

BALTIMORE CITY
PUBLIC SCHOOLS

Brandon M. Scott
Mayor, City of Baltimore

Linda Chinnia
Chair, Baltimore City Board
of School Commissioners

Dr. Sonja Brookins Santelises
Chief Executive Officer

February 15, 2021

The Honorable Bill Ferguson
President
Senate of Maryland State
House, H-107
Annapolis, MD 21401

The Honorable Adrienne A. Jones
Speaker
Maryland House of Delegates
State House, H-101
Annapolis, MD 21401

Re: Report required by State Government Article 5-109(c)(1) (MSAR # 12400)

Dear President Ferguson and Speaker Jones:

Enclosed please find a copy of the Baltimore City Public Schools (City Schools) FY20 Audited Financial Statements reporting package for your review, in compliance with Education Article 5-109 *Annual Audit*.

If you have any questions or require further information, please advise.

Sincerely,

Renee Calvi
Accounting Manager
Baltimore City Public Schools (City Schools)
Office 410-396-5294
Mobile 443-904-8356
rcalvi@bcps.k12.md.us

cc: Sarah Albert, Department of Legislative Services (5 copies)

Enclosure

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
Baltimore, Maryland

FINANCIAL STATEMENTS
June 30, 2020

**BALTIMORE CITY PUBLIC SCHOOL SYSTEM
A COMPONENT UNIT OF THE CITY OF BALTIMORE
Year Ended June 30, 2020**

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis	6

BASIC FINANCIAL STATEMENTS

Governmental Activities:

Statement of Net Position	13
Statement of Activities	14

Fund Financial Statements:

Balance Sheet - Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	16
Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds	17
Reconciliation of the Governmental Funds - Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	18
Statement of Fiduciary Assets and Liabilities	19

Notes to the Basic Financial Statements:

Note 1: Summary of Significant Accounting Policies.....	20
Note 2: Budgeting and Budgetary Control	26
Note 3: Cash and Cash Equivalents and Investments	28
Note 4: Capital Assets	31
Note 5: General Long-Term Obligations.....	33
Note 6: Interfund Receivables and Payables, and Transfers.....	37
Note 7: Risk Management	37
Note 8: Retirement Plans.....	38
Note 9: Post-Employment Benefits	44
Note 10: Fund Balance	47
Note 11: Encumbrances.....	48
Note 12: Litigation and Contingencies.....	48
Note 13: Comparative Summarized Totals.....	48
Note 14: Contingencies and Commitments	49

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	50
Budgetary Comparison Schedule - Special Revenue Fund	51
Budgetary Comparison Schedule – Food Service Fund	52
Schedule of City Schools’ Proportionate Share of Net Pension Liability and Contributions	53
Schedule of Contributions – Employees Retirement System of the City of Baltimore	55
Schedule of City Schools’ Proportionate Share of the Net OPEB Liability	57
Schedule of City Schools’ Contribution to City of Baltimore Postemployment Benefit Plan.....	59

SUPPLEMENTARY INFORMATION

Capital Projects Fund – Budgetary Comparison.....	60
Schedule of Changes in Fiduciary Assets and Liabilities	61



INDEPENDENT AUDITORS' REPORT

Board of School Commissioners
Baltimore City Public School System
Baltimore, 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 Baltimore City Public School System (City Schools), a component unit of Baltimore City, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 City Schools as of June 30, 2020, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited City Schools' 2019 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 48 through 50, the schedule of City Schools' proportionate share of the net pension liability, schedule of City Schools' contributions and notes to the required supplementary information on pages 51 through 54, and the schedule of City Schools' Proportionate Share of the Net OPEB Liability, schedule of City Schools' Contributions and related notes on pages 55 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City Schools' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of City Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Schools' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of School Commissioners
Baltimore City Public School System
Baltimore, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baltimore City Public School System (City Schools), a component unit of the City of Baltimore, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City Schools' basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Baltimore, Maryland
September 29, 2020



Zarah Manley, 3rd Grade
Follow Your Dreams: OMG
Drawing/Color Pencil, Markers
Commodore John Rodgers, #027
Ms. Rodgers, Teacher

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Baltimore City Public School System (City Schools) financial performance provides a narrative overview and analysis of City Schools' financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the City Schools' financial statements.

FINANCIAL HIGHLIGHTS

- City Schools net position at the end of the fiscal year totaled \$1,322.9 million, for an increase of \$264.8 million (25.0 percent) in relation to the prior year.
- City Schools' revenues were approximately \$1.71 billion, while total City Schools' expenses were approximately \$1.45 billion. Revenue exceeded expenses by \$264.8 million.
- Capital assets increased 21.1 percent to \$1,179.9 million.
- Among major funds, the General Fund had \$1.22 billion in revenues and \$1.14 billion in expenditures and \$51.51 million in net other financing uses. The General Fund balance increased to \$216.10 million from \$183.97 million.
- Program revenues, governmental activities in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$277.50 million. The total revenue from all sources was \$1.71 billion.
- General fund revenues accounted for \$1.22 billion, including \$280.5 million in local appropriations and \$919.7 million in aid from the State of Maryland

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to City Schools' basic financial statements. City Schools' basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The basic financial statements include two kinds of statements that present different views of City Schools:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about City Schools' overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of City Schools, reporting the operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which City Schools acts solely as trustee or agent for the benefit of others.

The financial statement notes explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of City Schools' budget with actual results for the year.

Government-Wide Financial Statements

All of City Schools' services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility support services and food services. State and City aid; various federal, state, local and private grants; and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are incorporated in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following is a comparative highlight of the current and prior year financial activities from the government-wide financial statements (Expressed in thousands).

