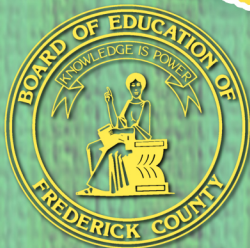


FREDERICK COUNTY PUBLIC SCHOOLS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Board of Education of Frederick County, Maryland
A Component Unit of Frederick County, Maryland



FCPS
Frederick County Public Schools
Reach. Challenge. Prepare.



Frederick County Public Schools

Board of Education of Frederick County, Maryland

A Component Unit of Frederick County, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared by:

Frederick County Public Schools
Budget & Finance Department
Fiscal Services Division, Business Services Group

Robert G. Reilly, CPA
Director of Budget & Finance

Leslie R. Pellegrino, CPA
Executive Director of Fiscal Services

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FREDERICK COUNTY PUBLIC SCHOOLS

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

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FREDERICK COUNTY PUBLIC SCHOOLS

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

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FREDERICK COUNTY PUBLIC SCHOOLS

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

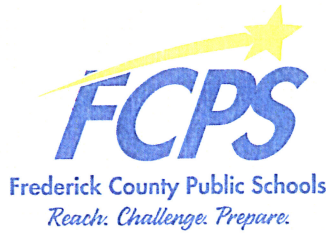
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INTRODUCTORY SECTION

OFFICE OF THE SUPERINTENDENT
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Frederick, MD 21701
301-696-6910 phone
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www.fcps.org



Theresa R. Alban, Ph.D.
Superintendent of Schools
superintendent@fcps.org

September 30, 2014

Members of the Board of Education of Frederick County and Citizens of Frederick County, Maryland:

In compliance with the Public School Laws of the State of Maryland, the Budget and Finance Department publishes the Comprehensive Annual Financial Report (CAFR) of the Frederick County Public School System (FCPS). This CAFR is a thorough and detailed presentation of FCPS' financial position, activities and balances for the fiscal year (FY) ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The FCPS financial statements have been audited by SB & Company, LLC, an independent firm of certified public accountants. SB & Company has issued an unmodified "clean" opinion on the FCPS financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is presented as the first component of the financial section of this report. FCPS is also required to undergo a federally mandated "single audit" designed to meet the special needs of federal grantor agencies. In addition to reporting on the fair presentation of the financial statements, the single audit places special emphasis on internal controls and legal requirements involved in the administration of federal awards. The single audit is available separately from the CAFR.

All funds and accounts of the Board of Education (Board) are included in this CAFR. For financial reporting purposes, FCPS has been defined as a component unit of the Frederick County Government. Therefore, FCPS is included in the Comprehensive Annual Financial Report of Frederick County. It should be noted that on December 1, 2014, Frederick County will transition from the county commissioner form of government to the county charter form of government. Any references in this CAFR to "County Commissioners" will be changed to "County Executive" or "County Council," and any financial or budgetary procedural effects of the transition will be outlined in subsequent CAFRs.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. FCPS' MD&A can be found at the beginning of the Financial Section after the independent auditor's report.

FCPS Profile

The Board of Education of Frederick County is the elected body, corporate and politic, established under Maryland law to provide public education to children in pre-kindergarten through grade 12 residing within the borders of Frederick County, Maryland. The Board is composed of seven at-large members serving four-year terms and one non-voting student member serving a one-year term. The Board determines educational policy and employs a superintendent of schools to administer the school system.

FCPS provided general education and special education to 40,715 students within 66 schools during FY 2014. Projected total enrollment for FY 2015 is 40,797 students.

During the 2014 school year, FCPS had three charter schools: Monocacy Valley Montessori Public Charter School (MVMPCS), Carroll Creek Montessori Charter School (CCMCS), and Frederick Classical Public Charter School (FCPCS). In accordance with Maryland Code, the Board of Education shall provide funding to the three charter schools in an amount of county, state, and federal money for elementary and secondary students that is commensurate with the amount disbursed to other public schools in the local jurisdiction. Although the charter schools function as semi-independent schools, with their own governance and instructional design, education achievement is measured against the same performance standards used by the local and state boards of education. Staff members of the charter schools are FCPS employees, attendance is open to all FCPS students, and each school's administration reports to the Superintendent.

Factors Affecting Financial Condition

Local Economy. FCPS receives more than 95 percent of its operating budget from Frederick County and the State of Maryland; and, therefore, the economic condition of these entities bear heavily on the financial condition of FCPS. After facing some of the most serious economic challenges in generations over the past five years, the state did report a decrease in its unemployment rate during the past year. Frederick County's unemployment rate in June 2014 was 5.4 percent, which is below the state rate of 5.8 and the national rate of 6.1 percent for the same period. According to the most recent data, Frederick County's median household income remains in the top quartile of Maryland counties.

Although some indicators are showing improvement, the state, county, and Board's fiscal challenges are expected to continue into FY 2015. The FY 2015 budget reflects a slight increase in funding from the state with flat funding from the county for the Operating Fund. Capital funding is also strained, and as schools continue to age, FCPS will need to renovate and repair schools that need it, as well as identify and allocate funds for those purposes. Forty-two of the county's schools are in part at least 25 years old, with major building systems such as boilers, chillers, and roofs approaching or exceeding normal life expectancies.

Long-term Financial Planning. Based on 10-year enrollment projections, the Board's goals and objectives, as well as state and county plans and programs, the Facilities Division annually updates an Educational Facilities Master Plan (EFMP). This plan assesses the age and capacity of school facilities and generates a list of proposed capacity and renovation projects. This also serves as the basis for the 6-year Capital Improvement Plan budget.

Another factor affecting the financial condition of FCPS is the funding of the other post-employment benefits (OPEB) obligation. Although FCPS is among one of the few Maryland school systems that have made significant contributions toward that obligation, the net OPEB obligation did increase during the course of the fiscal year.

FCPS completed construction of a new central office facility in FY 2010, which consolidated personnel from four locations into one. This move, which has afforded economies of scale in operating costs, was financed through a lease-leaseback transaction. In FY 2013, due to the low interest rate environment, management negotiated to refinance the lease and lower the interest rate from 4.62 percent to 3.1 percent. In addition, two of four surplus properties were sold in FY 2014. Both of these factors helped to reduce the principal portion of the remaining balance. It is anticipated that the sale of the remaining two surplus properties will occur during FY 2015, and the net proceeds of the sales will be applied to the principal of the lease.

Relevant Financial Policies. As mentioned above, primary FCPS funding is provided by the State of Maryland and the Frederick County Government. The Board of Education has no authority to levy taxes or increase the budget. Management is allowed to transfer funds within major categories of expenditures, as defined by state statute, but transfers between the categories must be approved by both the Board of Education and the Board of County Commissioners.

By statute, in order to receive any increase in state school aid, each county must appropriate an amount equal to, or greater than, the prior year per pupil appropriation. Referred to as the “maintenance of effort (MOE)” calculation, it provides that if there is no growth in enrollment, then funding from the county would remain the same as that of the prior year in terms of total dollars in order for FCPS to receive the increase in state funds. The county, by law, is allowed to appropriate above the maintenance of effort.

In FY 2013, teachers’ pension costs began to be shifted from the state government to local governments over a four-year phase-in process. The state is expected to offset the majority of this increased expense to the local government with increases in various other revenue streams such as income tax. The county government transfers the equivalent funding to the Board and in turn the Board pays the portion of the pension cost due from the local education agency to the state retirement system. This transfer from the county will eventually become part of the MOE calculation.

In FY 2015 (and going forward) a half million dollars in information technology program costs, which had previously been considered in-kind services, will be paid for by FCPS. The initial cost for these services will also become part of the MOE calculation, but this will not take into account any inflationary factors as is the case with the overall MOE calculation.

Capital projects are funded by the Frederick County Government and the State of Maryland. The Board of Education has no authority to issue debt. Funds are budgeted and appropriated on both a project and an annual basis. Capital projects funds carry forward at the end of each year and are available until the completion of the project. Budget transfers between projects require the same approvals as transfers between major expenditure categories – approval by both the Board of Education and the Board of County Commissioners.

Major Initiatives. In FY 2014, several major construction projects were under way. The North Frederick Elementary School replacement project was under construction and opened in August 2014. The design phase of the Frederick High School replacement project continued. Design commenced on the Sugarloaf Elementary School project, a new school in the Urbana area. In addition to the major construction projects, a number of system projects were funded in FY 2014, including two roof replacement projects, four HVAC/boiler projects, a piping project, water tank replacement project, portable classroom relocations, an upgrade of bus communications, and the continuation of technology improvements throughout the system. The FY 2015 capital budget has a projected spending of \$21 million for capital projects, including the initial construction of the Frederick High School replacement, the renovation of Urbana Middle School, and the design of a new elementary school to be located in west Frederick City.

September 30, 2014

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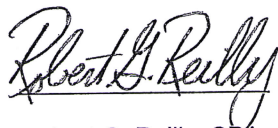
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to FCPS for its CAFR for the fiscal year ended June 30, 2013. This was the fifth year that FCPS has been awarded this certificate. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate. Our GFOA Certificate of Achievement can be found on page 5 of this CAFR.

FCPS has also received for the sixth consecutive year the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting for its 2013 CAFR. This award, valid for one year, is granted only after an intensive review of the CAFR by an expert panel of certified public accountants and practicing school business officials. FCPS plans to submit the 2014 CAFR to ASBO and believes the report continues to meet ASBO's certificate program requirements. The ASBO Certificate of Excellence in Financial Reporting can be found on page 6 of this CAFR.

The preparation of this report could not have been accomplished without the skilled and dedicated services of the entire staff of the Budget and Finance Department. Our appreciation is also extended to the Accounting Department, as well as all who assisted in the timely closing of the school system's financial records. We'd also like to recognize the Superintendent and Board of Education for their continuing support for maintaining the highest standards of professionalism in the management of FCPS' finances.

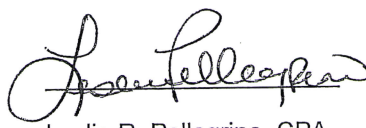
Respectfully submitted,



Robert G. Reilly, CPA

Director

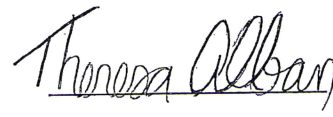
Budget and Finance Department



Leslie R. Pellegrino, CPA

Executive Director

Fiscal Services



Theresa R. Alban, Ph.D.

Superintendent of Schools



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Frederick County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Frederick County Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

Frederick County Public Schools

Elected Officials

Board of Education of Frederick County

Joy Schaefer, President

Kathryn B. Groth, Vice-President

Zakir Bengali, Ph.D.

Colleen E. Cusimano

April F. Miller, OD

Jean A. Smith

Brad W. Young

Appointed

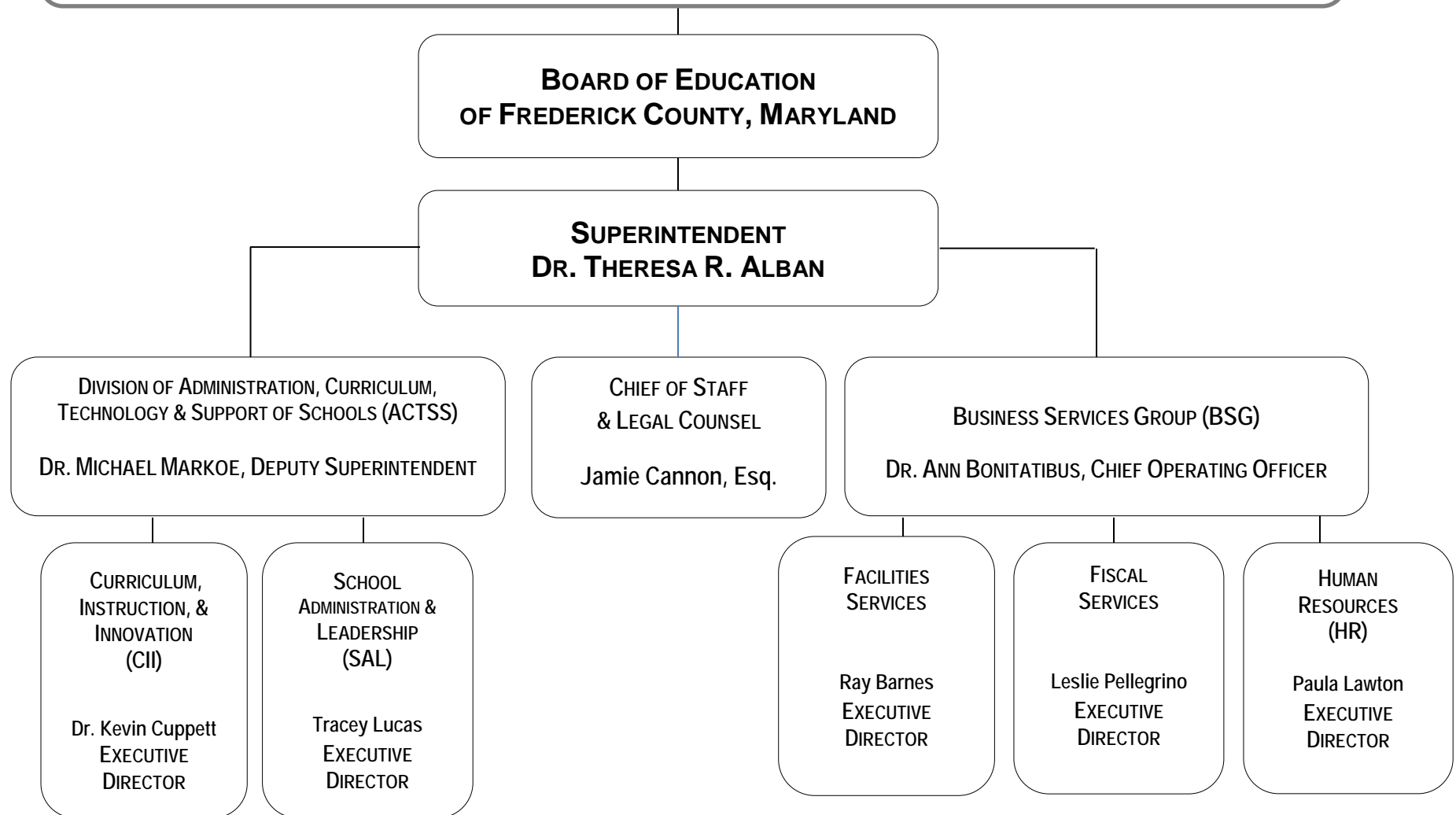
Emmanuel Apea, Student Member

Board of County Commissioners Liaison

Billy Shreve



CABINET-LEVEL ORGANIZATION CHART



Organization Chart and Principals listed are as of August 1, 2014

FINANCIAL SECTION



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Members of the Board of Education
of Frederick County, Maryland
Frederick County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Frederick County, Maryland (the Board), a component unit of Frederick County, Maryland, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of these basic 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, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of OPEB Funding Progress and Employer Contribution be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information for the school construction fund, food nutrition services fund, artificial turf fund, and the school activity fund as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the school construction fund, food nutrition services fund, artificial turn fund, and the school activity fund as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical tables has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated September 26, 2014, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Hunt Valley, Maryland
September 26, 2014

SB & Company, LLC

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

This section of the Frederick County Public Schools' (FCPS) Comprehensive Annual Financial Report presents its discussion and analysis of its financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with FCPS' financial statements.

FINANCIAL HIGHLIGHTS

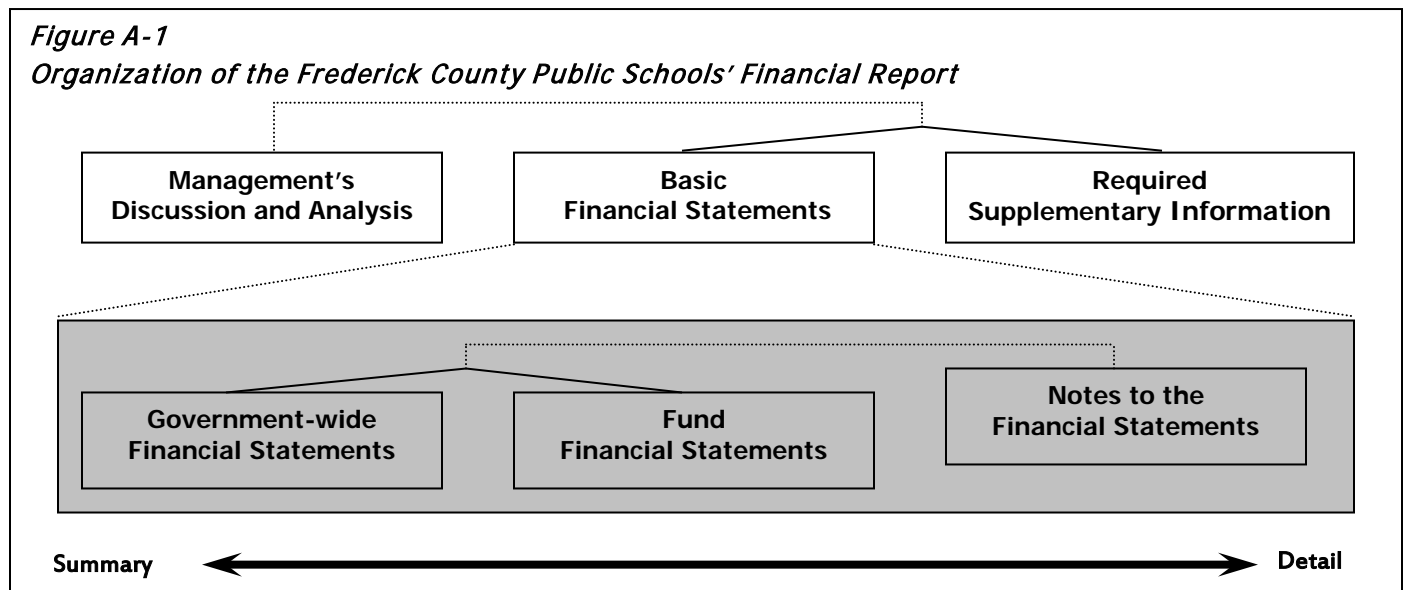
- The assets of FCPS exceeded its liabilities as of June 30, 2014 by \$451.7 million, which represents its net position.
- FCPS' net position decreased during the year by \$20.1 million.
- During the year, \$23.5 million was spent by FCPS for the North Frederick Elementary School replacement, a bus radio technology upgrade, and a wireless initiative.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to FCPS' financial statements. There are three parts to the basic financial statements: government-wide financial statements, fund financial statements, and notes to the financial statements. Supplementary information is also presented. The management's discussion and analysis, although presented before the basic financial statements, is required supplementary information. The government-wide and the fund financial statements present two different views of FCPS:

- The first two statements are *government-wide financial statements* that provide both *short-term and long-term* information about FCPS' *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of FCPS, reporting FCPS' operations in *more detail* than the government-wide financial statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term and long-term* financial information about the activities FCPS operates *like a business*, such as the Self-Insurance Fund.
- *Fiduciary funds* statements provide information about the financial relationships in which FCPS acts solely as a *trustee* or *agent* for the benefit of others, such as the Retiree Health Benefit Plan and the School Activity Fund.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Government-wide Financial Statements

The government-wide financial statements include all assets and liabilities of the school system using the accrual basis of accounting. This method of accounting is similar to how private sector companies report the results of their operations. These statements take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The first of the government-wide statements is the *Statement of Net Position*. The *Statement of Net Position* presents balance sheet information for the entire FCPS operations at a given point in time (June 30, 2014). The assets include all cash and investments, receivables, materials inventory, prepaid items, and capital assets reduced by accumulated depreciation. Liabilities include accounts payable, accrued payroll earnings, and noncurrent liabilities. This results in a statement that encompasses the entire operations of FCPS.

