carroll County and State of Maryland taxpayers
- Of that portion, \$126.7 million was associated with Carroll County government allocations
- The state and county governments financed \$23.6 million in principally capital asset purchases

Financial Analysis of the Board's Funds

In the general fund, revenues increased by 7.1% to \$16.8 million. The general fund increase is primarily attributable to a 6% increase in the appropriation from the County government. Much of this increase was necessary to fund the start up of the newly constructed Parr's Ridge Elementary School, 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 \$(9,305) for the year ended June 30, 2005 versus a net change in fund balance of \$32,151 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 \$498,773 and a reserve for prepaids of approximately \$654,600.

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 \$205,489. This fund balance will be returned to the County Commissioners of Carroll County.

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 \$4.2 million. Nearly a \$4.4 million shortfall was within the restricted portion, illustrating grants that cross into fiscal year 2005.

BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Budgetary Highlights (continued)

Specific examples include Smaller Learning Communities with deferred revenue of \$513,467 and Special Education and Medical Assistance with deferred revenue of \$1.6 million. These revenues will be deferred to fiscal year 2006 to continue using the funding to offset fiscal year 2006 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 2005, 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 2005 were lower than actuarial projections, creating a surplus in those line items.

Capital Asset Administration

By the end of fiscal year 2005, the school system had invested over \$296 million in capital assets net of depreciation, predominantly buildings. Total depreciation expense for the year exceeded \$10.5 million, increasing accumulated depreciation on assets to \$118.4 million. Included in the Construction in Progress balance is the work completed on North Carroll Middle Renovations, and work completed on the new Parr's Ridge Elementary School. Student population has grown steadily over the past decade, necessitating the additional construction projects. Fiscal year 2006 capital budgets reflect another new Elementary School to be built in the Manchester area, over \$2.0 million in HVAC Improvements, and over \$10 million in funds to expand existing elementary schools to house all 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.
2. The State is mandating all day Kindergarten by July 2007. Several elementary schools with sufficient classroom capacity are implementing all day Kindergarten at the present time. The capital budget includes over \$10,700,000 in fiscal year 2006 for the necessary renovations to remaining elementary schools. Additional expense in the general fund will be required as additional kindergarten teachers, assistants, and supplies are needed annually.

**BOARD OF EDUCATION OF CARROLL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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 systems' 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

THE BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 11,971,709 |
| Investments | 1,151,123 |
| Accounts receivable | 448,481 |
| Due from other units of government | 25,372,994 |
| Inventory | 498,773 |
| Other current assets | <u>422,543</u> |
| Total current assets | <u>39,865,623</u> |
| NONCURRENT ASSETS | |
| Capital assets | 414,818,147 |
| Less: accumulated depreciation | <u>118,389,120</u> |
| Total noncurrent assets | <u>296,429,027</u> |
| Total assets | <u>336,294,650</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 9,137,744 |
| Accrued salaries and fringes | 14,170,426 |
| Accrued health claims | 2,408,964 |
| Accrued expenses | 5,092,566 |
| Accrued interest | 48,289 |
| Due to student groups | 1,453,718 |
| Due to other governments | 82,511 |
| Deferred revenue | 1,034,883 |
| Current portion of capital lease obligations | 688,559 |
| Current portion of compensated absences payable | <u>1,400,000</u> |
| Total current liabilities | <u>35,517,660</u> |
| NONCURRENT LIABILITIES | |
| Long-term portion of capital lease obligations | 8,724,883 |
| Long-term portion of compensated absences payable | <u>19,134,886</u> |
| Total noncurrent liabilities | <u>27,859,769</u> |
| Total liabilities | <u>63,377,429</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 287,015,585 |
| Restricted for: | |
| Food services | 659,039 |
| Unrestricted | <u>(14,757,403)</u> |
| TOTAL NET ASSETS | <u>\$ 272,917,221</u> |

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

THE BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

| | | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets |
|--|-----------------------|-------------------------|--|--|---|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| INSTRUCTION | | | | | |
| Regular education | \$ 159,166,189 | \$ 556,409 | \$ 14,642,200 | \$ 23,622,021 | \$(120,345,559) |
| Special education | <u>33,949,885</u> | <u>-</u> | <u>14,600,292</u> | <u>-</u> | <u>(19,349,593)</u> |
| Total instruction | <u>193,116,074</u> | <u>556,409</u> | <u>29,242,492</u> | <u>23,622,021</u> | <u>(139,695,152)</u> |
| SUPPORT SERVICES | | | | | |
| Administration | 5,369,542 | - | 256,015 | - | (5,113,527) |
| Mid-level administration | 22,918,806 | - | 3,160,700 | - | (19,758,106) |
| Student personnel services | 1,312,273 | - | - | - | (1,312,273) |
| Student health services | 2,695,658 | - | 43,946 | - | (2,651,712) |
| Student transportation services | 16,032,644 | - | 136,399 | - | (15,896,245) |
| Operation of plant | 12,792,039 | - | 671 | - | (12,791,368) |
| Maintenance of plant | 7,261,784 | - | - | - | (7,261,784) |
| Community services | 329,197 | 345,176 | 70,718 | - | 86,697 |
| Food services | <u>5,997,506</u> | <u>4,112,397</u> | <u>1,903,508</u> | <u>-</u> | <u>18,399</u> |
| Total support services | <u>74,709,449</u> | <u>4,457,573</u> | <u>5,571,957</u> | <u>-</u> | <u>(64,679,919)</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 267,825,523</u> | <u>\$ 5,013,982</u> | <u>\$ 34,814,449</u> | <u>\$ 23,622,021</u> | <u>204,375,071</u> |
| GENERAL REVENUES | | | | | |
| | | | | | 126,686,908 |
| | | | | | 91,954,871 |
| | | | | | 317,917 |
| | | | | | <u>377,606</u> |
| Total general revenues | | | | | <u>219,337,302</u> |
| Change in net assets | | | | | 14,962,231 |
| NET ASSETS, BEGINNING OF YEAR | | | | | <u>257,954,990</u> |
| NET ASSETS, END OF YEAR | | | | | <u>\$ 272,917,221</u> |

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

THE BOARD OF EDUCATION OF CARROLL COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

| | <u>General Fund</u> | <u>Food Services Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-----------------------------------|--------------------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,142,178 | \$ 8,945 | \$ - | \$ 11,971,709 |
| Investments | 11,971,709 | - | - | 1,151,123 |
| Accounts receivable | 444,599 | 3,882 | - | 448,481 |
| Due from other funds | 84,511 | 961,257 | - | 1,045,768 |
| Due from other units of government | 17,813,110 | 52,527 | 7,507,357 | 25,372,994 |
| Inventory | 341,065 | 157,708 | - | 498,773 |
| Other current assets | <u>654,642</u> | <u>-</u> | <u>-</u> | <u>654,642</u> |
| TOTAL ASSETS | <u>\$ 32,451,814</u> | <u>\$ 1,184,319</u> | <u>\$ 7,507,357</u> | <u>\$ 41,143,490</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,750,525 | \$ 40,886 | \$ 7,346,333 | \$ 9,137,744 |
| Accrued salaries and fringes | 13,700,830 | 469,596 | - | 14,170,426 |
| Accrued health claims | 2,408,964 | - | - | 2,408,964 |
| Accrued expenses | 5,092,566 | - | - | 5,092,566 |
| Due to other funds | 2,338,464 | - | 161,024 | 2,499,488 |
| Due to other governments | 82,511 | - | - | 82,511 |
| Deferred revenue | <u>1,020,085</u> | <u>14,798</u> | <u>-</u> | <u>1,034,883</u> |
| Total liabilities | <u>26,393,945</u> | <u>525,280</u> | <u>7,507,357</u> | <u>34,426,582</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | 4,605,593 | 99,725 | - | 4,705,318 |
| Unreserved: | | | | |
| Undesignated | <u>1,452,276</u> | <u>559,314</u> | <u>-</u> | <u>2,011,590</u> |
| Total fund balances | <u>6,057,869</u> | <u>659,039</u> | <u>-</u> | <u>6,716,908</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 32,451,814</u> | <u>\$ 1,184,319</u> | <u>\$ 7,507,357</u> | <u>\$ 41,143,490</u> |