	Governmental Activities		
	2020	2019	Net Change
Statement of Net Position:			
Current and Other Assets	\$ 569,215	\$ 481,822	\$ 87,393
Capital Assets, net	1,179,885	974,430	205,455
Total Assets	<u>1,749,100</u>	<u>1,456,252</u>	<u>292,848</u>
Current Liabilities	323,294	282,527	40,767
Long-term Liabilities	102,891	115,655	(12,764)
Total Liabilities	<u>426,185</u>	<u>398,182</u>	<u>28,003</u>
Net Position:			
Net Investment in Capital Assets	1,109,311	887,480	221,831
Restricted	29,296	25,814	3,482
Unrestricted	161,616	134,284	27,332
Total Net Position	<u>\$ 1,300,223</u>	<u>\$ 1,047,578</u>	<u>\$ 252,645</u>
Statement of Activities:			
Revenues:			
Program Revenues:			
Operating Grants and Contributions	\$ 193,018	\$ 162,301	\$ 30,717
Capital Grants and Contributions	84,480	53,156	31,324
Total Program Revenues	<u>277,498</u>	<u>215,457</u>	<u>62,041</u>
General Revenues:			
Federal, State and City Aid	1,203,024	1,201,837	1,187
Interest and Investment Earnings	7,573	9,270	(1,697)
Miscellaneous, Net	223,576	268,890	(45,314)
Total General Revenues	<u>1,434,173</u>	<u>1,479,997</u>	<u>(45,824)</u>
Total Revenues	<u>1,711,671</u>	<u>1,695,454</u>	<u>16,217</u>
Expenses:			
Instruction	919,949	907,366	12,583
Support Services:			
Student Support	24,852	23,485	1,367
Administrative Support	210,355	197,809	12,546
Facility Support	194,958	188,741	6,217
Transportation	43,072	49,768	(6,696)
Food Services	48,200	53,754	(5,554)
Interest on Long-Term Debt	5,440	4,409	1,031
Total Expenses	<u>1,446,826</u>	<u>1,425,332</u>	<u>21,494</u>
Change in Net Position	264,845	270,122	(5,277)
Net Position - Beginning	1,058,070	787,948	
Net Position - Ending	<u>\$ 1,322,915</u>	<u>\$ 1,058,070</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Total Assets increased by approximately \$292.8 million. This was primarily due to net increases in Cash and Cash Equivalents due to the timing of Payroll and Accounts Payable payments and increases in Capital Assets due to the completion of the five 21st Century School projects and in Investments during fiscal 2020.

Total Liabilities increased by approximately \$28.0 million. This was primarily due to an increase in Accounts, Salary and other payables and a decrease in Bonds and Leases Payable due to a principal payment on the City Schools' outstanding bonds and leases.

Revenues increased by \$16.2 million. This was primarily due to an increase in Capital Revenues and a decrease in Special Fund Revenues.

Fund Financial Statements

City Schools' fund financial statements provide detailed information about the most significant funds - not City Schools as a whole. City Schools' governmental funds use the following approach:

Governmental Funds: All of City Schools' services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of City Schools' operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance City Schools' programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations.

General Government Functions: The following schedule presents a summary of the General Operating Fund, Special Revenue Fund, Capital Projects Fund, Food Service Fund, and Debt Service Fund revenues and other financing sources by type for the year ended June 30, 2020. It also depicts the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

Revenues and Other Financing Sources

(Expressed in Thousands)

	FY 2020	Percent of Total	FY 2019	Percent of Total	Increase / (Decrease) from Prior Fiscal Year	Percent Increase / (Decrease) from Prior Fiscal Year
State Aid	\$ 1,020,705	60%	\$ 953,552	56%	\$ 67,153	7.0%
City Aid	302,277	18%	296,419	17%	5,858	2.0%
Federal Aid	155,887	9%	166,231	10%	(10,344)	(6.2%)
Investment Income	7,573	-	9,270	0	(1,697)	(18.3%)
Other Revenue	225,229	13%	269,982	16%	(44,753)	(16.6%)
Total	<u>\$ 1,711,671</u>	<u>100%</u>	<u>\$ 1,695,454</u>	<u>100%</u>	<u>\$ 16,217</u>	

The following schedule represents a summary of the General Operating Fund, Special Revenue Fund, Capital Projects Fund, Food Service Fund, and Debt Service Fund for the fiscal year ended June 30, 2020, and the increase and decrease (in amount) in relation to prior year amounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Baltimore City Public School System Comparative Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Years 2020 and 2019 (Expressed in Thousands)

	2020	2019	Net Change
Revenues:			
General Fund:			
State of Maryland	\$ 919,654	\$ 913,744	\$ 5,910
City of Baltimore	280,520	278,412	2,108
Federal sources	2,850	9,681	(6,831)
Local sources:			
Interest earnings	7,092	8,747	(1,655)
Other	10,933	17,539	(6,606)
Total revenues - general fund	<u>1,221,049</u>	<u>1,228,123</u>	<u>(7,074)</u>
Other governmental funds:			
Special Revenue Fund	156,007	113,138	42,869
Capital Projects Fund	297,604	305,030	(7,426)
Food Service Fund	37,011	49,163	(12,152)
Total revenues - other governmental funds	<u>490,622</u>	<u>467,331</u>	<u>23,291</u>
Total revenues - all governmental funds	<u>1,711,671</u>	<u>1,695,454</u>	<u>16,217</u>
Expenditures:			
General Fund:			
Instruction:			
Regular programs	575,835	591,157	(15,322)
Special Education	213,592	219,530	(5,938)
Support services:			
Student personnel services	18,291	20,544	(2,253)
Student health services	3	-	3
Administration	56,069	60,785	(4,716)
Mid-level administration	100,695	98,735	1,960
Plant services	130,307	131,009	(702)
Student transportation services	42,606	49,619	(7,013)
Total expenditures - general fund	<u>1,137,398</u>	<u>1,171,379</u>	<u>(33,981)</u>
Other governmental funds:			
Special Revenue Fund	152,845	109,973	42,872
Capital Projects Fund	304,564	303,327	1,237
Food Service Fund	48,200	53,655	(5,455)
Debt Service Fund	21,816	28,939	(7,123)
Total expenditures - other governmental funds	<u>527,425</u>	<u>495,894</u>	<u>31,531</u>
Total expenditures - all governmental funds	<u>1,664,823</u>	<u>1,667,273</u>	<u>(2,450)</u>
Excess of expenditures over revenue	46,848	28,181	18,667
Fund Balance - beginning	221,243	193,062	28,181
Fund Balance - ending	<u>\$ 268,091</u>	<u>\$ 221,243</u>	<u>\$ 46,848</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Significant Changes