Although the *Statement of Net Position* reports a total net position of \$451.7 million, FCPS has restrictions over the use of these funds. The investment in land, buildings, and equipment (capital assets, net of related debt) is necessary to carry out the mission of the school system. State laws segregate funds and place restrictions on spending. This should be considered when reviewing the report.

The second of the government-wide financial statements is the *Statement of Activities*. This statement shows the results of operations that caused net position to change from the prior year to the amount reported on the *Statement of Net Position* as of June 30, 2014. This statement answers the question, "How did we do financially during fiscal year 2014?" This change in net position is important because it tells the reader whether, for FCPS as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors. To assess FCPS' overall health, consideration should be given to additional non-financial factors such as building improvements, number of students served, and staffing levels.

In the government-wide financial statements, governmental activities include most of FCPS' basic services such as regular and special education, transportation, and administration. State formula aid and local revenues finance most of these activities.

The *Statement of Activities* classifies expenses by functional area. The report also shows corresponding charges for services and restricted grants for each function that help support the expenses. The resulting *Net (Expenses) Revenue and Changes in Net Position* shows the remaining expenses not supported by charges for services and restricted grants. General revenues are then applied to the remaining expenses resulting in the total change in net position for the year.

Fund Financial Statements

The fund financial statements provide more detailed information about FCPS' funds, not FCPS as a whole. Funds are accounting devices FCPS uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law.
- FCPS establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

FCPS has three kinds of funds:

- *Governmental funds*: Most of FCPS' basic services are included in governmental funds comprised of the General Fund, Food and Nutrition Services Fund, Artificial Turf Fund, and School Construction Fund which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance FCPS' programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

- *Proprietary funds:* Services for which FCPS charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. FCPS uses an *internal service fund* to report activities that provide dental and health insurance services to its other funds. FCPS' internal service fund is the Self-Insurance Fund.
- *Fiduciary funds:* FCPS is the trustee, or *fiduciary*, for assets that belong to others, such as the Retiree Health Benefits Plan and the School Activity Fund. FCPS is responsible for ensuring that the assets reported in these funds are used only for its intended purposes and by those to whom the assets belong. FCPS excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF FCPS AS A WHOLE

FCPS' net position was less as of June 30, 2014 than the combined net position the year before, decreasing 4.3% or \$20.1 million to \$451.7 million. The following are major components of FCPS' net position:

Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities	
	2014	2013
Current and Other Assets	\$ 47.9	\$ 37.6
Capital Assets	649.9	645.3
Total Assets	697.8	682.9
Other Liabilities	24.6	18.7
Long-term Liabilities	221.5	192.4
Total Liabilities	246.1	211.1
Net Position:		
Net Investment in Capital Assets	636.2	629.3
Restricted for:		
Debt Service	.4	1.0
Unrestricted Deficit	(184.9)	(158.5)
Total Net Position	\$ 451.7	\$ 471.8

The \$20.1 million reduction in the net position of FCPS' governmental activities is due mainly to an increase in long-term liabilities, notably the net Other Post-employment Benefits (OPEB) obligation.

FCPS' net position of \$451.7 million consists of a \$636.2 million net investment in capital assets, and \$.4 million restricted for debt service, less an unrestricted deficit of \$184.9 million. Last year FCPS had a combined net position of \$471.8 million consisting of a \$629.3 million net investment in capital assets, and \$1.0 million restricted for debt service, less an unrestricted deficit of \$158.5 million. FCPS uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The unrestricted deficit of \$184.9 million as of June 30, 2014 includes vacation leave, terminal benefits payable, and the net OPEB obligation.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Funding for the lump sum total of vacation leave, termination benefits liabilities, and net OPEB obligation has not occurred since they would become due and payable only in the event that FCPS no longer existed as a legal entity. The annual expected payout of vacation leave, termination benefits, and "pay-as-you-go" retiree medical costs, are reflected in the current operating budget of the General Fund.

The total governmental activities costs of all programs and services amounted to \$601.7 million. The following table shows the breakdown of total costs by functional areas as follows:

Governmental Activities Expense:	2014 Percentage of Total	2013 Percentage of Total
Instruction:		
Regular Instruction	55.43%	55.52%
Special Education Instruction	12.78%	12.43%
Total Instruction	68.21%	67.95%
Support Services:		
Administration	3.00%	2.62%
Mid-level Administration	7.84%	7.62%
Pupil Personnel Services	.68%	.65%
Health	1.02%	1.01%
Pupil Transportation	4.50%	4.85%
Operations	7.37%	7.34%
Maintenance	2.47%	2.48%
Food and Nutrition Services	1.84%	1.95%
Community Services	.21%	.31%
Interest on Long-term Liabilities	.08%	.07%
Intergovernmental Payment	2.78%	3.15%
Total Support Services	31.79%	32.05%

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Total expenses surpassed revenues, decreasing net position by \$20.1 million over last year. The key elements of the decrease of FCPS' net position were as follows:

Changes in Net Position from Operating Results (in millions of dollars)

	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program Revenues		
Charges for Services	\$ 6.7	\$ 7.1
Operating Grants and Contributions	147.9	135.0
Capital Grants and Contributions	47.5	24.8
General Revenues		
Federal Aid	0.1	0.1
State Aid	156.8	154.5
Local Aid	221.9	221.6
Investment Earnings	0.1	0.1
Other	0.6	1.5
Total Revenues	581.6	544.7
Expenses		
Instruction:		
Regular Instruction	333.5	320.7
Special Education Instruction	76.9	71.8
Total Instruction	410.4	392.5
Support Services:		
Administration	18.0	15.2
Mid-level Administration	47.2	44.0
Pupil Personnel Services	4.1	3.8
Health	6.1	5.8
Pupil Transportation	27.1	28.0
Operations	44.3	42.4
Maintenance	14.8	14.3
Food and Nutrition Services	11.1	11.3
Community Services	1.3	1.8
Interest on Long-term Liabilities	0.5	0.4
Intergovernmental Payment	16.8	18.2
Total Support Services	191.3	185.2
Total Expenses	601.7	577.7
Change in Net Position	(20.1)	(33.0)
Net Position - Beginning	471.8	504.8
Net Position - Ending	\$ 451.7	\$ 471.8

The table shown above details FCPS' changes in net position. FCPS' total revenues for 2014 shows \$581.6 million compared to total revenues of \$544.7 million for the previous year. In 2014, state and local aid increased \$2.6 million over the prior year due to appropriation increases. Federal, state, and local aid not restricted to programs (general revenues) accounted for 65.1% of FCPS' revenue in 2014, down from 69.1% in 2013.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Other Observations for 2014:

- Costs of \$6.7 million were financed by users of FCPS' programs.
- Operating grants and contributions subsidized certain programs totaling \$147.9 million.
- Total instructional costs were \$410.4 million out of total costs of \$601.7 million.
- FCPS' programs were financed by \$379.5 million consisting of unrestricted federal aid (\$.1 million), state aid (\$156.8 million), local aid (\$221.9 million), investment earnings (\$.1 million), and other revenues (\$.6 million).

Governmental Activities

The table below represents the cost of FCPS' activities for the year. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on taxpayers by each of these functions. The total net cost of services for 2014 is \$399.5 million, an \$11.3 million decrease from the 2013 total of \$410.8 million.

Net Cost of Governmental Activities (in millions of dollars)

Expense Functions	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013	Total Change in Net Cost of Services 2014-2013
Instruction:					
Regular Instruction	\$ 333.5	\$ 220.5	\$ 320.7	\$ 236.3	\$ (15.8)
Special Education Instruction	76.9	25.3	71.8	25.8	(.5)
Total Instruction	410.4	245.8	392.5	262.1	(16.3)
Support Services:					
Administration	18.0	16.2	15.2	13.7	2.5
Mid-level Administration	47.2	45.5	44.0	42.4	3.1
Pupil Personnel Services	4.1	3.1	3.8	3.0	.1
Health	6.1	.2	5.8	.2	-
Pupil Transportation	27.1	14.2	28.0	15.2	(1.0)
Operations	44.3	42.1	42.4	40.2	1.9
Maintenance	14.8	14.8	14.3	14.3	.5
Food and Nutrition Services	11.1	.1	11.3	.2	(.1)
Community Services	1.3	.2	1.8	.9	(.7)
Interest on Capital Leases	.5	.5	.4	.4	.1
Intergovernmental Payment	16.8	16.8	18.2	18.2	(1.4)
Total Support Services	191.3	153.7	185.2	148.7	5.0
Total	\$ 601.7	\$ 399.5	\$ 577.7	\$ 410.8	\$ (11.3)

The \$11.3 million decrease in net costs from 2013 to 2014 was for the most part due to an increase in operating and capital grants and contributions, offset by an increase in regular and special education instruction.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

FINANCIAL ANALYSIS OF FCPS' FUNDS

As FCPS completed the year, its governmental funds (General Fund, Food and Nutrition Services Fund, Artificial Turf Fund, and School Construction Fund) reported combined fund balances of \$16.7 million; an increase of \$3.2 million from last year's ending fund balances of \$13.5 million. The increase of \$3.2 million consists of a \$2.9 million fund balance increase in the General Fund, mostly due to anticipated salary and fringe savings from staff vacancies and turnover and a \$.3 million increase in the Food and Nutrition Services fund balance, mostly as a result of increased efficiency in its operations. The Food and Nutrition Services Fund was considered a nonmajor fund in 2013 and is a major fund in 2014. Last year there was an increase of \$3.8 million, consisting of a \$3.0 million fund balance increase in the General Fund, mostly due to an increase in federal revenue, a decrease in instructional supplies as a result of funding in fiscal year 2012 for replacement textbooks which did not recur in fiscal year 2013, and a \$.8 million increase in the nonmajor governmental fund balances, mostly as a result of increased efficiency in the operations of the Food and Nutrition Services Fund.

As in 2013, during 2014 state and local aid were the primary sources of operating funds for FCPS' governmental funds. In 2013, they accounted for 94.5% and in 2014, they were 94.7% of total revenues. In 2014, state aid contributed 48.4% and local aid contributed 46.3% of the combined revenues. In 2013, state aid contributed 49.6% and local aid contributed 44.9% of the combined revenues. In 2014, the federal government contributed 3.8% of governmental revenues compared to 3.8% last year. Most of these federal government revenues supported food and nutrition service activities and restricted grants and projects whose activities and programs are accounted for in the General Fund. This year, FCPS' General Fund spent \$519.9 million with the largest share spent on instructional programs, both regular and special education, in the amount of \$260.3 million. Last year, \$250.6 million was spent on instructional programs out of a total expenditure of \$505.9 million. In 2014, School Construction Fund revenues equaled expenditures. School Construction Fund revenues from state and local sources were \$19.6 and \$28.3 million, respectively. The nonmajor governmental fund received \$.1 million in local funding.

General Fund Budgetary Summary

Over the course of fiscal year 2014, the Board and the County approved various budget transfers which moved budget funding between the various major revenue and expenditure categories. The overall General Fund budget, in total, remained the same in fiscal year 2014.

Anticipated revenues for the General Fund for 2014 totaled \$532.7 million while actual revenues equaled \$528.8 million, a difference of \$3.9 million. This \$3.9 million budgeted but not received during 2014 represents mostly revenues planned for restricted grants and programs that had activity remaining at fiscal year-end and will be carried forward to 2015. This activity was approved for grant periods that extend beyond 2014.

General Fund expenditures allocated for 2014 totaled \$532.7 million while actual expenditures equaled \$523.5 million, a difference of \$9.2 million. The variance is mainly attributable to salary and fringe savings from staff vacancies and turnover in the instructional classification and savings in fuel and building utility costs. There were no expenditure classes with a negative budget variance in 2014. For the General Fund, the ending fund balance on a budgetary basis as of June 30, 2014 is a surplus of \$7.0 million of which \$.4 million is restricted for future lease payments, \$6.2 million is budgeted for use in fiscal year 2015, and \$.1 million is nonspendable leaving \$.3 million as unassigned.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of the end of fiscal year 2014, FCPS had invested \$649.9 million in a broad range of capital assets including school buildings, athletic facilities, technology upgrades, equipment, mechanical systems, and administrative offices. FCPS increased its net capital assets by \$4.6 million during 2014. (More detailed information about capital assets can be found in Note 3.B to the financial statements.) Total depreciation expense for the year was \$26.2 million. Depreciation expense is allocated to the fund and category in which the capital asset has been recorded.

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Total Percentage Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Land	\$ 48.0	\$ 47.7	.6 %
Construction in Progress	32.2	5.8	455.2 %
Buildings and Improvements	548.8	568.9	(3.5) %
Furniture and Equipment	20.9	22.9	(8.7) %
Total	<u>\$ 649.9</u>	<u>\$ 645.3</u>	.7 %

During fiscal year 2014, FCPS closed out several major construction and systemic projects. The North Frederick Elementary School replacement facility opened in August of the 2014/2015 school year. Demolition and abatement of the existing building has begun, with an overall project completion in the spring of 2015. FCPS continued the design of the Frederick High School Replacement project and began design of the new Sugarloaf Elementary School, located in the Urbana area. The enrollment figure, as reported to the Maryland State Department of Education for fiscal year 2014, was 40,715 students; resulting in a utilization of 89% of school capacity.

The 2015 capital budget has projected spending another \$21.5 million for capital projects, principally in two areas:

- \$10.5 million in major construction projects, which includes \$5 million to begin the construction of Frederick High School, \$2.9 million for the Urbana Middle School Fit-out/Renovation, and \$2.5 million for the design of the new West Frederick City Elementary School.
- \$11 million in systemic repairs and renovations to existing facilities.

Long-term Debt

School boards in Maryland have no authority to incur bonded debt. FCPS does, however, have long-term liabilities consisting of a capital lease, unused vacation leave, termination benefits, and net OPEB obligation. (More detailed information about FCPS' long-term liabilities is presented in Note 3.D to the financial statements.)

Long-term Liabilities (in millions of dollars)

	Governmental Activities		Total Percentage Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Capital Leases Payable	\$ 13.7	\$ 16.1	(14.9) %
Vacation Leave Payable	7.3	7.0	4.3 %
Termination Benefits Payable	21.7	20.9	3.8 %
Net OPEB Obligation	178.8	148.4	20.5 %
Total	<u>\$ 221.5</u>	<u>\$ 192.4</u>	15.1 %

FCPS has a long-term lease for the consolidated central office building. This lease has a twenty-five year term and is contingent upon yearly appropriations. The outstanding obligation on the central office building lease as of June 30, 2014 was \$13.7 million. FCPS recognizes its contractual obligations to employees for vacation and termination benefits payable. As of June 30, 2014, FCPS had accumulated obligations totaling \$7.3 million for unpaid vacation leave and \$21.7 million for

FREDERICK COUNTY PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

termination benefits payable. Funding for these liabilities has not occurred since they are not payable currently. The annual expected payout of vacation leave and termination benefits is reflected in the current operating budget of the General Fund.

FCPS provides post-employment benefits other than pensions such as health, dental, and life insurance to their retirees. The beginning fiscal year 2014 net OPEB obligation was \$148.4 million and the ending obligation was \$178.8 million, an increase of \$30.4 million. Although FCPS contributed \$3.0 million to the OPEB Trust and made additional payments for retiree claims (pay-as-you-go), the combined total fell short of the \$42.5 million Annual Required Contribution (ARC) resulting in a \$30.4 million increase in the ending obligation.

CONTACTING FCPS' FINANCIAL MANAGEMENT

This financial report is designed to provide Frederick County's citizens, taxpayers, customers, investors, creditors, parents, and students with a general overview of FCPS' finances and to demonstrate FCPS' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Frederick County Public Schools Budget and Finance Department, 191 South East Street, Frederick, Maryland 21701.