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

**THE BOARD OF EDUCATION OF CARROLL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2005**

Total fund balances – governmental funds (page 14) \$ 6,716,908

**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 \$414,818,147, and the accumulated depreciation is \$118,389,120. 296,429,027

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 totaling \$29,948,328 and a prepayment of principal due July, 2005 of \$232,097. (30,180,425)

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) \$ 272,917,221

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

THE BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
Year Ended June 30, 2005

| | General Fund | Food Services Fund | Capital Projects Fund | Total Governmental Funds |
|---|-------------------------|-----------------------------------|--------------------------------------|---|
| REVENUES | | | | |
| INTERGOVERNMENTAL REVENUES | | | | |
| Local sources | \$ 126,487,887 | \$ - | \$ 11,792,626 | \$ 138,280,513 |
| State sources | 112,586,873 | 59,346 | 11,829,395 | 124,475,614 |
| Federal sources | 11,928,030 | 1,680,663 | - | 13,608,693 |
| Earnings on investments | 303,265 | 14,652 | - | 317,917 |
| Charges for services | 901,586 | 4,112,397 | - | 5,013,983 |
| Miscellaneous revenues | <u>929,530</u> | <u>163,499</u> | <u>-</u> | <u>1,093,029</u> |
| Total revenues | <u>253,137,171</u> | <u>6,030,557</u> | <u>23,622,021</u> | <u>282,789,749</u> |
| EXPENDITURES | | | | |
| CURRENT | | | | |
| Administration | 4,556,364 | - | - | 4,556,364 |
| Instruction | 118,765,510 | - | - | 118,765,510 |
| Student personnel services | 1,137,538 | - | - | 1,137,538 |
| Student health services | 2,218,435 | - | - | 2,218,435 |
| Student transportation services | 15,644,048 | - | - | 15,644,048 |
| Operation of plant | 18,239,375 | - | - | 18,239,375 |
| Maintenance of plant | 14,120,202 | - | - | 14,120,202 |
| Fixed charges | 35,283,840 | - | - | 35,283,840 |
| Mid-level administration | 19,440,079 | - | - | 19,440,079 |
| Community services | 309,132 | - | - | 309,132 |
| Special education | 29,140,505 | - | - | 29,140,505 |
| Costs of operation – food services | - | 6,025,031 | - | 6,025,031 |
| Capital outlay | <u>674,334</u> | <u>-</u> | <u>23,622,021</u> | <u>24,296,355</u> |
| Total expenditures | <u>259,529,362</u> | <u>6,025,031</u> | <u>23,622,021</u> | <u>289,176,414</u> |
| Excess of revenues over expenditures | <u>(6,392,191)</u> | <u>5,526</u> | <u>-</u> | <u>(6,386,665)</u> |
| OTHER FINANCING SOURCES | | | | |
| Capital lease financing | <u>9,414,126</u> | <u>-</u> | <u>-</u> | <u>9,414,126</u> |
| Total other financing sources | 9,414,126 | - | - | 9,414,126 |
| Net change in fund balances | 3,021,935 | 5,526 | - | 3,027,461 |
| FUND BALANCES, BEGINNING OF YEAR | <u>3,035,934</u> | <u>653,513</u> | <u>-</u> | <u>3,689,447</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 6,057,869</u> | <u>\$ 659,039</u> | <u>\$ -</u> | <u>\$ 6,716,908</u> |

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

**THE 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, 2005**

Total net change in fund balance – governmental funds (page 16) \$ 3,027,461

**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 \$32,891,547, exceeds depreciation expenses, \$10,523,374, in the period. \$ 22,368,173

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: (1,194,263)

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 by which principal payments on the lease obligation, \$205,639, were less than proceeds of the capital lease, \$9,414,126 in the period. (9,208,487)

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. (17,426)

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. (13,227)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 14,962,231
(PAGE 13)

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

THE BOARD OF EDUCATION OF CARROLL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

| | <u>Agency Fund</u> |
|---------------------------|------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 404,579 |
| Due from other funds | <u>1,453,718</u> |
| TOTAL ASSETS | <u>\$ 1,858,297</u> |
| LIABILITIES | |
| Accounts payable | \$ 117,241 |
| Due to student groups | <u>1,741,056</u> |
| TOTAL LIABILITIES | <u>\$ 1,858,297</u> |

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

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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 #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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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, as well as expenditures related to compensated absences, are recorded only when payment is due.

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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 Statements 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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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:

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

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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, 2005, since title does not pass to the Board until the commodities are used.

Compensated Absences Payable

The current portion of compensated absences payable 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 \$20,534,889 at June 30, 2005 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 in statements prepared in accordance with GAAP. The authorization for annual expenditures related to debt service emanate from the Carroll County Operating Budget Ordinance.

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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

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

Change in Accounting Principles

The Government Accounting Standards Board (GASB) recently issued GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Board has determined that no other organizations (such as Parent Teacher Associations, Booster organizations, etc.) meet the criteria to be reported as component units. The GASB also issued statement No. 40, *Deposit and Investment Risk Disclosures* which the Board implemented during the prior year fiscal year (see Note 3 Cash and Investments).

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING POLICIES

Legal budgetary control is employed for the budgetary 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 (Budgetary 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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 | \$ 243,381,504 |
| Approved supplemental appropriations | <u>2,664,505</u> |
| Amended Operating Budget for Fiscal Year 2005 | <u>\$ 246,046,009</u> |

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 \$11,895,607 and \$1,227,225 was invested in the Maryland Local Government Investment Pool. The bank balance was \$15,483,742 and cash on hand was \$1,765. Of the bank balance, \$290,798 was covered by federal depository insurance and \$15,192,944 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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 | \$ 149,002 |
| Equipment, repair and maintenance supplies | 192,064 |
| Food service supplies | 27,153 |
| Food | <u>130,554</u> |
| Total inventories | <u>\$ 498,773</u> |

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

| GOVERNMENTAL ACTIVITIES | Balance at June 30, 2004 | Increases | Decreases | Balance at June 30, 2005 |
|--|-------------------------------------|-----------------------------|------------------------------|-------------------------------------|
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land and improvements | \$ 12,347,764 | \$ - | \$ (6,449) | \$ 12,341,315 |
| Construction in progress | <u>22,180,758</u> | <u>26,368,813</u> | <u>(11,602,306)</u> | <u>36,947,265</u> |
| Total capital assets, not being depreciated | <u>34,528,522</u> | <u>26,368,813</u> | <u>(11,608,755)</u> | <u>49,288,580</u> |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Equipment | 33,624,500 | 3,646,738 | (1,982,679) | 35,288,559 |
| Equipment under capital lease | 4,816,683 | - | - | 4,816,683 |
| Building and improvements | <u>311,182,386</u> | <u>14,478,302</u> | <u>(236,363)</u> | <u>325,424,325</u> |
| Total capital assets being depreciated | <u>349,623,569</u> | <u>18,125,040</u> | <u>(2,219,042)</u> | <u>365,529,567</u> |
| LESS - ACCUMULATED DEPRECIATION | | | | |
| Building and improvements | 80,462,670 | 8,023,553 | (232,423) | 88,253,800 |
| Equipment under capital lease | 4,800,516 | 16,167 | - | 4,816,683 |
| Equipment | <u>24,810,625</u> | <u>2,483,654</u> | <u>(1,975,642)</u> | <u>25,318,637</u> |
| Total accumulated depreciation | <u>110,073,811</u> | <u>10,523,374</u> | <u>(2,208,065)</u> | <u>118,389,120</u> |
| Total capital assets, being depreciated, net | <u>239,549,758</u> | <u>7,601,666</u> | <u>(10,977)</u> | <u>247,140,447</u> |
| CAPITAL ASSETS, NET | <u>\$ 274,078,280</u> | <u>\$ 33,970,479</u> | <u>\$(11,619,732)</u> | <u>\$ 296,429,027</u> |