City Schools' realized an overall increase in Fund Balance of \$46.8 million. General Fund balance had an increase primarily due to a decrease in expenditures. The Special Revenue Fund balance increased due to an increase in revenue from the State of Maryland and Federal sources. The Debt Service Fund balance increased due to required deposits made to the debt service trust accounts.

Fiduciary Funds

City Schools is the trustee, or fiduciary, for assets that belong to others, such as the school activity funds. City Schools is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. City Schools excludes these activities from the government-wide and fund financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

The notes to the basic financial statements complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Capital Assets

City Schools' investment in capital assets as of June 30, 2020 amounts to \$1,179.9 million (net of accumulated depreciation). This investment in capital assets includes building improvements, equipment and construction-in-progress. The net increase in City Schools' capital assets during the fiscal year was \$205.5 million. Major Capital asset events during the year included the following:

- Renovations to 21st Century Schools - \$221.3 million
- Renovations to Graceland Park & Holabird PK-8 \$42.2 million
- Window and Door replacements - \$1.8 million
- HVAC Replacements - \$27.7 million
- Fire Alarm Replacements - \$1.7 million
- Roof Replacements - \$10.5 million

In addition, City Schools had outstanding commitments under long-term construction projects in the amount of \$67.8 million as of June 30, 2020. Additional information on City Schools' capital assets can be found in Note 4, Capital Assets.

Debt Administration

In addition to the authority granted the City Schools by Maryland State SB 773 for bonds and Section 4-306.1 of the Education Article of the Annotated Code of the State of Maryland for leases, in 2002 (revised February 2012), City Schools adopted a formal debt policy which set forth the parameters for issuing debt and managing outstanding debt as well as the process for issuing debt. The scope of the policy includes the direct debt, lease obligations and loan guarantees of City Schools. The policy does not include or envision debt incurred on behalf of City Schools by the State of Maryland or the City of Baltimore to fund the Capital Improvement Plan of City Schools.

The Board of School Commissioners of City Schools set the debt limitation policy to limit debt service to 5.0% of the then current Total General Fund Operating Budget. As of June 30, 2020, City Schools' has no outstanding debt issued under the \$200.0 million authorized by the State of Maryland. For more information on Debt Administration please see Note 5, General Long-Term Obligations. However, City Schools has outstanding qualified school construction bonds in the amount of \$64.2 million that are exempt from the state limitations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

BUDGETARY HIGHLIGHTS

The General Fund operates under a legally adopted annual budget. All annual unencumbered appropriations lapse at fiscal year-end except in the Capital Projects Fund where the budget is project length based. Additional information can be found in Note 2, Budgeting and Budgetary Control.

The appropriated budget is prepared by fund, program, category, and cost center. Schools are allocated general fund and grant based allocations, based on the budgeting criteria developed within the Fair Student Funding initiative and eligibility criteria associated with each grant.

The following schedule summarizes a comparison of the original and final budget and actual results for the General Fund for the year ended June 30, 2020 (Expressed in thousands).

<u>(Expressed in Thousands)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>(Budgetary Basis) Actual</u>	<u>Net Change (Final Budget to Actual)</u>
Revenues and Other Financing Sources	\$ 1,162,385	\$ 1,175,249	\$ 1,158,601	\$ (16,648)
Expenditures	1,162,385	1,175,249	1,079,546	95,703
Excess of Revenues and Other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,055</u>	<u>\$ 79,055</u>

The excess of revenues and other financing sources over expenditures of \$79.5 million was primarily attributable to favorable variances for fringe benefits, special education, regular programs, and administrative and plant student transportation expenditures.

The following schedule summarizes a comparison of the original and final budget and actual results for the Special Revenue Fund for the year ended June 30, 2020 (Expressed in thousands).

<u>(Expressed in Thousands)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Net Change (Final Budget to Actual)</u>
Revenues and Other Financing Sources	\$ 104,954	\$ 270,292	\$ 156,007	\$ (114,285)
Expenditures	104,954	270,292	152,845	117,447
Excess of Revenues and Other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>

The excess of revenues and other financing sources over expenditures of \$3.1 million was attributable to the excess of revenue over expenditures for Third Party Billing.

The following schedule summarizes a comparison of the original and final budget and actual results for the Food Service Fund for the year ended June 30, 2020 (Expressed in thousands).

