

St. Mary's County Public Schools

Financial Report
June 30, 2015

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Independent Auditor's Report

Members of the Board of Education
St. Mary's County Public Schools
Leonardtown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Mary's County Public Schools (the School System), a component unit of St. Mary's County, Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Mary's County Public Schools, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13, effective July 1, 2014, the School System adopted the new accounting guidance of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Required Supplementary Information – St. Mary's County Public Schools OPEB Plan Schedule of Funding Progress (OPEB Funding), Schedule of the Proportionate Share of the Net Pension Liability Maryland State Retirement and Pension System (Pension Liability), Schedule of School System Contributions to Maryland State Retirement and Pension System (Pension Contributions), and the Budgetary Comparison Schedule – General Fund on pages 3 through 13 and 45 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A, OPEB Funding, Pension Liability, and Pension Contribution information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The Budgetary Comparison Schedule – General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – General Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The financial information listed as supplementary information in the table of contents on pages 51 through 55 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards on pages 60 through 64 is presented for purposes of additional analysis as required by the 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.

The schedules and information discussed in the preceding paragraph is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules and information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, on our consideration of the School System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School System's internal control over financial reporting and compliance.



Frederick, Maryland
September 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This section of St. Mary's County Public Schools' (School System) annual financial report presents its discussion and analysis of the School System's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- The financial status of the School System increased this year. Net position increased by \$24.8 million (see page 15).
- The unassigned Fund Balance of the General Fund increased from \$480,726 to \$1,995,437.
- The net position for business type activities (Food Services) increased by \$253,409 (see page 21).

Overview of Financial Statements

This report consists of several sections: Independent auditor's report, management's discussion and analysis, the basic financial statements, required supplemental information, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School System's financial operations/condition.

- The first two statements are system-wide financial statements that provide both short-term and long-term information about the School System's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School System's operations. These statements report operations in greater detail than the system-wide statements.
 - The governmental funds statements tell how basic services such as regular and special education were financed in the short term, as well as what is available for future spending.
 - Proprietary fund statements offer short and long-term financial information about activities that are operated like businesses – Food Services.
 - Fiduciary funds statements provide information about financial relationships in which the School System acts solely as a trustee or agent for the benefit of others.

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

**Figure A-1
Organization of SMCPS Annual Financial Report**

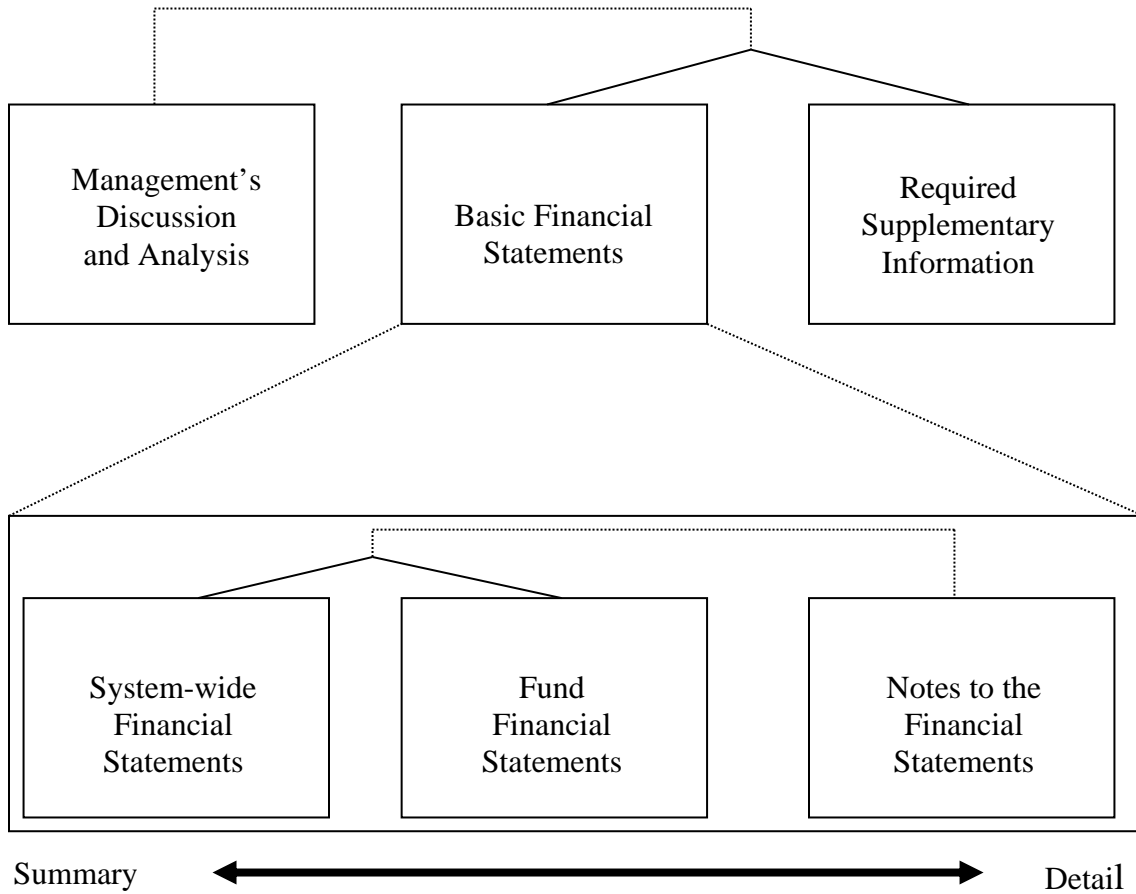


Figure A-2 summarizes the major features of the School System's financial statements, including the portion of the School System's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the system that are not proprietary or fiduciary, such as special education and building maintenance	Activities the system operates similar to private businesses: food services	Instances in which the system administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities; both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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 soon after the end of the year; expenditures when goods and services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

System-wide Statements

The system-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School System's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two system-wide statements report the School System's net position and how they have changed. Net position – the difference between the School System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the School System's financial health or position.

- Over time, increases or decreases in the School System's Net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School System's overall health, one needs to consider additional non-financial factors such as changes to the county's property tax base and the condition of school buildings and facilities.

In the School System-wide financial statements, the School System's activities are divided into two categories:

- **Governmental activities:** Most of the School System's basic services are included here, such as regular and special education, transportation, and administration. County appropriation and state formula aid finance most of these activities.
- **Business-type activities:** The School System charges a fee to cover the costs of certain services it supplies. This is where our Food Service activities will be reported.

Fund Financial Statements

The fund financial statements provide more detailed information about the School System's funds, focusing on its most significant funds – not the School System as a whole. Funds are accounting devices the School System uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The School System establishes other funds to control and manage money for particular purposes (such as repaying long-term debts) or to show that it is properly using certain revenues such as federal grants.

The School System has three kinds of funds:

- **Governmental funds:** Most of the School System's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in future fiscal years to finance School System based programs or new initiatives. Because this information does not encompass the additional long-term focus of the system-wide statements, additional information at the bottom of the governmental funds statement explains the relationship, or difference, between them.

- Proprietary fund: Services for which the School System charges a fee are generally reported in proprietary funds. The School System's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Food Services is the only Enterprise Fund of the School System.
- Fiduciary funds: The School System is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and student activities funds. The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School System excludes these funds from the system-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the School System as a Whole

The School System's combined net position increased \$24.8 million, increasing by 12.9%, which came predominately from capital outlays.

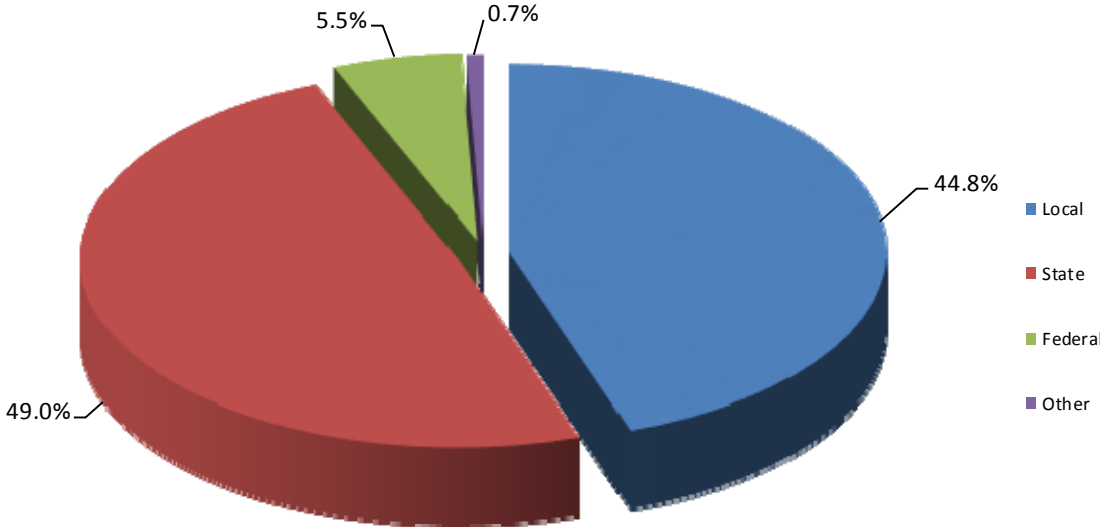
Figure A-3
Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 36.9	\$ 25.1	\$ 1.9	\$ 1.8	\$ 38.8	\$ 26.9	44.2%
Capital assets	263.0	242.0	0.6	0.5	263.6	242.5	8.7%
Total assets	299.9	267.1	2.5	2.3	302.4	269.4	12.2%
Deferred outflows	1.4	1.2	-	-	1.4	1.2	16.7%
Long-term debt outstanding	58.0	54.7	0.2	0.2	58.2	54.9	6.0%
Other liabilities	28.3	24.2	0.5	0.5	28.8	24.7	16.6%
Total liabilities	86.3	78.9	0.7	0.7	87.0	79.6	9.3%
Deferred inflows	1.1	-	-	-	1.1	-	0.0%
Net Position							
Net investment in capital assets	260.1	238.3	0.6	0.5	260.7	238.8	9.2%
Restricted	0.1	0.1	-	-	0.1	0.1	0.0%
Unrestricted	(46.3)	(49.0)	1.2	1.1	(45.1)	(47.9)	-5.8%
Total net position	\$ 213.9	\$ 189.4	\$ 1.8	\$ 1.6	\$ 215.7	\$ 191.0	12.9%

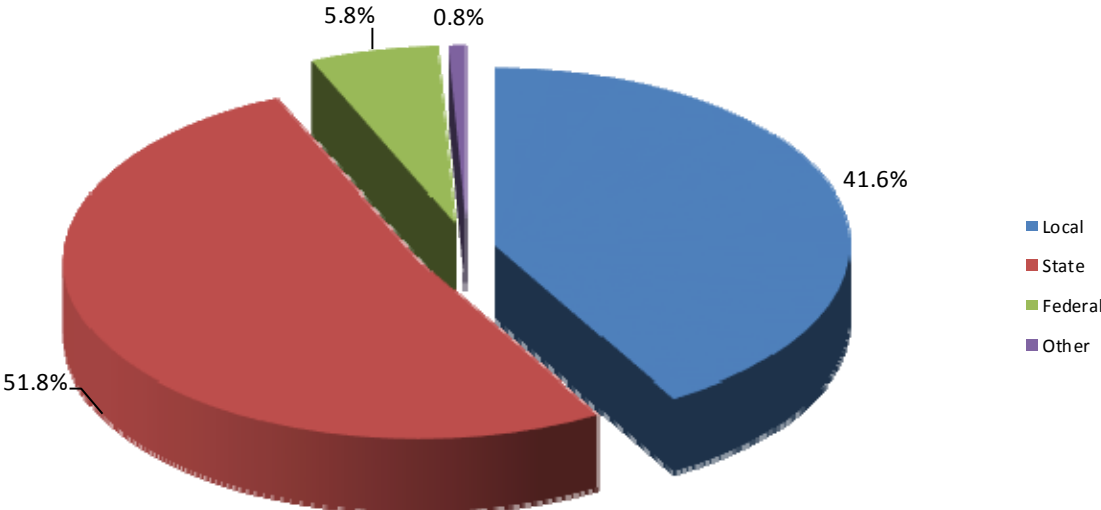
Figure A-4
Condensed Statement of Net Activities (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2015	2014	2015	2014	2015	2014	
Revenues							
Program revenues:							
Charges for services	\$ 0.7	\$ 0.6	\$ 2.8	\$ 3.1	\$ 3.5	\$ 3.7	-5.4%
Operating grants & contributions	37.6	36.0	4.2	3.9	41.8	39.9	4.8%
Capital grants & contributions	31.1	14.6	0.2	-	31.3	14.6	114.4%
General revenues:							
County	93.9	89.9	-	-	93.9	89.9	4.4%
State	85.8	82.6	-	-	85.8	82.6	3.9%
Federal	2.2	2.4	-	-	2.2	2.4	-8.3%
Other	1.2	1.2	-	-	1.2	1.2	0.0%
Total revenues	252.5	227.3	7.2	7.0	259.7	234.3	10.8%
Expenses							
Administrative	19.0	19.4	-	-	19.0	19.4	-2.1%
Instruction	79.6	80.5	-	-	79.6	80.5	-1.1%
Special education	21.1	21.0	-	-	21.1	21.0	0.5%
Student personnel & health services	3.4	3.4	-	-	3.4	3.4	0.0%
Transportation	15.5	15.6	-	-	15.5	15.6	-0.6%
Operations & maintenance	26.2	27.0	-	-	26.2	27.0	-3.0%
Fixed charges	62.8	74.2	-	-	62.8	74.2	-15.4%
Other	0.4	0.5	6.9	6.9	7.3	7.4	-1.4%
Total expenses	228.0	241.6	6.9	6.9	234.9	248.5	-5.5%
Change in net position	\$ 24.5	\$ (14.3)	\$ 0.3	\$ 0.1	\$ 24.8	\$ (14.2)	-274.6%