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

| | |
|---|-----------------------------|
| Instruction | \$ 8,992,907 |
| Special education | 148,206 |
| Administration | 335,768 |
| Student services | 29,712 |
| Health | 3,521 |
| Transportation | 108,460 |
| Operations | 591,470 |
| Maintenance | 173,678 |
| Food services | 32,761 |
| School fund activities | <u>106,891</u> |
| Total depreciation expense – governmental activities | <u>\$ 10,523,374</u> |

At June 30, 2005, the Board has construction commitments composed of the following:

| | <u>Future Amounts to be Expended</u> | <u>Future Funding to be Provided</u> |
|---------------------------------|--|--|
| West Middle HVAC | \$ 4,979,647 | \$ 1,624,903 |
| Mt. Airy Middle HVAC | 1,087,584 | - |
| Parr's Ridge Elementary | 960,619 | - |
| North Carroll Middle renovation | <u>4,716,481</u> | <u>-</u> |
| Total | <u>\$ 11,744,331</u> | <u>\$ 1,624,903</u> |

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2005 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|----------------------------|
| Food Service Fund | General Fund | \$ 744,384 |
| Food Service Fund | Capital Improvement Fund | 1,120 |
| School Fund | General Fund | 1,594,077 |
| School Fund | Capital Improvement Project | 75,393 |
| Food Service Fund | School Fund | 215,752 |
| General Fund | Capital Improvement Fund | <u>84,511</u> |
| Total | | <u>\$ 2,715,237</u> |

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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 - LONG-TERM DEBT

Long-term debt at June 30, 2005 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, 2005, 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 |
|---|-----------------------------------|
| 2006 | \$ 688,559 |
| 2007 | 695,940 |
| 2008 | 716,818 |
| 2009 | 738,322 |
| 2010 | 760,472 |
| 5 years ending 2015 | 4,283,000 |
| 5 years ending 2020 | <u>4,518,722</u> |
| Total future payments | 12,401,833 |
| Less interest | <u>(2,988,391)</u> |
| Present value of future minimum lease payments | <u>\$ 9,413,442</u> |

The net book value of assets under capital lease at June 30, 2005 is \$9,414,126. Amortization expense related to assets under capital lease is included in depreciation expense.

Interest expense related to capital leases was \$25,853 for the year ended June 30, 2005. This amount was allocated to functions as follows:

| | |
|------------------------------------|------------------|
| Maintenance of plant and equipment | <u>\$ 25,853</u> |
|------------------------------------|------------------|

Changes in capital lease obligations for the year ended June 30, 2005 were as follows:

| | |
|--|----------------------------|
| Balance at June 30, 2004 | \$ 423,822 |
| Additions | 9,414,126 |
| Reductions | <u>424,506</u> |
| Balance at June 30, 2005 | <u>\$ 9,413,442</u> |
| Amounts due within one year | <u>688,559</u> |
| Capital lease obligations non-current | <u>\$ 8,724,883</u> |

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Changes in compensated absences payable for the year ended June 30, 2005 were as follows:

| | |
|--|----------------------|
| Balance at June 30, 2004 | \$ 19,340,629 |
| Additions | 2,313,080 |
| Reductions | <u>(1,118,823)</u> |
| Balance at June 30, 2005 | <u>\$ 20,534,886</u> |
| Amounts due within one year | <u>(1,400,000)</u> |
| Compensated absence non-current portion | <u>\$ 19,134,886</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 an agent, multiple employer public employee retirement system (the State System). Most Board employees participate in the State System. While the State System is an agent, multiple-employer public employee retirement system, the Board accounts for the plan as a cost-sharing multiple-employer public employee retirement system, as a separate valuation is not performed for the Board, and the only obligation to the System is its required annual contributions. 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.

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, 2005, 2004, and 2003 amounted to \$11,582,831, \$10,883,129, and \$10,075,603, respectively. The fiscal 2005 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, 2005, 2004, and 2003 of \$1,081,932, \$679,496, and \$544,400, 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.

**Required Supplemental Information – Schedule of Fund Progress for the
State Retirement and Pension Systems of Maryland**
(expressed in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| June 30, 2002 | \$ 32,323,263 | \$ 34,131,284 | \$ 1,808,021 | 94.70% | \$ 7,937,530 | 23% |
| June 30, 2003 | 32,631,465 | 34,974,601 | 2,343,136 | 93.30% | 8,134,419 | 29% |
| June 30, 2004 | 33,484,657 | 36,325,704 | 2,841,047 | 92.18% | 8,069,481 | 35% |

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, 2005 were \$1,168,524. As of June 30, 2005, 653 eligible participants were receiving benefits.

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)**

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.

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, 2003 employees contribute 11% to 14% towards this coverage. Deposits are made by the Board into a bank account used only for payments resulting from health insurance claims.

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 10 - RISK MANAGEMENT (CONTINUED)

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, 2005, 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:

| | Year Ended June 30, | |
|-------------------------------------|----------------------------|---------------------|
| | 2005 | 2004 |
| ACCRUED HEALTH CLAIMS | | |
| Unpaid claims at beginning of year | \$ 2,317,423 | \$ 2,162,887 |
| Incurred claims (including IBNR) | 21,400,694 | 20,177,788 |
| Claim payments | <u>(21,309,153)</u> | <u>(20,023,252)</u> |
| UNPAID CLAIMS AT END OF YEAR | <u>\$ 2,408,964</u> | <u>\$ 2,317,423</u> |

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

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CARROLL COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Fiscal Year Ended June 30, 2005

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Non-GAAP Actual</u> | <u>Variances Positive (Negative) Final Budget To Actual</u> |
|--------------------------------------|----------------------------|-------------------------|----------------------------|---|
| REVENUES | | | | |
| INTERGOVERNMENTAL REVENUES | | | | |
| Local sources | \$ 126,631,710 | \$ 126,686,908 | \$ 126,686,908 | \$ - |
| State sources | 101,317,552 | 101,964,628 | 101,246,924 | (717,704) |
| Federal sources | 13,781,433 | 15,482,637 | 11,786,832 | (3,695,805) |
| Other revenues | <u>1,650,809</u> | <u>1,911,836</u> | <u>2,113,311</u> | <u>201,475</u> |
| Total revenues | <u>243,381,504</u> | <u>246,046,009</u> | <u>241,833,975</u> | <u>(4,212,034)</u> |
| EXPENDITURES | | | | |
| CURRENT | | | | |
| Administration | 4,815,085 | 4,496,342 | 4,202,815 | 293,527 |
| Instructional Salaries | 102,002,387 | 100,518,122 | 99,755,406 | 762,716 |
| Student Personnel Services | 1,079,889 | 1,079,889 | 1,052,363 | 27,526 |
| Student Health Services | 2,131,672 | 2,192,836 | 2,055,757 | 137,079 |
| Student Transportation | 15,952,671 | 15,741,463 | 15,527,059 | 214,404 |
| Operation of Plant | 17,868,757 | 19,138,223 | 18,650,170 | 488,053 |
| Maintenance of Plant | 5,154,306 | 6,160,647 | 6,060,404 | 100,243 |
| Fixed Charges | 36,818,375 | 35,641,960 | 35,283,813 | 358,147 |
| Community Services | 302,030 | 322,030 | 309,132 | 12,898 |
| Capital Outlay | 649,791 | 659,791 | 651,067 | 8,724 |
| Mid Level Administration | 18,296,192 | 18,284,007 | 18,120,319 | 163,688 |
| Special Education | 28,263,156 | 29,077,360 | 27,590,826 | 1,486,534 |
| Instructional Textbooks/supplies | 7,027,565 | 8,500,706 | 8,323,165 | 177,541 |
| Other Instructional Costs | <u>3,019,628</u> | <u>4,232,633</u> | <u>4,046,190</u> | <u>186,443</u> |
| Total expenditures | <u>243,381,504</u> | <u>246,046,009</u> | <u>241,628,486</u> | <u>4,417,523</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>205,489</u> | <u>205,489</u> |
| FUND BALANCE AT JUNE 30, 2004 | - | - | - | - |
| Transfer to County | <u>-</u> | <u>-</u> | <u>(205,489)</u> | <u>(205,489)</u> |
| FUND BALANCE AT JUNE 30, 2005 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2005