BASIC FINANCIAL STATEMENTS

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position June 30, 2014

	Governmental Activities
ASSETS	
Cash and Investments	\$ 34,679,839
Due From Other Units of Government	8,105,644
Accounts Receivable	3,654,571
Inventories, at Cost	980,715
Prepaid Items	25,591
Cash and Investments - Restricted	370,277
Capital Assets not being Depreciated:	
Land	47,997,254
Construction in Progress	32,250,121
Capital Assets, Net of Accumulated Depreciation:	
Buildings and Improvements	548,820,508
Furniture and Equipment	20,875,517
Total Assets	697,760,037
LIABILITIES	
Accounts Payable	15,715,103
Accrued Interest Payable	141,799
Salaries and Wages Payable	6,914,591
Payroll Taxes and Deductions Payable	1,746,915
Unearned Revenue	30,594
Due to Fiduciary Funds	259
Noncurrent Liabilities:	
Due Within One Year	7,719,593
Due in More than One Year	213,778,972
Total Liabilities	246,047,826
NET POSITION	
Net Investment in Capital Assets	636,220,966
Restricted for:	
Debt Service	370,277
Unrestricted Deficit	(184,879,032)
Total Net Position	\$ 451,712,211

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Activities For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular Instruction	\$ 333,517,634	\$ 902,138	\$ 64,588,860	\$ 47,563,863	\$ (220,462,773)
Special Education Instruction	76,878,032	-	51,587,925	-	(25,290,107)
Total Instruction	<u>410,395,666</u>	<u>902,138</u>	<u>116,176,785</u>	<u>47,563,863</u>	<u>(245,752,880)</u>
Support Services:					
Administration	18,024,675	-	1,770,949	-	(16,253,726)
Mid-level Administration	47,151,480	-	1,622,069	-	(45,529,411)
Pupil Personnel Services	4,096,108	-	1,001,672	-	(3,094,436)
Health	6,129,312	-	5,907,051	-	(222,261)
Pupil Transportation	27,114,005	-	12,913,712	-	(14,200,293)
Operations	44,319,997	803,464	1,435,043	-	(42,081,490)
Maintenance	14,846,437	-	-	-	(14,846,437)
Food and Nutrition Services	11,101,278	5,027,144	5,996,674	-	(77,460)
Community Services	1,293,017	-	1,092,433	-	(200,584)
Interest on Capital Lease	464,571	-	-	-	(464,571)
Intergovernmental Payment	16,751,750	-	-	-	(16,751,750)
Total Support Services	<u>191,292,630</u>	<u>5,830,608</u>	<u>31,739,603</u>	<u>-</u>	<u>(153,722,419)</u>
Total Governmental Activities	<u>\$ 601,688,296</u>	<u>\$ 6,732,746</u>	<u>\$ 147,916,388</u>	<u>\$ 47,563,863</u>	<u>(399,475,299)</u>
General Revenues:					
Federal Aid Not Restricted to Specific Purposes					985
State Aid Not Restricted to Specific Purposes					156,789,324
Local Aid Not Restricted to Specific Purposes					221,884,100
Interest and Investment Earnings					20,248
Other Revenue					669,928
Total General Revenues					<u>379,364,585</u>
Changes in Net Position					<u>(20,110,714)</u>
Net Position - Beginning					471,822,925
Net Position - Ending					<u>\$ 451,712,211</u>

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2014

	Major			Nonmajor	Total
	General	School Construction	Food and Nutrition Services	Artificial Turf	Governmental Funds
ASSETS					
Cash and Investments	\$ 19,482,071	\$ 677,073	\$ 3,572,854	\$ -	\$ 23,731,998
Due From:					
Federal Government	864,617	-	217,005	-	1,081,622
State of Maryland	1,786,032	1,258,151	33,940	-	3,078,123
Frederick County	62,263	4,453,838	-	-	4,516,101
Other Funds	3,623,179	-	-	282,341	3,905,520
Accounts Receivable	761,240	-	14,091	16,973	792,304
Inventories, at Cost	540,581	-	440,134	-	980,715
Prepaid Items	25,591	-	-	-	25,591
Cash and Investments - Restricted	370,277	-	-	-	370,277
Total Assets	<u>\$ 27,515,851</u>	<u>\$ 6,389,062</u>	<u>\$ 4,278,024</u>	<u>\$ 299,314</u>	<u>\$ 38,482,251</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 4,076,757	\$ 4,636,105	\$ 262,755	\$ -	\$ 8,975,617
Accrued Liabilities:					
Salaries and Wages	6,902,549	4,387	7,655	-	6,914,591
Payroll Taxes and Deductions	1,746,329	-	586	-	1,746,915
Due To:					
Federal Government	212,404	-	-	-	212,404
State of Maryland	276,168	-	-	-	276,168
Frederick County	81,617	13	-	-	81,630
Other Funds	282,600	1,748,557	1,351,608	-	3,382,765
Unearned Revenue	30,594	-	166,411	-	197,005
Total Liabilities	<u>13,609,018</u>	<u>6,389,062</u>	<u>1,789,015</u>	<u>-</u>	<u>21,787,095</u>
Fund Balances:					
Nonspendable:					
Inventories	540,581	-	440,134	-	980,715
Prepaid Items	25,591	-	-	-	25,591
Restricted:					
Lease Reserve	370,277	-	-	-	370,277
Committed:					
Charter Schools Reserve	280,240	-	-	-	280,240
Assigned:					
Administration	487,228	-	-	-	487,228
Instructional	5,109,713	-	-	-	5,109,713
Maintenance and Operations	3,449,119	-	-	-	3,449,119
Transportation	3,523,049	-	-	-	3,523,049
Artificial Turf	-	-	-	299,314	299,314
Food and Nutrition Services	-	-	2,048,875	-	2,048,875
Unassigned:	121,035	-	-	-	121,035
Total Fund Balances	<u>13,906,833</u>	<u>-</u>	<u>2,489,009</u>	<u>299,314</u>	<u>16,695,156</u>
Total Liabilities and Fund Balances	<u>\$ 27,515,851</u>	<u>\$ 6,389,062</u>	<u>\$ 4,278,024</u>	<u>\$ 299,314</u>	<u>\$ 38,482,251</u>

The notes to the financial statements are an integral part of this balance sheet.

FREDERICK COUNTY PUBLIC SCHOOLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

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

Total fund balance - governmental funds	\$ 16,695,156
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The cost of capital assets (land, buildings, construction in progress, and equipment) purchased or constructed, is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of FCPS as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 967,837,964	
Accumulated depreciation	<u>(317,894,564)</u>	649,943,400

Long-term liabilities applicable to FCPS' governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Interest payable on debt and other long-term obligations is also not recorded in the governmental funds but is reported in the Statement of Net Position. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Long-term liabilities (including internal service fund) at year-end consist of:

Capital leases payable	(13,722,434)	
Accrued interest payable on the leases	(141,799)	
Vacation leave payable	(7,248,063)	
Termination benefits payable	(21,704,911)	
Net OPEB obligation	<u>(178,823,157)</u>	(221,640,364)

An internal service fund is used by FCPS to charge the costs of the health and dental insurance program to the individual funds. The assets and liabilities of the internal service fund, net of vacation leave liability, terminal leave liability, and net OPEB obligation, are included in governmental activities in the Statement of Net Position.

Net position of governmental activities	<u>\$ 451,712,211</u>
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6,714,019

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2014

	Major			Nonmajor	Total
	General	School Construction	Food and Nutrition Services	Artificial Turf	Governmental Funds
Revenues:					
Federal	\$ 16,329,333	\$ -	\$ 5,741,727	\$ -	\$ 22,071,060
State	261,523,123	19,591,739	245,319	-	281,360,181
Local	241,176,987	28,346,431	-	65,805	269,589,223
Charges for Services	-	-	4,883,435	-	4,883,435
Other	3,899,918	-	143,709	217	4,043,844
Total Revenues	522,929,361	47,938,170	11,014,190	66,022	581,947,743
Expenditures:					
Current:					
Administration	8,940,752	-	-	-	8,940,752
Mid-level Administration	31,309,475	-	-	-	31,309,475
Instructional Salaries	194,902,037	-	-	-	194,902,037
Instructional Supplies	8,272,208	-	-	-	8,272,208
Instruction - Other	2,468,874	-	-	-	2,468,874
Special Education	54,619,243	-	-	-	54,619,243
Pupil Personnel	2,717,953	-	-	-	2,717,953
Health	6,076,916	-	-	-	6,076,916
Pupil Transportation	18,845,274	-	-	-	18,845,274
Operations	35,497,862	-	-	-	35,497,862
Maintenance	10,915,666	-	-	-	10,915,666
Fixed Charges	139,415,179	-	-	-	139,415,179
Food and Nutrition Services	9,628	-	10,879,654	-	10,889,282
Community Services	986,228	-	-	-	986,228
Capital Outlay:					
Land	-	48,521	-	-	48,521
Buildings and Improvements	-	28,154,457	-	-	28,154,457
Equipment	2,135,656	2,983,442	-	-	5,119,098
Debt Service:					
Capital Lease Principal	2,336,566	-	-	-	2,336,566
Capital Lease Interest	488,715	-	-	-	488,715
Intergovernmental Payment	-	16,751,750	-	-	16,751,750
Total Expenditures	519,938,232	47,938,170	10,879,654	-	578,756,056
Excess (Deficiency) of Revenues over Expenditures	2,991,129	-	134,536	66,022	3,191,687
Other Financing Sources (Uses)					
Transfers In From:					
General Fund	-	-	118,164	-	118,164
Transfers Out To:					
Internal Service Fund	(1,759)	-	-	-	(1,759)
Special Revenue Fund	(118,164)	-	-	-	(118,164)
Total Other Financing Sources (Uses)	(119,923)	-	118,164	-	(1,759)
Net Change in Fund Balances	2,871,206	-	252,700	66,022	3,189,928
Fund Balances - Beginning	11,035,627	-	2,236,309	233,292	13,505,228
Fund Balances - Ending	\$ 13,906,833	\$ -	\$ 2,489,009	\$ 299,314	\$ 16,695,156

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Year Ended June 30, 2014

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

Total net change in fund balances - governmental funds	\$	3,189,928
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Governmental funds report capital outlays as expenditures. However in the Statement of Activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	\$ 31,499,420		
Depreciation	<u>(26,206,964)</u>		5,292,456

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations, etc.) is to decrease net position.	(687,307)
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Capital assets acquired by capital leases are shown as an expenditure in the governmental funds. Principal payments are applied to the lease liability; interest expense on the leases is recognized as it accrues.

Principal payments of capital leases	2,336,566		
Interest expense - capital leases (net effect)	<u>24,144</u>		2,360,710

An internal service fund is used by FCPS to charge the costs of the health and dental insurance program to the individual funds. The change in net position of the internal service fund, net of OPEB and compensated absences expenses, is reported with governmental activities.	1,193,261
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In the Statement of Activities, vacation leave, termination leave benefits, and OPEB liabilities are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. (Internal service fund activity is included.)

Vacation leave accrued	(272,735)		
Termination benefits accrued	(818,192)		
Net OPEB obligation accrued	<u>(30,368,835)</u>		<u>(31,459,762)</u>

Change in net position of governmental activities	\$	<u><u>(20,110,714)</u></u>
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The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues:				
Federal	\$ 18,592,273	\$ 17,902,273	\$ 16,329,333	\$ (1,572,940)
State	259,364,617	260,054,617	261,523,123	1,468,506
Local	250,054,731	250,054,731	247,005,987	(3,048,744)
Other	4,686,265	4,686,265	3,899,918	(786,347)
Total Revenues	532,697,886	532,697,886	528,758,361	(3,939,525)
Expenditures:				
Administration	9,465,295	9,587,189	9,153,761	433,428
Mid-level Administration	31,771,485	31,844,256	31,505,129	339,127
Instructional Salaries	198,614,738	198,028,119	194,902,037	3,126,082
Instructional Supplies	7,918,499	8,363,386	8,304,212	59,174
Instructional - Other	2,522,421	2,259,904	1,934,058	325,846
Special Education	55,557,828	55,256,728	54,741,999	514,729
Pupil Personnel Services	2,859,407	2,859,407	2,717,953	141,454
Health	6,725,590	6,725,884	6,076,917	648,967
Pupil Transportation	20,676,409	20,676,409	20,194,230	482,179
Operations	36,841,162	37,783,248	36,760,231	1,023,017
Maintenance	11,175,794	11,294,272	11,153,655	140,617
Fixed Charges	145,338,508	143,848,334	142,360,383	1,487,951
Food and Nutrition Services	10,000	10,000	9,628	372
Community Services	1,356,132	1,356,132	969,208	386,924
Capital Outlay	1,864,618	2,804,618	2,716,281	88,337
Total Expenditures	532,697,886	532,697,886	523,499,682	9,198,204
Excess of Revenues over Expenditures	\$ -	\$ -	5,258,679	\$ 5,258,679
Fund Balance - Beginning			7,541,408	
Decrease in Nonspendable Fund Balance Inventories			69,649	
Prior Year Surplus Funded			(5,829,000)	
Fund Balance - Ending			\$ 7,040,736	

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position Proprietary Fund June 30, 2014

	Governmental Activity: Internal Service Fund Self-Insurance
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 10,947,841
Other Receivables	2,862,267
Total Current Assets	<u>13,810,108</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	6,573,075
Due to Other Funds	523,014
Current Portion of Long-term Obligations	22,288
Total Current Liabilities	<u>7,118,377</u>
Noncurrent Liabilities:	
Noncurrent Portion of Long-term Obligations	<u>208,584</u>
Total Liabilities	<u>7,326,961</u>
NET POSITION	
Unrestricted	<u>6,483,147</u>
Total Net Position	<u><u>\$ 6,483,147</u></u>

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Net Position Proprietary Fund For the Year Ended June 30, 2014

	Governmental Activity: Internal Service Fund Self-Insurance
Operating Revenues:	
Contributions from Employer	\$ 53,630,760
Contributions from Employees	12,241,620
Total Operating Revenues	<u>65,872,380</u>
Operating Expenses:	
Salaries and Wages	252,824
Professional and Contracted Services	3,683,102
Insurance Claims and Related Expenses	60,263,411
Payment to Federal Government	397,512
Other Charges	83,496
Total Operating Expenses	<u>64,680,345</u>
Operating Income	<u>1,192,035</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	4,146
Total Nonoperating Revenues (Expenses):	<u>4,146</u>
Gain Before Transfers	1,196,181
Transfers In	<u>1,759</u>
Change in Net Position	1,197,940
Total Net Position - Beginning	5,285,207
Total Net Position - Ending	<u><u>\$ 6,483,147</u></u>

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2014

	Governmental Activity: Internal Service Fund Self-Insurance
Cash Flows From Operating Activities	
Receipts from User Charges	\$ 10,446,651
Receipts from Interfund Services	56,477,167
Payments to Employees	(340,998)
Payments for Insurance Claims and Related Expenses	(65,004,707)
Net Cash From Operating Activities	<u>1,578,113</u>
Cash Flows From Noncapital Financing Activities	
Transfers from Other Funds	1,759
Net Cash from Noncapital Financing Activities	<u>1,759</u>
Cash Flows From Investing Activities	
Interest Received on Investments	<u>4,146</u>
Net Increase in Cash and Cash Equivalents	1,584,018
Cash and Cash Equivalents - Beginning	<u>9,363,823</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 10,947,841</u></u>
Reconciliation of Operating Income to	
Net Cash From Operating Activities:	
Operating Income	\$ 1,192,035
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Effect of Changes in Non-cash Operating Assets and Liabilities:	
Receivables/Prepayments	(1,028,039)
Accrued Payables and Liabilities	<u>1,414,117</u>
Net Cash From Operating Activities	<u><u>\$ 1,578,113</u></u>

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Net Position Fiduciary Funds June 30, 2014

	Retiree Health Benefit Plan	School Activity Fund
ASSETS		
Cash and Cash Equivalents	\$ 305,116	\$ 2,824,320
Investments at Fair Value		
Fixed Income Securities	25,011,637	-
Equity Securities	47,075,275	-
Accounts Receivable	-	12,645
Due from General Fund	259	-
Total Assets	72,392,287	\$ 2,836,965
LIABILITIES		
Accounts Payable	384	\$ 109,578
Due to Student Groups	-	2,727,387
Total Liabilities	384	\$ 2,836,965
NET POSITION		
Net Position Held in Trust for OPEB Benefits	\$ 72,391,903	

The notes to the financial statements are an integral part of this statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Statement of Changes in Net Position Fiduciary Fund For the Year Ended June 30, 2014

	Retiree Health Benefit Plan
ADDITIONS	
Contributions	
Employer	\$ 11,076,165
Plan Members	<u>7,468,157</u>
Total Contributions	<u>18,544,322</u>
Investment Income	
Interest	1,472,685
Net Increase in Fair Value of Investments	<u>8,555,000</u>
Total Investment Income	<u>10,027,685</u>
Total Additions	<u>28,572,007</u>
DEDUCTIONS	
Claims Incurred	14,407,484
Administrative Expenses	<u>1,120,860</u>
Total Deductions	<u>15,528,344</u>
Change in Net Position	13,043,663
Net Position - Beginning	<u>59,348,240</u>
Net Position - Ending	<u><u>\$ 72,391,903</u></u>

The notes to the financial statements are an integral part of this statement.

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FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Frederick County Public Schools (FCPS) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of FCPS are described below.

A. Reporting Entity

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 the Board of Education of Frederick County, Maryland (hereinafter the "Board") is to operate the local public school system in accordance with state and community standards.

The Board consists of seven members who set broad policy guidelines. Within these policy guidelines, the Superintendent is responsible for management of the school system.

The function of the Board is to offer a full curriculum which includes advanced courses, along with music, art, and sports in local schools. The Board has an extensive career and technology program with training in 21 occupational fields. The Board, subject to the provisions of Maryland public school laws, prescribes on the written recommendation of the Frederick County Superintendent of Schools curriculum guides and courses of study.

The Board does not have the authority to levy taxes or incur bonded debt. Schools are funded with local, state, and federal monies.

Under governmental accounting and financial reporting standards, the Board is considered to be a financial reporting entity consisting of a primary government and any other organizations for which the Board is (1) financially accountable or (2) not financially accountable but for which the nature and significance of the other organization's relationship to the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. There were no other such organizations. Frederick County (hereinafter the "County") has oversight responsibility for approval and partial funding of the Board's operating budget. The Board is included as a component unit in the County's financial statements.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of FCPS as a whole. For the most part, the effect of interfund activity has been removed from these statements. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost data for functional activities as reported in the total column of that statement.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Items which are not classified as program revenues are presented as general revenues of FCPS.

General revenues represent the revenues available to FCPS to finance the net cost of services not funded by program revenues, such as federal, state, and local aid not restricted to specific purposes.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and reported as nonmajor funds. FCPS has only one nonmajor fund, so in lieu of aggregating, the nonmajor fund is reported as a separate column clearly indicating nonmajor status in accordance with authoritative accounting standards.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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, FCPS considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for principal and interest on capital leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from capital leases are reported as other financing sources.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Commitments such as purchase orders and contracts are not recorded as expenditures until a liability is incurred for goods received or services rendered. However, these outstanding commitments, if any, are assigned in the fund balance of the General Fund. The Food and Nutrition Services Fund, the Artificial Turf Fund, and the School Construction Fund do not assign their fund balances for their outstanding purchase orders and contracts. In the Food and Nutrition Services Fund, commodity revenues are recorded as expenses are incurred.

FCPS reports the following major governmental funds:

The General Fund is used to account for all financial resources applicable to the general operation of the Board that are not accounted for in other funds.

The School Construction Fund (Capital Projects) is used to account for all financial resources related to the construction of school sites and buildings and other major capital facilities.

The Food and Nutrition Services Fund (Special Revenue) is used to account for the activities of the school food and nutrition services program.

FCPS reports the following nonmajor governmental fund:

The Artificial Turf Fund (Special Revenue) is used to account for the rentals of the Board's artificial turf fields. Upkeep and major repairs to the fields are also recorded in this fund.