<u>(Expressed in Thousands)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Net Change (Final Budget to Actual)</u>
Revenues and Other Financing Sources	\$ 55,304	\$ 55,304	\$ 37,011	\$ (18,293)
Expenditures	55,304	55,304	48,200	7,104
Excess of Revenues and Other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,189)</u>	<u>\$ (11,189)</u>

The excess of expenditures over revenue and other financing sources of \$11.2 million was attributed primarily to decreased meals reimbursement revenue primarily do to school closures related to the COVID-19 pandemic and the resultant decrease in federal revenue for fewer meals served.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Baltimore City Board of School Commissioners is required to submit an annual budget for its Governmental Fund Types to the Mayor and City Council each year. Accordingly, the new fiscal year budget is known prior to the end of the current fiscal year.

Maryland state law mandates a certain level of state and city funding for the board based on formulas that include factors such as student enrollment, prior fiscal year per pupil expenditures, and the wealth of the city. The City of Baltimore is required, in compliance with state maintenance of effort calculations, to provide funding at least equal to the current year student enrollment multiplied by the city's local appropriation on a per pupil basis for the prior fiscal year.

The operating budget for the Fiscal Year 2021 was adopted by the Baltimore City Board of School Commissioners on May 12, 2020 and passed by the Baltimore City Council on June 15, 2020.

The adopted budget for local funding increased to \$8.9 million related to state formula requirement. The State funding increased by \$7.0 million related to Teacher Salary Incentive and NTI Adjustment Grant, student transportation, partially offset by formula reductions related to decreased enrollment and/or increased wealth in the City of Baltimore

The State of Maryland Bridge to Excellence in Public Schools and the Federal Every Student Succeeds Act (ESSA) establishes numerous requirements for public school systems. These requirements include, but are not limited to: teachers and paraprofessionals that meet state licensure and/or certification requirements, requirements to analyze data to determine if there are disparities in teacher assignments for low-income and minority students, and the utilization of an expanded array of data to assess school performance.

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic significantly affected global markets, supply chains, businesses, and communities. Specific to the Board, COVID-19 may impact various future operations and financial results. Management believes the Board has taken appropriate actions to mitigate any negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events may occur subsequent to year end.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, and creditors with a general overview of City Schools' finances and to show City Schools' accountability for the money it receives. Additional details can be requested by mail at the following address:

Baltimore City Schools
Chief Financial Officer
200 East North Avenue, Room 403
Baltimore, MD 21202

Or visit our website at: www.baltimorecityschools.org

BASIC FINANCIAL STATEMENTS



Mikal Larkins, 4th Grade
Untitled
Collage
Midtown Academy, #321
Ms. Gallagher, Teacher

Baltimore City Public Schools
Statement of Net Position
June 30, 2020
(with Comparative Summarized Totals for 2019)
(Expressed in Thousands)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 56,156	\$ 302,350
Investments	427,879	124,895
Accounts receivable	5,142	4,262
Inventories	1,749	1,312
Other current assets	438	360
Due from other governments	48,105	32,850
Due from Baltimore City	29,746	15,793
Construction in progress	162,058	183,162
Capital assets, net of depreciation	<u>1,017,827</u>	<u>791,268</u>
Total Assets	<u>1,749,100</u>	<u>1,456,252</u>
Liabilities		
Accounts, salary and other payables	244,142	217,922
Due to Baltimore City	4,567	5,077
Unearned revenue	2,807	1,762
Other liabilities	49,608	35,818
Compensated absences		
Due within one year	5,994	5,572
Due in more than one year	48,493	45,081
Capital lease obligations		
Due within one year	3,568	3,720
Due in more than one year	2,841	6,409
Bonds payable - Net		
Due within one year	12,608	12,656
Due in more than one year	<u>51,557</u>	<u>64,165</u>
Total Liabilities	<u>426,185</u>	<u>398,182</u>
Net Position		
Net investment in capital assets	1,109,311	887,480
Restricted for:		
Special Funds-State, Federal & Other Grants	27,479	24,317
Debt Service	346	998
Food Service	1,471	499
Capital Projects Fund	22,692	10,492
Unrestricted	<u>161,616</u>	<u>134,284</u>
Total Net Position	<u>\$1,322,915</u>	<u>\$1,058,070</u>

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

Baltimore City Public Schools
Statement of Activities
For the Fiscal Year Ended June 30, 2020
(with Comparative Summarized Totals for 2019)
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants Contributions	Capital Grants and Contributions	Total 2020	Total 2019
Governmental activities:						
Instruction:						
Regular programs	\$ 684,325	\$ -	\$ 133,508	\$ -	\$ (550,817)	\$ (574,546)
Special education	235,624	-	21,241	-	(214,383)	(220,219)
Support services:						
Student personnel services	23,630	-	-	-	(23,630)	(22,996)
Student health services	1,222	-	1,219	-	(3)	-
Administration	97,824	-	-	-	(97,824)	(91,606)
Mid-level administration	112,531	-	-	-	(112,531)	(106,203)
Plant services	194,958	-	-	84,480	(110,478)	(135,585)
Student transportation services	43,072	-	-	-	(43,072)	(49,768)
Food Services	48,200	39	37,011	-	(11,150)	(4,543)
Interest on long-term debt	5,440	-	-	-	(5,440)	(4,409)
Total Governmental Activities	<u>\$ 1,446,826</u>	<u>\$ 39</u>	<u>\$ 192,979</u>	<u>\$ 84,480</u>	<u>(1,169,328)</u>	<u>(1,209,875)</u>
General revenues:						
State, Federal and City grants (unrestricted)					1,203,024	1,201,837
Interest and investment earnings					7,573	9,270
Miscellaneous					223,576	268,890
Total general revenues					<u>1,434,173</u>	<u>1,479,997</u>
Change in net position					<u>264,845</u>	<u>270,122</u>
Net position – beginning					<u>1,058,070</u>	<u>787,948</u>
Net position – ending					<u>\$ 1,322,915</u>	<u>\$ 1,058,070</u>