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) | \$ 241,833,975 |
| Increase in fiscal year revenues generated by fiscal year changes in encumbrances of expenditure driven grants | (55,080) |
| Prior year Non-GAAP fund balance transferred to county | (224,555) |
| State pension payments | 11,582,831 |
| Proceeds from capital lease financing | <u>9,414,126</u> |
| Revenues and other financing sources (GAAP basis) | <u>\$ 262,551,297</u> |
| Expenditures (non-GAAP budgetary basis) | \$ 241,628,487 |
| Encumbrance adjustment, net | (1,919,315) |
| State pension payments | 11,582,831 |
| Expenditures financed through capital leases | <u>8,237,359</u> |
| Expenditures (GAAP basis) | <u>\$ 259,529,362</u> |

OTHER SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CARROLL COUNTY
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
June 30, 2005

| | June 30, 2005 | | Variance Positive (Negative) |
|---|----------------|----------------|------------------------------------|
| | Budgeted | Actual | |
| Local Sources | | | |
| Carroll County Government | \$ 126,686,908 | \$ 126,686,908 | \$ - |
| State of Maryland | | | |
| State Share of Current Expense | 80,871,798 | 80,871,798 | - |
| Pupil Transportation | 6,678,003 | 6,678,003 | - |
| Special Education | 4,590,268 | 4,590,268 | - |
| Compensatory Education | 4,405,070 | 4,405,070 | - |
| Handicapped Non Public Placement | 3,200,000 | 3,100,426 | 99,574 |
| Judy Center | 433,454 | 370,230 | 63,224 |
| Aging Schools | 385,000 | 369,770 | 15,230 |
| Infants and Toddlers Program | 195,799 | 170,017 | 25,782 |
| EEEP | 150,202 | 150,202 | - |
| Limited English Proficient | 154,162 | 154,162 | - |
| Adult Education and Literacy Services | 86,113 | 79,616 | 6,497 |
| Other State | 814,759 | 307,362 | 507,397 |
| Total State | 101,964,628 | 101,246,924 | 717,704 |
| United States Government | | | |
| Special Education | 6,072,758 | 5,213,010 | 859,748 |
| Medical Assistance Program | 2,326,938 | 1,526,571 | 800,367 |
| Title I Grants to Local Educational Agencies | 2,015,920 | 1,471,557 | 544,363 |
| Fund for the Improvement of Education | 956,777 | 541,903 | 414,874 |
| Twenty-First Century Community Learning Centers | 934,682 | 421,215 | 513,467 |
| Improving Teacher Quality State Grants | 890,299 | 597,328 | 292,971 |
| Comprehensive School Reform Demonstration | 499,077 | 367,433 | 131,644 |
| Education Technology State Grants | 453,320 | 235,017 | 218,303 |
| Innovative Education Program Strategies | 283,252 | 248,912 | 34,340 |
| Community Service | 274,812 | 171,498 | 103,314 |
| Adult Education - State Grant Program | 249,670 | 249,615 | 55 |
| Mathematics & Science Partnerships | 199,201 | 142,576 | 56,625 |
| Even Start - State Educational Agencies | 160,647 | 149,576 | 11,071 |
| Safe and Drug-Free Schools and Communities | 149,081 | 84,211 | 64,870 |
| Other Federal Revenue | 16,203 | 366,410 | (350,207) |
| Total Federal | 15,482,637 | 11,786,832 | 3,695,805 |
| Miscellaneous | | | |
| Net Insurance Recoveries | 126,619 | 131,136 | (4,517) |
| Rebates | 100,000 | 197,607 | (97,607) |
| Sale of Surplus Equipment | 2,000 | 20,014 | (18,014) |
| Total Miscellaneous | 228,619 | 348,757 | (120,138) |
| Tuition and Fees | | | |
| Athletic Fees | 286,300 | 284,399 | 1,901 |
| Summer School | 159,945 | 98,284 | 61,661 |
| Outdoor School | 132,000 | 109,428 | 22,572 |
| Nonresident Pupils | 11,000 | 49,775 | (38,775) |
| Adult Education | 7,081 | 2,880 | 4,201 |
| Other Tuition | 24,589 | 11,083 | 13,506 |
| Rental of School Facilities | 272,800 | 345,176 | (72,376) |
| Interest Income | 60,000 | 303,265 | (243,265) |
| Other Local | 614,002 | 400,204 | 213,798 |
| Total Local | 1,567,717 | 1,604,494 | (36,777) |
| Incoming Transfers | | | |
| From other school units within Maryland | 7,500 | 8,426 | (926) |
| From other school units outside Maryland | 108,000 | 151,634 | (43,634) |
| Total transfers | 115,500 | 160,060 | (44,560) |
| Total revenues | \$ 246,046,009 | \$ 241,833,975 | \$ 4,212,034 |

BOARD OF EDUCATION OF CARROLL COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
June 30, 2005

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|-------------------|---|
| Administration | | | |
| Salaries | \$ 3,153,379 | \$ 2,978,450 | \$ 174,929 |
| Contracted services | 623,989 | 563,980 | 60,008 |
| Materials and supplies | 147,934 | 137,839 | 10,095 |
| Other charges | 274,643 | 206,621 | 68,022 |
| Equipment - additional | 6,000 | 43,724 | (37,725) |
| Equipment - replacement | 5,000 | 57,295 | (52,295) |
| Transfer (indirect cost recovery) | 285,397 | 214,906 | 70,491 |
| Total administration | <u>4,496,342</u> | <u>4,202,815</u> | <u>293,527</u> |
| Mid-Level Administration | | | |
| Salaries | 17,009,039 | 16,729,297 | 279,742 |
| Contracted services | 270,423 | 310,190 | (39,767) |
| Materials and supplies | 302,725 | 284,257 | 18,468 |
| Other charges | 627,852 | 703,988 | (76,136) |
| Equipment - additional | 48,588 | 46,858 | 1,730 |
| Equipment - replacement | 25,380 | 45,729 | (20,349) |
| Total mid-level administration | <u>18,284,007</u> | <u>18,120,319</u> | <u>163,688</u> |
| Instructional Salaries | | | |
| Regular | 94,132,475 | 91,403,243 | 2,729,232 |
| Hourly | 4,721,387 | 3,893,198 | 828,188 |
| Add-ons, team leaders, dept chair | 715,271 | 793,947 | (78,676) |
| Coaches, extra curricular | 867,155 | 903,088 | (35,933) |
| Substitutes | 2,362,884 | 2,334,070 | 28,814 |
| Other | 486,315 | 427,860 | 58,455 |
| Hiring turnover | (2,767,365) | - | (2,767,365) |
| Total instructional salaries | <u>100,518,122</u> | <u>99,755,406</u> | <u>762,716</u> |
| Textbooks and Instructional Supplies | | | |
| Textbooks | 2,235,047 | 2,291,318 | (56,271) |
| Library media | 451,763 | 454,221 | (2,458) |
| Computer supplies | 1,501,786 | 1,462,036 | 39,750 |
| General supplies | 3,911,855 | 2,291,318 | 1,620,536 |
| Other | 400,255 | 1,824,272 | (1,424,017) |
| Total textbooks and instructional supplies | <u>8,500,706</u> | <u>8,323,165</u> | <u>177,541</u> |

BOARD OF EDUCATION OF CARROLL COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
June 30, 2005