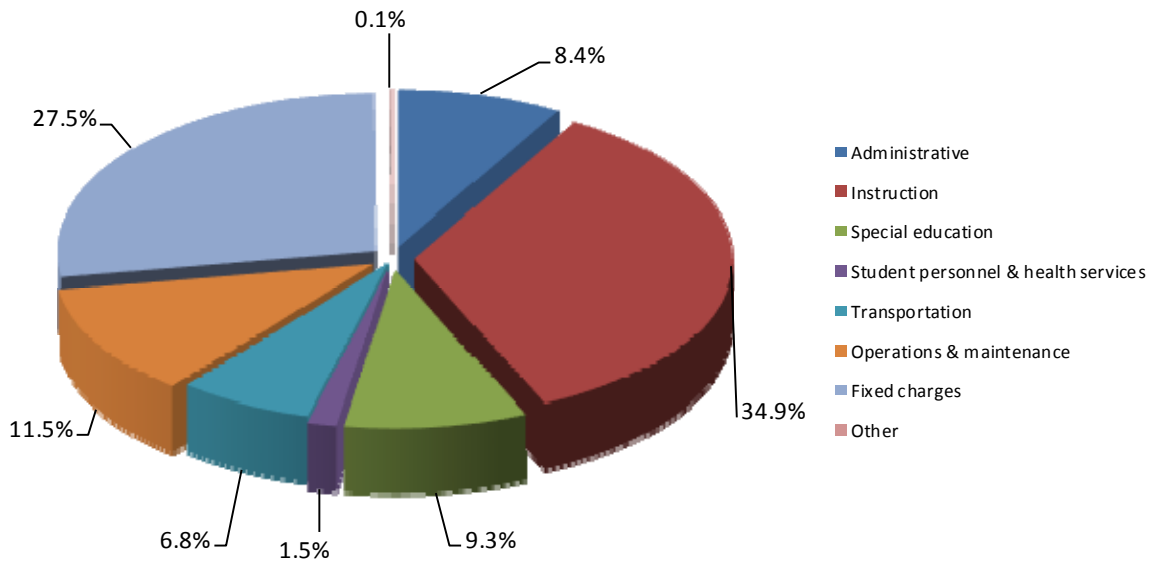
**Figure A-5: Sources of Revenues FY-2015
Governmental Activities**



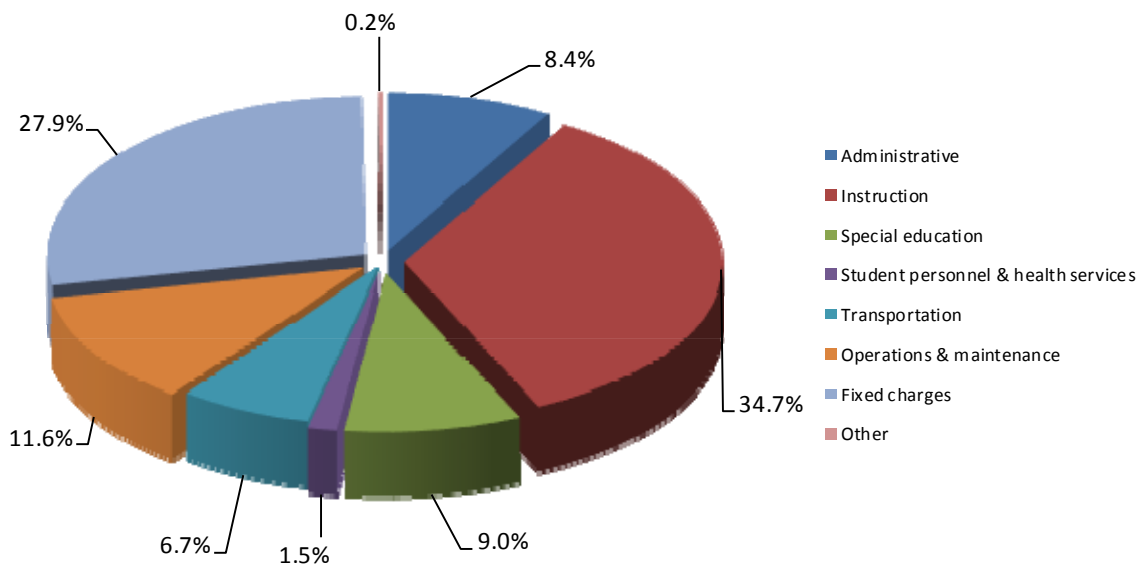
**Figure A-6: Sources of Revenues FY-2014
Governmental Activities**



**Figure A-7: Expenses FY-2015
Governmental Activities**



**Figure A-8: Expenses FY-2014
Governmental Activities**



Governmental Activities

Variations between budgeted Revenues and Expenses and actual Revenues and Expenses can be attributed to:

- Negatives:
 - Federal Impact Aid – Funding came in less than budgeted for FY-2015.
- Positives:
 - Reduced Expenditures – Systematic holdbacks and soft hiring freeze
 - Reduced Expenditures – Changing back to a modified retrospective billing agreement with our insurance carrier created a reversing accounting entry from FY-2014 that resulted in a credit of \$2.5 million in fixed charges.
 - Reduced Expenditures – Fuel/oil costs were lower than budget.

Figure A-9

Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2015	2014	% Change	2015	2014	% Change
Administrative	\$ 19.0	\$ 19.4	-2.1%	\$ 18.4	\$ 18.9	-2.6%
Instruction	79.6	80.5	-1.1%	74.4	75.8	-1.8%
Special education	21.1	21.0	0.5%	12.4	12.6	-1.6%
Student personnel & health services	3.4	3.4	0.0%	3.2	3.2	0.0%
Transportation	15.5	15.6	-0.6%	8.0	8.6	-7.0%
Operations & maintenance	26.2	27.0	-3.0%	(5.2)	12.0	-143.3%
Fixed charges	62.8	74.2	-15.4%	47.3	49.8	-5.0%
Other	0.4	0.5	-20.0%	0.1	0.1	0.0%
Total	\$ 228.0	\$ 241.6	-5.6%	\$ 158.6	\$ 181.0	-12.4%

Business-Type Activities

- Net position for Food Service increased by \$253,409.

Financial Analysis of the School System's Funds

The financial performance of the School System's general operations is reflected in its governmental funds. For FY-2015 the General Fund shows \$7.8 million of revenues over expenditures and other financing sources (page 18) predominately due to the systematic holdbacks put in place for FY-2015 along with the FY-2014 accounting entry reversal of our outstanding claims liability (OCL) for \$2.5 million.

Capital Projects expenditures amounted to \$31,211,861 for the year ended June 30, 2015 (page 18). As discussed later, these expenditures were for a full array of capital projects.

General Fund Budgetary Highlights

Current year sources of revenue exceeded expenditures on the budgetary basis by \$6,377,188. Revenues increased roughly 1.5% compared to FY-2014.

Over the course of the fiscal year, the School System revised the annual operating budget only once, in March, on a categorical basis and several times for within categorical adjustments.

These budget amendments fall into two categories:

- Shifts within a category to realign the budget to meet emerging needs, particularly associated with the Charter School
- An increase in revenue and the offsetting expenditure category to recognize the Quality Teacher Incentive unrestricted grant received for FY-2015.

Capital Asset and Debt Administration

Capital Assets

During FY-2015, the School System invested \$30,231,319 (prior to depreciation) in a broad range of capital assets, including school buildings, vehicles, and equipment. More information can be found in Note 4 to the basic Financial Statements (page 31).

Figure A-10
Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2015	2014	2015	2014	2015	2014	
Land	\$ 2.9	\$ 2.5	\$ -	\$ -	\$ 2.9	\$ 2.5	16.0%
Facilities under construction	38.7	13.5	-	-	38.7	13.5	186.7%
Buildings	215.6	219.1	-	-	215.6	219.1	-1.6%
Equipment	5.8	6.9	0.6	0.5	6.4	7.4	-13.5%
Total capital assets, net	\$ 263.0	\$ 242.0	\$ 0.6	\$ 0.5	\$ 263.6	\$ 242.5	8.7%

Long-term Debt

The long-term debt is expected to grow over the next several years as funding for OPEB remains at less than desirable amounts. Our new computer and copier leases have also added to our long term debt obligation. Additional information on long-term debt can be found in Note 7 to the basic Financial Statements (page 33).

Figure A-11
Outstanding Long-term Debt (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Total % Change
	2015	2014	2015	2014	2015	2014	
Equipment financing agreements	\$ 2.8	\$ 3.8	\$ -	\$ -	\$ 2.8	\$ 3.8	-26.3%
Compensated absences	4.5	4.7	-	0.2	4.5	4.9	-8.2%
Net OPEB obligation	41.0	35.6	-	-	41.0	35.6	15.2%
Net pension obligation	9.6	10.6	-	-	9.6	10.6	-9.4%
Total long-term debt	\$ 57.9	\$ 54.7	\$ -	\$ 0.2	\$ 57.9	\$ 54.9	5.5%

Factors bearing on the School System's Future

At the time these financial statements were prepared and audited, the School System was aware of four items that could significantly affect the financial health in the future:

- The State of Maryland continues to struggle with its budget. Federal ARRA, RTTT, and other programs which offered some financial relief, have ended. Long term economic health of the State may impact all school systems within Maryland.
- GASB 45 requires St. Mary's County Public Schools to recognize the liability associated with post employment benefits. This adds approximately \$8 million annually to our operating budget if fully funded. Presently, it is a voluntary requirement, but if we do not fund the liability, it will grow and impact future budgets and net positions. We are currently \$41 million short of being fully funded as of June 30, 2015.
- GASB 68 requires St. Mary's County Public Schools to recognize a long term pension liability of \$9.6 million for the year ending June 30, 2015. All Boards of Education are now responsible for reporting the net unfunded pension liability for participants in the Employees' Pension Systems. This amount will adjust annually and reduce the overall net position of the School System.
- The amount of revenue over expenses in FY-2015 allowed the School System to assign fund balances for: a future healthcare call, unexpected snow removal costs, and fuel/oil cost spikes.

Contacting SMCPs' Financial Management

This financial report is designed to provide the School System's citizens, stakeholders, elected officials, and the financial market with a general overview of the School System's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Assistant Superintendent of Fiscal Services and Human Resources, St. Mary's County Public Schools, 23160 Moakley Street, Leonardtown, Maryland 20650.

BASIC FINANCIAL STATEMENTS

St. Mary's County Public Schools

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 27,983,879	\$ 813,602	\$ 28,797,481
Certificate of deposit	84,182	-	84,182
Due from other governments	8,947,420	259,125	9,206,545
Internal balances	(190,986)	190,986	-
Other receivables, net	118,809	418,216	537,025
Inventory	-	218,076	218,076
Prepaid items	8,620	-	8,620
Capital assets			
Land	2,862,240	-	2,862,240
Buildings and improvements	345,869,521	-	345,869,521
Furniture and equipment	8,319,043	1,851,824	10,170,867
Equipment leased under financing agreements	6,676,139	-	6,676,139
Construction in process	38,670,956	-	38,670,956
Less accumulated depreciation	(139,432,078)	(1,218,149)	(140,650,227)
Total assets	299,917,745	2,533,680	302,451,425
Deferred Outflows			
Current year contributions to the employees' system pension plan	1,269,260	-	1,269,260
Changes in actuarial assumptions	139,457	-	139,457
Total deferred outflows	1,408,717	-	1,408,717
Liabilities			
Accounts payable	5,181,162	140,578	5,321,740
Accrued salaries and related costs	15,018,599	293,990	15,312,589
Accrued estimated health insurance claims incurred but not reported	-	-	-
Accrued interest	47,810	-	47,810
Due to other governments	37,261	-	37,261
Unearned revenue	8,114,543	137,925	8,252,468
Long-term liabilities			
Due within one year:			
Compensated absences	491,466	11,121	502,587
Financing agreements payable	1,552,701	-	1,552,701
Due after one year:			
Compensated absences	4,005,313	140,615	4,145,928
Financing agreements payable	1,272,972	-	1,272,972
Net pension obligation	9,640,511	-	9,640,511
Net OPEB obligation	40,997,310	-	40,997,310
Total liabilities	86,359,648	724,229	87,083,877
Deferred Inflows			
Net difference between projected and actual investment earnings on pension plan assets	1,055,217	-	1,055,217
Net Position			
Net investment in capital assets	260,140,148	633,675	260,773,823
Restricted – capital projects	82,170	-	82,170
Unrestricted	(46,310,721)	1,175,776	(45,134,945)
Total net position	\$ 213,911,597	\$ 1,809,451	\$ 215,721,048

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Statement of Activities
Year Ended June 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Administration	\$ 3,067,963	\$ -	\$ 36,550	\$ -	\$ (3,031,413)	\$ -	\$ (3,031,413)
Mid-level administration	15,967,750	-	593,445	-	(15,374,305)	-	(15,374,305)
Instructional salaries	73,832,354	-	2,986,660	-	(70,845,694)	-	(70,845,694)
Instructional textbooks and supplies	3,240,741	448,448	722,939	-	(2,069,354)	-	(2,069,354)
Other instructional costs	2,486,935	-	1,008,366	-	(1,478,569)	-	(1,478,569)
Special education	21,120,213	-	8,697,029	-	(12,423,184)	-	(12,423,184)
Student personnel services	1,355,915	-	110,553	-	(1,245,362)	-	(1,245,362)
Student health services	2,037,624	-	83,298	-	(1,954,326)	-	(1,954,326)
Student transportation services	15,501,693	-	7,499,666	-	(8,002,027)	-	(8,002,027)
Operation of plant	20,806,161	219,315	89,458	31,104,068	10,606,680	-	10,606,680
Maintenance of plant	5,431,477	-	-	-	(5,431,477)	-	(5,431,477)
Community services	220,498	-	220,498	-	-	-	-
Fixed charges	62,789,174	-	15,537,459	-	(47,251,715)	-	(47,251,715)
Interest on long-term debt	107,273	-	-	-	(107,273)	-	(107,273)
Total governmental activities	227,965,771	667,763	37,585,921	31,104,068	(158,608,019)	-	(158,608,019)
Business-Type Activities							
Food services	6,918,890	2,797,423	4,170,201	204,476	-	253,210	253,210
Total business-type activities	6,918,890	2,797,423	4,170,201	204,476	-	253,210	253,210
Total primary government	\$ 234,884,661	\$ 3,465,186	\$ 41,756,122	\$ 31,308,544	(158,608,019)	253,210	(158,354,809)
General Revenues							
Unrestricted grants and contributions:							
Local					93,910,979	-	93,910,979
State					85,840,055	-	85,840,055
Federal					2,202,026	-	2,202,026
Investment earnings					9,290	199	9,489
Other					1,169,866	-	1,169,866
Total general revenues					183,132,216	199	183,132,415
Change in net position					24,524,197	253,409	24,777,606
Net Position							
Beginning, as restated (Note 13)					189,387,400	1,556,042	190,943,442
Ending					\$ 213,911,597	\$ 1,809,451	\$ 215,721,048