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

Baltimore City Public Schools
Balance Sheet - Governmental Funds
June 30, 2020
(with Comparative Summarized Totals for 2019)
(Expressed in Thousands)

Assets	General	Special Revenue	Capital Projects	Food Service	Debt Service	Total 2020	Total 2019
Cash and cash equivalents	\$ 7,418	\$ -	\$ -	\$ -	\$ 48,738	\$ 56,156	\$ 302,350
Investments	427,879	-	-	-	-	427,879	124,895
Accounts receivable	2,369	2,260	-	513	-	5,142	4,262
Interfund receivables	-	2,405	7,600	1,012	201	11,218	13,417
Inventories	-	-	-	1,749	-	1,749	1,312
Other current assets	438	-	-	-	-	438	360
Due from other governments	9,871	35,389	2,845	-	-	48,105	32,850
Due from Baltimore City	90	613	29,043	-	-	29,746	15,793
Total Assets	\$ 448,065	\$ 40,667	\$ 39,488	\$ 3,274	\$ 48,939	\$ 580,433	\$ 495,239
Liabilities and Fund Balances							
Liabilities:							
Accounts, salaries and other payables	\$ 215,238	\$ 11,072	\$ 16,595	1,237	\$ -	\$ 244,142	\$ 217,922
Due to Baltimore City	4,567	-	-	-	-	4,567	5,077
Interfund payables	11,017	-	201	-	-	11,218	13,417
Unearned revenues	125	2,116	-	566	-	2,807	1,762
Other liabilities	1,015	-	-	-	48,593	49,608	35,818
Total Liabilities	231,962	13,188	16,796	1,803	48,593	312,342	273,996
Fund Balances							
Non-spendable	438	-	-	1,194	-	1,632	1,332
Committed	20,000	-	-	-	-	20,000	20,000
Restricted	-	27,479	22,692	277	346	50,794	36,306
Assigned	148,645	-	-	-	-	148,645	127,347
Unassigned	47,020	-	-	-	-	47,020	36,258
Total Fund Balances	216,103	27,479	22,692	1,471	346	268,091	221,243
Total Liabilities and Fund Balances	\$ 448,065	\$ 40,667	\$ 39,488	\$ 3,274	\$ 48,939	\$ 580,433	\$ 495,239

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

**Baltimore City Public Schools
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2020
(Expressed in Thousands)**

Total fund balances - governmental funds \$ 268,091

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of City Schools as a whole:

Cost of capital assets	1,836,857	
Accumulated depreciation to date	<u>(656,972)</u>	
		1,179,885

Long-term liabilities, including compensated absences, capital leases, and bonds payable and related premiums are not due and payable from current resources and, therefore, are not reported as liabilities in the funds:

Compensated absences	(54,487)	
Capital leases	(6,409)	
Bonds payable and related premium	<u>(64,165)</u>	
		<u>(125,061)</u>

Net position		<u>\$ 1,322,915</u>
--------------	--	---------------------

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

Baltimore City Public Schools
Statement of Revenue, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2020
(with Comparative Summarized Totals for 2019)
(Expressed in Thousands)

	General	Special Revenue	Capital Projects	Food Service	Debt Service	Total 2020	Total 2019
Revenues							
State of Maryland	\$ 919,654	\$ 37,574	62,723	\$ 754	\$ -	\$ 1,020,705	\$ 953,552
City of Baltimore	280,520	-	21,757	-	-	302,277	296,419
Federal sources	2,850	116,819	-	36,218	-	155,887	166,231
Local sources:							
Interest earnings	7,092	-	481	-	-	7,573	9,270
Food services	-	-	-	39	-	39	48
Other	10,933	1,614	212,643	-	-	225,190	269,934
Total Revenues	<u>1,221,049</u>	<u>156,007</u>	<u>297,604</u>	<u>37,011</u>	<u>-</u>	<u>1,711,671</u>	<u>1,695,454</u>
Expenditures							
Current							
Instruction:							
Regular programs	575,835	106,415	-	-	-	682,250	666,099
Special education	213,592	21,241	-	-	-	234,833	238,720
Support services:							
Student personnel services	18,291	5,252	-	-	-	23,543	22,910
Student health services	3	1,219	-	-	-	1,222	489
Administration	56,069	6,690	108	-	-	62,867	65,927
Mid-level administration	100,695	11,398	-	-	-	112,093	105,828
Plant services	130,307	195	-	-	-	130,502	131,537
Student transportation services	42,606	435	-	-	-	43,041	49,743
Food services	-	-	-	48,200	-	48,200	53,754
Capital outlay	-	-	304,456	-	-	304,456	303,327
Debt service:							
Principal retirement	-	-	-	-	16,376	16,376	24,530
Interest and bank charges	-	-	-	-	5,440	5,440	4,409
Total expenditures	<u>1,137,398</u>	<u>152,845</u>	<u>304,564</u>	<u>48,200</u>	<u>21,816</u>	<u>1,664,823</u>	<u>1,667,273</u>
Revenues Over (Under) Expenditures	83,651	3,162	(6,960)	(11,189)	(21,816)	46,848	28,181
Other Financing Sources (Uses)							
Transfers in from other funds	-	-	19,641	11,189	21,164	51,994	24,840
Transfers out to other funds	(51,513)	-	(481)	-	-	(51,994)	(24,840)
Total Other Financing Sources (Uses)	<u>(51,513)</u>	<u>-</u>	<u>19,160</u>	<u>11,189</u>	<u>21,164</u>	<u>-</u>	<u>-</u>
Net change in fund balances	32,138	3,162	12,200	-	(652)	46,848	28,181
Fund Balance - Beginning	<u>183,965</u>	<u>24,317</u>	<u>10,492</u>	<u>1,471</u>	<u>998</u>	<u>221,243</u>	<u>193,062</u>
Fund Balance - Ending	<u>\$ 216,103</u>	<u>\$ 27,479</u>	<u>\$ 22,692</u>	<u>\$ 1,471</u>	<u>\$ 346</u>	<u>\$ 268,091</u>	<u>\$ 221,243</u>