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|-------------------------|-------------------|---|
| Other Instructional Costs | | | |
| Contracted services | \$ 1,874,883 | \$ 1,396,753 | \$ 478,130 |
| Other charges | 523,157 | 614,671 | (91,514) |
| Equipment - additional | 476,446 | 601,326 | (124,880) |
| Equipment - replacement | 1,219,610 | 1,358,183 | (138,573) |
| Transfers to MD/LEA | 35,725 | 43,490 | (7,765) |
| Other outgoing transfers | 102,812.00 | 31,767.00 | 71,045 |
| | <u>4,232,633</u> | <u>4,046,190</u> | <u>186,443</u> |
| Total other instructional costs | | | |
| Student Personnel Services | | | |
| Salaries | 975,788 | 941,430 | 34,359 |
| Contracted services | 80,196 | 55,356 | 24,840 |
| Materials and supplies | 14,789 | 32,189 | (17,400) |
| Other charges | 7,616 | 7,689 | (73) |
| Equipment - additional | 1,500 | 3,210 | (1,710) |
| Equipment - replacement | - | 12,489 | (12,489) |
| | <u>1,079,889</u> | <u>1,052,363</u> | <u>27,526</u> |
| Total student personnel services | | | |
| Health Services | | | |
| Salaries | 2,094,953 | 1,971,402 | 123,551 |
| Contracted services | 17,750 | 14,898 | 2,852 |
| Materials and supplies | 69,444 | 61,715 | 7,729 |
| Other charges | 8,352 | 6,138 | 2,214 |
| Equipment - additional | 2,337 | - | 2,337 |
| Equipment - replacement | - | 1,604 | (1,604) |
| | <u>2,192,836</u> | <u>2,055,757</u> | <u>137,079</u> |
| Total health services | | | |
| Transportation of Pupils | | | |
| Salaries | 1,305,333 | 1,195,178 | 110,155 |
| Contracted services | 14,106,226 | 13,990,261 | 115,965 |
| Materials and supplies | 13,722 | 14,092 | (370) |
| Other charges | 308,899 | 289,546 | 19,353 |
| Equipment - additional | - | 1,229 | (1,229) |
| Equipment - replacement | 7,283 | 36,753 | (29,470) |
| | <u>15,741,463</u> | <u>15,527,059</u> | <u>214,404</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, 2005

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------|-------------------------|-------------------|---|
| Operation of Plant | | | |
| Salaries | \$ 9,004,103 | \$ 9,080,155 | \$ (76,052) |
| Contracted services | 1,255,317 | 1,255,656 | (339) |
| Rent | 491,903 | 406,374 | 85,529 |
| Repair of equipment | 524,896 | 475,686 | 49,210 |
| Other | 595,724 | 596,932 | (1,208) |
| Telephone | 384,200 | 345,374 | 38,826 |
| Gas and electric | 4,503,189 | 4,363,585 | 139,604 |
| Heating fuels | 572,750 | 554,867 | 17,883 |
| Water and sewage | 609,834 | 502,658 | 107,176 |
| Insurance | 500,732 | 419,629 | 81,103 |
| Other | 49,075 | 22,566 | 26,509 |
| Equipment - additional | 522,700 | 520,841 | 1,859 |
| Equipment - replacement | 123,800 | 105,847 | 17,953 |
| Total operation of plant | <u>19,138,223</u> | <u>18,650,170</u> | <u>488,053</u> |
| Maintenance of Plant | | | |
| Salaries | 2,386,425 | 2,382,334 | 4,091 |
| Contracted services | | | |
| Repair of equipment | 52,000 | 14,703 | 37,297 |
| Repair of vehicles | 71,914 | 42,129 | 29,785 |
| Improvements to grounds | 18,000 | 50,588 | (32,588) |
| Improvements to buildings | 1,399,306 | 914,402 | 484,904 |
| Other | 78,220 | 595,096 | (516,876) |
| Materials and supplies | 748,798 | 821,791 | (72,992) |
| Other charges | 116,345 | 114,193 | 2,152 |
| Equipment - additional | 309,500 | 267,323 | 42,177 |
| Equipment - replacement | 980,139 | 857,845 | 122,294 |
| Total maintenance of plant | <u>6,160,647</u> | <u>6,060,404</u> | <u>100,243</u> |

BOARD OF EDUCATION OF CARROLL COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
(NON-GAAP BUDGETARY BASIS)
June 30, 2005

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|-------------------------|-----------------------|---|
| Fixed Charges | | | |
| Medical insurance | \$ 17,552,146 | \$ 16,927,292 | \$ 624,854 |
| Social Security taxes | 11,863,915 | 11,687,459 | 176,457 |
| Employee retirement | 1,105,704 | 1,356,438 | (250,733) |
| Workmen's compensation | 841,462 | 815,500 | 25,963 |
| Sick leave conversion | 835,000 | 898,559 | (63,559) |
| Life insurance | 168,487 | 178,360 | (9,872) |
| Optical insurance | 178,118 | 176,912 | 1,206 |
| Dental insurance | 828,043 | 670,662 | 157,381 |
| Unemployment insurance | 32,915 | 37,073 | (4,158) |
| Property and liability insurance | 264,214 | 226,870 | 37,344 |
| Tuition reimbursement | 662,134 | 738,152 | (76,018) |
| Retiree health insurance | 1,122,500 | 1,168,524 | (46,024) |
| Flex benefit administration | 75,000 | 50,045 | 24,955 |
| Other | 112,322 | 351,967 | (239,645) |
| Total fixed charges | <u>35,641,960</u> | <u>35,283,813</u> | <u>358,147</u> |
| Community Services | | | |
| Salaries | 250,000 | 238,901 | 11,099 |
| Contract services | 20,000 | 18,202 | |
| Other charges | 3,400 | - | 3,400 |
| Transfers | 48,630 | 52,029 | (3,399) |
| Total community services | <u>322,030</u> | <u>309,132</u> | <u>12,898</u> |
| Special Education Services | | | |
| Salaries | 21,373,424 | 20,367,231 | 1,006,193 |
| Contracted services | 945,026 | 561,992 | 383,034 |
| Materials and supplies | 379,380 | 382,646 | (3,266) |
| Other charges | 314,097 | 153,706 | 160,392 |
| Equipment - additional | 72,000 | 98,454 | (26,454) |
| Equipment - replacement | 64,000 | 3,540 | 60,460 |
| Transfers to Maryland LEA | 39,000 | 48,306 | (9,306) |
| Other transfers | 5,890,433 | 5,974,951 | (84,518) |
| Total special education services | <u>29,077,360</u> | <u>27,590,826</u> | <u>1,486,534</u> |
| Capital Outlay | | | |
| Salaries | 551,236 | 554,658 | (3,422) |
| Contracted services | 88,000 | 76,302 | 11,698 |
| Materials and supplies | 4,050 | 5,322 | (1,272) |
| Other charges | 13,505 | 12,679 | 826 |
| Equipment - replacement | 3,000 | 2,106 | 894 |
| Total capital outlay | <u>659,791</u> | <u>651,067</u> | <u>8,724</u> |
| TOTAL CURRENT EXPENDITURES | <u>\$ 246,046,009</u> | <u>\$ 241,628,486</u> | <u>\$ 4,417,523</u> |