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Balance Sheet – Governmental Funds
June 30, 2015**

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 27,963,333	\$ 20,546	\$ 27,983,879
Certificate of deposit	-	84,182	84,182
Due from other governments	4,814,526	4,132,894	8,947,420
Due from other funds	1,595	4,735,194	4,736,789
Other receivables	117,214	-	117,214
Prepaid items	8,620	-	8,620
Total assets	\$ 32,905,288	\$ 8,972,816	\$ 41,878,104
Liabilities			
Liabilities			
Accounts payable	\$ 2,422,280	\$ 2,741,167	\$ 5,163,447
Accrued salaries and related costs	15,018,599	-	15,018,599
Due to other governments	37,261	-	37,261
Due to other funds	4,943,895	-	4,943,895
Unearned revenue	1,987,122	6,127,421	8,114,543
Total liabilities	24,409,157	8,868,588	33,277,745
Fund Balances			
Non-spendable	8,620	-	8,620
Restricted	-	82,170	82,170
Committed	-	22,058	22,058
Assigned	6,492,074	-	6,492,074
Unassigned	1,995,437	-	1,995,437
Total fund balances	8,496,131	104,228	8,600,359
Total liabilities and fund balances	\$ 32,905,288	\$ 8,972,816	\$ 41,878,104

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

Total Fund Balances – Governmental Funds \$ 8,600,359

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	\$ 402,397,899	
Accumulated depreciation	<u>(139,432,078)</u>	262,965,821

Pension related deferred outflows of resources:

Current year contributions to the employees' system pension plan	1,269,260	
Changes in actuarial assumptions	<u>139,457</u>	1,408,717

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:

Compensated absences	(4,496,779)	
Financing agreements payable	(2,825,673)	
Net OPEB obligation	(40,997,310)	
Net pension obligation	(9,640,511)	
Accrued interest on the financing agreements	<u>(47,810)</u>	(58,008,083)

Deferred inflows of resources related to pension actuarial calculations:

Net difference between projected and actual investment earnings on pension plan assets		<u>(1,055,217)</u>
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Total net position – governmental activities \$ 213,911,597

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2015**

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local	\$ 93,910,979	\$ 18,957,248	\$ 112,868,227
State of Maryland	111,668,918	12,146,820	123,815,738
Federal government	14,011,911	-	14,011,911
Tuition	434,997	-	434,997
Investment income	8,240	1,050	9,290
Other	1,351,750	-	1,351,750
Total revenue	221,386,795	31,105,118	252,491,913
Expenditures			
Current			
Administration	3,022,999	-	3,022,999
Mid-level administration	15,058,879	-	15,058,879
Instructional salaries	73,832,354	-	73,832,354
Instructional textbooks and supplies	3,240,741	-	3,240,741
Other instructional costs	2,121,008	-	2,121,008
Special education	21,105,977	-	21,105,977
Student personnel services	1,355,235	-	1,355,235
Student health services	2,037,624	-	2,037,624
Student transportation services	15,369,381	-	15,369,381
Operation of plant	13,356,783	-	13,356,783
Maintenance of plant	3,396,940	-	3,396,940
Community services	220,498	-	220,498
Fixed charges	57,663,275	-	57,663,275
Capital outlay	678,368	31,211,861	31,890,229
Debt service			
Principal	1,425,673	-	1,425,673
Interest	138,545	-	138,545
Total expenditures	214,024,280	31,211,861	245,236,141
Excess (deficiency) of revenues over expenditures	7,362,515	(106,743)	7,255,772
Other Financing Sources (Uses)			
Capital lease financing	470,549	-	470,549
Net change in fund balances	7,833,064	(106,743)	7,726,321
Fund Balance			
Beginning	663,067	210,971	874,038
Ending	\$ 8,496,131	\$ 104,228	\$ 8,600,359

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities Year Ended June 30, 2015

Total net change in fund balances – governmental funds	\$ 7,726,321
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, cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$30,449,447 exceed depreciation of \$9,506,821 for the period.	20,942,626
In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by costs of the capital assets of \$207,798 disposed, less any accumulated depreciation of \$202,551.	(5,247)
Some of the capital assets acquired this year were through financing agreements. The amount funded by the agreements is reported in the governmental funds as a source of financing. On the other hand, the financing agreements are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position.	(470,549)
Repayment of financing agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,425,673
In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave amounts earned of \$356,109, was less than amounts paid of \$509,767.	153,658
In the statement of activities, OPEB costs are measured by the amounts earned during the year as actuarially computed. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, accrued OPEB benefits earned of \$13,550,000, exceeded amounts contributed of \$8,194,660.	(5,355,340)
In the statement of activities, non-teacher pension costs are measured by the amounts earned during the year as actuarially computed, along with the effects of changes in actuarial assumptions and differences between projected and actual investment earnings on pension plan assets. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, accrued non-teacher pension benefits earned of \$1,193,477, were lower than amounts contributed of \$1,269,260.	75,783
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, thus requiring the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest on the financing agreements. Accrued interest increased by this amount this year.	31,272
	<u>31,272</u>
Change in net position of governmental activities	<u><u>\$ 24,524,197</u></u>

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Statement of Net Position – Proprietary Fund
June 30, 2015**

	Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 813,602
Due from other governments	259,125
Due from other funds	190,986
Accounts receivable, net	418,216
Inventory, at cost	218,076
	<u>1,900,005</u>
Noncurrent Assets	
Food service equipment	1,851,824
Less accumulated depreciation	(1,218,149)
	<u>633,675</u>
Total assets	<u>2,533,680</u>
Liabilities	
Current Liabilities	
Accounts payable	140,578
Accrued salaries and related costs	293,990
Unearned revenue	137,925
Compensated absences	11,121
	<u>583,614</u>
Noncurrent Liabilities	
Compensated absences	140,615
	<u>140,615</u>
Total liabilities	<u>724,229</u>
Net Position	
Net investment in capital assets	633,675
Unrestricted	1,175,776
	<u>1,809,451</u>
Total net position	<u>\$ 1,809,451</u>

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Fund
Year Ended June 30, 2015**

	Enterprise Fund
Operating Revenues	
Food service sales	\$ 2,797,423
Federal grants and commodities	3,908,604
State matching and other	261,597
Total operating revenue	<u>6,967,624</u>
Operating Expenses	
Payroll costs	3,582,108
Professional and contract services	46,251
Supplies and materials	3,057,169
Depreciation	76,733
Other operating costs	156,629
Total operating expenses	<u>6,918,890</u>
Operating income	<u>48,734</u>
Non-Operating Revenues	
Interest income	199
Local capital contribution	204,476
	<u>204,675</u>
Change in net position	253,409
Total Net Position	
Beginning	<u>1,556,042</u>
Ending	<u>\$ 1,809,451</u>

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2015**

	Enterprise Fund
Cash Flows From Operating Activities	
Cash received from user charges	\$ 2,761,124
Operating grants and subsidies received	3,698,380
Payments to employees for services	(3,594,270)
Payments to suppliers for goods and services	(2,746,956)
Payments for other operating expenses	(192,617)
Net cash used in operating activities	(74,339)
Cash Flows From Non-Capital Financing Activities	
Internal activity – net borrowings from other funds	168,201
Net cash provided by non-capital financing activities	168,201
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(252,419)
Proceeds from sale of capital assets	1,260
Capital contributions received	204,476
Net cash used in capital and related financing activities	(46,683)
Cash Flows From Investing Activities	
Interest received on investments	199
Net cash provided by investing activities	199
Net increase in cash and cash equivalents	47,378
Cash and Cash Equivalents	
Beginning	766,224
Ending	\$ 813,602
Reconciliation of Operating Income to Net Cash Used in Operating Activities	
Operating income	\$ 48,734
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	76,733
Loss on disposal of capital assets	10,263
Changes in assets and liabilities:	
Due from other governments	(75,976)
Receivables	(48,059)
Inventory	(48,920)
Accounts payable	(36,712)
Accrued salaries and related costs	20,642
Unearned revenue	11,760
Compensated absences	(32,804)
Net cash used in operating activities	\$ (74,339)

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2015**

	Private-Purpose Trust Fund	Retiree Benefit Trust Fund (OPEB)	School Activity Funds
Assets			
Cash and cash equivalents	\$ 98,584	\$ -	\$ 1,530,485
Investments held in MABE Trust	-	37,595,658	-
Due from other funds	-	-	17,715
	<hr/>	<hr/>	<hr/>
Total assets	98,584	37,595,658	\$ 1,548,200
	<hr/>	<hr/>	<hr/>
Liabilities			
Due to other funds	1,595	-	\$ -
Due to student groups	-	-	1,548,200
	<hr/>	<hr/>	<hr/>
Total liabilities	1,595	-	\$ 1,548,200
	<hr/>	<hr/>	<hr/>
Net Position			
Reserved for scholarships	<u>\$ 96,989</u>		
Held in trust for retiree benefits		<u>\$ 37,595,658</u>	

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

**Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2015**

	Private-Purpose Trust Fund	Retiree Benefit Trust Fund (OPEB)
<hr/>		
Additions		
Contributions	\$ -	\$ 2,688,518
Investment and other income, net of administrative fees	48	192,300
Total additions	<u>48</u>	<u>2,880,818</u>
Deductions		
Scholarships awarded	<u>1,550</u>	<u>-</u>
Change in net position	(1,502)	2,880,818
Net Position		
Beginning	<u>98,491</u>	<u>34,714,840</u>
Ending	<u>\$ 96,989</u>	<u>\$ 37,595,658</u>

See Notes to Basic Financial Statements.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 1. Overview and Summary of Significant Accounting Policies

In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of St. Mary's County Public Schools (the School System) is to operate the local public school system in accordance with state and community standards.

The School System does not have the authority to levy any taxes or incur debt. Schools are funded with local (county), state and federal monies. St. Mary's County, Maryland has oversight responsibility for approval and partial funding of the School System's operating budget.

The School System is a component unit of St. Mary's County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the School System.

The School System's financial statements are prepared in accordance with the Codification of Governmental Accounting and Financial Reporting Standards (Codification) as promulgated by the Governmental Accounting Standards Board (GASB). The more significant policies of the School System are described below:

A. Reporting Entity

The main criterion used in determining the entity for financial reporting purposes is whether the School System is financially accountable for any governmental department, agency, institution, commission, public authority, or other organization. As part of that criterion, the following factors were considered:

- Financial benefit or burden
- Appoints a voting majority of the component unit board
- Designation of management
- Ability to impose its will
- Fiscally dependent

Based on these factors, no other organizations exist that should have been included in these financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the School System as a whole and categorize primary activities as either governmental or business-type. The School System's food service program is classified as a business-type activity.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School System's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The School System first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reduces gross expenses by directly related program revenues. Program revenues include: (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other income including investment income and grants and contributions that are not restricted to meeting the operational requirements of a particular function are instead reported as general revenues. The School System does not allocate indirect costs.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

C. Fund Financial Statements

The financial transactions of the School System are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses / expenditures as appropriate. School System resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The emphasis in the fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. The Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The various funds are grouped, in the financial statements in this report, into six generic fund types and three broad fund categories as follows:

Governmental Funds:

General Fund: The General Fund is the general operating fund of the School System. It is used to account for all financial resources except those required to be accounted for in another fund. This fund includes appropriations and grants.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Both the General and Capital Projects Funds have been classified as major funds in the accompanying fund financial statements. While the fund does not meet the criteria set forth by the Codification, the School System has elected to present the Capital Projects Fund as a major fund, due to public interest.

Proprietary Fund:

Enterprise Fund: The Enterprise Fund is used to account for the operations of the food service program. The Enterprise Fund is presented in the business-type activities column in the government-wide financial statements.

The Proprietary Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's ongoing operations. Operating revenue of the Enterprise Fund consists of fees charged to users of food services along with state and federal subsidies and grants received for providing such services. Operating expenses of the Enterprise Fund consist of employee salaries and benefits, supplies, materials, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Fiduciary Funds:

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

Private Purpose Trust Fund: The Private Purpose Trust Fund accounts for the assets donated to the School System to finance memorial scholarships, which are limited to revenues earned (additions).

Retiree Benefit Trust Fund: The Retiree Benefit Trust Fund consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported as additions using the economic resource measurement focus and the accrual basis of accounting, under which expenses (deduction) are recorded when the liability is incurred or benefits are paid.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

By definition, Fiduciary Funds assets are being held for the benefit of a third party and cannot be used to satisfy obligations of the School System, and are, therefore, not incorporated into the government-wide financial statements.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. United States Department of Agriculture (USDA) food commodities are recorded as revenue and expense when they are consumed.

The governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collected within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include debt service expenditures and expenditures related to compensated absences which are recorded only when payment is due.

E. Cash and Cash Equivalents

The School System's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at fair value, and consist of investments in the Maryland Local Government Investment Pool (MLGIP). Fair value generally approximates cost.

F. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation in the government-wide financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

G. Accounts Receivable

Food services are accounted for in the Enterprise Fund. Receivables are carried at original invoice less an estimate for doubtful accounts. It is management's policy to provide an allowance for all balances greater than one year old. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

H. Inventory

Inventory is valued at the lower of cost, determined by using the first-in, first-out method of accounting, or market. Inventory in the Enterprise Fund consists of expendable food and supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenses.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

I. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Library books are expensed at the time they are purchased. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset, are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Furniture and equipment	5 – 15 years

J. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School System has two items that meet this criterion at June 30, 2015, contributions made to a pension plan in the current fiscal year and changes in actuarial assumptions.