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

Baltimore City Public Schools
Reconciliation of Governmental Funds - Statement of Revenue,
Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2020
(Expressed In Thousands)

Total net change in fund balances – governmental funds	\$	46,848
Capital outlays are reported in governmental funds as expenditures. However, for government-wide activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. This is the amount by which capital outlays, net of construction in progress transferred to building improvements of \$304,746 was exceeded by depreciation of \$83,953 for the year:		220,793
Upon disposal, the difference between the cost basis of assets and the accumulated depreciation is recorded as a loss in the Statement of Activities. For governmental funds, all capital assets are initially recorded as expenditures; therefore, no loss is recognized upon disposal.		(15,338)
Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		16,376
In the Statement of Activities, certain operating expenses—compensated absences (vacation, compensatory time, personal and sick leave)—are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). This is the amount by which payments of compensated absences exceeded amounts earned during the current year.		(3,834)
Change in net position	\$	<u>264,845</u>

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

Baltimore City Public Schools
Statement of Fiduciary Assets and Liabilities
June 30, 2020
(with Comparative Summarized Totals for 2019)
(Expressed in Thousands)

	Agency Funds <u>Total 2020</u>	Agency Funds <u>Total 2019</u>
Assets		
Cash and cash equivalents	<u>\$ 2,818</u>	<u>\$ 3,028</u>
Total Assets	<u>\$ 2,818</u>	<u>\$ 3,028</u>
Liabilities		
Due to Student Groups and Others	<u>\$ 2,818</u>	<u>\$ 3,028</u>
Total Liabilities	<u>\$ 2,818</u>	<u>\$ 3,028</u>

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



Elizabeth Chamness, 5th Grade
The Wall of Hearts
Oil Pastels
Charles Carroll Barrister, #034
Mary Ford, Teacher

NOTES TO THE BASIC FINANCIAL STATEMENTS

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Baltimore City Public Schools (City Schools) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental entities. The following is a summary of City Schools' significant accounting policies.

The Reporting Entity - City Schools is a component unit of the City of Baltimore (the City) established under the Public General Laws of Maryland for the purpose of providing formalized instruction on the pre-elementary, elementary and secondary levels to the residents of the City.

Legislation (Senate Bill 795 Chapter 105 of the Laws of 1997) was enacted by the 1997 Maryland General Assembly creating The New Baltimore City Board of School Commissioners (the Board), effective June 1, 1997. A new partnership was established between the City and the State of Maryland (the State) to improve the quality of public education through increased funding. A new nine-member board was jointly appointed by the Mayor and Governor. The Board has the authority and responsibility for all City Schools' functions including the adoption of rules and regulations and prescribing policies and procedures for the management, maintenance, operation and control of City Schools. City Schools is under the jurisdiction of the Board. The Board remains financially accountable to the City.

City Schools receives funds primarily from the City and the State in the form of appropriations and grants, as well as federal grants, private donations, gifts and other grants made directly to City Schools. City Schools is subject to the budgetary control and expenditure authorization of the City with regards to appropriations included in City Schools' General Fund.

City Schools is incorporated in the financial statements of the City as a component unit in accordance with criteria established by the Governmental Accounting Standards Board (GASB).

Basis of Presentation – In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way City Schools prepares and presents financial information.

GASB Statement No. 34, as amended, established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The information required by GASB Statement No. 34 is:

- Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).
- Government – Wide Financial Statements – The reporting model requires financial statements to be prepared using full accrual accounting for all of City Schools' activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following statements:
 - Statement of Net Position – The Statement of Net Position displays the financial position of City Schools. City Schools reports all capital assets in the government-wide Statement of Net Position. The net position of a government are broken down into three categories – 1) net investments in capital assets; 2) restricted; and 3) unrestricted.
 - Statement of Activities – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of City Schools' functions. The expense of individual functions is compared to the revenues generated directly by the function. City Schools reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds - The accounts of City Schools are organized and operated as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of funds consistent with legal and managerial requirements is maintained.

The funds of City Schools are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds – Governmental funds are used to account for City Schools’ general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt. City Schools reports the following major governmental funds:

General Fund - the primary operating fund of City Schools accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund - accounts for the proceeds of Federal, State and other revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - accounts for the servicing of general long-term debt.

Capital Projects Fund - accounts for the acquisition of capital assets or construction of major capital projects. These projects are funded by external borrowings or transfers from other funds.

Food Service Fund - accounts for the operations of the schools’ cafeteria operations and proceeds of specific revenue sources that are legally restricted to expenditures for that purpose.

Fiduciary Funds – accounts for resources and related liabilities held by City Schools as an agent for others.

Governmental Accounting Standards Board (GASB) Pending Pronouncements

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that City Schools has determined may have an impact on future financial statements.

Statement No. 84, *Fiduciary Activity*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. City Schools is currently evaluating the effect of implementation of this Statement.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements (GWFS) - The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level. The government-wide financial statements are reported on the accrual basis of accounting. On the accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. General Fund State revenue is accrued for Major State Aid Programs as well as estimates of other State programs.

The Statements of Net Position and Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues - Program revenues included in the Statement of Activities are derived directly from the various programs and reduce the cost of the function to be financed from City Schools' general revenues.