Proprietary fund financial statements are reported using the accrual basis of accounting and employ the economic resources measurement focus, similar to the government-wide financial statements. Under the accrual basis, all revenues and costs of providing services are reported, not just those received or paid in the current year or soon thereafter.

FCPS reports the following proprietary fund:

The Self-Insurance Fund (Internal Service Fund) is used to account for the costs of maintaining FCPS' self-insured health and dental programs.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont.)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of FCPS' internal service fund is charges to customers for services. Operating expenses for the internal service fund include the costs of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary fund reporting focuses on net position and changes in assets and liabilities and is accounted for on the accrual basis. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by FCPS under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support FCPS' own programs. The Retiree Health Benefit Plan is a pension trust fund and employs the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. FCPS' School Activity Fund is an agency fund.

FCPS has two fiduciary funds:

The Retiree Health Benefit Plan is used to account for the Frederick County Public Schools Retiree Health Benefit Plan. This plan provides health and welfare benefits to eligible retirees and in certain instances, their dependents. This plan is also commonly referred to as the OPEB (Other Post-employment Benefits) Plan.

The School Activity Fund is used to account for assets held by the schools for student groups.

FCPS applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins.

When both restricted and unrestricted resources are available for use, it is FCPS' policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

Amounts in demand deposits and short-term investments with a maturity date of three months or less when purchased are considered cash and cash equivalents.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Inventories and Prepaid Items

Inventory of the General Fund consists of expendable supplies held for consumption and is priced at latest invoice cost, which approximates a first-in, first-out cost basis. The fund balance of the General Fund is restored for the value of the inventory on hand at year-end and is reflected as nonspendable in the fund balance which indicates that it is unavailable for spending.

The inventory of the Food and Nutrition Services Fund is recorded on the basis of cost for purchased items and fair market value for commodities donated by the federal government. The commodities that are donated by the federal government are reflected as both revenues and expenditures when they are consumed. Commodities which are not consumed are reflected as deferred revenue.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as nonspendable in the fund balance and are unavailable for spending. The consumption method is used.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by FCPS as assets with an initial, individual cost of more than \$5,000 and an expected useful life of greater than one year. FCPS' capital assets are recorded at historical cost. Donated capital assets are valued at their estimated market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of FCPS are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings and Improvements	7-40
Furniture and Equipment	4-15

Assets which have been acquired with funds received through federal grants must be used in accordance with the terms of the grant.

G. Vacation and Termination Pay

Under the terms of FCPS' personnel policy, FCPS employees are granted vacation and sick leave in varying amounts. In the event of termination, all 12 month employees are paid for accumulated vacation days (annual leave) up to the maximum of 40 days. Full-time classified and certified personnel accumulate sick leave at a maximum rate of 10 to 12 days per year. For employees to vest their unused sick leave and be paid for their unused sick leave at their termination from FCPS, they must retire with at least ten years of service. Upon death, employees' beneficiaries are paid this benefit regardless of years of service. FCPS used the vesting method, pursuant to GAAP, to calculate the sick pay liability as of June 30, 2014.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fund Balance Reserves

The FCPS fund financial statements report nonspendable, restricted, committed, assigned, and unassigned fund balances. In the General Fund, inventory and prepaid items are included in the nonspendable fund balance, the lease reserve is reported as restricted fund balance, reserve for the charter schools is shown as committed and subsequent years' expenditures and encumbrances are shown in the assigned fund balance. These portions of the fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. If FCPS has more revenues than expenditures in a prior year, the excess revenue will accumulate in the fund balance. In subsequent years, it will be available for re-appropriation. In the General Fund, the unassigned fund balance indicates the portion of fund balance which is available for appropriation in future periods.

For committed fund balances, the highest level of decision-making authority is the Board. The charter school reservation of \$280,240 consists of: \$60,727 for Monocacy Valley Montessori School, \$12,797 for Carroll Creek Montessori School, and \$206,716 for Frederick Classical Charter School.

As stated in Section 20, 205.1, Operating and Capital Budgets, in the Board's Policy for Fiscal Procedures, "allocations to schools and administration of the budget are responsibilities of the superintendent and her staff". For assigned fund balances, FCPS' superintendent and her staff are authorized to assign amounts to a specific purpose and are the highest level of decision-making for the assigned fund balances.

When expenditures are incurred for which committed, assigned, and unassigned fund balances are available, the order of spending will be committed, assigned, and then unassigned.

The restricted and unrestricted amounts are to be considered spent when expenditures are incurred for purposes for which both a restricted and unrestricted fund balance is available. The committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The General Fund shows a total of \$12,569,109 in its assigned fund balance, of which \$6,243,594 represents the portion to be used for subsequent year's expenditures in fiscal year 2015. The remaining \$6,325,515 represents its encumbrances as of June 30, 2014. Some of the more significant General Fund encumbrances as of June 30, 2014 are \$1,799,776 for buses, \$1,195,718 for replacement of the telephone system, and \$209,330 for retrofitting schools for wireless access. The Food and Nutrition Services Fund has a significant encumbrance of \$158,300 for a point-of-sale hardware upgrade. The Construction Fund and the nonmajor fund do not have significant encumbrances as of June 30, 2014.

I. Net Position

Net position represents the difference between assets and liabilities. In the government-wide statement, net position includes capital assets net of accumulated depreciation and amounts restricted for debt service.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Maryland statutes require that an operating budget be legally adopted for the General Fund and a capital budget be legally adopted for the School Construction Fund.

The Superintendent and staff members meet during November and December to establish priorities for the operating budget. In January the Superintendent's Recommended Operating Budget is presented to the Board and the community. This budget is subject to revisions and changes by the Board. The Board holds a public hearing in February to receive comments from the community. After meeting in February, the Board approves a budget for the March 1 submission to the County Commissioners. An additional public hearing on the budget is held by the County Commissioners. In early June, the Board adopts the Operating and Capital budgets along with the Food and Nutrition Services and Self-Insurance budgets. The Board adopted budgets are then submitted to the County Commissioners. The County Commissioners may vote to approve or change the budgets. Any budgets submitted to the County Commissioners are deemed to be approved after 30 days if no formal vote is taken.

Transfers between categories in the General Fund cannot legally be executed without the County Commissioners' approval; transfers within a category do not require the County Commissioners' approval.

Legally adopted governmental budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when they become measurable and available. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by FCPS for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end except for: capital project funds which are carried forward until such time as the project is completed or terminated and certain federal and state grants that do not have a June 30 year-end date. Encumbrances are reported as expenditures in the current year's budgetary presentation and are included by function in the assigned fund balances in the governmental fund financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Accordingly, the actual expenditure data presented in the budgetary comparison statements is different than the data presented in the governmental fund financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund has been prepared on a legally prescribed budgetary basis of accounting which differs from generally accepted accounting principles (GAAP) as shown on the governmental fund financial statements. The budgetary basis of accounting is used to demonstrate compliance with the legal requirements of the County, the state of Maryland, and special federal and state grant programs. The reconciliation between the two methods is set forth below.

	Revenues	Expenditures and Other Financing Sources (Uses)	Net Change in Fund Balance
Reported on the Basis of GAAP	\$ 522,929,361	\$ 520,058,155	\$ 2,871,206
Effect of Encumbrances	-	3,441,527	(3,441,527)
Effect of Prior Year Surplus	5,829,000	-	5,829,000
Reported on the Budgetary Basis			
of Accounting	<u>\$ 528,758,361</u>	<u>\$ 523,499,682</u>	<u>\$ 5,258,679</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

A legal operating budget is not required for the Food and Nutrition Services Fund, School Activity Fund, Self-Insurance Fund, Artificial Turf Fund, or the Retiree Health Benefit Plan. Spending in funds which are not subject to the legal operating or capital budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by FCPS.

During the fiscal year ended June 30, 2014, the Board and the Board of County Commissioners approved the following supplemental appropriations/transfers for the General Fund:

Supplemental Appropriations/Transfers

	<u>To</u>	<u>From</u>	<u>Net Change</u>
<u>Revenues:</u>			
State	\$ 760,000	\$ (70,000)	\$ 690,000
Federal	-	(690,000)	(690,000)
Total Increase (Decrease) to Revenues	<u>\$ 760,000</u>	<u>\$ (760,000)</u>	<u>\$ -</u>
	<u>To</u>	<u>From</u>	<u>Net Change</u>
<u>Expenditures:</u>			
Administration	\$ 191,894	\$ (70,000)	\$ 121,894
Mid-level Administration	72,771	-	72,771
Instructional Salaries	28,128	(614,747)	(586,619)
Instructional Supplies	644,887	(200,000)	444,887
Instructional – Other	23	(262,540)	(262,517)
Special Education	-	(301,100)	(301,100)
Health	294	-	294
Pupil Transportation	-	-	-
Operations	1,167,086	(225,000)	942,086
Maintenance	118,478	-	118,478
Fixed Charges	2,245	(1,492,419)	(1,490,174)
Capital Outlay	<u>940,000</u>	<u>-</u>	<u>940,000</u>
Total Increase (Decrease) to Expenditures	<u>\$ 3,165,806</u>	<u>\$ (3,165,806)</u>	<u>\$ -</u>
Total	<u>\$ 3,925,806</u>	<u>\$ (3,925,806)</u>	<u>\$ -</u>

The General Fund budget, in total, remained the same in fiscal year 2014. Changes within the budgetary categories of the General Fund during fiscal year 2014 were approved by action of the Board and the Board of County Commissioners.

For the year ended June 30, 2014, there were no expenditure categories which exceeded their budgets. Overall expenditures were under budget by \$9.2 million.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Cash on Hand

At year-end, cash on hand for petty cash was \$7,575.

2. Deposits

At year-end, the carrying amount of FCPS' deposits was \$17,085,541 and the bank balance was \$18,742,448. The deposits of FCPS were not exposed to custodial credit risk as of June 30, 2014.

3. Investments

As of June 30, 2014, FCPS' investment balances by type and maturity were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate at June 30
		Less Than 1	1-5	6-10	
Maryland Local Gov. Investment Pool	\$ 6,531,177	\$ 6,531,177	\$ -	\$ -	.06%
Money Market	14,548,622	14,548,622	-	-	.05%
Certificates of Deposit	6,637	6,637	-	-	Various
Fixed Income Securities	25,011,637	25,011,637	-	-	0.00%
Equity Securities	47,075,275	47,075,275	-	-	1.31%
	<u>\$93,173,348</u>	<u>\$93,173,348</u>	<u>\$ -</u>	<u>\$ -</u>	

Reconciliation of cash and investments as shown on the Statement of Net Position:

Cash on Hand	\$ 7,575
Carrying Amounts of Deposits	17,085,541
Carrying Amounts of Investments (above)	<u>93,173,348</u>
Total Cash and Investments	110,266,464
Less: Amounts in Fiduciary Funds	<u>(75,216,348)</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 35,050,116</u>
Cash and Investments	\$ 34,679,839
Cash and Investments - Restricted	<u>370,277</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 35,050,116</u>

Investment Rate Risk. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. State statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Credit Risk. FCPS invests in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market mutual funds. 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 daily basis to ensure a \$1.00 per unit constant value.

State statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, FCPS will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2014, all of FCPS' investments were insured or registered, or the securities were held by FCPS or its agent in FCPS' name or were invested in the MLGIP.

As noted above, state statute governs FCPS' investment policies. The Maryland Annotated Code Section 6-222 outlines the permissible investments and investment standards which FCPS follows.

Foreign Currency Risk. FCPS has no investment in foreign currency.

Restricted Cash. Restricted cash in the General Fund represents an escrow account holding funds for future debt service payments related to a capital lease for the design and construction of the central office building.

Retiree Health Benefit Plan Cash and Investments. As of June 30, 2014, the deposits of the Retiree Health Benefit Plan were held in an investment grade money market account, a domestic equity index fund, and a fixed income bond market index fund. All funds were invested in accordance with the Retiree Health Benefit Plan Investment Plan Statement.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Retirements Reclassifications	Balance June 30, 2014
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 47,684,254	\$ 313,000	\$ -	\$ 47,997,254
Construction in Progress	5,817,124	31,186,420	4,753,423	32,250,121
Total Nondepreciable Capital Assets	53,501,378	31,499,420	4,753,423	80,247,375
Depreciable Capital Assets:				
Buildings and Improvements	827,850,258	2,838,811	568,943	830,120,126
Furniture and Equipment	59,974,237	1,428,760	3,932,534	57,470,463
Total Depreciable Capital Assets	887,824,495	4,267,571	4,501,477	887,590,589
Less Accumulated Depreciation for:				
Buildings and Improvements	258,925,719	22,942,842	568,943	281,299,618
Furniture and Equipment	37,061,903	3,264,122	3,731,079	36,594,946
Total Accumulated Depreciation	295,987,622	26,206,964	4,300,022	317,894,564
Total Depreciable Capital Assets, Net	591,836,873	(21,939,393)	201,455	569,696,025
Governmental Activities Capital Assets, Net	\$ 645,338,251	\$ 9,560,027	\$ 4,954,878	\$ 649,943,400

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Administration	\$ 1,391,391
Mid-level Administration	263,987
Instruction - Other	22,465,132
Special Education	30,614
Pupil Personnel Services	1,914
Pupil Transportation	1,381,341
Operations	272,865
Maintenance	156,950
Community Services	23,803
Food and Nutrition Services	218,967
Total Depreciation Expense - Governmental Activities	\$ 26,206,964

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Construction Commitments

FCPS has active construction projects as of June 30, 2014. The projects include new and renovated school construction. As of year-end, FCPS' major commitments with contractors were as follows:

Project	Spent to Date	Remaining Commitment
Career & Technology Center - Boiler Replacement	\$ 370,430	\$ 112,410
Career & Technology Center - Roof Replacement	216,733	244,000
Frederick High School - Replacement	1,169,986	2,493,532
Liberty Elementary School - Roof Replacement	116,680	141,096
Middletown Elementary School - Playground Replacement	3,408	116,305
Security Initiatives - Emergency Generators	126,061	410,336
Security Initiatives - Locksets	-	180,680
Security Initiatives - Vestibules	601,936	605,109
Sugarloaf Elementary School - New	354,341	1,406,329
North Frederick Elementary School - Replacement	23,297,933	5,428,718
Thurmont Middle School - Oil Tank Replacement	24,572	126,630
Urbana High - Track Resurfacing	-	154,560
Yellow Springs Elementary School - Parking Lot	116,165	673,152
Walkersville Elementary School - Addition	11,883,398	500
Other Projects	5,459,448	766,693
Total	<u>\$ 43,741,091</u>	<u>\$ 12,860,050</u>

D. Long-term Liabilities

Long-term liability balances and activities for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Capital Leases	\$ 16,059,000	\$ -	\$ 2,336,566	\$ 13,722,434	\$ 538,588
Vacation Leave Payable	6,975,328	4,779,458	4,506,723	7,248,063	4,732,059
Termination Benefits Payable	20,886,719	4,345,272	3,527,080	21,704,911	2,448,946
Net OPEB Obligation	148,454,322	48,827,000	18,458,165	178,823,157	-
	<u>\$ 192,375,369</u>	<u>\$ 57,951,730</u>	<u>\$ 28,828,534</u>	<u>\$ 221,498,565</u>	<u>\$ 7,719,593</u>

FCPS does not have the authority to incur bonded debt. Vacation leave, termination benefits, and other post-employment benefits have typically been liquidated in the General Fund in prior years. Net pension obligations are liquidated by each fund which has applicable salaries reported.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Lease Obligations

FCPS entered into a lease agreement for a central office building in the amount of \$16,700,000 and the financing was completed in December, 2007. In fiscal year 2013, with a declining interest rate environment, FCPS refinanced the central office lease agreement. The terms of the refinanced lease agreement lowered the interest rate from 4.62% to 3.1%. The original lease agreement was for a period of twenty-five years ending September 1, 2032. Principal and interest payments were adjusted under the refinanced lease agreement, but the agreement still terminates on September 1, 2032. All of the other terms of the original agreement remain intact. In fiscal year 2014, FCPS made a principal payment after completing the sale of two surplus FCPS properties. Payments, including interest, during fiscal year 2014 were \$2,825,281.

The assets acquired through capital leases were as follows:

	Governmental Activities
Assets:	
Building	\$ 16,361,159
Machinery and Equipment	15,023,064
Less: Accumulated Depreciation	(13,128,617)
Total	<u>\$ 18,255,606</u>

As of June 30, 2014, the minimum obligations under the capital lease were as follows:

	Fiscal Years	Governmental Activities
	2015	\$ 955,635
	2016	955,635
	2017	955,635
	2018	955,635
	2019	955,635
	2020-2024	4,778,175
	2025-2029	4,778,175
	2030-2033	3,822,540
Total Obligations		<u>18,157,065</u>
Less: Portion Representing Interest at 3.1%		4,434,631
Present Value of Lease Obligation		<u>\$ 13,722,434</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014 was as follows:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	Food and Nutrition Services Fund	Advances of cash for operating needs	\$ 1,351,608
General Fund	Self-Insurance Fund	Advances of cash for operating needs	523,014
General Fund	School Construction Fund	Advances of cash for operating needs	1,748,557
Artificial Turf Fund	General Fund	Future repairs and replacements	282,341
OPEB Trust Fund	General Fund	Administrative expenses	259
		Total	<u>\$ 3,905,779</u>

These interfund balances are presented in the accompanying financial statements as follows:

	Due From	Due To
Balance Sheet - Governmental Funds (page 23)	\$ 3,905,520	\$ 3,382,765
Statement of Net Position - Proprietary Fund (page 28)	-	523,014
Statement of Net Position - Fiduciary Funds (Page 31)	259	-
Total	<u>\$ 3,905,779</u>	<u>\$ 3,905,779</u>

Transfers to/from other funds consisted of the following:

Transfers from the General Fund to the internal service fund for OPEB	\$ 1,759
Transfers from the General Fund to the special revenue fund for OPEB	118,164
Total	<u>\$ 119,923</u>

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 4. OTHER INFORMATION

A. Retirement and Pension Systems of the State of Maryland

Plan Description.

The employees of FCPS are covered by the Teachers' Retirement System of the State of Maryland, the Teachers' Pension System of the State of Maryland, or the Employees' Retirement System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the "State System"), and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death, and disability benefits to plan members and beneficiaries. The state of Maryland pays a substantial portion of employer contributions on behalf of FCPS. The plan is administered by the State Retirement Agency (the "Agency"). Responsibility for the administration and operation of the State System is vested in a 12-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issues a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland, 21202, or by calling 410-625-5555.