K. Accrued Salaries

Teachers' salaries are considered earned at the completion of the school year and are recognized as expenses / expenditures over the school year. Teachers are paid their ten-month salary over twelve months. The accrued salaries are paid within the first two months of the succeeding fiscal year.

L. Long-Term Debt

The School System is not obligated to repay principal or interest on any bonds/loans issued for school construction. Such bonds and loans are obligations of the county and state governments. The authorization for expenditures related to debt service for school construction is in the County's Operating Budget. The County, not the School System, reflects annual debt service expenditures for school construction in their annual financial statements. However, the School System does reflect long-term debt in their financial statements for financing agreement obligations incurred by the School System for the lease-purchase of certain office and computer equipment.

M. Compensated Absences

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement or death of a maximum of \$1,750 for each non-certificated employee, \$3,200 for each professional employee, and \$6,200 for each supervisor and administrator, at the regular daily rate of pay if the employee has worked for the school system for 10 years. Sick leave is estimated to be earned once an employee has attained either 55 years of age with 10 years of service in the School System, or 25 years of service with the School System, or 20 years of service in the State of Maryland regardless of age.

For governmental funds, the amount of accumulated unpaid vacation and sick leave which is payable from available resources, is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. As of June 30, 2015, no accumulated unpaid vacation or sick leave had matured, resulting in them being maintained separately and being a reconciling item between the fund and government-wide financial statement presentations.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

N. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School System has one item that meets this criterion at June 30, 2015, the net difference between projected and actual investment earnings on pension plan assets.

O. Post Employment Benefits

By terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for ten or more years. Effective July 1, 2007, these negotiated agreements provide that the Board will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. The School System has elected to partially fund the actuarially determined costs for future periods as further discussed in Note 11.

P. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Fund Balances

The Board of Education must approve a motion in order to establish a fund balance commitment or assignment and only needs to approve the elimination of a fund balance commitment. The School System first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When unrestricted amounts are considered to have been spent, the School System considers committed amounts first, then assigned, and finally unassigned when a expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

R. Net Position

Net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position, net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position, net investment in capital assets, excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School System or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School System first applies restricted resources when an expense is incurred, for purposes for which both restricted and unrestricted net position are available.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 2. Deposits and Investments

Deposits:

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School System's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2015, all of the School System's deposits, including the certificate of deposit, were either covered by federal depository insurance or were covered by collateral held by the School System's agent in the School System's name.

Short-Term Investments:

Maryland State Law authorizes the School System to invest in obligations of the United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations, the State's sponsored investment pool, or interest bearing accounts in any bank. At June 30, 2015, short-term investments consist primarily of deposits in the MLGIP. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The carrying amount and market value of such investments were \$16,957,592, \$406,324, and \$601,111 for governmental activities, business-type activity, and fiduciary responsibilities, respectively.

The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940.

Long-Term Investments:

As of June 30, 2015, the Capital Projects Fund's long-term investment consisted of a certificate of deposit which had a maturity of less than a year.

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

The assets of the MABE Trust are managed by Wells Fargo Advisors and consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. At June 30, 2015, the pooled net position of the MABE Trust was \$207,360,444 in total, of which the School System's share was \$37,595,658. The MABE Trust is audited annually by an independent CPA firm. Since 2010, Arthur Bell and Associates of Hunt Valley, Maryland has performed this service. The audit report is usually issued by September 1st each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, Maryland 21401-1112.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 3. Receivables and Payables

Receivables and payables at June 30, 2015, consist of the following:

	Governmental Activities		Business-Type Activities	Total
	General	Capital Projects		
Due from other governments				
Local	\$ 70,463	\$ 3,966,688	\$ -	\$ 4,037,151
State	333,908	166,206	27,426	527,540
Federal	4,410,155	-	231,699	4,641,854
	<u>\$ 4,814,526</u>	<u>\$ 4,132,894</u>	<u>\$ 259,125</u>	<u>\$ 9,206,545</u>
Other receivables				
Accounts	\$ 117,214	\$ -	\$ 418,216	\$ 535,430
Due from Fiduciary Funds to General Fund reclassified in statement of net position	1,595	-	-	1,595
	<u>\$ 118,809</u>	<u>\$ -</u>	<u>\$ 418,216</u>	<u>\$ 537,025</u>
Accounts payable				
Vendors	\$ 2,422,280	\$ 965,639	\$ 140,578	\$ 3,528,497
Contractor retainages	-	1,775,528	-	1,775,528
Due from General Fund to Fiduciary Funds reclassified in statement of net position	17,715	-	-	17,715
	<u>\$ 2,439,995</u>	<u>\$ 2,741,167</u>	<u>\$ 140,578</u>	<u>\$ 5,321,740</u>
Due to other governments				
Local	\$ 37,261	\$ -	\$ -	\$ 37,261

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2015, is as follows:

	Balance, June 30, 2014	Additions	Deletions/ Transfers	Balance, June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,545,293	\$ 316,947	\$ -	\$ 2,862,240
Construction in process	13,492,440	29,067,778	(3,889,262)	38,670,956
	<u>16,037,733</u>	<u>29,384,725</u>	<u>(3,889,262)</u>	<u>41,533,196</u>
Capital assets being depreciated				
Buildings and improvements	341,538,351	4,331,170	-	345,869,521
Furniture and equipment	8,374,574	152,267	(207,798)	8,319,043
Equipment leased under financing agreements	6,205,592	470,547	-	6,676,139
	<u>356,118,517</u>	<u>4,953,984</u>	<u>(207,798)</u>	<u>360,864,703</u>
Accumulated depreciation for				
Buildings and improvements	(122,479,743)	(7,740,800)	-	(130,220,543)
Furniture and equipment	(7,648,065)	(1,766,021)	202,551	(9,211,535)
	<u>(130,127,808)</u>	<u>(9,506,821)</u>	<u>202,551</u>	<u>(139,432,078)</u>
Governmental activities capital assets, net	<u>\$ 242,028,442</u>	<u>\$ 24,831,888</u>	<u>\$ (3,894,509)</u>	<u>\$ 262,965,821</u>

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

	Balance June 30, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Business-type activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,671,642	\$ 252,419	\$ (72,237)	\$ 1,851,824
Accumulated depreciation for				
Furniture and equipment	(1,202,130)	(76,733)	60,714	(1,218,149)
Business-type activities capital assets, net	\$ 469,512	\$ 175,686	\$ (11,523)	\$ 633,675

Depreciation expense was charged in the statement of activities for the year ended June 30, 2015, as follows:

Governmental activities	
Administration	\$ 44,964
Mid-level administration	908,871
Other instructional costs	464,278
Special education	14,236
Student personnel services	680
Student transportation services	132,312
Operation of plant	7,934,547
Maintenance of plant	6,933
	<u>\$ 9,506,821</u>
Business-type activities	
Food services	<u>\$ 76,733</u>

Note 5. Unearned Revenue

General Fund: Unearned revenue primarily consists of payments received under restricted programs in excess of the expenses / expenditures incurred to date under those programs at June 30, 2015, of \$1,987,122.

Capital Projects Fund: Unearned revenue consists of prefunding in the amount of \$6,045,584 for construction projects at Sir Walter Francis Duke Elementary School and Spring Ridge Middle School, and funds received for a removal security deposit to be used either towards the purchase of, or removal of an installed solar generating facility upon the expiration of a solar power purchase agreement in the amount of \$81,837.

Enterprise Fund: Unearned revenue of \$137,925 represents student lunch ticket sales collected in advance which will be consumed by students in fiscal year 2016.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 6. Interfund Balances

The composition of interfund balances as of June 30, 2015, is as follows:

<u>Payable Fund</u>	Receivable Fund			
	General	Capital Projects	Enterprise	Agency
General	\$ -	\$ 4,735,194	\$ 190,986	\$ 17,715
Private-Purpose Trust	1,595	-	-	-
	<u>\$ 1,595</u>	<u>\$ 4,735,194</u>	<u>\$ 190,986</u>	<u>\$ 17,715</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are non-interest-bearing and are normally settled in the subsequent period.

Note 7. Long-Term Liabilities

Long-term debt at June 30, 2015, consists of equipment financing obligations, accumulated compensated absences payable, net OPEB obligation, and net pension liability. The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2015:

	Balance, June 30, 2014	Additions	Deductions	Balance, June 30, 2015	Amounts Due Within One Year
Governmental activities					
Equipment financing agreements	\$ 3,780,797	\$ 470,549	\$ (1,425,673)	\$ 2,825,673	\$ 1,552,701
Compensated absences	4,650,437	356,109	(509,767)	4,496,779	491,466
Net OPEB obligation	35,641,970	13,550,000	(8,194,660)	40,997,310	-
Net pension obligation (Note 13)	10,628,710	-	(988,199)	9,640,511	-
	<u>\$ 54,701,914</u>	<u>\$ 14,376,658</u>	<u>\$ (11,118,299)</u>	<u>\$ 57,960,273</u>	<u>\$ 2,044,167</u>
Business-type activities					
Compensated absences	\$ 184,540	\$ 1,996	\$ (34,800)	\$ 151,736	\$ 11,121

The compensated absences liability attributable to the governmental activities will be liquidated solely by the General Fund.

During previous years, the School System entered into various lease-purchase agreements to acquire certain office equipment and various student, teacher and administrative computers. These agreements have varying terms consisting of combined monthly payments of \$38,818, quarterly payments of \$1,824, and annual payments of \$1,069,575 at interest rates ranging from 3.59% to 7.69%, expiring through April 2018. All items purchased under the lease-purchase agreements are pledged as collateral under the agreements. Principal and interest payments for lease-purchase agreements are recorded as expenditures of the General Fund. Principal payments are reported as reductions of long-term obligations in the government-wide financial statements.

During the year ended June 30, 2015, the School System entered into an additional lease-purchase agreement to acquire additional office equipment in the amount of \$470,549. The terms of the agreement provides for monthly payments of \$8,638, including interest at 4.00%, expiring April 2020.

Total combined annual lease payments, including interest, under these agreements at June 30, 2015, was \$1,564,217.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 7. Long-Term Liabilities (Continued)

The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2015, under these agreements are as follows:

Year Ending June 30,

2016	\$ 1,650,593
2017	981,460
2018	152,569
2019	103,653
2020	86,378
	<u>2,974,653</u>
Less amount representing interest	(148,980)
Present value of minimum lease payments	<u><u>\$ 2,825,673</u></u>

Note 8. Governmental Fund Balances

Governmental fund balances at June 30, 2015, are summarized as follows:

	General Fund	Capital Projects	Total
Non-spendable			
Prepaid items	\$ 8,620	\$ -	\$ 8,620
Restricted for			
Capital projects	-	82,170	82,170
Committed to			
Facility security upgrades	-	22,058	22,058
Assigned to			
Purchase orders			
Administration	32,923	-	32,923
Mid-level administration	28,029	-	28,029
Instructional textbooks and supplies	341,683	-	341,683
Other instructional costs	8,178	-	8,178
Special education	3,120	-	3,120
Student personnel services	7,123	-	7,123
Student health services	22,426	-	22,426
Student transportation	156,516	-	156,516
Operation of plant	688,000	-	688,000
Maintenance of plant	190,540	-	190,540
Fixed charges	13,536	-	13,536
Total purchase orders	<u>1,492,074</u>	-	<u>1,492,074</u>
Healthcare	4,000,000	-	4,000,000
Fuel	500,000	-	500,000
Snow/emergency	500,000	-	500,000
	<u>6,492,074</u>	-	<u>6,492,074</u>
Unassigned	1,995,437	-	1,995,437
Total fund balances	<u><u>\$ 8,496,131</u></u>	<u><u>\$ 104,228</u></u>	<u><u>\$ 8,600,359</u></u>

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 9. Risk Management

The School System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disasters. The School System is one of 17 Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The School System pays an annual premium to the Pool for its property, liability, and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole, based on loss data, and are allocated to members based on student enrollment and number and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$5 million per district per year.

Additionally, the School System is one of 17 Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). The Fund was established to provide workers' compensation indemnity and medical benefits coverage for participating school boards. The Fund is operated under regulations promulgated by the State's Workers' Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll, according to the standard classifications, with an experience modification applied. Although premiums billed to the Fund members are determined on an actuarial basis, ultimate liability for claims remains with the respective members and accordingly, the insurance risks are not transferred to the Fund. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and distribute as dividends to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverages, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$400,000 for each worker's compensation claim.

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

Note 10. Pension Plans

Plan Description, Benefits and Funding Policy

Plan Description: The employees of the School System are covered by one of the following pension plans (Pension Plans) affiliated with the State Retirement and Pension System of Maryland (SRPS), a cost-sharing multiple-employer public employee retirement system administered by the State Retirement Agency (Agency):

- The Teachers' Retirement System of the State of Maryland
- The Employees' Retirement System of the State of Maryland
- The Pension System for Teachers of the State of Maryland
- The Pension System for Employees of the State of Maryland

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the "Pension System for Teachers of the State of Maryland" and the "Pension System for Employees of the State of Maryland." Prior to this date, all teachers and related positions were required to be members of the "Teachers' Retirement System of the State of Maryland," and non-certificated positions were members of the "Employees' Retirement System of the State of Maryland." All School System employees who were members of the "Retirement System" may remain in that System, or they may elect to join the "Pension System." All teachers hired within the State after December 31, 1979, must join the "Pension System for Teachers." All non-certificated employees hired within the State after December 31, 1979, must join the "Pension System for Employees." The "Employees' Retirement System" and the "Pension System for Employees" cover those employees not covered by the teachers' plans. These employees are principally custodial, maintenance, and food service employees.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

In addition to the Pension Plans discussed above, the SRPS is also comprised of the State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No.25*. Additionally, the SRPS is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the SRPS is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund. Additionally, the Agency issues a Comprehensive Annual Financial Report (CAFR) for the SRPS. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, by calling 410-625-5555, or online at <http://www.sra.state.md.us/>.