Allocation of indirect expenses - City Schools reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt and depreciation are considered indirect expenses and are reported on the Statement of Activities.

Governmental Funds - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. City Schools considers all revenues available if they are collected within 60 days after year-end. Principal revenue sources considered susceptible to accrual include federal and state grants, local city government appropriations and other intergovernmental revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

Fiduciary Fund - The agency fund is custodial in nature (assets equal liabilities) and does not present results of operations or have a measurement focus. The agency fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that City Schools holds for individual schools and the Gary I. Strausberg Children's Cable Fund in an agency capacity.

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

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

Cash and cash equivalents - City Schools maintains its own bank accounts and relationships with all revenue collected and expenditures paid through these accounts. City Schools defines cash and cash equivalents to include the following: all highly liquid and unrestricted investments with a maturity of three months or less at the date of purchase; all cash and investments which are used essentially as demand accounts; all cash with fiscal agents; and all restricted cash and investments that have been determined to be cash equivalents.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments consist of those permitted by the investment policy including obligations of the U.S. government and federal agencies, bankers' acceptances, repurchase agreements, certificates of deposit, money market mutual funds, investments in the Maryland Local Government Investment Pool and commercial paper. All investments are fully collateralized. Investments are recorded at amortized cost and fair value. Fair value is based upon quoted market prices. City Schools classifies its investments as current or non-current based on the maturity dates. Short-term investments have maturities of less than 91 days.

Inventory - Inventory of the Special Revenue Fund - Food Services Fund is recorded at cost for purchased items and at values assigned by the federal government for USDA donated commodities. Inventory consists of expendable supplies, valued at cost, and food held for consumption, valued at the lower of cost or market on a first-in, first-out basis. Inventory is reflected in the government-wide financial statements by the consumption method. Under this method, the expenditure is recognized when inventory is used.

In the fund financial statements, inventories are offset by a fund balance classification which indicates that they do not constitute available expendable resources, even though they are a component of assets. Commodity foods consumed during the year, totaling \$3.2 million have been included in revenue and the cost of food sold. The value of USDA commodities not yet consumed as of June 30, 2020, was \$0.6 million and has been included in inventory and unearned revenue. The remaining inventory on hand totaled \$1.0 million at June 30, 2020 which consisted of processed commodities, paper supplies, and food in schools.

Due from other governments – Due from other governments includes amounts due from the Maryland State Department of Education and the Federal government.

Short-Term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Elimination and Reclassifications - In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets - Capital assets - unit costs exceeding \$5,000 are recorded at acquisition value and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their acquisition value at the date of donation. Estimated useful lives are management's estimate of how long assets are expected to meet service demands. Construction-in-Progress are not depreciated. Straight line depreciation is used based on the following estimated useful lives:

Building Improvements	20-30 years
Furniture and equipment	3-10 years

Intangible Assets – Although City Schools has adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, none of its expenditures meet the criteria to capitalize.

Unearned revenues - City Schools reports unearned revenues on its Statement of Net Position and fund balance sheet. Unearned revenues arise when resources are received by City Schools before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when City Schools has a legal claim to the resources, the liability for deferred revenue is removed and the revenue is recognized.

Compensated absences - For leave accumulation purposes, employees of City Schools are granted sick, vacation, compensatory time and personal leave in varying amounts based on length of service and bargaining unit. A limited number

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of sick, vacation, compensatory time and personal leave days may be carried forward from year to year and upon separation of employment, based on length of service and bargaining unit, employees are paid accumulated sick, vacation, compensatory time and personal leave days at appropriate formulas and rates. The unpaid vested sick, vacation, compensatory time and personal leave days have been reported as compensated absences.

Employees can accumulate a maximum of 144 to 240 vacation and personal leave days, depending on the employee's bargaining unit. Vacation, compensatory time and personal leave days may be taken either through time off or carried until paid upon separation. Accumulated vacation, compensatory time and personal leave are accrued in the government-wide financial statements.

City Schools records unpaid leave, including sick leave, at year-end in the government-wide financial statements. The total value of unpaid leave and early retirement incentive plan accrued as of June 30, 2020, was \$54.5 million. These unpaid amounts will be paid as salary or termination payments from expendable available resources provided for in the budgets of future years (Expressed in thousands).

Value of unpaid leave as of June 30, 2019	\$	50,653
Increases		37,419
Deductions		(33,585)
Value of unpaid leave as of June 30, 2020	<u>\$</u>	<u>54,487</u>

In addition to the value of unpaid leave recorded on the government-wide financial statement, City Schools records an accrual for severance pay in the governmental statement and this accrual is recorded in the general fund. The accrual for fiscal 2020 in the amount of \$3.0 million is included in the Balance Sheet Governmental Fund as Account, Salaries, and Other Payables.

The legislation (Senate Bill 795), which created the Board, states that if assets are not sufficient to fund liabilities transferred, the liabilities shall be retained by the Mayor and City Council.

Long-term Liabilities - For fund financial reporting, bond premiums and discounts, as well as issuance cost, are recognized in the period the bonds are issued. Bond proceeds are reported as other financing sources, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Restricted Net Position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments. The balance includes unspent proceeds from the sale of bonds, inventory and unspent grants.
- Imposed by law through constitutional provisions or enabling legislation.

The Board follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement 54 requires that fund balance amounts be properly reported within one of the fund balance categories listed below.