**THE BOARD OF EDUCATION OF CARROLL COUNTY
FOOD SERVICE FUND
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET (NON-GAAP BUDGETARY BASIS)**

| | <u>Year Ended June 30, 2005</u> | | | <u>Year Ended June 30, 2004</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> |
| Revenues: | | | | | | |
| Food sales: | | | | | | |
| Lunches | \$ 3,589,159 | \$ 3,245,377 | 53.8% | \$ 3,310,082 | \$ 3,030,184 | 52.4% |
| Breakfasts | 38,000 | 70,695 | 1.2% | 45,000 | 53,273 | 0.9% |
| A La Carte | 1,350,000 | 731,716 | 12.1% | 1,350,000 | 800,861 | 13.8% |
| Milk | 100,000 | 67,607 | 1.1% | 130,000 | 69,928 | 1.2% |
| Federal reimbursement of portion of food costs | 1,110,000 | 1,258,441 | 20.9% | 1,100,000 | 1,179,660 | 20.4% |
| USDA commodities | 400,000 | 422,222 | 7.0% | 390,000 | 417,061 | 7.2% |
| State reimbursement of portion of food costs | 62,000 | 59,346 | 1.0% | 61,000 | 51,957 | 0.9% |
| Income from investments | 5,000 | 14,652 | 0.2% | 18,000 | 4,346 | 0.1% |
| Rebates on food purchases | 60,000 | 39,722 | 0.7% | 70,000 | 46,563 | 0.8% |
| Miscellaneous | 133,000 | 123,777 | 2.1% | 140,000 | 130,229 | 2.3% |
| Total Revenue | <u>6,847,159</u> | <u>6,033,555</u> | <u>100.1%</u> | <u>6,614,082</u> | <u>5,784,062</u> | <u>100.0%</u> |
| Expenditures | | | | | | |
| Cost of food sold | 2,700,100 | 2,233,428 | 37.0% | 2,700,100 | 2,130,843 | 36.8% |
| Salary and wages | 3,693,109 | 3,433,743 | 56.9% | 3,447,532 | 3,326,119 | 57.5% |
| Other supplies | 307,250 | 260,103 | 4.3% | 307,250 | 210,921 | 3.6% |
| Contracted services | 10,750 | 277 | 0.0% | 2,850 | 144 | 0.0% |
| Other charges | 38,050 | 25,120 | 0.4% | 44,800 | 22,180 | 0.4% |
| Equipment | 97,900 | 90,189 | 1.5% | 111,550 | 61,705 | 1.1% |
| Total expenditure | <u>\$ 6,847,159</u> | <u>6,042,860</u> | <u>100.1%</u> | <u>\$ 6,614,082</u> | <u>5,751,912</u> | <u>99.4%</u> |
| Excess (deficiency) of revenue over (under) expenditures | | <u>\$ (9,305)</u> | <u>0.0%</u> | | <u>\$ 32,150</u> | <u>0.6%</u> |

THE 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, 2005

| School | Revenues | Cost of Food Sold | Cafeteria Worker's Payroll | Other | Excess Revenues (Deficiency) of Over Expenditures |
|--------------------------------------|---------------------|---------------------|----------------------------|-------------------|---|
| Taneytown Elementary School | \$ 135,881 | \$ 42,794 | \$ 75,640 | \$ 13,003 | \$ 4,444 |
| Northwest Middle School | 209,569 | 72,204 | 107,601 | 21,247 | 8,517 |
| Francis Scott Key School | 303,580 | 121,174 | 105,911 | 26,303 | 50,192 |
| Runnymede Elementary School | 143,835 | 47,124 | 72,815 | 14,052 | 9,844 |
| Charles Carroll Elementary School | 79,232 | 24,984 | 66,267 | 6,520 | (18,539) |
| Sandymount Elementary School | 106,862 | 33,927 | 72,884 | 10,692 | (10,641) |
| Mechanicsville Elementary School | 103,621 | 37,181 | 73,318 | 12,385 | (19,263) |
| Eldersburg Elementary School | 104,367 | 36,518 | 70,273 | 9,918 | (12,342) |
| Linton Springs Elementary School | 145,139 | 55,175 | 76,291 | 10,267 | 3,406 |
| Sykesville Middle School | 174,378 | 64,478 | 82,094 | 19,617 | 8,189 |
| Freedom Elementary School | 95,069 | 34,204 | 67,436 | 9,176 | (15,747) |
| Carrolltowne Elementary School | 91,633 | 33,862 | 68,065 | 9,134 | (19,428) |
| Liberty High School | 196,986 | 78,387 | 106,265 | 21,856 | (9,522) |
| Oklahoma Road Middle School | 163,950 | 59,918 | 72,822 | 18,861 | 12,349 |
| Piney Ridge Elementary School | 119,940 | 44,174 | 70,296 | 11,164 | (5,694) |
| Manchester Elementary School | 141,631 | 44,549 | 83,055 | 12,165 | 1,862 |
| East Middle School | 9,331 | - | - | - | 9,331 |
| West Middle School | 217,976 | 72,157 | 92,157 | 18,202 | 35,460 |
| Winters Mill High School | 288,170 | 109,601 | 125,726 | 26,460 | 26,383 |
| William Winchester Elementary School | 113,583 | 37,388 | 72,526 | 7,997 | (4,328) |
| Westminster High School | 576,607 | 239,597 | 333,102 | 50,068 | (46,160) |
| CC Career & Technology Center | 5,664 | - | - | - | 5,664 |
| North Carroll Middle School | 128,613 | 42,551 | 74,599 | 16,854 | (5,391) |
| Hampstead Elementary School | 123,620 | 44,435 | 73,794 | 10,700 | (5,309) |
| North Carroll High School | 295,028 | 118,135 | 129,882 | 29,792 | 17,219 |
| Spring Garden Elementary School | 122,807 | 44,166 | 73,158 | 9,813 | (4,330) |
| Shiloh Middle School | 170,820 | 60,139 | 81,343 | 18,500 | 10,838 |
| Winfield Elementary School | 125,291 | 42,841 | 59,825 | 15,035 | 7,590 |
| New Windsor Middle School | 136,953 | 64,834 | 71,278 | 17,559 | (16,718) |
| Elmer Wolfe Elementary School | 102,512 | 42,498 | 69,825 | 10,329 | (20,140) |
| Parr's Ridge Elementary School | - | - | - | 10,717 | (10,717) |
| Mt Airy Elementary School | 93,767 | 33,603 | 72,744 | 9,268 | (21,848) |
| Mt Airy Middle School | 147,004 | 63,548 | 77,916 | 15,458 | (9,918) |
| South Carroll High School | 249,832 | 103,581 | 151,604 | 26,156 | (31,509) |
| Century High School | 295,866 | 123,374 | 108,948 | 26,156 | 37,388 |
| Westminster Elementary School | 100,500 | 38,818 | 62,098 | 33,485 | (33,901) |
| Robert Moton Elementary School | 143,218 | 44,588 | 77,847 | 8,516 | 12,267 |
| Carroll Springs School | - | - | - | 12,043 | (12,043) |
| Friendship Valley Elementary School | 95,534 | 33,817 | 71,203 | - | (9,486) |
| Cranberry Station Elementary School | 130,109 | 42,940 | 64,009 | 8,363 | 14,797 |
| Gateway School | 42,079 | - | - | 13,299 | 28,780 |
| Food Services - Unallocated | 2,998 | 164 | 219,126 | (245,441) | 29,149 |
| Total | \$ 6,033,555 | \$ 2,233,428 | \$ 3,433,743 | \$ 375,689 | \$ (9,305) |