Benefits: These pension plans provide pension benefits and death and disability benefits. A member may retire after 25 years of service from the Retirement Systems, and as early as age 55 and 15 years of service from the Pension Systems. Benefits generally vest after ten years of service.

Funding Policy: Contributions to the Systems are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Personnel and Pensions Article requires both active members and their respective employers to make contributions to the respective Systems. Rates for required contributions by active members are established by law. Under the "Retirement System" employees contribute 5% or 7% of their earnable compensation depending upon the retirement option selected, and under the "Pension System" employees contribute 7% of their earnable compensation. Effective, July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance.

Contribution rates for employer and other non-employer contributing entities (including the State of Maryland) are established by annual actuarial valuations using the individual entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The School System made required contributions totaling \$5,299,971 or 4.60% of current covered payroll, and the State of Maryland made contributions on behalf of the School System totaling \$13,346,117 or 11.58% of current covered payroll for fiscal year 2015. The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by the GASB Codification.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

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

The 24 Boards of Education in the State of Maryland have a special funding situation as defined within GASB 68. Because the State of Maryland pays the unfunded liability and the local jurisdictions pay the normal costs for the Teachers' Pension Systems, the local Boards of Education are not required to record their share of the unfunded pension liability associated with the Teachers' Pension Systems, but instead, that liability is recorded by the State of Maryland. However, Boards of Education are responsible for any net unfunded pension liability for participants in the Employees' Pension Systems. Because the State of Maryland must record the liability for the Boards of Education and because the State of Maryland and the Boards of Education did not fully contribute their normal and past service costs for the Teachers' Pension Systems, the net proportionate share calculation has been adjusted to account for total contributions to ensure the Boards of Education's liability was not improperly allocated to other participating government units. Actual employer contributions billed to participating government units for the year ending June 30, 2014, are used as the basis for determining each employer's proportionate share of the net pension liability. At June 30, 2015, the School System reported a liability of \$9,640,511 or .05% of the total liability of \$17,746,731,000.

The School System recognized deferred outflows of resources, deferred inflows of resources, and expense related to pensions as of and for the year ended June 30, 2015 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Prior year employees' system pension contributions reversed out of deferred outflows	\$ -	\$ -	\$ 1,265,916
Current year employees' system pension contributions	1,269,260	-	-
Changes in actuarial assumptions	139,457	-	(139,457)
Net difference between projected and actual investment earnings on pension plan assets	-	1,055,217	1,055,217
Net decrease in net pension liability from prior year to current year	-	-	(988,199)
Current year teachers' system pension contributions	-	-	4,030,711
	<u>\$ 1,408,717</u>	<u>\$ 1,055,217</u>	<u>\$ 5,224,188</u>

\$1,269,260 reported as deferred outflows of resources related to pensions resulting from School System contributions to the employees' pension system subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,

2016	\$ (228,940)
2017	(228,940)
2018	(228,940)
2019	(228,940)
2020	-
Thereafter	-
	<u>\$ (915,760)</u>

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

Actuarial Methods and Assumptions: The total pension liability of the SRPS in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for State system, 25 years for LEOPS Muni, and 32 years for CORS Muni as of June 30, 2014. For ECS Muni, 6 years remaining as of June 30, 2014 for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.90% general, 3.40% wage
Salary Increases	3.40% to 11.90% including inflation
Discount Rate	7.65%
Investment Rate of Return	7.65%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2015

Investments: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Long-Term	
	Target Allocation	Expected Real Rate of Return
Public Equity	35%	4.7%
Fixed Income	10%	2.0%
Credit Opportunity	10%	3.0%
Real Return	14%	2.8%
Absolute Return	10%	5.0%
Private Equity	10%	6.3%
Real Estate	10%	4.5%
Cash	1%	1.4%
	<u>100%</u>	

The above was the Pension Systems' Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2014. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 14.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 10. Pension Plans (Continued)

Discount Rate: A single discount rate of 7.65% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the School System's proportionate share of the net pension liability, calculated using a single discount rate of 7.65%, as well as what the School System's proportionate share of the net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease to 6.65%	Current Discount	1% Increase to 8.65%
School System's proportionate share of the net pension liability	\$ 13,893,190	\$ 9,640,511	\$ 6,078,355

Detailed information about the SRPS' fiduciary net position is available in the separately issued CAFR by the Agency which may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, by calling 410-625-5555, or online at <http://www.sra.state.md.us/>.

Note 11. Post-Employment Healthcare and Life Insurance Plan

Plan Description: In addition to providing the pension benefits described above, the School System provides post-employment health care and life insurance benefits (OPEB Plan) to employees, former employees, or beneficiaries who meet retirement eligibility requirements of the pension plans. Effective July 1, 2007, by terms of a negotiated contract with employee associations, the School System partially supports the group insurance plan for retired employees who have been employed by the School System for 10 or more years. These negotiated agreements provide that the School System will contribute from 45% to 65% of a retirees' group health insurance premium for years of experience ranging from 10 years to 30 or more years, respectively. In addition, the School System pays 100% of life insurance premiums based upon 50% of final salary coverage.

In March 2009, the School System established the Retiree Benefit Trust of the Board of Education of St. Mary's County (Benefit Trust) in order to facilitate the partial funding of the actuarially calculated OPEB liability. The Benefit Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). The School System reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, any benefit provided there under, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees of the MABE Trust.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 11. Post-Employment Healthcare and Life Insurance Plan (Continued)

The MABE Trust was established to pool assets of its member Boards of Education for investment purposes only. Each member of the Investment Trust is required to designate a member trustee who is a trustee of the member trust. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective financial statements using the economic resources measurement focus and the accrual basis of accounting, under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available.

The MABE Trust issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the Investment Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112, or calling 410-841-5414.

Membership of the OPEB Plan currently enrolled in medical / drug coverage consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

Number of Participants

Active employees	1,573
Retirees – pre-medicare*	270
Retirees – post-medicare*	474
	<hr/>
	2,317
	<hr/>

* - Does not include 193 participants who are not enrolled in medical/drug coverage but have life insurance coverage.

Funding Policy: The School System contributes the pay as you go portion, along with an annually budgeted prefunding amount of the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 13.49% of annual covered payroll. The ARC consisted of the normal cost of \$7,452,000 and the amortization of unfunded accrued liability of \$6,109,000. The School System contributed \$8,194,660 for the year ended June 30, 2015, including \$5,506,142 towards current healthcare and life insurance premiums accounted for in the general fund and an additional \$2,688,518 to prefund future benefits to the retirement benefit trust fund.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 11. Post-Employment Healthcare and Life Insurance Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation: The School System had an actuarial valuation performed as of July 1, 2014, to determine the funded status of the plan as of that date as well as the School System's ARC for the fiscal year ended June 30, 2015. The annual OPEB cost (expense) for the year ended June 30, 2015, was \$13,550,000, which was comprised of the ARC of \$13,561,000 discussed above, less net interest on the net OPEB obligation. A historical trend of the School System's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 11,911,000	50.36%	\$ 30,945,928
2014	12,515,000	62.48%	35,641,970
2015	13,550,000	60.48%	40,997,310

Funded Status and Funding Progress: As of July 1, 2014, the plan was 18.46% funded. The actuarially accrued liability for benefits was \$188,006,000, and the actuarial value of assets was \$34,714,382, resulting in an unfunded actuarial accrued liability (UAAL) of \$153,291,618. The covered payroll (annual payroll of active employees covered by the plan) was \$115,255,917, and the ratio of UAAL to the covered payroll was 133.00%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the School System are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit, with proration to assumed retirement date, actuarial cost method was used. Significant actuarial assumptions used, include (a) a rate of return on the investment of 5.25% per year compounded annually, (b) projected salary increases of 3.50% compounded annually (used for amortization purposes), (c) additional projected salary increases ranging from 4.31% to 10.76% per year, attributable to seniority/merit (used for life insurance purposes), (d) annual healthcare cost trend rate of 8.00% initially, reduced annually to arrive at an ultimate healthcare cost trend of 4.00%, (e) rates of mortality based upon RP 2000 Combined Healthy Mortality Table, (f) termination of service rates based upon age and sex, ranging from 1.00% to 18.00%, (g) disablement rates based on age, ranging from 0.03% to 0.49%, (h) retirement rates based on age, sex, and length of service, ranging from 2.00% to 45.00%, and (i) medical claims including prescription drugs are based on actual experience during the period from July 1, 2012 through June 30, 2014, and were projected with annual increases of 8.00% for medical claims and 8.00% for prescription drug claims. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a period of 24 years for the year ended June 30, 2015.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 12. Commitments and Contingencies

Legal Proceedings: In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

School Construction: As of June 30, 2015, the School System had entered into various school construction commitments which are not reflected in the statement of net position or balance sheet – governmental funds, since they will be funded by the State of Maryland or County bond issues, totaling approximately \$2,474,967.

Grant Program: The School System participates in a number of state and federally assisted grant programs which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with the Federal Office of Management and Budget's Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

Health Insurance: The School System is under a modified retrospective billing arrangement with a commercial insurance carrier to provide group health coverage. Under this arrangement, the insurance carrier assesses an initial charge paid by the School System through monthly premiums. At the end of the coverage period, there is a settlement of the difference between the billed premium and the actual claims and expenses. A deficiency in the billed premium represents the callable margin, which is owed by the School System, up to a maximum of five percent. If the actual claims and expenses are less than the billed premium, the School System would be entitled to a refund. For the year ended June 30, 2015, management does not anticipate a material deficiency or refund, and no such amount has been recorded.

Note 13. Change in Accounting Principles / Restatement

The School System implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.*, during fiscal year ending June 30, 2015. The implementation of this Statement required the School System to record beginning net pension liability and the effects on net position of contributions made by the School System during the measurement period (fiscal year 2014). The effects on beginning net position of Governmental Activities are as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 198,750,194
School System's proportionate share of the net pension liability to be recorded on June 30, 2014 Statement of Net Position	(10,628,710)
Prior year employees' system pension contributions to be recorded as deferred outflows on June 30, 2014 Statement of Net Position	<u>1,265,916</u>
Net position June 30, 2014, as restated	<u><u>\$ 189,387,400</u></u>

Note 14. New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2015, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the School System:

- GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for the School System beginning with its year ending June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective for the School System beginning with its year ending June 30, 2016. This Statement completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and will be effective for the School System beginning with its year ending June 30, 2017. This Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and will be effective for the School System beginning with its year ending June 30, 2018. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

St. Mary's County Public Schools

Notes to Basic Financial Statements

Note 14. New Governmental Accounting Standards Board Standards (Continued)

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the School System beginning with its year ending June 30, 2016. The Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

REQUIRED SUPPLEMENTARY INFORMATION

St. Mary's County Public Schools

**Required Supplementary Information
(Unaudited – See Accompanying Independent Auditor's Report)**

**St. Mary's County Public Schools OPEB Plan
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) b	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL as a Percentage of Covered Payroll [(b-a) / c]
July 1, 2012	\$ 19,591,619	\$ 136,749,000	\$ 117,157,381	14.33%	\$ 116,191,213	100.83%
July 1, 2013	25,002,000	146,045,000	121,043,000	17.12%	118,651,284	102.02%
July 1, 2014	34,714,382	188,006,000	153,291,618	18.46%	115,255,917	133.00%

See Notes to Required Supplementary Information and Basic Financial Statements.

St. Mary's County Public Schools

**Required Supplementary Information
(Unaudited – See Accompanying Independent Auditor's Report)**

**Schedule of the Proportionate Share of the Net Pension Liability
Maryland State Retirement and Pension System
Last Fiscal Year ****

	<u>2015</u>
School System's proportion of the net pension liability	0.054%
Other participating government units' proportion of the net pension liability	5.376%
State of Maryland's proportion of the net pension liability	94.570%
	<u>100.000%</u>
School System's proportionate share of the net pension liability	\$ 9,640,511
Other participating government units' proportionate share of the net pension liability	954,011,441
State of Maryland's proportionate share of the net pension liability	16,783,079,048
	<u>\$ 17,746,731,000</u>
School System's covered-employee payroll	\$ 118,651,284
School System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.125%
Plan fiduciary net position as a percentage of the total pension liability	71.870%

** - The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. In accordance with GASB 68, the above information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2024.

See Notes to Required Supplementary Information and Basic Financial Statements.

St. Mary's County Public Schools

**Required Supplementary Information
(Unaudited – See Accompanying Independent Auditor's Report)**

**Schedule of School System Contributions to
Maryland State Retirement and Pension System
Last Four Fiscal Years ****

	2015	2014	2013	2012
Contractually required contributions	\$ 5,299,971	\$ 4,416,608	\$ 3,626,191	\$ 1,428,621
Actual contributions made:				
Employee systems	1,269,260	1,265,916	1,140,494	1,428,621
Teacher systems	4,030,711	3,150,692	2,485,697	-
	<u>5,299,971</u>	<u>4,416,608</u>	<u>3,626,191</u>	<u>1,428,621</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's covered- employee payroll	\$ 115,255,917	\$ 118,651,284	\$ 116,191,213	\$ 114,323,669
Contributions as a percentage of covered-employee payroll	4.598%	3.722%	3.121%	1.250%

** - In accordance with GASB 68, the above information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2021.

See Notes to Required Supplementary Information and Basic Financial Statements.