The authority to establish and amend the funding policy rests with the Board of Trustees of the Agency. The State Personnel and Pensions Article requires active members to contribute to the State System at the rate of 7% of their covered salary depending upon the retirement option selected. FCPS is required to contribute at an actuarially determined rate. The state's contributions on behalf of FCPS for the years ended June 30, 2014, 2013, and 2012 were \$ 31,980,586, \$28,013,075, and \$36,705,953, respectively, which were equal to the required contributions for each year. These on-behalf payments were recognized as revenues and expenditures during the period. FCPS' contributions for the years ended June 30, 2014, 2013, and 2012 were \$11,428,486, \$9,403,613, and \$4,287,924, respectively, which were equal to the required contributions for each year.

The Governmental Accounting Standards Board has issued GASB Statement No. 68, entitled *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27 and GASB Statement No. 71, entitled *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which must be adopted by the Board during the fiscal year ending June 30, 2015. As part of the adoption of these pronouncements, entities that participate in a multi-employer cost-sharing defined benefit retirement plan are required to record their proportionate share of the net unfunded pension liability of the entire plan. The entity's share of the plan's total unfunded pension liability is calculated by multiplying its share of the total pension plan contributions to the plan for the year by the total unfunded liability of the plan as of year-end. The Board is still analyzing the effect of these pronouncements. Because the state of Maryland contributes the prior service cost and any cost related to actuarial adjustments for the teachers and certain other employees, the Board does not need to record a liability related to those employees. The Board will only record an unfunded pension liability related to those employees for whom the Board must contribute the entire employer's contribution. The Board's total contribution for which it must pay the total employer's contribution was \$3,958,358 for the year ended June 30, 2014.

B. Risk Management

FCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. FCPS has a program of self-insuring group health and dental benefits provided to its employees, and established an internal service fund entitled Group Health and Dental Self-Insurance Fund to account for the costs of maintaining such benefits. Charges are made to other funds and to the employees for their respective share of the costs in amounts planned to match estimated claims, the cost of insurance premiums for coverage in excess of self-insured amounts, and the administrative costs in providing the program. These costs are offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses. Settled claims have not exceeded commercial coverage in any of the past five fiscal years.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 4. OTHER INFORMATION (continued)

B. Risk Management (continued)

In the fund statement, interfund charges are accounted for as expenditures of the insured fund and as revenues of the Self-Insurance Fund in accordance with Governmental Accounting Standards Board Statement No. 10. In the government-wide Statement of Activities, eliminations are made to remove the "doubling-up" effect of the Self-Insurance Fund activity. Contributions from employees are treated as revenues of the Self-Insurance Fund since the employees' exposure is limited to the amount of their contributions in any one fiscal year. Processing of claims and other administrative matters are performed by an independent third party administrator for a fee. In addition, an insurance policy for coverage in excess of an agreed upon specific self-insured amount is purchased from an insurance company. The salary and benefits of FCPS personnel, who are partially engaged in providing internal claims coordination and handling of employee inquiries, are charged to the Self-Insurance Fund along with the above mentioned costs. In addition, any other administrative costs directly relating to the benefits program such as legal, printing, etc. are charged to the Self-Insurance Fund.

The Self-Insurance Fund's accrued liabilities include an estimate in accordance with standard insurance industry reserve practices of the claims to be paid for self-insured losses incurred but not reported prior to June 30, 2014. This liability is based on the requirements of GAAP which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This estimate is based on the third party administrator's calculations and the Self-Insurance Fund's historical performance. This liability is reported in the Self-Insurance Fund financial statements as a part of accounts payable.

Changes in the balances of the liability for claims incurred but not reported during 2014 and 2013 were as follows:

June 30, 2012 liability balance	\$ 3,711,488
Claims and changes in estimates	49,839,593
Claims and expenses paid	<u>(49,220,215)</u>
June 30, 2013 liability balance	4,330,866
Claims and changes in estimates	53,113,401
Claims and expenses paid	<u>(52,865,432)</u>
June 30, 2014 liability balance	<u>\$ 4,578,835</u>

In accordance with FCPS policy, FCPS makes a contribution toward the costs of health benefits for those retirees who elect to participate in FCPS' health benefits programs following retirement. Currently, 1,651 retirees meet the health eligibility requirements. FCPS funds a percentage of the premium rate for retirees who participate in FCPS' health indemnity plan. The rates are 65% for retirees with 10 to 24 years of service and 80% for retirees with 25 or more years of service. FCPS pays 19% for retiree dependents under age 65 and 23% for retiree dependents over age 65.

Retirees may participate in FCPS' dental benefit program, but the retiree contributes the entire premium. There is no Board contribution.

FCPS employees participate in FCPS' self-insured triple option point of service health plan effective July 1, 2000. FCPS employees may also participate in FCPS' group dental indemnity program.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 4. OTHER INFORMATION (continued)

B. Risk Management (continued)

FCPS participates with sixteen other school districts in the state of Maryland in the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the "Fund"). This Fund was established to provide workers' compensation 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 member pays an annual premium calculated on its payroll according to the standard classifications, with an experience modification applied. Six months following the end of the Fund's fiscal year, the trustees of the Fund declare unneeded funds as surplus and distribute 50% of declared surplus, no sooner than one year after the close of that fiscal year, as dividends to the Fund members. Members dedicate 50% of total surplus each year to a surplus fund until it reaches 100% of net annual premium. 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 workers' compensation claim.

FCPS purchases commercial insurance to provide coverage for property, boiler, general liability, life, vehicle liability, physical damage, and miscellaneous type coverages such as bonds and accident insurance. The cost of the above coverages is included in the fixed charges and operations categories of the General Fund. There have been no significant reductions in insurance coverage from the prior year.

C. Frederick County Public Schools Defined Contribution Plan

FCPS administers the Frederick County Public Schools Defined Contribution Plan (the "Defined Contribution Plan"). The Defined Contribution Plan is designed to afford eligible employees an opportunity to increase their security at retirement through employer and employee contributions during their periods of active employment while this Defined Contribution Plan remains in effect. The Board has the right to amend the plan at any time per the FCPS Defined Contribution Plan Document. In fiscal year 2014, the FCPS Superintendent of Schools was the only participant in the Defined Contribution Plan. There are no contribution requirements of the Board. The Defined Contribution Plan has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies as a tax-qualified "profit-sharing" plan. It is intended to be a "governmental plan" within the meaning of Internal Revenue Code Section 414. During fiscal year 2014, a \$20,000 contribution was made to the Defined Contribution Plan by FCPS. The Defined Contribution Plan is similar to other deferred compensation plans such as 403(b), 401(k), and 457 plans, and therefore is not reported in FCPS' financial statements.

D. Post-employment Healthcare Plan

Plan Description.

The Frederick County Public Schools Retiree Health Benefit Plan (the "Plan") is a single-employer defined benefit health plan administered by the Board. The Plan provides medical, dental, vision, and life insurance benefits to eligible participants (covered retirees, covered survivors and, with respect to certain benefits, their eligible dependents). As of June 30, 2014 there were 1,651 retirees (of which 388 had dependent coverage) and 5,061 active benefited employees in the Plan. The Board has the authority to establish and amend post-employment benefits. The Plan is included in this financial report as a fiduciary fund. A separate, audited GAAP-basis post-employment benefit plan report is not available.

Funding Policy.

The Board negotiates the contribution percentage between FCPS and the employees through union contracts and personnel policy. The required contribution for participants is based on projected "pay-as-you-go" financing requirements. For fiscal year 2014, FCPS contributed \$11,076,165 to the Plan. Of this amount, \$8,034,352 was for FCPS'

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 4. OTHER INFORMATION (continued)

D. Post-employment Healthcare Plan (continued)

share of retiree premiums and \$3,041,813 was put into a 115 Trust account (the "Trust") which was established on May 29, 2008 for the purpose of pre-funding a portion of retiree health benefits in the future. Plan members receiving benefits contributed \$7,468,157 or approximately 48% of the total premiums. The rates for fiscal year 2014 were based on the length of service of the retiree (two tiers), the age of the retiree (non-Medicare eligible or Medicare eligible), and the type of insurance (medical Choice Plus, medical PPO, and/or Dental). Rates varied for medical coverage from \$88.10 per month to \$847.83 per month, and dental coverage varied from \$33.84 per month to \$71.77 per month.

The Board's policy established on May 9, 2007 was to phase in full funding of the Annual Required Contribution (the "ARC") less the "pay as you go" contributions over the five-year period of fiscal years 2008 through 2012. Due to the national and local economic downturn, the Board has not funded the ARC per the policy. The funding of the ARC is a budgetary consideration through the normal operating budget cycle.

Annual OPEB Cost and Net OPEB Obligation.

FCPS' annual other post-employment benefit (OPEB) cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of FCPS' annual OPEB cost for all funds, the amount actually contributed to the Plan and the changes in FCPS' net OPEB obligation to the Plan for fiscal year 2014.

Annual required contribution	\$ 42,518,000
Interest on net OPEB obligation	6,309,000
Adjustment to annual required contribution	(7,382,000)
Annual OPEB cost	41,445,000
Contributions made	(11,076,165)
Increase in net OPEB obligation	30,368,835
Net OPEB obligation – Beginning of year	148,454,322
Net OPEB obligation – End of year	\$178,823,157

FCPS' Annual OPEB Cost and the net OPEB obligation for fiscal years 2012 through 2014 were as follows:

Fiscal Years <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Costs Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2012	\$32,446,000	62.4%	\$135,117,488
6/30/2013	\$34,797,000	61.6%	\$148,454,322
6/30/2014	\$41,445,000	26.7%	\$178,823,157

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 4. OTHER INFORMATION (continued)

D. Post-employment Healthcare Plan (continued)

Funded Status and Funding Progress.

As of July 1, 2013 the actuarial accrued liability (AAL) for benefits was \$447.4 million, and the unfunded actuarial accrued liability (UAAL) was \$388.1 million. The actuarial value of assets was \$59.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$283.9 million, and the ratio of the UAAL to the covered payroll was 136.7%.

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 employer 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 supplemental information following the notes to the financial statements, presents the funding for fiscal years 2012 through 2014. Fiscal year 2008 was the first year of the Plan.

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 the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the Projected Unit Credit, with linear pro-rata to assumed benefit commencement cost method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.00% initially, reduced by decrements to an ultimate rate of 5.05% after 2048. Both rates include a 2.5% inflationary percentage. The medical prescription claims assumption was reduced 28% to reflect the inclusion of the Employer Group Waiver Plan (EGWP). FCPS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of June 30, 2014 was twenty-four years.

Note 5. CONTINGENCIES

FCPS, in the course of its operations, is a party to legal proceedings. The legal opinion of FCPS is that the ultimate disposition of these claims and legal proceedings will not have a material effect on the financial condition of FCPS.

FCPS, as grantee or sub-grantee, participates in numerous federal and state grant programs, which are subject to financial and compliance audits. FCPS believes it has complied, in all material respects, with applicable grant requirements and the amount of expenditures that may be disallowed by the granting agencies, if any, would be immaterial.

FREDERICK COUNTY PUBLIC SCHOOLS

Notes to the Basic Financial Statements June 30, 2014

Note 6. NEW ACCOUNTING PRONOUNCEMENTS

The Board has adopted the provisions of the Governmental Accounting Standard Board (GASB) issued Statement No. 65, entitled *Items Previously Reported as Assets and Liabilities*; Statement No. 66, entitled *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*; and Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

The GASB also issued Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*; Statement No. 69, entitled *Government Combinations and Disposals of Government Operations*; and Statement No. 71, entitled *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The Board is analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective dates.

See Note 4.A. related to the adoption of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

FREDERICK COUNTY PUBLIC SCHOOLS

Required Supplementary Information Schedule of OPEB Funding Progress and Employer Contribution for the Retiree Health Plan

Schedule of OPEB Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Project Unit Credit (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
7/1/2011	\$ 22,513,000	\$ 303,890,000	\$ 281,377,000	7.41%	\$ 275,045,866	102.30%
7/1/2012	39,235,000	341,105,000	301,870,000	11.50%	275,832,066	109.44%
7/1/2013	59,352,300	447,436,000	388,083,700	13.26%	283,949,347	136.67%

Schedule of OPEB Employer and Other Contributing Entities' Contributions

Years Ended	Employer and Other Contributing Entities' Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
6/30/2012	\$ 20,241,983	\$ 31,565,000	64.13%
6/30/2013	21,460,166	34,138,000	62.86%
6/30/2014	11,076,165	42,518,000	26.05%

(1) Discount rate used to determine Actuarial Accrued Liabilities was 7.25%, 7.00%, and 4.25% for Actuarial Valuation Dates of 7/1/2011, 7/1/2012, and 7/1/2013 respectively.

OTHER SUPPLEMENTARY INFORMATION

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) School Construction Fund For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues:				
Frederick County	\$ 38,377,128	\$ 38,376,983	\$ 24,454,730	\$ (13,922,253)
State	23,858,897	23,633,886	19,591,739	(4,042,147)
Total Revenues	<u>62,236,025</u>	<u>62,010,869</u>	<u>44,046,469</u>	<u>(17,964,400)</u>
Expenditures:				
Capital Outlay	<u>62,236,025</u>	<u>62,010,869</u>	<u>44,046,469</u>	<u>17,964,400</u>
Total Expenditures	<u>62,236,025</u>	<u>62,010,869</u>	<u>44,046,469</u>	<u>17,964,400</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning			-	
Fund Balance - Ending			<u>\$ -</u>	

FREDERICK COUNTY PUBLIC SCHOOLS

School Construction Fund

Schedule of Expenditures by Type of School

For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

	2014	2013
HIGH SCHOOLS		
Land	\$ 26,096	\$ 273,041
Buildings and Improvements	2,294,031	1,076,991
TOTAL	<u>\$ 2,320,127</u>	<u>\$ 1,350,032</u>
MIDDLE SCHOOLS		
Buildings and Improvements	\$ 1,812,502	\$ 395,915
TOTAL	<u>\$ 1,812,502</u>	<u>\$ 395,915</u>
ELEMENTARY SCHOOLS		
Land	\$ 22,425	\$ 397,519
Buildings and Improvements	23,402,474	6,769,680
Furniture and Equipment	420,374	1,303,241
TOTAL	<u>\$ 23,845,273</u>	<u>\$ 8,470,440</u>
OTHER		
Buildings and Improvements	\$ 645,450	\$ 949,564
Furniture and Equipment	2,563,068	1,072,329
TOTAL	<u>\$ 3,208,518</u>	<u>\$ 2,021,893</u>
TOTAL		
Land	\$ 48,521	\$ 670,560
Buildings and Improvements	28,154,457	9,192,150
Furniture and Equipment	2,983,442	2,375,570
TOTAL (Excludes Intergovernmental Payment)	<u>\$ 31,186,420</u>	<u>\$ 12,238,280</u>

FREDERICK COUNTY PUBLIC SCHOOLS

School Construction Fund Schedule of Cumulative Expenditures, Encumbrances, and Appropriations Through June 30, 2014

PROJECT	Cumulative Expenditures June 30, 2013	Expenditures Net of Closed Projects Current Fiscal Year	Cumulative Expenditures June 30, 2014	Encumbrances	Cumulative Appropriations June 30, 2014	Unencumbered Balance of Appropriations
33 TJ Drive Warehouse	\$ -	\$ 105,316	\$ 105,316	\$ 7,689	\$ 1,075,300	\$ 962,295
Ballenger Creek Elementary	-	254,396	254,396	136,088	445,000	54,516
Ballenger Creek Middle	-	245,270	245,270	51,189	313,000	16,541
Brunswick High	-	1,619	1,619	-	160,000	158,381
Career & Technology Center	-	587,163	587,163	356,411	1,295,000	351,426
Emmitsburg Elementary	-	80,000	80,000	-	80,000	-
Frederick High	119,202	1,282,531	1,401,733	2,493,532	7,369,750	3,474,485
Glade Elementary	-	482,966	482,966	-	673,000	190,034
Lewistown Elementary	429,061	(429,061)	-	20	1,623	1,603
Liberty Elementary	-	118,798	118,798	141,096	312,000	52,106
Lincoln Elementary	-	-	-	-	430,910	430,910
Linganore High	-	-	-	-	84,210	84,210
Middletown Middle	108,050	(91,982)	16,068	7,873	457,388	433,447
Middletown Elementary	136,707	329,780	466,487	116,995	623,000	39,518
Middletown High	428,436	246,989	675,425	38,352	792,000	78,223
Myersville Elementary	-	3,520	3,520	114,444	209,000	91,036
New Market Middle	-	100,856	100,856	126,680	673,000	445,464
New Midway Elementary	42,445	(42,445)	-	-	23,664	23,664
North Frederick Elementary	2,372,230	20,925,702	23,297,932	5,428,718	29,960,249	1,233,599
Orchard Grove Elementary	-	-	-	101,720	108,841	7,121
Portable Classrooms	407,462	(98,810)	308,652	39,441	350,388	2,295
Rock Creek	-	-	-	-	100,000	100,000
Sabillasville Elementary	-	9,476	9,476	76,288	394,000	308,236
Security Initiative - Alertus	-	32,110	32,110	-	32,115	5
Security Initiative - Generators	-	126,061	126,061	410,336	581,202	44,805
Security Initiative - Locksets	-	-	-	180,680	180,680	-
Security Initiative - Vestibules	-	601,939	601,939	605,110	1,254,003	46,954
Spring Ridge Elementary	56,996	(56,996)	-	-	-	-
Sugarloaf Elementary	-	354,341	354,341	1,406,329	2,653,844	893,174
Thurmont Middle	78,826	(54,255)	24,571	126,630	241,413	90,212
Urbana Elementary	-	-	-	46,700	200,000	153,300
Urbana High	-	-	-	154,560	250,000	95,440
Walkersville Elementary	482,001	11,508	493,509	500	668,111	174,102
Walkersville High	-	10,352	10,352	15,967	518,000	491,681
Woodsboro Elementary	-	-	-	-	145,000	145,000
Wireless Initiative	1,072,329	1,263,067	2,335,396	3,550	2,483,000	144,054
Yellow Springs Elementary	83,379	32,786	116,165	673,152	950,000	160,683
TOTAL	\$ 5,817,124	\$ 26,432,997	\$ 32,250,121	\$ 12,860,050	\$ 56,088,691	\$ 10,978,520