THE BOARD OF EDUCATION OF CARROLL COUNTY
SCHOOL FUNDS
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS PAYABLE
(NON-GAAP BUDGETARY BASIS)
Fiscal Year Ended JUNE 30, 2005

| School | Organization Funds | | | Other Funds | | |
|--------------------------------------|-------------------------|--|--------------------------|-------------------------|--|--------------------------|
| | Balance July 1, 2004 | Net Change For Year Increase (Decrease) | Balance June 30, 2005 | Balance July 1, 2004 | Net Change For Year Increase (Decrease) | Balance June 30, 2005 |
| Taneytown Elementary School | \$ 3,260 | \$ 14,754 | \$ 18,013 | \$ 588 | \$ 1,949 | \$ 2,537 |
| Northwest Middle School | 31,298 | 4,377 | 35,674 | 12,190 | (615) | 11,575 |
| Francis Scott Key High School | 80,199 | 3,313 | 83,512 | 9,705 | 8,377 | 18,082 |
| Runnymede Elementary School | 9,066 | (2,375) | 6,691 | 7,616 | (371) | 7,245 |
| Charles Carroll Elementary School | 7,699 | 1,491 | 9,190 | - | - | - |
| Sandymount Elementary School | 8,474 | (207) | 8,267 | 5,545 | (1,736) | 3,809 |
| Mechanicsville Elementary School | 3,420 | (2,299) | 1,121 | 8,299 | 3,496 | 11,795 |
| Eldersburg Elementary School | 2,483 | (705) | 1,777 | 13,591 | 5,829 | 19,420 |
| Linton Springs Elementary School | 1,825 | 8,820 | 10,644 | 87 | 18 | 105 |
| Sykesville Middle School | 30,740 | (6,402) | 24,338 | 6,033 | 737 | 6,769 |
| Freedom Elementary School | 28,601 | (358) | 28,243 | 25,033 | (4,129) | 20,904 |
| Carrolltowne Elementary School | 17,219 | (5,866) | 11,353 | 9,787 | - | 9,787 |
| Liberty High School | 111,770 | (16,103) | 95,667 | 2,396 | 29 | 2,426 |
| Oklahoma Road Middle School | 42,558 | 4,653 | 47,212 | 3,215 | 2,311 | 5,525 |
| Piney Ridge Elementary School | 34,659 | 14,005 | 48,664 | - | - | - |
| Manchester Elementary School | 8,255 | (1,921) | 6,335 | 4,652 | (4,433) | 220 |
| East Middle School | 11,325 | 2,468 | 13,793 | 1,406 | 458 | 1,864 |
| West Middle School | 108,503 | (961) | 107,542 | 40,404 | 12,516 | 52,920 |
| Winters Mill High School | 79,923 | 51,093 | 131,016 | 23,376 | (3,084) | 20,291 |
| William Winchester Elementary School | 16,349 | 2,283 | 18,632 | 3,498 | 1,326 | 4,824 |
| Westminster High School | 125,926 | (5,656) | 120,270 | 1,748 | (1,058) | 690 |
| C C Career & Technology School | 10,916 | (2,694) | 8,222 | (4,860) | 952 | (3,908) |
| North Carroll Middle School | 21,367 | 11,901 | 33,268 | 3,105 | - | 3,105 |
| Hampstead Elementary School | 19,093 | 1,211 | 20,304 | - | - | - |
| North Carroll High School | 119,256 | 51,826 | 171,082 | 27,571 | (26,747) | 824 |
| Spring Garden Elementary School | 27,500 | 1,081 | 28,581 | 7,746 | 4,954 | 12,700 |
| Shiloh Middle School | 5,264 | 17,479 | 22,744 | 224 | - | 224 |
| Winfield Elementary School | 10,301 | 609 | 10,911 | 16,740 | (910) | 15,830 |
| New Windsor Middle School | 34,363 | (1,960) | 32,403 | 3,337 | 960 | 4,297 |
| Elmer Wolfe Elementary School | 7,030 | 1,987 | 9,017 | 542 | 1 | 543 |
| Parr's Ridge Elementary | - | 185 | 185 | - | (60) | (60) |
| Mt Airy Elementary School | 9,320 | (339) | 8,981 | 10,882 | (1,768) | 9,115 |
| Mt Airy Middle School | 34,355 | (999) | 33,356 | 11,518 | (2,919) | 8,598 |
| South Carroll High School | 7,166 | (30,504) | (23,338) | 3,419 | 5,024 | 8,443 |
| Century High School | 125,089 | 15,808 | 140,897 | 60,586 | 6,212 | 66,798 |
| Westminster Elementary School | 5,783 | 5,828 | 11,611 | 17,686 | 1,934 | 19,620 |
| Robert Moton Elementary School | 6,323 | 2,520 | 8,843 | 3 | - | 3 |
| Carroll Springs School | 6,542 | 5,194 | 11,737 | 19 | 2 | 21 |
| Friendship Valley Elementary School | 9,311 | 5,981 | 15,292 | - | - | - |
| Cranberry Station Elementary School | 9,976 | 1,383 | 11,359 | 2,527 | 1,062 | 3,589 |
| Gateway School | 2,774 | (96) | 2,679 | 4,167 | 274 | 4,441 |
| Total | \$ 1,235,280 | \$ 150,806 | \$ 1,386,086 | \$ 344,380 | \$ 10,590 | \$ 354,970 |

SINGLE AUDIT SECTION

THE BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005

| <u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Federal Expenditures</u> |
|--|------------------------|-------------------------|---------------------------------|
| U.S. Department of Education | | | |
| Direct Programs: | | | |
| Fund for the Improvement of Education | 84.215 | S215L022177 | \$ 432,174 |
| Passed through Maryland State Department of Education: | | | |
| Adult Education - State Grant Program | 84.002 | 500708-04 | 47,216 |
| Adult Education - State Grant Program | 84.002 | 500708-05 | 10,646 |
| Adult Education - State Grant Program | 84.002 | 500708-06 | 26,200 |
| Adult Education - State Grant Program | 84.002 | 500708-07 | 111,101 |
| Adult Education - State Grant Program | 84.002 | 500708-08 | 15,333 |
| Adult Education - State Grant Program | 84.002 | 500708-09 | 14,119 |
| Adult Education - State Grant Program | 84.002 | 500708-10 | 25,000 |
| | | | <u>249,615</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 400593-01 | 461,228 |
| Title I Grants to Local Educational Agencies | 84.010 | 400594-01 | 80,167 |
| Title I Grants to Local Educational Agencies | 84.010 | 402005-01 | 12,000 |
| Title I Grants to Local Educational Agencies | 84.010 | 500363-01 | 844,970 |
| Title I Grants to Local Educational Agencies | 84.010 | 500364-01 | 51,492 |
| Title I Grants to Local Educational Agencies | 84.010 | 501409-01 | 21,701 |
| | | | <u>1,471,558</u> |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 400440-02 | 22,315 |
| Special Education - Grants to States | 84.027 | 400475-02 | 619 |
| Special Education - Grants to States | 84.027 | 500518-01 | 4,099,243 |
| Special Education - Preschool Grants | 84.027 | 500518-02 | 16,000 |
| Special Education - Grants to States | 84.027 | 500518-03 | 24,603 |
| Special Education - Grants to States | 84.027 | 500518-04 | 122,801 |
| Special Education - Grants to States | 84.173 | 500518-05 | 177,614 |
| Special Education - Grants to States | 84.027 | 500518-06 | 7,500 |
| Special Education - Grants to States | 84.027 | 500746-03 | 29,441 |
| Special Education - Grants to States | 84.173 | 500746-04 | 7,000 |
| Special Education - Grants to States | 84.027 | 500784-01 | 25,000 |
| Special Education - Grants to States | 84.027 | 500814-01 | 56,685 |
| Special Education - Grants to States | 84.027 | 501030-01 | 4,000 |
| Special Education - Grants to States | 84.027 | 501305-01 | 397,793 |
| | | | <u>4,990,614</u> |
| Vocational Education - Basic Grants to States | 84.048 | 401979-01 | 5,400 |
| Vocational Education - Basic Grants to States | 84.048 | 401994-01 | 1,800 |
| Vocational Education - Basic Grants to States | 84.048 | 500562-01 | 203,616 |
| | | | <u>210,816</u> |
| Special Education - Grants for Infants and Families with Disabilities | 84.181 | 5007465-02/1 | 191,495 |
| Safe and Drug-Free Schools and Communities - National Programs | 84.184 | R00P4203617 | 29,177 |
| Safe and Drug-Free Schools and Communities - National Programs | 84.184 | R00P5201362 | 142,820 |
| | | | <u>171,997</u> |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 400598-01 | 52,329 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 500367-01 | 31,882 |
| | | | <u>84,211</u> |
| Even Start - State Educational Agencies | 84.213 | 400972-02 | 10,597 |
| Even Start - State Educational Agencies | 84.213 | 500982-01 | 138,978 |
| | | | <u>149,575</u> |