St. Mary's County Public Schools

**Budgetary Comparison Schedule –
General Fund
Year Ended June 30, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With
	Original	Amended		Amended Budget Favorable (Unfavorable)
Revenues				
Local	\$ 93,910,979	\$ 93,910,979	\$ 93,910,979	\$ -
State of Maryland	97,907,095	98,532,595	98,322,801	(209,794)
Federal government	18,661,234	18,661,234	14,011,911	(4,649,323)
Tuition	793,936	793,936	434,997	(358,939)
Investment income	8,900	8,900	8,240	(660)
Other	1,344,829	1,344,829	1,569,786	224,957
	<u>212,626,973</u>	<u>213,252,473</u>	<u>208,258,714</u>	<u>(4,993,759)</u>
Expenditures				
Administration	3,476,155	3,476,155	3,273,958	202,197
Mid-level administration	16,780,973	16,780,973	16,519,796	261,177
Instructional salaries	74,693,653	75,319,153	73,832,354	1,486,799
Instructional textbooks and supplies	3,910,586	3,910,586	3,582,424	328,162
Other instructional costs	2,679,774	2,679,774	2,231,456	448,318
Special education	22,160,207	22,160,207	21,117,661	1,042,546
Student personnel services	1,444,558	1,444,558	1,362,358	82,200
Student health services	2,159,510	2,159,510	2,060,050	99,460
Student transportation services	16,638,310	16,638,310	15,525,897	1,112,413
Operation of plant	13,989,290	13,989,290	13,594,728	394,562
Maintenance of plant	3,749,786	3,749,786	3,577,962	171,824
Fixed charges	49,965,731	49,965,731	44,304,016	5,661,715
Community services	298,101	298,101	220,498	77,603
Capital outlay	680,339	680,339	678,368	1,971
	<u>212,626,973</u>	<u>213,252,473</u>	<u>201,881,526</u>	<u>11,370,947</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	6,377,188	<u>\$ 6,377,188</u>
Adjustments to conform with generally accepted accounting principles			1,455,876	
Fund Balance				
Beginning			<u>663,067</u>	
Ending			<u>\$ 8,496,131</u>	

See Notes to Required Supplementary Information and Basic Financial Statements.

St. Mary's County Public Schools

Notes to Required Supplementary Information

Note 1. Budgets and Budgetary Accounting

The School System generally follows these procedures in establishing the budgetary data reflected in the required supplementary information:

Operating Budget (General Fund)

- 1) Subsequent to December 31, the School System submits a proposed operating budget to the St. Mary's County Commissioners for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and revenues.
- 2) The approved appropriation is generally returned to the School System by the County Commissioners on or before June 1.
- 3) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Fund.
- 4) Budgets are adopted on a basis consistent with GAAP except for: (1) the inclusion of encumbrances and operating transfers as expenditures, (2) annual debt service requirements on financing agreements which are recognized as a current expense rather than as debt service expense in the General Fund, (3) financing agreement proceeds and corresponding acquisition costs which are not recognized as another financing source and current expense, (4) the inclusion of the previous years' unexpended budgetary appropriations as revenue, (5) retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense, and (6) value of donated capital assets is not recognized as revenue and current expense.
- 5) Reallocation of the appropriation between budget categories requires the approval of both the Board of Education and the Board of County Commissioners. Reallocations of appropriations of federal programs administered by the state must have state approval. The Superintendent has the authority to make necessary transfers of funds between and within object appropriations.

Budgetary comparisons presented in the required supplementary information are on a non-GAAP budgetary basis.

Capital Budget: School construction is budgeted on a project basis with funds primarily provided by the State of Maryland and St. Mary's County bonds. Revenues from the bond proceeds and grants are earned when all significant terms of the proceeds have been met. Such terms are generally met at the time of expenditure. Annual budgetary comparisons to actual expenditures are not presented in the required supplementary information for the Capital Projects Fund.

St. Mary's County Public Schools

Notes to Required Supplementary Information

Note 2. Reconciliation of Budgetary Basis to GAAP

Actual results of operations are presented in the Budgetary Comparison Schedule on the budget basis of accounting, in order to provide a meaningful comparison of actual results with budget estimates. Under the budget basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only an assignment of fund balance as on a GAAP basis. With respect to financing agreements, the School System recognizes the annual debt service requirements as a current expense for budget purposes. Financing agreement proceeds and the corresponding acquisition expense are not recognized on the budget basis. Additionally, the previous year's unexpended budgetary appropriation is recognized as revenue on the budget basis. Also, retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense on the budget basis.

Adjustments necessary to convert the results of operations and fund balance for the General Fund for fiscal year 2015 from the budget basis to the GAAP basis, are as follows:

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Current Year Effect on Fund Balance
General Fund – budgetary basis	\$ 208,258,714	\$ 201,881,526	\$ -	\$ 6,377,188
Budget to GAAP reconciliation				
Prior year encumbrances outstanding, 6/30/14	-	173,721	-	(173,721)
Prior year encumbrances canceled	-	(137,523)	-	137,523
Interfund transfers	(218,036)	(218,036)	-	-
Current year encumbrances outstanding, 6/30/15	-	(1,492,074)	-	1,492,074
State retirement contribution	13,346,117	13,346,117	-	-
Fund balance usage	-	-	-	-
Financing agreement proceeds	-	-	470,549	470,549
Equipment acquired under financing agreements	-	470,549	-	(470,549)
	13,128,081	12,142,754	470,549	1,455,876
General Fund – GAAP basis	\$ 221,386,795	\$ 214,024,280	\$ 470,549	\$ 7,833,064

SUPPLEMENTARY INFORMATION

St. Mary's County Public Schools

Combining Budgetary Comparison Schedule – General Fund –
Unrestricted Fund and Restricted Funds
Year Ended June 30, 2015

	Unrestricted Fund				Restricted Funds				Total Combined General Fund			
	Budgeted Amounts		Actual	Variance With	Budgeted Amounts		Actual	Variance With	Budgeted Amounts		Actual	Variance With
	Original	Amended	(Budgetary	Amended	Original	Amended	(Budgetary	Amended	Original	Amended	(Budgetary	Amended
			Basis)	Budget			Basis)	Budget			Basis)	Budget
			Favorable				Favorable				Favorable	
			(Unfavorable)				(Unfavorable)				(Unfavorable)	
Revenues												
Local	\$ 93,910,979	\$ 93,910,979	\$ 93,910,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,910,979	\$ 93,910,979	\$ 93,910,979	\$ -
State of Maryland	96,748,027	97,373,527	97,474,904	101,377	1,159,068	1,159,068	847,897	(311,171)	97,907,095	98,532,595	98,322,801	(209,794)
Federal government	2,725,000	2,725,000	2,202,026	(522,974)	15,936,234	15,936,234	11,809,885	(4,126,349)	18,661,234	18,661,234	14,011,911	(4,649,323)
Tuition	50,000	50,000	28,929	(21,071)	743,936	743,936	406,068	(337,868)	793,936	793,936	434,997	(358,939)
Investment income	8,900	8,900	8,240	(660)	-	-	-	-	8,900	8,900	8,240	(660)
Other	1,229,782	1,229,782	1,404,577	174,795	115,047	115,047	165,209	50,162	1,344,829	1,344,829	1,569,786	224,957
	<u>194,672,688</u>	<u>195,298,188</u>	<u>195,029,655</u>	<u>(268,533)</u>	<u>17,954,285</u>	<u>17,954,285</u>	<u>13,229,059</u>	<u>(4,725,226)</u>	<u>212,626,973</u>	<u>213,252,473</u>	<u>208,258,714</u>	<u>(4,993,759)</u>
Expenditures												
Administration	3,066,570	3,066,570	3,019,372	47,198	409,585	409,585	254,586	154,999	3,476,155	3,476,155	3,273,958	202,197
Mid-level administration	15,928,421	15,928,421	15,926,351	2,070	852,552	852,552	593,445	259,107	16,780,973	16,780,973	16,519,796	261,177
Instructional salaries	70,471,208	71,096,708	70,845,694	251,014	4,222,445	4,222,445	2,986,660	1,235,785	74,693,653	75,319,153	73,832,354	1,486,799
Instructional textbooks and supplies	2,483,756	2,483,756	2,453,417	30,339	1,426,830	1,426,830	1,129,007	297,823	3,910,586	3,910,586	3,582,424	328,162
Other instructional costs	1,308,035	1,308,035	1,223,090	84,945	1,371,739	1,371,739	1,008,366	363,373	2,679,774	2,679,774	2,231,456	448,318
Special education	17,378,631	17,378,631	17,378,524	107	4,781,576	4,781,576	3,739,137	1,042,439	22,160,207	22,160,207	21,117,661	1,042,546
Student personnel services	1,292,403	1,292,403	1,251,805	40,598	152,155	152,155	110,553	41,602	1,444,558	1,444,558	1,362,358	82,200
Student health services	2,035,912	2,035,912	1,976,752	59,160	123,598	123,598	83,298	40,300	2,159,510	2,159,510	2,060,050	99,460
Student transportation services	15,452,871	15,452,871	14,703,188	749,683	1,185,439	1,185,439	822,709	362,730	16,638,310	16,638,310	15,525,897	1,112,413
Operation of plant	13,734,181	13,734,181	13,505,270	228,911	255,109	255,109	89,458	165,651	13,989,290	13,989,290	13,594,728	394,562
Maintenance of plant	3,749,246	3,749,246	3,577,962	171,284	540	540	-	540	3,749,786	3,749,786	3,577,962	171,824
Fixed charges	47,091,115	47,091,115	42,112,674	4,978,441	2,874,616	2,874,616	2,191,342	683,274	49,965,731	49,965,731	44,304,016	5,661,715
Community services	-	-	-	-	298,101	298,101	220,498	77,603	298,101	298,101	220,498	77,603
Capital outlay	680,339	680,339	678,368	1,971	-	-	-	-	680,339	680,339	678,368	1,971
	<u>194,672,688</u>	<u>195,298,188</u>	<u>188,652,467</u>	<u>6,645,721</u>	<u>17,954,285</u>	<u>17,954,285</u>	<u>13,229,059</u>	<u>4,725,226</u>	<u>212,626,973</u>	<u>213,252,473</u>	<u>201,881,526</u>	<u>11,370,947</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>6,377,188</u>	<u>\$ 6,377,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,377,188</u>	<u>\$ 6,377,188</u>
Adjustments to Conform With Generally Accepted Accounting Principles			1,455,876								1,455,876	
Fund Balance												
Beginning			<u>663,067</u>								<u>663,067</u>	
Ending			<u>\$ 8,496,131</u>								<u>\$ 8,496,131</u>	

St. Mary's County Public Schools

Combining Budgetary Comparison Schedule – General Fund –
Unrestricted Fund
Year Ended June 30, 2015

	Unrestricted Fund (excluding Charter School by category)				Unrestricted Fund (Charter School only)				Total Combined Unrestricted Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Amended Budget Favorable (Unfavorable)
	Original	Amended			Original	Amended			Original	Amended		
Revenues												
Local	\$ 93,910,979	\$ 93,910,979	\$ 93,910,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,910,979	\$ 93,910,979	\$ 93,910,979	\$ -
State of Maryland	96,748,027	97,373,527	97,474,904	101,377	-	-	-	-	96,748,027	97,373,527	97,474,904	101,377
Federal government	2,725,000	2,725,000	2,202,026	(522,974)	-	-	-	-	2,725,000	2,725,000	2,202,026	(522,974)
Tuition	50,000	50,000	28,929	(21,071)	-	-	-	-	50,000	50,000	28,929	(21,071)
Investment income	8,900	8,900	8,240	(660)	-	-	-	-	8,900	8,900	8,240	(660)
Other	1,229,782	1,229,782	1,404,577	174,795	-	-	-	-	1,229,782	1,229,782	1,404,577	174,795
	<u>194,672,688</u>	<u>195,298,188</u>	<u>195,029,655</u>	<u>(268,533)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,672,688</u>	<u>195,298,188</u>	<u>195,029,655</u>	<u>(268,533)</u>
Expenditures												
Administration	3,066,570	3,066,570	3,019,372	47,198	-	-	-	-	3,066,570	3,066,570	3,019,372	47,198
Mid-level administration	15,663,406	15,653,382	15,651,000	2,382	265,015	275,039	275,351	(312)	15,928,421	15,928,421	15,926,351	2,070
Instructional salaries	68,614,368	69,300,042	69,044,409	255,633	1,856,840	1,796,666	1,801,285	(4,619)	70,471,208	71,096,708	70,845,694	251,014
Instructional textbooks and supplies	2,421,669	2,445,756	2,416,262	29,494	62,087	38,000	37,155	845	2,483,756	2,483,756	2,453,417	30,339
Other instructional costs	1,308,035	1,300,535	1,204,199	96,336	-	7,500	18,891	(11,391)	1,308,035	1,308,035	1,223,090	84,945
Special education	17,378,631	17,208,052	17,207,271	781	-	170,579	171,253	(674)	17,378,631	17,378,631	17,378,524	107
Student personnel services	1,284,903	1,284,903	1,249,238	35,665	7,500	7,500	2,567	4,933	1,292,403	1,292,403	1,251,805	40,598
Student health services	1,983,866	1,983,866	1,924,710	59,156	52,046	52,046	52,042	4	2,035,912	2,035,912	1,976,752	59,160
Student transportation services	15,312,871	15,312,871	14,581,291	731,580	140,000	140,000	121,897	18,103	15,452,871	15,452,871	14,703,188	749,683
Operation of plant	13,060,048	13,060,048	12,865,009	195,039	674,133	674,133	640,261	33,872	13,734,181	13,734,181	13,505,270	228,911
Maintenance of plant	3,744,246	3,744,246	3,572,796	171,450	5,000	5,000	5,166	(166)	3,749,246	3,749,246	3,577,962	171,284
Fixed charges	46,542,993	46,519,753	41,528,635	4,991,118	548,122	571,362	584,039	(12,677)	47,091,115	47,091,115	42,112,674	4,978,441
Community services	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	680,339	680,339	678,368	1,971	-	-	-	-	680,339	680,339	678,368	1,971
	<u>191,061,945</u>	<u>191,560,363</u>	<u>184,942,560</u>	<u>6,617,803</u>	<u>3,610,743</u>	<u>3,737,825</u>	<u>3,709,907</u>	<u>27,918</u>	<u>194,672,688</u>	<u>195,298,188</u>	<u>188,652,467</u>	<u>6,645,721</u>
Excess (deficiency) of revenues over expenditures	<u>3,610,743</u>	<u>3,737,825</u>	<u>10,087,095</u>	<u>6,349,270</u>	<u>(3,610,743)</u>	<u>(3,737,825)</u>	<u>(3,709,907)</u>	<u>27,918</u>	<u>-</u>	<u>-</u>	<u>6,377,188</u>	<u>6,377,188</u>
Other Financing Sources (Uses)												
Transfer in (out)	(3,610,743)	(3,737,825)	-	3,737,825	3,610,743	3,737,825	-	(3,737,825)	-	-	-	-
	<u>(3,610,743)</u>	<u>(3,737,825)</u>	<u>-</u>	<u>3,737,825</u>	<u>3,610,743</u>	<u>3,737,825</u>	<u>-</u>	<u>(3,737,825)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>10,087,095</u>	<u>\$ 10,087,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,709,907)</u>	<u>\$ (3,709,907)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,377,188</u>	<u>\$ 6,377,188</u>
Adjustments to Conform With Generally Accepted Accounting Principles			1,455,876								1,455,876	
Fund Balance												
Beginning			<u>663,067</u>								<u>663,067</u>	
Ending			<u>\$ 12,206,038</u>								<u>\$ 8,496,131</u>	