FREDERICK COUNTY PUBLIC SCHOOLS

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) Food and Nutrition Services Fund For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Federal	\$ 5,596,080	\$ 5,741,727	\$ 145,647
State	241,440	245,319	3,879
Charges for Services	5,222,849	4,883,435	(339,414)
Other	120,801	143,709	22,908
Total Revenues	<u>11,181,170</u>	<u>11,014,190</u>	<u>(166,980)</u>
Expenditures:			
Food and Nutrition Services	11,181,170	10,720,173	460,997
Total Expenditures	<u>11,181,170</u>	<u>10,720,173</u>	<u>460,997</u>
Excess (Deficiency) of			
Revenues over Expenditures	<u>\$ -</u>	<u>294,017</u>	<u>\$ 294,017</u>
Fund Balance - Beginning		<u>1,969,755</u>	
Fund Balance - Ending		<u>\$ 2,263,772</u>	

FREDERICK COUNTY PUBLIC SCHOOLS

School Activity Fund Statement of Changes in Assets and Liabilities For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and Cash Equivalents	\$ 2,812,725	\$ 6,295,322	\$ 6,283,727	\$ 2,824,320
Accounts Receivable	27,290	12,730	27,375	12,645
Total Assets	<u>\$ 2,840,015</u>	<u>\$ 6,308,052</u>	<u>\$ 6,311,102</u>	<u>\$ 2,836,965</u>
LIABILITIES				
Accounts Payable	\$ 84,156	\$ 109,579	\$ 84,157	\$ 109,578
Due to Student Groups	2,755,859	6,280,677	6,309,149	2,727,387
Total Liabilities	<u>\$ 2,840,015</u>	<u>\$ 6,390,256</u>	<u>\$ 6,393,306</u>	<u>\$ 2,836,965</u>

FREDERICK COUNTY PUBLIC SCHOOLS
School Activity Fund - Elementary Schools
Schedule of Changes in Due to Student Groups Liability
For the Year Ended June 30, 2014

SCHOOL	BALANCE JUNE 30, 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
Ballenger Creek	\$ 10,793	\$ 34,367	\$ 41,491	\$ 3,669
Brunswick	12,967	27,081	26,341	13,707
Carroll Creek Montessori	233	12,625	12,338	520
Carroll Manor	13,803	53,285	56,896	10,192
Centerville	30,600	63,522	74,530	19,592
Deer Crossing	23,781	38,830	42,578	20,033
Emmitsburg	11,638	14,956	15,084	11,510
Frederick Classical Charter	-	12,745	10,822	1,923
Glade	11,091	30,739	27,537	14,293
Green Valley	16,692	32,005	31,126	17,571
Hillcrest	11,290	18,820	20,780	9,330
Kemptown	11,351	31,514	34,446	8,419
Lewistown	7,198	17,499	15,543	9,154
Liberty	14,322	22,347	24,418	12,251
Lincoln	16,657	20,777	21,580	15,854
Middletown	44,378	49,405	66,660	27,123
Middletown Primary	20,648	30,811	30,028	21,431
Monocacy	14,294	23,432	29,283	8,443
Monocacy Valley Montessori	7,907	27,465	24,177	11,195
Myersville	19,006	27,073	35,004	11,075
New Market	33,834	64,748	79,725	18,857
New Midway	4,186	8,126	7,881	4,431
North Frederick	17,682	34,574	27,620	24,636
Oakdale	17,573	38,794	41,608	14,759
Orchard Grove	11,325	29,806	33,327	7,804
Parkway	10,047	21,541	14,705	16,883
Rock Creek	46,176	39,195	49,897	35,474
Sabillasville	7,553	6,680	8,865	5,368
Spring Ridge	13,234	33,542	32,968	13,808
Thurmont	5,898	21,752	20,774	6,876
Thurmont Primary	9,828	15,014	15,681	9,161
Tuscarora	24,975	57,926	72,343	10,558
Twin Ridge	20,292	48,936	42,580	26,648
Urbana	24,475	50,455	57,945	16,985
Valley	11,557	29,093	28,687	11,963
Walkersville	18,899	35,673	32,691	21,881
Waverley	2,988	15,657	11,214	7,431
Whittier	17,823	39,720	46,525	11,018
Wolfsville	7,511	11,357	12,245	6,623
Woodsboro	12,194	5,838	10,515	7,517
Yellow Springs	25,036	42,440	41,455	26,021
TOTAL	\$ 641,735	\$ 1,240,165	\$ 1,329,913	\$ 551,987

FREDERICK COUNTY PUBLIC SCHOOLS
School Activity Fund - Secondary Schools
Schedule of Changes in Due to Student Groups Liability
For the Year Ended June 30, 2014

SCHOOL	BALANCE JUNE 30, 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
Ballenger Creek Middle	\$ 15,940	\$ 73,210	\$ 64,362	\$ 24,788
Brunswick High	143,696	193,863	188,463	149,096
Brunswick Middle	18,208	54,580	56,274	16,514
Career and Technology Center	136,571	239,667	246,421	129,817
Catoctin High	127,742	378,077	385,284	120,535
Crestwood Middle	15,589	37,282	36,146	16,725
Frederick High	80,198	412,272	409,969	82,501
Governor Thomas Johnson High	173,574	376,813	414,780	135,607
Governor Thomas Johnson Middle	20,883	44,017	37,823	27,077
Heather Ridge	262	176	320	118
Linganore High	254,260	592,374	569,089	277,545
Middletown High	259,741	560,080	591,815	228,006
Middletown Middle	73,882	87,312	89,025	72,169
Monocacy Middle	30,471	56,323	50,272	36,522
New Market Middle	13,131	42,235	38,931	16,435
Oakdale Middle	38,077	47,713	44,369	41,421
Oakdale High	90,901	346,930	322,600	115,231
Thurmont Middle	28,802	97,899	100,370	26,331
Tuscarora High	111,980	301,564	282,047	131,497
Urbana High	112,082	484,102	478,261	117,923
Urbana Middle	29,628	66,623	66,938	29,313
Walkersville High	270,299	331,594	282,743	319,150
Walkersville Middle	22,256	53,760	54,329	21,687
West Frederick Middle	8,774	44,694	43,383	10,085
Windsor Knolls Middle	37,177	117,352	125,222	29,307
TOTAL	<u>\$ 2,114,124</u>	<u>\$ 5,040,512</u>	<u>\$ 4,979,236</u>	<u>\$ 2,175,400</u>

STATISTICAL SECTION

FREDERICK COUNTY PUBLIC SCHOOLS

Statistical Section

This part of FCPS' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	65-71
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Debt Capacity	72
<i>This schedule presents information to help the reader assess the affordability of the government's current level of outstanding debt.</i>	
Demographic and Economic Information	73-74
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	75-82
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services it provides and activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year after June 30, 2004.

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FREDERICK COUNTY PUBLIC SCHOOLS

Net Position by Component Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental Activities:					
Net Investment in Capital Assets	\$ 395,448,528	\$ 470,596,158	\$ 504,996,703	\$ 527,620,225	\$ 600,533,697
Restricted	-	-	2,095,126	15,876,575	15,655,491
Unrestricted	(16,007,344)	(17,427,206)	(22,165,026)	(33,143,085)	(64,196,686)
Total Governmental Activities Net Position	<u>379,441,184</u>	<u>453,168,952</u>	<u>484,926,803</u>	<u>510,353,715</u>	<u>551,992,502</u>
Business-type Activities:					
Net Investment in Capital Assets	2,164,799	1,787,267	173,670	359,873	352,886
Restricted	1,526	-	8,584	-	-
Unrestricted	(974,991)	(1,737,505)	(19,334)	(275,590)	(520,255)
Total Business-type Activities Net Position	<u>1,191,334</u>	<u>49,762</u>	<u>162,920</u>	<u>84,283</u>	<u>(167,369)</u>
Primary Government:					
Net Investment in Capital Assets	397,613,327	472,383,425	505,170,373	527,980,098	600,886,583
Restricted	1,526	-	2,103,710	15,876,575	15,655,491
Unrestricted	(16,982,335)	(19,164,711)	(22,184,360)	(33,418,675)	(64,716,941)
Total Primary Government Net Position	<u>\$ 380,632,518</u>	<u>\$ 453,218,714</u>	<u>\$ 485,089,723</u>	<u>\$ 510,437,998</u>	<u>\$ 551,825,133</u>
	2010	2011	2012	2013	2014
Governmental Activities:					
Net Investment in Capital Assets	\$ 649,690,115	\$ 643,325,390	\$ 649,541,120	\$ 629,279,251	\$ 636,220,966
Restricted	3,593,824	1,465,893	1,423,972	1,004,071	370,277
Unrestricted	(80,260,114)	(127,904,362)	(146,212,049)	(158,460,397)	(184,879,032)
Total Governmental Activities Net Position	<u>573,023,825</u>	<u>516,886,921</u>	<u>504,753,043</u>	<u>471,822,925</u>	<u>451,712,211</u>
Business-type Activities:					
Net Investment in Capital Assets	305,818	277,729	-	-	-
Restricted	-	-	-	-	-
Unrestricted	(585,422)	(255,872)	-	-	-
Total Business-type Activities Net Position	<u>(279,604)</u>	<u>21,857</u>	<u>-</u>	<u>-</u>	<u>-</u>
Primary Government:					
Net Investment in Capital Assets	649,995,933	643,603,119	649,541,120	629,279,251	636,220,966
Restricted	3,593,824	1,465,893	1,423,972	1,004,071	370,277
Unrestricted	(80,845,536)	(128,160,234)	(146,212,049)	(158,460,397)	(184,879,032)
Total Primary Government Net Position	<u>\$ 572,744,221</u>	<u>\$ 516,908,778</u>	<u>\$ 504,753,043</u>	<u>\$ 471,822,925</u>	<u>\$ 451,712,211</u>

Note: Business-type Activities - The Printing Fund ceased operations as of July 1, 2011.

FREDERICK COUNTY PUBLIC SCHOOLS

Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
Instruction										
Regular Instruction	\$ 211,847,407	\$ 227,111,297	\$ 251,021,019	\$ 288,580,594	\$ 306,029,845	\$ 312,697,166	\$ 336,134,422	\$ 326,026,032	\$ 320,729,204	\$ 333,517,634
Special Education Instruction	39,665,941	43,478,168	48,835,274	59,221,604	65,182,299	69,614,356	74,992,537	72,319,899	71,826,374	76,878,032
Total Instruction	251,513,348	270,589,465	299,856,293	347,802,198	371,212,144	382,311,522	411,126,959	398,345,931	392,555,578	410,395,666
Support Services										
Administration	8,393,175	10,069,963	11,591,903	13,530,329	14,195,431	14,324,682	14,569,617	13,443,021	15,139,813	18,024,675
Mid-level Administration	33,119,664	37,072,747	39,693,654	44,848,349	46,589,579	47,719,909	49,186,286	43,895,583	43,970,479	47,151,480
Pupil Personnel Services	2,591,161	2,874,680	3,439,708	3,884,940	4,630,492	4,556,679	4,150,114	3,968,132	3,780,428	4,096,108
Health	3,830,772	4,132,742	4,431,447	4,884,648	5,523,122	5,265,425	4,990,560	5,598,747	5,848,812	6,129,312
Pupil Transportation	19,531,515	21,224,793	22,503,847	27,468,135	25,390,743	26,011,366	28,718,856	29,390,776	28,018,016	27,114,005
Operations	27,268,127	29,549,282	34,014,011	39,939,767	42,248,346	43,431,360	45,214,648	42,009,542	42,398,992	44,319,997
Maintenance	9,925,835	10,952,989	11,979,599	14,280,338	14,542,365	14,007,386	15,854,722	14,631,698	14,329,311	14,846,437
Food and Nutrition Services	-	117,333	11,932,923	12,506,144	12,011,651	10,909,553	10,890,944	11,262,231	11,256,820	11,101,278
Community Services	857,110	1,039,916	949,070	1,162,894	1,146,697	983,715	1,039,765	1,224,212	1,795,927	1,293,017
Interest on Long-term Liabilities	51,479	22,704	165,789	382,948	107,399	58,666	763,392	735,498	426,252	464,571
Intergovernmental Payment	-	-	-	-	-	-	-	-	18,179,942	16,751,750
Total Support Services	105,568,838	117,057,149	140,701,951	162,888,492	166,385,825	167,268,741	175,378,904	166,159,440	185,144,792	191,292,630
Total Governmental Activities	357,082,186	387,646,614	440,558,244	510,690,690	537,597,969	549,580,263	586,505,863	564,505,371	577,700,370	601,688,296
Business-type Activities										
Food and Nutrition Services	10,399,188	10,328,068	-	-	-	-	-	-	-	-
Printing Services	948,269	1,034,927	1,086,741	1,221,758	1,108,907	837,640	803,573	-	-	-
Total Business-type Activities	11,347,457	11,362,995	1,086,741	1,221,758	1,108,907	837,640	803,573	-	-	-
Total School System	<u>\$ 368,429,643</u>	<u>\$ 399,009,609</u>	<u>\$ 441,644,985</u>	<u>\$ 511,912,448</u>	<u>\$ 538,706,876</u>	<u>\$ 550,417,903</u>	<u>\$ 587,309,436</u>	<u>\$ 564,505,371</u>	<u>\$ 577,700,370</u>	<u>\$ 601,688,296</u>
Program Revenues										
Governmental Activities										
Charges for services:										
Regular Instruction	\$ 539,613	\$ 589,628	\$ 637,987	\$ 602,995	\$ 646,371	\$ 821,261	\$ 800,312	\$ 905,821	\$ 836,373	\$ 902,138
Food and Nutrition Services	-	-	6,976,165	7,406,532	7,468,876	6,524,914	6,276,889	5,934,076	5,366,963	5,027,144
Support Services	265,356	360,754	494,213	526,071	700,291	765,737	885,866	875,703	900,966	803,464
Operating Grants and Contributions	65,165,559	72,291,620	88,702,960	111,306,068	119,154,524	127,299,305	143,360,660	136,349,855	135,006,820	147,916,388
Capital Grants and Contributions	40,419,777	40,519,454	52,212,966	56,624,977	77,089,567	70,080,070	19,197,375	33,017,785	24,794,489	47,563,863
Total Gov. Activities Program Revenues	106,390,305	113,761,456	149,024,291	176,466,643	205,059,629	205,491,287	170,521,102	177,083,240	166,905,611	202,212,997
Business-type Activities										
Charges for services:										
Food and Nutrition Services	6,795,581	6,626,117	-	-	-	-	-	-	-	-
Printing Services	931,885	982,821	1,164,348	1,142,966	856,255	720,789	844,694	-	-	-
Operating Grants and Contributions	3,023,502	3,022,612	-	-	-	-	-	-	-	-
Capital Grants and Contributions	435,430	197,381	-	-	-	-	-	-	-	-
Total Business-type Activities	11,186,398	10,828,931	1,164,348	1,142,966	856,255	720,789	844,694	-	-	-
Total School System	<u>\$ 117,576,703</u>	<u>\$ 124,590,387</u>	<u>\$ 150,188,639</u>	<u>\$ 177,609,609</u>	<u>\$ 205,915,884</u>	<u>\$ 206,212,076</u>	<u>\$ 171,365,796</u>	<u>\$ 177,083,240</u>	<u>\$ 166,905,611</u>	<u>\$ 202,212,997</u>

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting) (Continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense) Revenue										
Governmental Activities	\$ (250,691,881)	\$ (273,885,158)	\$ (291,533,953)	\$ (334,224,047)	\$ (332,538,340)	\$ (344,088,976)	\$ (415,984,761)	\$ (387,422,131)	\$ (410,794,759)	\$ (399,475,299)
Business-type Activities	(161,059)	(534,064)	77,607	(78,792)	(252,652)	(116,851)	41,121	-	-	-
Total School System	<u>\$ (250,852,940)</u>	<u>\$ (274,419,222)</u>	<u>\$ (291,456,346)</u>	<u>\$ (334,302,839)</u>	<u>\$ (332,790,992)</u>	<u>\$ (344,205,827)</u>	<u>\$ (415,943,640)</u>	<u>\$ (387,422,131)</u>	<u>\$ (410,794,759)</u>	<u>\$ (399,475,299)</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Federal Aid Not Restricted to Specific Purposes	\$ 176,606	\$ 117,469	\$ 127,346	\$ 133,318	\$ 176,280	\$ 173,959	\$ 184,602	\$ 184,083	\$ 80,377	\$ 985
State Aid Not Restricted to Specific Purposes	105,526,451	119,013,069	129,325,325	149,660,022	151,164,950	145,612,622	140,605,632	150,943,322	154,557,441	156,789,324
Local Aid Not Restricted to Specific Purposes	167,215,873	180,628,954	192,057,347	207,438,365	219,610,680	218,295,770	218,153,652	219,451,199	221,654,363	221,884,100
Interest and Investment Earnings	234,733	621,425	984,434	1,286,525	1,336,370	198,868	369,693	63,295	41,184	20,248
Other Revenue	952,685	1,177,033	834,960	1,132,729	1,888,847	843,696	794,618	4,624,497	1,531,276	669,928
Transfers	-	-	-	-	-	(4,616)	(260,340)	-	-	-
Total General Revenues and Transfers	<u>274,106,348</u>	<u>301,557,950</u>	<u>323,329,412</u>	<u>359,650,959</u>	<u>374,177,127</u>	<u>365,120,299</u>	<u>359,847,857</u>	<u>375,266,396</u>	<u>377,864,641</u>	<u>379,364,585</u>
Business-type Activities										
Interest and Investment Earnings	917	1,244	160	155	-	-	-	-	-	-
Other Revenue	-	-	(2,217)	-	1,000	-	-	-	-	-
Transfers	-	-	-	-	-	4,616	260,340	-	-	-
Total General Revenues and Transfers	<u>917</u>	<u>1,244</u>	<u>(2,057)</u>	<u>155</u>	<u>1,000</u>	<u>4,616</u>	<u>260,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total School System	<u>\$ 274,107,265</u>	<u>\$ 301,559,194</u>	<u>\$ 323,327,355</u>	<u>\$ 359,651,114</u>	<u>\$ 374,178,127</u>	<u>\$ 365,124,915</u>	<u>\$ 360,108,197</u>	<u>\$ 375,266,396</u>	<u>\$ 377,864,641</u>	<u>\$ 379,364,585</u>
Changes in Net Position										
Governmental Activities	\$ 23,414,467	\$ 27,672,792	\$ 31,795,459	\$ 25,426,912	\$ 41,638,787	\$ 21,031,323	\$ (56,136,904)	\$ (12,155,735)	\$ (32,930,118)	\$ (20,110,714)
Business-type Activities	(160,142)	(532,820)	75,550	(78,637)	(251,652)	(112,235)	301,461	-	-	-
Total School System	<u>\$ 23,254,325</u>	<u>\$ 27,139,972</u>	<u>\$ 31,871,009</u>	<u>\$ 25,348,275</u>	<u>\$ 41,387,135</u>	<u>\$ 20,919,088</u>	<u>\$ (55,835,443)</u>	<u>\$ (12,155,735)</u>	<u>\$ (32,930,118)</u>	<u>\$ (20,110,714)</u>

Note: Business-type Activities - The Printing Fund ceased operations as of July 1, 2011.