THE BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005
(CONTINUED)

| <u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Federal Expenditures</u> |
|--|------------------------|-------------------------|---------------------------------|
| Fund for the Improvement of Education | 84.215 | 401352-01 | 77,514 |
| Fund for the Improvement of Education | 84.215 | 401776-01 | (424) |
| Fund for the Improvement of Education | 84.215 | 500105-01 | 5,000 |
| Fund for the Improvement of Education | 84.215 | 500902-01 | 27,639 |
| | | | <u>109,729</u> |
| Tech-Prep Education | 84.243 | 500853-01/02 | <u>89,956</u> |
| Twenty-First Century Community Learning Centers | 84.287 | 302266-01 | 94,682 |
| Twenty-First Century Community Learning Centers | 84.287 | 500668-01 | 242,912 |
| Twenty-First Century Community Learning Centers | 84.287 | 501686-01 | 83,621 |
| | | | <u>421,215</u> |
| Innovative Education Program Strategies | 84.298 | 400599-01 / 490014-01 | 63,640 |
| Innovative Education Program Strategies | 84.298 | 500368-01/02 | 185,272 |
| | | | <u>248,912</u> |
| Education Technology State Grants | 84.318 | 401497-01 | 71,819 |
| Education Technology State Grants | 84.318 | 500366-01 | 35,073 |
| Education Technology State Grants | 84.318 | 500846-01 | 113,697 |
| Education Technology State Grants | 84.318 | via Balto Co. | 1,377 |
| Education Technology State Grants | 84.318 | via Balto Co. | 2,570 |
| Education Technology State Grants | 84.318 | via Mont. Co. | 7,326 |
| Education Technology State Grants | 84.318 | via Mont. Co. | 1,536 |
| Education Technology State Grants | 84.318 | via Mont. Co. | 1,619 |
| | | | <u>235,017</u> |
| Special Education - State Personnel Development | 84.323 | MSDE via McDaniel | <u>30,902</u> |
| Comprehensive School Reform Demonstration | 84.332 | 400755-01 | 34,398 |
| Comprehensive School Reform Demonstration | 84.332 | 400993-01 | 47,941 |
| Comprehensive School Reform Demonstration | 84.332 | 401802-01 | 62,428 |
| Comprehensive School Reform Demonstration | 84.332 | 500969-01/2 | 107,912 |
| Comprehensive School Reform Demonstration | 84.332 | 500975-01 | 109,849 |
| Comprehensive School Reform Demonstration | 84.332 | via Balto Co. | 4,903 |
| | | | <u>367,431</u> |
| English Language Acquisition Grants | 84.365 | 401846-01 | 3,084 |
| English Language Acquisition Grants | 84.365 | 500462-01 | 15,989 |
| | | | <u>19,073</u> |
| Mathematics & Science Partnerships | 84.366 | 401663-01 | <u>142,078</u> |
| Improving Teacher Quality State Grants | 84.367 | 400595-01 | 301,263 |
| Improving Teacher Quality State Grants | 84.367 | 500365-01 | 296,065 |
| | | | <u>597,328</u> |
| Total U.S. Department of Education | | | <u><u>\$ 10,213,696</u></u> |
| U.S. Department of Agriculture | | | |
| Passed through Maryland State Department of Education: | | | |
| Food Donation | 10.550 | N/A | <u>422,222</u> |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | N/A | 139,737 |
| National School Lunch Program | 10.555 | N/A | 430,989 |
| National School Lunch Program | 10.555 | N/A | 687,715 |
| Special Milk Program for Children | 10.556 | N/A | 1,373 |
| Total Child Nutrition Cluster | | | <u>1,259,814</u> |
| Total U.S. Department of Agriculture | | | <u><u>\$ 1,682,036</u></u> |

THE BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005
(CONTINUED)

| <u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Federal Expenditures</u> |
|--|------------------------|-------------------------|---------------------------------|
| U.S. Department of Commerce | | | |
| Passed through Maryland State Department of Education: | | | |
| Chesapeake Bay Studies | 11.457 | 401664-01 | 2,291 |
| | | | <u>2,291</u> |
| Total U.S. Department of Commerce | | | <u>\$ 2,291</u> |
| U.S. Department of Health and Human Services | | | |
| Passed through Maryland Department of Human Resources | | | |
| Through Maryland State Department of Education: | | | |
| Temporary Assistance for Needy Families | 93.558 | 400448-01 | \$ 7,527 |
| Total U.S. Department of Health and Human Services | | | <u>\$ 7,527</u> |
| U.S. Department of Interior | | | |
| Passed through Maryland Department of Natural Resources | | | |
| Sport Fish Restoration | 15.605 | N/A | 5,439 |
| Total U.S. Department of Interior | | | <u>\$ 5,439</u> |
| U.S. Department of Labor | | | |
| Passed through Maryland Department of Labor, Licensing and Regulation | | | |
| Through Carroll County Government | | | |
| WIA Youth Activities | 17.259 | N/A | \$ 5,247 |
| Total U.S. Department of Labor | | | <u>\$ 5,247</u> |
| Corporation for National and Community Service | | | |
| Passed through Maryland State Department of Education: | | | |
| Learn and Service America - | | | |
| School and Community Based Programs | 94.004 | 400987-01 | \$ 2,065 |
| Learn and Service America - | | | |
| School and Community Based Programs | 94.004 | 500876-01 | 8,590 |
| | | | <u>10,655</u> |
| Passed through Points of Light Foundation | | | |
| Learn and Service America - | | | |
| School and Community Based Programs | 94.004 | N/A | 13,056 |
| Total Corporation for National and Community Service | | | <u>\$ 23,711</u> |
| Total Federal Expenditures | | | <u>\$ 11,939,947</u> |

THE BOARD OF EDUCATION OF CARROLL COUNTY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2005

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of The Board of Education of Carroll County (Board) for the year ended June 30, 2005.

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 (Department) is determined by the Department and is included in revenues and expenditures in the year received.

THE BOARD OF EDUCATION OF CARROLL COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2005

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

The following schedule reconciles the amount per the financial statements to the amounts per the schedule of federal awards for the year ended June 30, 2005:

| | Food Service Fund | General Fund | Total |
|---|------------------------------|-------------------------|-----------------------------|
| REVENUE | | | |
| BALANCE PER FINANCIAL STATEMENTS | | | |
| Federal revenues | \$ 1,680,663 | \$ 11,786,832 | \$ 13,467,495 |
| LESS | | | |
| Miscellaneous adjustments | | | 977 |
| LESS | | | |
| Medical assistance revenue | | | <u>1,526,571</u> |
| TOTAL PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 11,939,947</u></u> |



**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 *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, 2005, which collectively comprise The Board of Education of Carroll County's basic financial statements and have issued our report thereon dated September 1, 2005. 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 others matters involving internal control 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, 2005.

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 grants 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 board members, 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, 2005

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance 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, 2005. 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 The 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, 2005.

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.

This report is intended solely for the information and use of the board members, 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 Gunderson LLP

Baltimore, Maryland
September 1, 2005

**THE BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

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 | X | No |
| Reportable condition(s) identified that are not considered to be material weaknesses | ___ | Yes | X | None Reported |
| Noncompliance material to financial statements noted? | ___ | Yes | X | No |

Federal Awards

Internal control over major programs:

| | | | | |
|--|-----|-----|---|---------------|
| Material weakness(es) identified? | ___ | Yes | X | No |
| Reportable condition(s) identified that are not considered to be material weaknesses | ___ | Yes | X | 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 | X | No |
|--|-----|-----|---|----|

Identification of Major Programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.027/84.173 | Special Education Cluster |

| | |
|---|-----------|
| Dollar threshold used to distinguish between type A and type B programs | \$358,198 |
|---|-----------|

| | | | | |
|--|---|-----|-----|----|
| Auditee qualified as low-risk auditee? | X | Yes | ___ | No |
|--|---|-----|-----|----|

THE BOARD OF EDUCATION OF CARROLL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

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.