St. Mary's County Public Schools

**Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Fund – Budget vs. Actual
Year Ended June 30, 2015**

	Amended Budget	Actual	Variance With Amended Budget Favorable (Unfavorable)
Revenues			
Food service sales	\$ 3,431,000	\$ 2,797,423	\$ (633,577)
Federal grants and commodities	3,730,000	3,908,604	178,604
State matching and other	231,000	261,597	30,597
Local contribution	-	204,476	204,476
Interest income	1,000	199	(801)
	<u>7,393,000</u>	<u>7,172,299</u>	<u>(220,701)</u>
Expenses			
Payroll costs	3,748,500	3,582,108	166,392
Professional and contract services	60,000	46,251	13,749
Supplies and materials	3,132,500	3,057,169	75,331
Depreciation	102,000	76,733	25,267
Other operating costs	350,000	156,629	193,371
	<u>7,393,000</u>	<u>6,918,890</u>	<u>474,110</u>
Change in net position	<u>\$ -</u>	253,409	<u>\$ 253,409</u>
Net Position			
Beginning		<u>1,556,042</u>	
Ending		<u>\$ 1,809,451</u>	

St. Mary's County Public Schools

**Schedule of Changes in Cash and Cash Equivalents –
School Activity Funds
Year Ended June 30, 2015**

	School Activity Accounts Balance, July 1, 2014	Additions	Deductions	School Activity Accounts Balance, June 30, 2015
School – Checking				
Benjamin Banneker Elementary	\$ 8,126	\$ 91,281	\$ (92,758)	\$ 6,649
Capt. W.F. Duke Elementary	-	500	(245)	255
Chesapeake Public Charter School	25,571	96,694	(84,420)	37,845
Chopticon High School	174,395	455,533	(441,320)	188,608
Dr. James A. Forrest Career & Technology Center	43,263	225,236	(215,550)	52,949
Dynard Elementary	24,170	53,738	(48,169)	29,739
Esperanza Middle	61,767	84,418	(87,345)	58,840
Evergreen Elementary	20,843	79,251	(68,324)	31,770
Fairlead Academy	1,862	6,321	(6,666)	1,517
G.W. Carver Elementary	11,688	42,606	(41,611)	12,683
Great Mills High School	130,067	396,974	(475,036)	52,005
Green Holly Elementary	7,377	33,004	(31,553)	8,828
Greenview Knolls Elementary	7,004	47,581	(43,660)	10,925
Hollywood Elementary	4,826	63,076	(67,286)	616
L.M. Dent Elementary	14,628	106,231	(93,745)	27,114
LBO-Sunshine Fund	1,365	587	(536)	1,416
Leonardtown Elementary	8,920	114,592	(110,041)	13,471
Leonardtown High School	96,495	580,596	(597,011)	80,080
Leonardtown Middle	20,231	104,035	(87,231)	37,035
Lexington Park Elementary	5,567	36,605	(33,050)	9,122
Loveville Bd. Office	543	1,815	(1,626)	732
Margaret Brent Middle	10,436	126,662	(107,610)	29,488
Mechanicsville Elementary	9,897	73,372	(65,605)	17,664
MGA-MUN	4,162	500	(894)	3,768
Oakville Elementary	16,589	29,457	(32,324)	13,722
Park Hall Elementary	2,993	39,634	(37,503)	5,124
Piney Point Elementary	37,837	61,707	(46,186)	53,358
Pupil Services	8,212	3,960	(8,851)	3,321
Ridge Elementary	9,075	30,230	(31,517)	7,788
SMASC	3,448	305	(25)	3,728
Spring Ridge Middle	25,701	186,870	(183,811)	28,760
Town Creek Elementary	10,055	27,129	(23,058)	14,126
White Marsh Elementary	11,590	58,938	(57,149)	13,379
	<u>818,703</u>	<u>3,259,438</u>	<u>(3,221,716)</u>	<u>856,425</u>

(Continued)

St. Mary's County Public Schools

**Schedule of Changes in Cash and Cash Equivalents –
School Activity Funds (Continued)
Year Ended June 30, 2015**

	School Activity Accounts Balance, July 1, 2014	Additions	Deductions	School Activity Accounts Balance, June 30, 2015
School – Savings				
Benjamin Banneker Elementary	\$ -	\$ 2,726	\$ -	\$ 2,726
Chopticon High School	97,627	336	-	97,963
Dr. James A. Forrest Career & Technology Center	70,000	-	-	70,000
Park Hall Elementary	500	484	(140)	844
	<u>168,127</u>	<u>3,546</u>	<u>(140)</u>	<u>171,533</u>
School – MLGIP (Maryland Local Government Investment Pool)				
Benjamin Banneker Elementary	2,624	1	(2,625)	-
Dr. James A. Forrest Career & Technology Center	37,132	18	-	37,150
Dynard Elementary	5,106	2	-	5,108
Esperanza Middle	6,233	3	-	6,236
G.W. Carver Elementary	1,866	1	-	1,867
Great Mills High School	171,002	83	-	171,085
Green Holly	2,361	2,002	-	4,363
Greenview Knolls Elementary	18,195	9	-	18,204
Hollywood Elementary	12,550	6	-	12,556
L.M. Dent Elementary	1,422	1	-	1,423
Leonardtown Elementary	5,312	3	-	5,315
Leonardtown High School	146,302	71	-	146,373
Leonardtown Middle	15,398	8	-	15,406
Margaret Brent Middle	41,579	20	-	41,599
MGA-MUN	2,629	1	-	2,630
Oakville Elementary	1,260	1	-	1,261
Park Hall Elementary	5,202	3	-	5,205
Piney Point Elementary	8,284	4	-	8,288
Shoe Fund	816	-	-	816
SMASC	262	-	-	262
Spring Ridge Middle	10,446	5	(459)	9,992
Town Creek Elementary	3,100	2	-	3,102
White Marsh Elementary	4,284	2	-	4,286
	<u>503,365</u>	<u>2,246</u>	<u>(3,084)</u>	<u>502,527</u>
Total	\$ 1,490,195	\$ 3,265,230	\$ (3,224,940)	\$ 1,530,485

SINGLE AUDIT



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

Members of the Board of Education
St. Mary's County Public Schools
Leonardtown, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Mary's County Public Schools (School System), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated September 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School System's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP".

Frederick, Maryland
September 29, 2015



**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by OMB Circular A-133**

Members of the Board of Education
St. Mary's County Public Schools
Leonardtown, Maryland

Report on Compliance for Each Major Federal Program

We have audited St. Mary's County Public School's (School System) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School System's major federal programs for the year ended June 30, 2015. The School System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School System's major federal programs based on our audit of the types of compliance requirements referred to above. 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 School System'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School System's compliance.

Opinion on Each Major Federal Program

In our opinion, the School System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Frederick, Maryland
September 29, 2015

St. Mary's County Public Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/14	Cash Received FY 2015	FY '15 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/15
<u>U.S. Department of Agriculture:</u>									
Passed through the <u>Maryland State Dept of Education:</u>									
USDA Commodities	10.555		07/01/2014 - 06/30/2015	\$ 400,000	\$ -	\$ 395,845	\$ 395,845	\$ -	\$ -
Summer Food Program	10.559		07/01/2013 - 06/30/2014	20,000	5,643	5,643	-	-	-
Summer Food Program	10.559		07/01/2014 - 06/30/2015	26,000	-	25,774	29,708	-	3,934
Breakfast	10.553		07/01/2013 - 06/30/2014	875,000	44,503	44,503	-	-	-
Breakfast	10.553		07/01/2014 - 06/30/2015	975,000	-	935,229	1,005,145	-	69,916
Lunch (Sec 4 & 11)	10.555		07/01/2013 - 06/30/2014	2,300,000	101,336	101,336	-	-	-
Lunch (Sec 4 & 11)	10.555		07/01/2014 - 06/30/2015	2,500,000	-	2,295,674	2,453,087	-	157,413
Federal Snack Program	10.555		07/01/2013 - 06/30/2014	30,000	266	266	-	-	-
Federal Snack Program	10.555		07/01/2014 - 06/30/2015	30,000	-	24,383	24,819	-	436
Total Child Nutrition Cluster				7,156,000	151,748	3,828,653	3,908,604	-	231,699
Team Nutrition Grant	10.574		07/01/2013 - 09/30/2014	1,000	1,000	1,000	-	-	-
Total U.S. Department of Agriculture				7,157,000	152,748	3,829,653	3,908,604	-	231,699
<u>U.S. Department of Defense:</u>									
<u>Direct Program:</u>									
ROTC Navy	12.000		07/01/2013 - 06/30/2014	70,000	19,744	19,744	-	-	-
ROTC Navy	12.000		07/02/2014 - 06/30/2015	70,000	-	51,720	71,146	-	19,426
ROTC Air Force	12.000		07/01/2013 - 06/30/2014	50,000	5,543	5,543	-	-	-
ROTC Air Force	12.000		07/01/2014 - 06/30/2015	43,000	-	54,999	54,999	-	-
Total Program				233,000	25,287	132,006	126,145	-	19,426
Public Law 102-484	12.558		07/01/2013 - 06/30/2014	412,000	493,363	493,363	-	-	-
Public Law 102-484	12.558		07/01/2014 - 06/30/2015	412,000	-	-	298,675	-	298,675
Total Program				824,000	493,363	493,363	298,675	-	298,675
STEM - Project Based Learning	12.556	HE1254-12-1-0043	09/25/2012 - 08/31/2016	2,500,000	54,948	183,452	517,464	-	388,960
Total U.S. Department of Defense				3,557,000	573,598	808,821	942,284	-	707,061
<u>U.S. Department of Justice:</u>									
Passed through the <u>Juvenile Drug Court</u>									
Mentoring Programs	16.726	2010-DC-BX-0007	10/01/2010 - 06/30/2014	44,442	7,171	-	-	(1,132)	6,039

(Continued)

St. Mary's County Public Schools

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/14	Cash Received FY 2015	FY '15 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/15
U.S. Department of Education:									
Passed through the Maryland State Dept. of Education:									
Adult Education & Lit Services (ABE/ESL) (343)	84.002A	POOP4400146.03	07/01/2013 - 06/30/2014	38,146	593	593	-	-	-
Adult Education & Lit Services (ASE) (344)	84.002A	POOP4400146.04	07/01/2013 - 06/30/2014	4,722	(107)	-	-	107	-
Adult Education & Lit Services (Local Ins.) (348)	84.002A	POOP4400146.05	07/01/2013 - 06/30/2014	4,629	1,339	1,339	-	-	-
Adult Education & Lit Services (FL) (345)	84.002A	POOP4400146.06	07/01/2013 - 06/30/2014	6,941	2,338	2,338	-	-	-
Adult Education & Lit Services (ABE/ESL) FY13 Carryover (349_	84.002A	POOP4400146.08	07/01/2013 06/30/2014	1,757	1,736	1,736	-	-	-
Adult Education Prof Development FY13 Carryover (340)	84.002A	POOP4400146.09	07/01/2013 06/30/2014	737	737	737	-	-	-
Adult Education & Lit Services (ABE/ESL) (343)	84.002A	POOP5400291.03	07/01/2014 06/30/2015	37,912	-	28,430	37,614	-	9,184
Adult Education & Lit Services (ASE) (344)	84.002A	POOP5400291.04	07/01/2014 06/30/2015	4,676	-	2,748	3,348	-	600
Adult Education & Lit Services (Local Ins.) (348)	84.002A	POOP5400291.05	07/01/2014 06/30/2015	4,622	-	3,763	4,045	-	282
Adult Education & Lit Services (FL) (345)	84.002A	POOP5400291.06	07/01/2014 06/30/2015	6,847	-	5,062	5,344	-	282
Total Program				110,989	6,636	46,746	50,351	107	10,348
E.C.I.A. Title I	84.010	134405.01	07/01/2012 - 06/30/2014	2,325,810	77,834	77,834	-	-	-
E.C.I.A. Title I	84.010	144473.01	07/01/2013 - 06/30/2015	2,301,122	737,355	1,171,943	477,238	-	42,650
E.C.I.A. Title I	84.010	154369.01	07/01/2014 06/30/2016	2,421,571	-	1,393,163	1,857,547	-	464,384
E.C.I.A. Title I Approaching Target	84.010	145068.02	07/01/2013 - 10/31/2014	15,200	207	8,623	8,416	-	-
E.C.I.A. Title I Approaching Target	84.010	154985.01	07/01/2014 10/31/2015	19,520	-	9,654	11,131	-	1,477
E.C.I.A. Title I Focus	84.010	144803.01	07/01/2013 - 10/31/2014	150,950	40,483	99,100	58,595	-	(22)
E.C.I.A. Title I Focus	84.010	154924.01	07/01/2014 - 10/31/2015	22,643	-	22,643	22,643	-	-
E.C.I.A. Title I Focus	84.010	154998.01	07/01/2014 - 10/31/2015	128,308	-	56,773	86,640	-	29,867
Total Program				7,385,124	855,879	2,839,733	2,522,210	-	538,356
SPED Pass Thru	84.027	144268.01	07/01/2013 - 09/30/2014	3,099,113	1,427,915	1,499,540	71,625	-	-
SPED Pass Thru	84.027	154206.01	07/01/2014 09/30/2015	3,280,351	-	2,109,203	3,172,104	-	1,062,901
SPED Pass Thru	84.027	134275.01	07/01/2012 - 06/30/2014	3,323,527	231,862	231,862	-	-	-
SPED Pass Thru Parent Placed	84.027	144268.02	07/01/2013 - 09/30/2014	30,507	592	592	-	-	-
SPED Pass Thru Parent Placed	84.027	154206.02	07/01/2014 09/30/2015	42,129	-	39,264	42,129	-	2,865
SPED One-Time Supplemental	84.027	145367.01	05/15/2014 - 08/31/2015	39,107	27,300	37,166	11,670	-	1,804
Local Flexibility	84.027	144268.06	07/01/2013 - 09/30/2014	104,461	27,088	47,792	20,704	-	-
Local Flexibility	84.027	154206.06	07/01/2014 09/30/2015	107,243	-	87,936	92,692	-	4,756
SPED Discretionary	84.027	144269.01	07/01/2013 - 08/31/2014	112,915	31,536	35,978	4,442	-	-
SPED SEAC	84.027	144268.05	07/01/2013 - 09/30/2014	2,500	241	2,125	1,521	-	(363)
SPED SEAC	84.027	154206.05	07/01/2014 09/30/2015	2,500	-	615	1,130	-	515
National Center & State Collaborative	84.027	155539.01	03/31/2015 08/31/2015	14,207	-	2,200	-	-	(2,200)
R4K Preschool	84.027	155407.01	01/07/2015 09/30/2015	10,125	-	1,519	905	-	(614)
Infants & Toddlers Program	84.027	144231.02	07/01/2013 - 09/30/2014	15,833	2,406	13,458	11,053	-	1
Infants & Toddlers Program	84.027	144231.05	07/01/2013 - 06/30/2015	80,815	25,207	67,919	43,486	-	774
Infants & Toddlers Program	84.027	154242.02	07/01/2014 09/30/2015	56,869	-	8,530	11,489	-	2,959
IDEA Discretionary One - Time Supplemental	84.027	145289.01	05/15/2014 - 08/15/2015	19,092	(2,864)	-	5,040	-	2,176
NCSC Assessments	84.027	PO ROOP5402335	03/11/2015 07/31/2015	11,800	-	-	296	-	296
IDEA Pre-school	84.173	134275.03	07/01/2012 - 06/30/2014	110,144	45,948	45,948	-	-	-
IDEA Pre-school	84.173	144268.03	07/01/2013 - 09/30/2014	108,780	41,666	46,463	4,797	-	-