Note: For fiscal years 2005 - 2006, the Food and Nutrition Services Fund was a business-type fund.

FREDERICK COUNTY PUBLIC SCHOOLS

Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	\$ 1,191,874	\$ 2,873,856	\$ 3,393,598	\$ 1,863,306	\$ 5,659,878	\$ 5,912,153
Unreserved	57,036	688,821	810,785	829,088	2,655,932	3,674,175
Total General Fund	<u>\$ 1,248,910</u>	<u>\$ 3,562,677</u>	<u>\$ 4,204,383</u>	<u>\$ 2,692,394</u>	<u>\$ 8,315,810</u>	<u>\$ 9,586,328</u>
All Other Governmental Funds						
Unreserved, reported in:						
Capital Projects Fund	\$ -	\$ -	\$ 1,261,133	\$ 15,689,686	\$ 13,094,687	\$ 285,247
Special Revenue Funds	-	-	(1,686,264)	(1,832,420)	(1,110,866)	(241,915)
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (425,131)</u>	<u>\$ 13,857,266</u>	<u>\$ 11,983,821</u>	<u>\$ 43,332</u>

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting) (Continued)

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable:				
Inventory	\$ 538,329	\$ 584,491	\$ 610,230	\$ 540,581
Prepaid Items	45,241	47,079	64,743	25,591
Restricted:				
Lease Reserve	1,419,843	1,423,972	1,004,071	370,277
Committed:				
Charter Schools Reserve	-	-	-	280,240
Assigned:				
Administration	4,436,541	125,041	1,256,573	487,228
Instructional	6,099,873	857,524	3,514,187	5,109,713
Maintenance and Operations	2,034,004	1,791,327	1,368,136	3,449,119
Transportation	-	2,310,492	2,574,093	3,523,049
Unassigned:	68,225	829,944	643,594	121,035
Total General Fund	<u>\$ 14,642,056</u>	<u>\$ 7,969,870</u>	<u>\$ 11,035,627</u>	<u>\$ 13,906,833</u>
All other Governmental Funds				
Nonspendable:				
Inventory	\$ 373,843	\$ 394,551	\$ 450,421	\$ 440,134
Restricted:				
Unspent Lease Proceeds	46,050	-	-	-
Assigned:				
Artificial Turf	94,839	157,338	233,292	299,314
Food and Nutrition Services	256,983	1,142,618	1,785,888	2,048,875
Total All Other Governmental Funds	<u>\$ 771,715</u>	<u>\$ 1,694,507</u>	<u>\$ 2,469,601</u>	<u>\$ 2,788,323</u>

Note: Beginning in fiscal year 2011, GASB 54 required a change in fund balance reporting. The 2011 through 2014 fund balance information reported is based on this new format. Periods shown above for fiscal years 2005 through 2010 have not been restated and are reported in the pre-GASB 54 format.

Note: For fiscal years 2005 - 2006, the Food and Nutrition Services Fund was a business-type fund.

FREDERICK COUNTY PUBLIC SCHOOLS

Change in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

		Fiscal Year									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues											
Federal	\$	14,571,921	\$ 14,110,348	\$ 17,327,566	\$ 18,192,713	\$ 19,093,049	\$ 29,682,550	\$ 39,570,576	\$ 20,965,745	\$ 20,713,422	\$ 22,071,060
State		159,727,030	176,958,505	205,526,872	239,567,953	248,623,191	248,688,058	246,972,262	272,871,607	272,893,455	281,360,181
Local		201,048,608	228,360,119	224,756,953	264,796,732	295,187,707	280,030,900	236,219,906	239,525,619	247,229,136	269,589,223
Charges for Services	-	-	-	6,812,679	6,968,193	6,973,100	6,347,060	6,096,909	5,813,647	5,228,250	4,883,435
Other		3,426,479	4,292,253	8,939,079	8,875,458	6,160,756	4,163,793	3,553,818	4,403,581	4,319,972	4,043,844
Total Revenues		378,774,038	423,721,225	463,363,149	538,401,049	576,037,803	568,912,361	532,413,471	543,580,199	550,384,235	581,947,743
Expenditures											
Current:											
Administration		6,378,376	7,113,061	7,463,505	8,457,991	8,930,898	9,337,934	9,316,102	8,661,804	9,297,216	8,940,752
Mid-level Administration		25,948,011	28,942,552	30,526,141	32,092,323	32,680,624	33,260,791	31,656,370	30,050,568	29,580,340	31,309,475
Instructional Salaries		143,918,279	152,979,041	166,231,931	185,255,867	192,678,921	189,898,936	187,496,217	190,073,972	189,307,903	194,902,037
Instructional Supplies		7,636,892	9,278,770	10,551,405	11,600,503	9,688,680	10,056,991	12,047,261	8,903,079	7,159,468	8,272,208
Instruction - Other		3,055,752	2,738,012	2,313,661	3,114,304	2,348,134	2,307,124	2,235,470	2,608,867	2,584,899	2,468,874
Special Education		31,785,814	34,363,356	38,369,288	44,093,827	47,290,762	50,394,795	51,487,944	51,141,577	51,531,969	54,619,243
Pupil Personnel		2,093,640	2,185,679	2,616,060	2,741,954	3,201,240	3,112,346	2,630,562	2,649,931	2,568,250	2,717,953
Health		3,799,011	4,092,711	4,389,218	4,836,419	5,444,055	5,184,202	4,889,606	5,523,824	5,786,921	6,076,916
Pupil Transportation		14,033,679	16,568,940	17,445,499	20,684,061	18,372,989	18,970,278	20,264,926	21,714,375	20,132,570	18,845,274
Operations		23,411,630	25,225,233	28,985,676	32,996,953	34,069,682	34,886,838	35,433,689	33,741,446	34,298,684	35,497,862
Maintenance		8,193,676	8,999,873	9,851,172	11,221,134	10,982,841	10,388,617	11,541,694	10,919,978	10,697,634	10,915,666
Fixed Charges		69,114,101	76,842,177	86,684,335	108,771,332	114,665,345	117,157,244	120,442,257	137,025,702	138,633,468	139,415,179
Food and Nutrition Services	-	-	89,071	10,524,915	11,804,101	11,532,429	10,524,257	10,566,114	10,887,350	10,886,328	10,889,282
Community Services		739,805	916,575	808,686	972,124	981,239	802,088	806,667	982,344	1,498,515	986,228
Capital Outlay:											
Land		3,967,077	541,916	1,312,138	2,681,796	1,094,700	768,085	637,287	193,193	670,560	48,521
Buildings and Improvements		29,734,802	44,198,214	37,034,791	54,767,707	68,717,775	75,052,957	13,795,543	27,225,477	9,192,150	28,154,457
Equipment		4,988,837	5,761,634	10,396,307	4,969,050	8,322,036	6,202,877	9,070,256	2,739,321	4,235,744	5,119,098
Debt Service:											
Capital Lease Principal		1,593,111	524,886	1,819,480	1,125,820	1,149,079	1,169,065	1,634,660	436,265	456,907	2,336,566
Capital Lease Interest		121,487	45,757	165,789	143,375	136,403	100,128	813,010	742,217	504,356	488,715
Intergovernmental Payment	-	-	-	-	-	-	-	-	-	18,179,942	16,751,750
Total Expenditures		380,513,980	421,407,458	467,489,997	542,330,641	572,287,832	579,575,553	526,765,635	546,221,290	547,203,824	578,756,056
Excess (Deficiency) of Revenues											
Over Expenditures		(1,739,942)	2,313,767	(4,126,848)	(3,929,592)	3,749,971	(10,663,192)	5,647,836	(2,641,091)	3,180,411	3,191,687

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses)										
Proceeds from Capital Lease	\$ -	\$ -	\$ 5,855,201	\$ 16,700,000	\$ -	\$ -	\$ -	\$ -	\$ 668,732	\$ -
Transfers In From:										
General Fund	-	-	-	-	-	145,256	-	547,756	556,900	118,164
Internal Service Fund	-	-	-	-	-	-	3,096,615	-	-	-
Transfers Out To:										
Internal Service Fund	-	-	-	-	-	(2,163)	(2,700,000)	(3,108,303)	(8,292)	(1,759)
Enterprise Fund	-	-	-	-	-	(4,616)	(260,340)	-	-	-
Special Revenue Fund	-	-	-	-	-	(145,256)	-	(547,756)	(556,900)	(118,164)
Total Other Financing Sources (Uses)	-	-	5,855,201	16,700,000	-	(6,779)	136,275	(3,108,303)	660,440	(1,759)
Net Change in Fund Balances	(1,739,942)	2,313,767	1,728,353	12,770,408	3,749,971	(10,669,971)	5,784,111	(5,749,394)	3,840,851	3,189,928
Fund Balances - Beginning	2,988,853	1,248,910	3,525,069	3,779,252	16,549,660	20,299,631	9,629,660	15,413,771	9,664,377	13,505,228
Cumulative Effect of Change in Accounting Principle	-	-	(1,474,170)	-	-	-	-	-	-	-
Fund Balances - Ending	<u>\$ 1,248,911</u>	<u>\$ 3,562,677</u>	<u>\$ 3,779,252</u>	<u>\$ 16,549,660</u>	<u>\$ 20,299,631</u>	<u>\$ 9,629,660</u>	<u>\$ 15,413,771</u>	<u>\$ 9,664,377</u>	<u>\$ 13,505,228</u>	<u>\$ 16,695,156</u>
Total Expenditures	\$ 380,513,980	\$ 421,407,458	\$ 467,489,997	\$ 542,330,641	\$ 572,287,832	\$ 579,575,553	\$ 526,765,635	\$ 546,221,290	\$ 547,203,824	\$ 578,756,056
Less Capital Outlay	(39,232,329)	(40,475,963)	(53,577,592)	(58,261,107)	(79,385,912)	(80,109,599)	(20,319,843)	(27,633,195)	(12,238,280)	(31,186,420)
Non-capital Expenditures	<u>\$ 341,281,651</u>	<u>\$ 380,931,495</u>	<u>\$ 413,912,405</u>	<u>\$ 484,069,534</u>	<u>\$ 492,901,920</u>	<u>\$ 499,465,954</u>	<u>\$ 506,445,792</u>	<u>\$ 518,588,095</u>	<u>\$ 534,965,544</u>	<u>\$ 547,569,636</u>
Debt Service	<u>\$ 1,714,598</u>	<u>\$ 570,643</u>	<u>\$ 1,985,269</u>	<u>\$ 1,269,195</u>	<u>\$ 1,285,482</u>	<u>\$ 1,269,193</u>	<u>\$ 2,447,670</u>	<u>\$ 1,178,482</u>	<u>\$ 961,263</u>	<u>\$ 2,825,281</u>
Debt Service as a percentage of non-capital expenditures	0.50%	0.15%	0.48%	0.26%	0.26%	0.25%	0.48%	0.23%	0.18%	0.52%

FREDERICK COUNTY PUBLIC SCHOOLS

Ratios of Outstanding Debt Last Ten Fiscal Years

Year	<u>Governmental Activities</u>	<u>Business-type Activities</u>	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases	Capital Leases			
2005	\$1,055,746	\$139,016	\$1,194,762	0.01%	\$5
2006	\$530,860	\$95,483	\$626,343	0.01%	\$3
2007	\$4,662,064	-	\$4,662,064	0.05%	\$20
2008	\$20,236,244	-	\$20,236,244	0.20%	\$87
2009	\$19,087,165	-	\$19,087,165	0.19%	\$81
2010	\$17,918,100	-	\$17,918,100	0.17%	\$77
2011	\$16,283,440	-	\$16,283,440	0.15%	\$69
2012	\$15,847,175	-	\$15,847,175	N/A	\$67
2013	\$16,059,000	-	\$16,059,000	N/A	\$67
2014	\$13,722,434	-	\$13,722,434	N/A	\$57

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

N/A Not available.

Note: Business-type Activities - The Printing Fund ceased operations as of July 1, 2011.

FREDERICK COUNTY PUBLIC SCHOOLS

Demographic and Economic Statistics Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2005	223,000	\$8,659,325	\$39,465	3.4 %
2006	228,900	\$9,278,747	\$41,792	3.4 %
2007	231,100	\$9,875,134	\$43,894	3.1 %
2008	232,700	\$10,182,523	\$44,951	3.7 %
2009	234,400	\$10,200,248	\$44,742	6.5 %
2010 (4)	233,385	\$10,582,394	\$46,610	6.4 %
2011	234,700	\$11,034,674	\$45,017	6.5 %
2012	236,551	\$11,869,821	\$49,544	6.1 %
2013	238,345	N/A	N/A	6.6 %
2014	240,911	N/A	N/A	5.4 %

Sources: (1) Estimated by Frederick County Division of Planning
 (2) Frederick County Office of Economic Development, U.S. Bureau of Economic Analysis
 (3) Maryland Department of Labor, June, 2014
 (4) 2010 U.S. Census

N/A Not available.

FREDERICK COUNTY PUBLIC SCHOOLS

Principal Employers Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment *	Employees	Rank	Percentage of Total County Employment *
Fort Detrick	11,000 *	1	11.53%	7,800 *	1	8.56%
Board of Education of Frederick County	5,700	2	5.97%	4,847	2	5.32%
Frederick Memorial Healthcare System	2,696	3	2.83%	2,400	3	2.64%
Wells Fargo Home Mortgage	1,881	4	1.97%	1,700	6	1.87%
Frederick County Government	1,877	5	1.97%	2,054	4	2.26%
Leiods Biomedical (formerly SAIC-Frederick)	1,872	6	1.96%	2,000	5	2.20%
Bechtel Corporation (formerly Bechtel Power)	1,578	7	1.65%	1,500	8	1.65%
Frederick Community College	939	8	0.98%	1,159	9	1.27%
State Farm Insurance	900	9	0.94%	929	10	1.02%
Frederick City Government	831	10	0.87%	694	12	0.76%
United Health Care (formerly MAMSI)	700	11	0.73%	1,600	7	1.76%
	<u>29,974</u>		<u>31.40%</u>	<u>26,683</u>		<u>29.31%</u>

* Includes military personnel.

Source: Frederick County Business Development & Retention Division, Frederick County Board of Education, Frederick County Division of Finance, and City of Frederick.

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by School and Student to Teacher Ratio Last Ten Fiscal Years

SCHOOLS	Fiscal Year										Capacity	Percent Capacity
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Elementary												
Ballenger Creek	631	629	655	626	635	630	630	639	653	656	663	99%
Brunswick	509	516	501	503	526	527	548	559	611	619	611	101%
Carroll Creek Montessori	-	-	-	-	-	-	-	-	128	187	157	119%
Carroll Manor	420	442	501	520	533	547	572	572	552	572	696	82%
Centerville	-	713	809	793	809	888	954	991	926	947	675	140%
Deer Crossing	717	689	709	757	764	783	647	645	668	678	641	106%
Emmitsburg	330	316	316	305	301	293	311	296	292	305	316	97%
Frederick Classical Charter	-	-	-	-	-	-	-	-	-	237	237	100%
Glade	567	564	548	723	704	713	724	647	645	618	638	97%
Green Valley	582	578	545	523	494	456	484	421	415	383	504	76%
Hillcrest	664	612	625	668	644	722	794	796	888	953	682	140%
Kemptown	564	556	552	517	507	507	433	403	394	382	435	88%
Lewistown	206	198	205	219	204	195	217	217	212	196	232	84%
Liberty	347	359	360	356	325	318	317	291	292	291	364	80%
Lincoln	403	391	361	376	408	422	417	450	511	529	659	80%
Middletown	749	740	395	430	405	429	450	478	467	462	629	73%
Middletown Primary	-	-	375	415	449	454	458	492	461	410	482	85%
Monocacy	631	625	659	679	680	634	646	601	612	596	567	105%
Monocacy Valley Montessori	183	217	222	224	226	221	221	223	229	222	206	108%
Myersville	490	486	454	462	452	442	416	378	364	354	458	77%
New Market	534	535	530	525	542	566	713	747	755	736	702	105%
New Midway/Woodsboro	329	310	319	331	334	327	329	336	328	334	340	98%
North Frederick	607	581	587	567	566	555	584	646	606	598	518	115%
Oakdale	531	528	522	513	524	516	524	539	627	623	674	92%
Orchard Grove	600	613	649	658	654	639	665	628	615	616	660	93%
Parkway	234	255	200	223	222	250	240	229	251	228	248	92%
Sabillasville	144	135	145	139	136	142	123	131	125	114	160	71%
Spring Ridge	592	562	557	545	498	501	480	495	483	481	577	83%
Thurmont	409	422	399	386	396	375	375	367	336	319	483	66%
Thurmont Primary	444	459	417	433	440	428	411	394	377	373	592	63%
Tuscarora	679	685	693	704	687	670	694	733	762	794	662	120%
Twin Ridge	692	661	635	600	589	538	541	554	531	510	674	76%
Urbana	1,003	476	556	651	660	685	681	742	737	727	663	110%
Valley	462	463	455	468	468	451	452	434	423	409	504	81%
Walkersville	677	656	661	543	533	534	552	695	684	681	714	95%
Waverley	517	451	459	459	446	488	514	561	543	567	483	117%
Whittier	732	733	772	746	732	754	782	812	772	793	671	118%
Wolfsville	207	217	210	201	199	198	201	187	174	180	226	80%
Yellow Springs	447	444	433	420	402	411	437	436	463	486	435	112%
Total Elementary Schools	17,833	17,817	17,991	18,208	18,094	18,209	18,537	18,765	18,912	19,166	19,838	97%
Middle												
Ballenger Creek	734	708	771	760	746	694	692	704	707	698	870	80%
Brunswick	617	605	615	606	572	546	494	526	529	564	884	64%
Crestwood	536	536	513	551	573	616	557	532	513	545	600	91%
Frederick Classical Charter	-	-	-	-	-	-	-	-	-	38	38	100%
Gov. Thomas Johnson	641	607	635	594	590	533	522	516	554	522	900	58%
Middletown	973	938	919	869	870	819	838	837	812	809	914	89%
Monocacy	758	702	714	716	715	716	755	764	729	775	860	90%
Monocacy Valley Montessori	44	41	61	67	67	73	78	77	72	77	77	100%
New Market	875	844	830	825	809	765	470	475	506	478	881	54%
Oakdale	555	581	575	574	579	600	629	626	622	631	600	105%
Thurmont	738	705	687	689	722	710	680	646	616	613	900	68%
Urbana	-	-	553	629	658	694	629	682	745	767	600	128%
Walkersville	920	924	863	867	801	801	791	793	779	792	1,051	75%
West Frederick	809	848	842	845	804	830	793	802	823	863	955	90%
Windsor Knolls	1,057	1,115	635	654	601	606	938	948	876	821	924	89%
Total Middle Schools	9,257	9,154	9,213	9,246	9,107	9,003	8,866	8,928	8,883	8,993	11,054	81%
High												
Brunswick	885	854	826	815	811	819	769	761	717	673	893	75%
Catoctin	998	1,031	1,024	994	960	945	963	956	974	959	1,135	84%
Frederick	1,437	1,284	1,343	1,345	1,385	1,373	1,386	1,401	1,340	1,344	1,603	84%
Gov. Thomas Johnson	1,953	1,945	1,957	1,753	1,945	1,949	1,621	1,537	1,470	1,435	2,091	69%
Linganore	1,583	1,665	1,759	1,346	1,751	1,766	1,647	1,569	1,496	1,482	1,600	93%
Middletown	1,279	1,278	1,325	1,991	1,309	1,328	1,267	1,221	1,215	1,131	1,169	97%
Oakdale High	-	-	-	-	-	-	572	873	1,154	1,197	1,603	75%
Tuscarora	1,130	1,490	1,529	1,523	1,513	1,485	1,524	1,485	1,494	1,482	1,606	92%
Urbana	1,567	1,591	1,672	1,712	1,763	1,843	1,655	1,588	1,486	1,517	1,636	93%
Walkersville	1,288	1,286	1,334	1,284	1,275	1,253	1,188	1,181	1,141	1,108	1,197	93%
Total High Schools	12,120	12,424	12,769	12,763	12,712	12,761	12,592	12,572	12,487	12,328	14,533	85%
Other Schools												
Evening High	97	75	76	117	46	78	74	71	65	20	N/A	N/A
Heather Ridge	161	173	163	145	109	87	72	58	97	46	148	31%
Rock Creek	96	98	103	87	87	72	95	93	83	103	242	43%
Success	-	-	-	-	-	-	-	-	-	59	59	100%
Total Other Schools	354	346	342	349	242	237	241	222	245	228	449	51%
TOTAL ALL SCHOOLS	39,564	39,741	40,315	40,566	40,155	40,210	40,236	40,487	40,527	40,715	45,874	89%
Teachers & Therapists (1)	2,529	2,612	2,697	2,765	2,904	2,826	2,826	2,869	2,880	2,878		
Student/Teacher Ratio	15.64	15.21	14.95	14.67	13.83	14.23	14.24	14.11	14.07	14.15		