(Continued)

St. Mary's County Public Schools

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015**

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/14	Cash Received FY 2015	FY '15 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/15
IDEA Pre-school	84.173	154206.03	07/01/2014 - 09/30/2015	108,771	-	69,741	91,640	-	21,899
IDEA Pre-school Parent Placed	84.173	144268.04	07/01/2013 - 09/30/2014	954	461	461	-	-	-
IDEA Pre-school Parent Placed	84.173	154206.04	07/01/2014 - 09/30/2015	963	-	963	963	-	-
R4K Preschool	84.173	155407.02	01/07/2015 - 09/30/2015	10,125	-	1,519	-	-	(1,519)
Maryland Model for School Readiness	84.173	144577.02	07/01/2013 - 09/30/2014	4,525	700	3,446	2,746	-	-
SPED Preschool Discretionary	84.173	144269.02	07/01/2013 - 08/13/2014	1,309	575	1,112	537	-	-
Infants & Toddlers Program	84.173	144231.03	07/01/2013 - 06/30/2015	7,000	(3,543)	-	5,543	-	2,000
Infants & Toddlers Program	84.173	154242.03	07/01/2014 - 09/30/2015	7,000	-	2,100	680	-	(1,420)
Passed through the St. Mary's County Health Dept:									
Health Dept I&T	84.027	MOU	07/01/2013 - 06/30/2014	5,900	5,694	5,694	-	-	-
Total Special Education Cluster (IDEA)				10,718,565	1,862,784	4,363,146	3,597,192	-	1,096,830
<u>Direct Program:</u>									
Impact Aid	84.041		07/01/2013 - 06/30/2014	1,600,000	16,429	16,429	-	-	-
Impact Aid	84.041		07/01/2014 - 06/30/2015	2,200,000	-	1,777,206	1,777,206	-	-
Total Program				3,800,000	16,429	1,793,635	1,777,206	-	-
Passed through the Maryland State Dept. of Education:									
Perkins (Program Improvement)	84.048	144686.01	07/01/2013 - 06/30/2014	156,683	68,743	68,743	-	-	-
Perkins (Program Improvement)	84.048	144687.01	07/01/2013 - 06/30/2014	9,964	113	113	-	-	-
Perkins (Non-Traditional Funds)	84.048	144687.02	07/01/2013 - 06/30/2014	2,388	25	25	-	-	-
Perkins (Program Improvement)	84.048	154672.01	07/01/2014 - 06/30/2015	148,861	-	129,046	141,536	-	12,490
Total Program				317,896	68,881	197,927	141,536	-	12,490
Summer Job Experiences	84.126	144284.01	07/01/2014 - 08/30/2014	2,792	-	2,792	2,792	-	-
Infants & Toddlers Program	84.181	144231.01	07/01/2013 - 06/30/2015	91,900	28,324	60,215	32,791	-	900
Infants & Toddlers Program	84.181	154242.01	07/01/2014 - 09/30/2015	98,836	-	33,225	79,586	-	46,361
Total Program				190,736	28,324	93,440	112,377	-	47,261
Homeless Education	84.196a	144846.01	07/01/2013 - 09/30/2014	6,650	3,267	5,652	2,385	-	-
Homeless Education	84.196a	155372.01	07/01/2014 - 12/31/2015	60,170	-	9,026	23,794	-	14,768
Total Program				66,820	3,267	14,678	26,179	-	14,768
21st Century Learning Centers	84.287	144728.01	07/01/2013 - 09/30/2014	344,000	148,360	171,195	22,835	-	-
21st Century Learning Centers	84.287	155012.01	07/01/2014 - 09/30/2015	121,884	-	45,452	83,243	-	37,791
21st Century Learning Centers	84.287	155386.01	02/01/2015 - 08/30/2015	166,387	-	28,967	50,980	-	22,013
21st Century Learning Centers	84.287	155235.01	07/01/2014 - 08/30/2015	292,400	-	254,494	278,735	-	24,241
Total Program				924,671	148,360	500,108	435,793	-	84,045

(Continued)

St. Mary's County Public Schools

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015**

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/14	Cash Received FY 2015	FY '15 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/15
Title III	84.365A	134223.01	07/01/2012 - 09/30/2014	24,786	8,145	8,145	-	-	-
Title III	84.365A	144591.01	07/01/2013 - 09/30/2015	25,592	(154)	6,057	18,324	-	12,113
Title III	84.365A	154438.01	07/01/2014 - 09/30/2016	31,627	-	8,147	1,233	-	(6,914)
Title III (Immigrant)	84.365A	134223.02	07/01/2012 - 09/30/2014	5,248	2,727	2,727	-	-	-
Title III (Immigrant)	84.365A	144591.02	07/01/2013 - 09/30/2015	5,465	(2,541)	-	3,006	-	465
Title III (Immigrant)	84.365A	154438.02	07/01/2014 - 09/30/2016	5,062	-	3,123	185	-	(2,938)
Total Program				97,780	8,177	28,199	22,748	-	2,726
Title II Part A	84.367	134600.02	07/01/2012 - 06/30/2014	625,786	391,894	391,894	-	-	-
Title II Part A	84.367	154946.01	07/01/2014 - 06/30/2016	600,139	-	274,791	203,062	-	(71,729)
Title II Part A	84.367	144776.01	07/01/2013 - 06/30/2015	601,447	(117,437)	-	464,371	-	346,934
Total Program				1,827,372	274,457	666,685	667,433	-	275,205
ARRA RTTT - Teacher/Principal Evaluation	84.395	144950.01	10/11/2013 - 09/30/2014	66,810	661	661	-	-	-
ARRA RTTT - EIS Scanner HR	84.395	155424.01	02/01/2015 - 03/31/2015	1,200	-	989	989	-	-
ARRA RTTT - Regional STEM Workshops	84.395	155208.01	12/01/2014 - 06/30/2015	2,616	-	1,101	1,101	-	-
ARRA RTTT - Regional STEM Workshops	84.395	155208.02	12/01/2014 - 06/30/2015	3,000	-	807	807	-	-
ARRA RTTT - Assessment System	84.395	154639.01	10/01/2014 - 06/30/2015	281,711	-	120,327	272,302	-	151,975
ARRA RTTT - Promising Principals Technology	84.395	154607.01	11/11/2013 - 06/30/2015	3,018	-	3,018	3,018	-	-
ARRA RTTT - College and Career Readiness	84.395	155622.01	04/01/2015 - 07/15/2015	12,854	-	-	7,704	-	7,704
ARRA RTTT - Teacher and Principal Evaluation Implementation	84.395	155311.01	09/24/2014 - 06/30/2015	99,998	-	99,772	99,772	-	-
ARRA RTTT - World Language Academies	84.395	154484.01	06/01/2014 - 08/31/2014	404	404	404	-	-	-
ARRA Student Instructional Intervention System 21/42	84.395	145172.01	02/01/2014 - 09/21/2014	34,000	-	-	-	-	-
ARRA Race to the Top	84.395	115755.01	08/25/2010 - 09/30/2014	1,535,423	-	-	-	-	-
ARRA Race to the Top	84.395	115755.02	08/25/2010 - 09/30/2014	67,397	49,357	49,357	-	-	-
ARRA RTTT - EEAA	84.395	145359.01	05/01/2014 - 09/30/2014	44,483	-	24,958	24,958	-	-
ARRA RTTT - EEAA	84.395	145359.02	05/01/2014 - 09/30/2014	750	-	750	750	-	-
ARRA RTTT - EEAA	84.395	154584.01	08/01/2014 - 09/30/2014	2,125	-	2,125	2,125	-	-
Total Program				2,155,789	50,422	304,269	413,526	-	159,679
ARRA RTTT - Early Learning Challenge	84.412	154563.02	07/01/2014 - 12/31/2014	20,220	-	14,548	14,548	-	-
ARRA RTTT - R4K Preschool	84.412	155407.03	01/07/2015 - 10/31/2015	6,750	-	-	-	-	-
				26,970	-	14,548	14,548	-	-
Total U.S. Department of Education:				27,625,504	3,323,616	10,865,906	9,783,891	107	2,241,708
<u>U.S. Department of Health and Human Services:</u>									
<u>Direct Program</u>									
Office of Head Start	93.600	03CH3375/03	07/01/2013 - 06/30/2018	2,249,443	-	-	634,043	-	634,043
Office of Head Start	93.600	03CH3375/02	07/01/2013 - 06/30/2018	2,249,443	512,734	1,608,406	1,734,248	-	638,576
Office of Head Start	93.600	03CH3375/01	07/01/2013 - 06/30/2018	1,553,643	139,708	139,708	-	-	-
Office of Head Start	93.600	03CH3375/01	06/01/2013 - 06/30/2018	97,338	8,103	8,103	-	-	-
Total Program				6,149,867	660,545	1,756,217	2,368,291	-	1,272,619

(Continued)

St. Mary's County Public Schools

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015**

Grant Name	CFDA Number	Grant Number	Project Period	Grant Award	Accrued/ (Deferred) 6/30/14	Cash Received FY 2015	FY '15 Revenue Recognized & Expenditures	Refunded to MSDE/ (Write Off)	Accrued/ (Deferred) 6/30/15
Passed through the <u>Maryland State Dept. of Education:</u>									
Medical Assistance	93.778	N/A	07/01/2014 - 06/30/2015	1,737,861	(1,278,774)	897,382.00	918,729	-	(1,257,427)
Total U.S. Department of Health and Human Services				7,887,728	(618,229)	2,653,599	3,287,020	-	15,192
Total Expenditures of Federal Awards				\$ 46,271,674	\$ 3,438,904	\$ 18,157,979	\$ 17,921,799	\$ (1,025)	\$ 3,201,699

See Notes to the Schedule of Expenditures of Federal Awards.

St. Mary's County Public Schools

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes all of the federal grant activity for the School System under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School System, it is not intended to and does not present the financial position, changes in net position or cash flows of the School System

Note 2. Summary of Significant Accounting Policies

The Schedule has been prepared on the modified accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when expenditures are made in accordance with the requirements of the respective grants. Various reimbursement procedures are used for federal awards received by the School System. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the fiscal year. Accrued balances at year-end represent an excess of reimbursable expenditures over cash receipts to date. Unearned balances at year-end represent an excess of cash receipts over reimbursable expenditures to date. Generally, accrued or unearned balances caused by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period or subsequent fiscal year.

Note 3. Program Exclusions

Medical assistance received under CFDA No. 93.778 has been included in the Schedule but is not subject to single audit testing as funding is received under a vendor-type relationship, thus is excluded from major program determination.

St. Mary's County Public Schools

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(es) identified? 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
- Significant deficiency(es) identified? Yes X None reported

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

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>
10.553, 10.555, and 10.559	Child Nutrition Cluster
12.556	DoDEA Grant Program – STEM
84.027 and 84.173	Special Education Cluster (IDEA)
84.367	Improving Teacher Quality State Grants
84.395	Race to the Top

Dollar threshold used to distinguish between Type A and Type B programs:

Total Expenditures of Federal Awards	\$ 17,921,801
Program excluded from testing as funding is received under a vendor-type relationship – CFDA No. 93.778 (Note 3)	<u>(918,729)</u>
	17,003,072
	<u>3%</u>
Type A Dollar Threshold	<u><u>\$ 510,092</u></u>

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

No matters were reported.

Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.

St. Mary's County Public Schools

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

No matters were reported in the prior year.