Source: Monthly Report on Enrollment at September 30 each fiscal year.

Source: (1) FCPS Budget Department's annual budget.

Note: Elementary enrollments are total enrollments.

Note: September 30 is the state's official enrollment date for the school year.

Note: Percent capacity is based on actual enrollment as presented, not on equated enrollment.

Note: The Success Program enrollments were included in the Evening High enrollments prior to fiscal year 2014.

FREDERICK COUNTY PUBLIC SCHOOLS

Total Enrollment by Grade Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Elementary School</u>										
Pre-Kindergarten*	685	721	729	873	916	987	973	1,048	1,053	1,086
Kindergarten	2,565	2,690	2,733	2,885	2,834	2,827	2,981	2,949	3,029	2,961
Grade 1	2,823	2,711	2,901	2,830	2,904	2,872	2,878	2,978	2,977	3,077
Grade 2	2,842	2,830	2,795	2,867	2,847	2,896	2,919	2,925	2,987	3,022
Grade 3	2,952	2,869	2,906	2,860	2,859	2,860	2,941	2,937	2,928	3,016
Grade 4	3,002	2,962	2,921	2,925	2,807	2,919	2,889	2,984	2,963	2,989
Grade 5	2,964	3,034	3,006	2,968	2,927	2,848	2,956	2,944	2,975	3,015
Total Elementary School	17,833	17,817	17,991	18,208	18,094	18,209	18,537	18,765	18,912	19,166
<u>Middle School</u>										
Grade 6	3,001	2,978	3,114	3,029	2,970	2,977	2,894	2,983	2,945	3,017
Grade 7	3,142	3,038	3,027	3,153	3,010	2,986	3,002	2,936	2,973	2,968
Grade 8	3,114	3,138	3,072	3,064	3,127	3,040	2,970	3,009	2,965	3,008
Total Middle School	9,257	9,154	9,213	9,246	9,107	9,003	8,866	8,928	8,883	8,993
<u>High School</u>										
Grade 9	3,452	3,386	3,538	3,389	3,387	3,442	3,351	3,263	3,233	3,284
Grade 10	3,135	3,281	3,203	3,275	3,167	3,185	3,239	3,194	3,125	3,084
Grade 11	2,812	2,982	3,141	3,074	3,115	3,070	3,014	3,131	3,056	2,987
Grade 12	2,721	2,775	2,887	3,025	3,043	3,064	2,988	2,984	3,073	2,973
Total High School	12,120	12,424	12,769	12,763	12,712	12,761	12,592	12,572	12,487	12,328
<u>Other Schools</u>										
Evening High	97	75	76	117	46	87	74	71	97	20
Heather Ridge	161	173	163	145	109	78	72	58	65	46
Rock Creek	96	98	103	87	87	72	95	93	83	103
Success	-	-	-	-	-	-	-	-	-	59
Total Other Schools	354	346	342	349	242	237	241	222	245	228
Total Enrollment	39,564	39,741	40,315	40,566	40,155	40,210	40,236	40,487	40,527	40,715

* Includes Special Ed. Pre-K. and Part-time Special Ed. Pre-K. (Child Find).

Source: Monthly report from FCPS Facilities Department on enrollment at September 30 of each fiscal year.

Note: September 30 is the state's official enrollment date for the school year.

Note: The Success Program enrollments were included in the Evening High enrollments prior to fiscal year 2014.

FREDERICK COUNTY PUBLIC SCHOOLS

Operating Information Last Ten Fiscal Years

Fiscal Year	Per Pupil Expenditures*		Number of School Bus Riders***	Food and Nutrition Services****	
	Dollars	State Rank**		Breakfasts Served	Lunches Served
2005	\$8,650	20	33,601	433,348	2,535,300
2006	\$9,267	18	34,368	463,884	2,636,397
2007	\$10,033	19	32,635	553,134	2,657,153
2008	\$11,369	15	33,563	630,997	2,755,665
2009	\$11,719	17	36,405	631,979	2,782,976
2010	\$11,746	20	29,596	647,973	2,660,534
2011	\$11,888	20	29,651	760,608	2,642,855
2012	\$12,176	20	29,626	747,984	2,387,231
2013	N/A	N/A	29,792	789,962	2,197,959
2014	N/A	N/A	29,374	863,266	2,111,462

* Source: Maryland State Department of Education

** Ranking of the state's 24 school systems

*** Source: FCPS Transportation Department

In fiscal year 2010 the Board changed the walking distance policy resulting in a decrease in school bus riders.

**** Source: FCPS Food and Nutrition Services Department

N/A Information is not yet available.

FREDERICK COUNTY PUBLIC SCHOOLS

Insurance Summary 07/01/13 - 06/30/14 Policy Dates

Type of Coverage	Name of Company	Policy Number	Limits
Package			
Commercial Property	Ohio Casualty	BKW52562792	\$1,459,441,717 Blanket
Business Income & Extra Expense	Ohio Casualty	"	\$5,000,000
Ominbus Building & Personal Property	Ohio Casualty	"	\$500,000
Spoilage	Ohio Casualty	"	\$25,000 Limit Applies per School
Commercial General Liability	Ohio Casualty	"	\$1,000,000 Each Occurrence
Commercial General Liability	Ohio Casualty	"	\$3,000,000 General Aggregate
Boiler	Ohio Casualty	"	\$100,000,000
Earthquake	Ohio Casualty	"	\$10,000,000
Crime			
Employee Dishonesty	Ohio Casualty	BKW52562792	\$500,000
Forgery & Alteration	Ohio Casualty	"	\$500,000
Theft of Money Inside	Ohio Casualty	"	\$100,000
Theft of Money Outside	Ohio Casualty	"	\$100,000
Employee Benefits Liability			
Employee Benefits Liability	Ohio Casualty	BIO52562792	\$1,000,000 Each Employee Limit
Employee Benefits Liability	Ohio Casualty	"	\$1,000,000 Aggregate
Auto			
Auto	Ohio Casualty	BAA52562792	\$1,000,000 CSL Auto Liability
Auto	Ohio Casualty	"	\$100,000 Garagekeepers - Comprehensive
Auto	Ohio Casualty	"	\$100,000 Garagekeepers - Collision
Student Medical Professional Liability			
Student Medical Professional Liability	Chicago Insurance Company	AHC0884346	\$2,000,000 Each Incident
Student Medical Professional Liability	Chicago Insurance Company	"	\$4,000,000 Aggregate
School Leaders Errors & Omissions			
School Leaders Errors & Omissions	National Union Fire	7085657	\$1,000,000 Aggregate for Damages Separate Limits of Liability:
School Leaders Errors & Omissions	National Union Fire	"	IEP Hearing \$500,000 Aggregate for Claim Exp.
School Leaders Errors & Omissions	National Union Fire	"	Desegregation \$100,000 Agg. for Claim Exp.
School Leaders Errors & Omissions	National Union Fire	"	Breach of Contract \$100,000 Agg. for Claim Exp.
School Leaders Errors & Omissions	National Union Fire	"	Breach of Fiduciary Duty \$25,000 Agg. Claim Exp.
Builders' Risk			
Builders' Risk	Peerless Ins. Co.	IM8699342	\$2,000,000 Hard Costs - Joisted Masonry/Frame
Builders' Risk	Peerless Ins. Co.	"	\$30,000,000 Hard Costs - All Other
Builders' Risk	Peerless Ins. Co.	"	\$1,000,000 Soft Costs
Builders' Risk	Peerless Ins. Co.	"	\$5,000,000 Flood
Builders' Risk	Peerless Ins. Co.	"	\$5,000,000 Earthquake
Inland Marine			
Contractors' Equipment	Peerless Ins. Co.	IM8697976	\$2,974,515 in Any One Loss
Contractors' Equipment	Peerless Ins. Co.	"	Replacement cost on items 10 years old or newer
Leased/Rented Equipment	Peerless Ins. Co.	"	\$100,000
Special Floater	Peerless Ins. Co.	"	\$2,088,635 Musical Instruments
EDP & Telephone Equipment	Peerless Ins. Co.	"	\$30,000,000
Commercial Fine Arts	Peerless Ins. Co.	"	\$500,000 Fine Arts
Commercial Fine Arts	Peerless Ins. Co.	"	\$50,000 Historical Papers
Valuable Papers and Records	Peerless Ins. Co.	"	\$19,773,996 - All Locations

Source: BB&T Frederick Underwriter's Insurance

FREDERICK COUNTY PUBLIC SCHOOLS

Employees by Function Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Instruction										
Regular Instruction										
Teachers	2,294	2,347	2,394	2,512	2,512	2,484	2,485	2,520	2,549	2,547
Other Staff	449	471	489	494	501	499	508	508	491	490
Total Regular Instruction	2,743	2,818	2,883	3,006	3,013	2,983	2,993	3,028	3,040	3,037
Special Education Instruction										
Teachers	246	260	273	292	291	298	298	297	301	301
Other Staff	331	363	397	448	504	560	552	639	676	675
Total Special Education Instruction	577	623	670	740	795	858	850	936	977	976
School Administration	398	408	408	426	425	423	425	415	408	407
Student Personnel Services	30	31	32	32	40	40	31	33	35	36
Total Instruction	3,748	3,880	3,993	4,204	4,273	4,304	4,299	4,412	4,460	4,456
Support Services										
Administration	94	100	102	106	104	106	102	105	103	102
Food and Nutrition Services	-	-	-	159	153	144	141	139	136	136
Student Transportation	348	346	349	356	353	352	369	410	407	406
Operation of Plant	363	369	385	408	405	399	403	406	403	403
Maintenance of Plant	126	126	132	144	144	140	136	136	135	135
Total Support Services	931	941	968	1,173	1,159	1,141	1,151	1,196	1,184	1,182
Total Employees - Governmental Activities	4,679	4,821	4,961	5,377	5,432	5,445	5,450	5,608	5,644	5,638
Business-type Activities										
Food and Nutrition Services	158	152	157	-	-	-	-	-	-	-
Printing Services	10	9	10	11	8	7	3	-	-	-
Total Employees - Business-type Activities	168	161	167	11	8	7	3	-	-	-
Total Employees - School System	4,847	4,982	5,128	5,388	5,440	5,452	5,453	5,608	5,644	5,638

Note: Staff count expressed in full-time equivalents (FTE). Data from FCPS PeopleSoft Human Resource Management System as of June 30 each fiscal year.

Note: Between FY 2005 and FY 2007, FCPS' Food and Nutrition Services Fund was a business-type fund.

Note: Business-type Activities: The Printing Fund ceased operations as of July 1, 2011.

FREDERICK COUNTY PUBLIC SCHOOLS

Facilities Inventory As of June 30, 2014

	<u>Acres</u>	<u>Year Constructed</u>	<u>Gross Square Feet</u>
<u>Central Offices</u>			
33 Thomas Johnson Drive	5.35	1970	43,100
7446 Hayward Road with Various Shops	11.47	-	-
Facility Service Division	-	1967	21,619
Maintenance Building	-	1967	5,220
Ground Crew Department	-	1942	2,781
Plumbing/Electrical Building	-	1967	5,220
Welding Shop	-	1967	884
Bus Building	-	1970	5,059
AV Repair Shop	-	1967	720
191 South East Street	0.56	2010	89,840
Old Middletown Primary Prospect Street	0.95	1926	15,698
<u>High Schools</u>			
Brunswick High	48	1965	166,874
Catoctin High	88	1969	178,669
Frederick High	28	1939	242,646
Governor Thomas Johnson High	39.31	1966	312,533
Linganore High	50	2010	253,565
Middletown High	46	1974	189,641
Oakdale High	49.1	2008	241,061
Tuscarora High	47	2003	257,062
Urbana High	59.7	1995	249,609
Walkersville High	35	1976	181,416
<u>Middle Schools</u>			
Ballenger Creek Middle	25	1990	113,850
Brunswick Middle	29.7	1985	119,539
Crestwood Middle	23.08	2004	107,212
Governor Thomas Johnson Middle	25.31	2000	126,700
Middletown Middle	24	1953	114,974
Monocacy Middle	20.38	1981	114,445
New Market Middle	20	1974	114,936
Oakdale Middle	22.3	2002	109,089
Thurmont Middle	13	1950	135,260
Urbana Middle	26.18	2006	125,049
Walkersville Middle	28.68	1961	119,353
West Frederick Middle	12	1958	166,439
Windsor Knolls Middle	57	1993	116,644
<u>Elementary Schools</u>			
Ballenger Creek Elementary	19.29	1991	64,187
Brunswick Elementary	24.63	1952	60,205
Carroll Manor Elementary	18.9	1965	77,593
Centerville Elementary	16	2005	87,175
Deer Crossing Elementary	22	1997	77,966
Emmitsburg Elementary	13.35	1974	45,080

(continued)

FREDERICK COUNTY PUBLIC SCHOOLS

Facilities Inventory As of June 30, 2014 (continued)

	Acres	Year Constructed	Gross Square Feet
<u>Elementary Schools, continued</u>			
Glade Elementary	13	1995	66,500
Green Valley Elementary	31.22	1971	51,888
Hillcrest Elementary	12.7	1988	62,372
Kemptown Elementary	39.46	1981	53,800
Lewistown Elementary	13	1961	50,898
Liberty Elementary	11.64	1927	54,902
Lincoln Elementary "A"	3.15	1974	20,334
Lincoln Elementary "B"	11	2012	98,463
Middletown Elementary	8	1974	54,854
Middletown Primary	18.92	2006	70,288
Monocacy Elementary	12.55	1989	57,900
Myersville Elementary	12	1971	54,889
New Market Elementary	12.3	1933	88,983
New Midway Elementary	6.6	1930	21,894
North Frederick Elementary	15.01	1954	65,844
Oakdale Elementary	14.781	2001	89,566
Orchard Grove Elementary	15.68	1996	70,142
Parkway Elementary	5	1930	32,223
Sabillasville Elementary	15	1964	27,000
Spring Ridge Elementary	20	1991	66,276
Thurmont Elementary	15	1955	64,250
Thurmont Primary	13.24	2001	66,334
Tuscarora Elementary	13	2004	86,938
Twin Ridge Elementary	17	1992	68,900
Urbana Elementary	19.87	1960	64,133
Valley Elementary	31.71	1967	59,989
Walkersville Elementary	15	1974	83,807
Waverley Elementary	20	1969	54,178
Whittier Elementary	10.126	1998	81,244
Wolfsville Elementary	14	1959	41,657
Woodsboro Elementary	5	1952	28,557
Yellow Springs Elementary	17	1957	52,600
<u>Other Schools</u>			
Career & Technology Center	15.52	1977	86,681
Carroll Creek Montessori	Leased space	N/A -	N/A -
Earth and Space Science Laboratory	2	2009	10,624
Frederick Classical Charter	Leased space	N/A -	N/A -
Heather Ridge School	10	1988	31,553
Monocacy Valley Montessori	Leased space	N/A -	N/A -
Rock Creek School	Same lot as Waverly	1972 -	55,214 -
Staff Development Center	5	1921	27,352
Totals	1,463.72		6,581,940

Source: Educational Facilities Master Plan 2014.

FREDERICK COUNTY PUBLIC SCHOOLS

Capital Assets by Function Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Schools										
Buildings	61	63	63	63	64	65	64	63	63	63
Administration										
Buildings	7	7	7	7	7	8	8	8	6	5
Vehicles	*	*	*	*	*	*	*	7	8	8
Special Education										
Vehicles	*	*	80	85	89	89	92	94	107	100
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	*	*	*	*	*	*	*	200	159	149
Operations										
Vehicles	*	*	*	*	*	*	*	30	36	41
Student Transportation										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	*	*	350	349	320	323	311	341	327	329
Technology										
Vehicles	*	*	*	*	*	*	*	5	12	14
Other										
Buildings	1	1	1	1	1	1	1	1	1	1

* Not Available