- **Nonspendable** – Includes fund balance amounts that cannot be spent. They are either (1) not in spendable form such as inventory and prepaid expenses, and /or (2) legally or contractually required to be maintained intact such as a permanent fund.
- **Restricted** – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.
- **Committed** – Includes fund balance amounts that can be used only for the specific purposes determined by formal action (Board resolution) of the Board of Education (highest level decision making authority).
- **Assigned** – Includes fund balance amounts that are intended to be used by the Board for specific purposes. The Board has delegated the authority to assign fund balance amounts, for specific purposes, to the Chief Executive Officer or their designee.
- **Unassigned** – Represents the residual classification for the Board’s general fund and includes all spendable amounts not contained in the four classifications described above. A positive fund balance in this category may only be recorded in the general fund. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

The Fund Balance Policy was approved by the Board on December 9, 2014. Per this policy, the authority to commit fund balances to a specific purpose shall be done by a resolution of City Schools’ Board of School Commissioners

Per this policy, when both restricted and unrestricted resources are available, it is the Board’s intent to utilize the restricted resources prior to the unrestricted resources. When only unrestricted resources are available, it is the Board’s intent to spend the committed resources, then the assigned resources, and finally the unassigned resources. This policy also clarifies the assignment of fund balances.

Interfund Activity - Interfund activity is reported as either reimbursements or transfers. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

City Schools has a special funding situation for the System and a special legal arrangement related to ERS. City Schools does not record a net pension liability, but is required to include the related GASB 68 pension disclosures and required supplemental information in the financial statements.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with City Schools' requirement to contribute to the City's OPEB Plan, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

City Schools has a special legal arrangement related to the plan. City Schools does not record a net OPEB liability, but includes the related GASB 75 OPEB disclosures and required supplemental information in the financial statements.

NOTE 2: BUDGETING AND BUDGETARY CONTROL

The Board operates within budget requirements for local education agencies as specified by State law or by the City Charter. The Board is required to submit an annual budget for its Governmental Fund Types to the Mayor and City Council each year. City Schools has a legally adopted annual budget which includes an approved amount from the amounts estimated to be available for the General Fund, Special Revenue Fund, and the Food Services Fund. The Capital Projects Fund has a legally adopted project based budget. In addition, the City's Board of Estimates is required to submit its recommended budget for City Schools to the City Council each year. The City Council approves the budget ordinance each year.

The Board may transfer funds between major categories with the approval of the City Council. The Board has the authority to transfer funds between objects (i.e., salaries and wages, contracted services, supplies and materials, other charges and equipment) within the major categories, but must notify the City Council of such action at the end of each month. City Schools limits spending through budgetary appropriations. These limits are established at the fund level for the General Fund and the Special Revenue Fund.

In accordance with Education Article V, Section 105, of the State of Maryland Annotated Code, the Board may not exceed the appropriation by category.

The management of City Schools is responsible for preparing the budget, monitoring budgetary expenditures, reporting on the status of the budget, and making recommendations for transfers between objects of expenditure and major categories of expenditure. All such recommendations are subject to Board and City Council approval. At year end, certain transfers had not been formally communicated to the City Council.

Unencumbered appropriations lapse at the end of each fiscal year, except in the Capital Projects Fund, where appropriations do not lapse. Encumbered appropriations are liquidated through expenditures in the subsequent fiscal year. The portion of fund balance related to lapsed appropriations must be re-appropriated through the budget to be spent.

The Required Supplementary Information Budgetary Comparison Schedule – General Fund (Non GAAP budgetary Basis) has been prepared on a legally prescribed budgetary basis of accounting that differs from GAAP. The primary difference is that the budgets are prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period.

The Required Supplementary Information Comparison Schedule has been prepared for the Special Revenue and Food Service Funds to compare the budget to actual. No difference exists between the modified accrual basis and budgetary statement.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 2: BUDGETING AND BUDGETARY CONTROL (Continued)

As of June 30, 2020, the City Schools' budgetary accounting principles differ from accounting principles generally accepted in the United States as follows for the General Fund (Expressed in thousands):

General Fund	Revenues	Expenditures	Other Financing Sources/Uses	Excess/Deficiency of Revenue & Other Financing Sources over Expenditures	Fund Balance
Report on the Budgetary Basis of Accounting	\$ 1,158,601	\$(1,079,546)	\$ -	\$ 79,055	\$ 211,507
Retirement costs paid on the City Schools' behalf by the State of Maryland	62,448	(62,448)	-	-	-
Effect of encumbrances	-	4,596	-	4,596	4,596
Transfer out to other funds	-	-	(51,513)	(51,513)	-
Report on the Basis of GAAP	<u>\$ 1,221,049</u>	<u>\$(1,137,398)</u>	<u>\$ (51,513)</u>	<u>\$ 32,138</u>	<u>\$ 216,103</u>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash, Cash Equivalents, and Short-term Investments	Governmental Funds				Total
	General	Capital Projects	Debt Service	Fiduciary Funds	
Checking	\$ 7,213	\$ -	\$ -	\$ 1,747	\$ 8,960
Money Market	205	-	48,738	8	48,951
Fixed Income Funds	-	-	-	597	597
Equity Funds	-	-	-	466	466
Subtotal - Cash, Cash Equivalents, and Short-term Investments	\$ 7,418	\$ -	\$ 48,738	\$ 2,818	\$ 58,974
Long Term Investments					
Commercial Paper	\$ 18,143	\$ -	\$ -	\$ -	\$ 18,143
U.S. Government Obligations	274,805	-	-	-	274,805
U.S Treasury Obligations	134,931	-	-	-	134,931
Subtotal - Long Term Investments	\$427,879	\$ -	\$ -	\$ -	\$427,879
Total - Cash and Cash Equivalents and Investments	\$435,297	\$ -	\$ 48,738	\$ 2,818	\$486,853

Temporary Investment of Cash Balances

City Schools, through the office of the Chief Financial Officer, pursues a cash management and investment program to achieve the maximum financial return on available funds. Depending on the projected cash needs of City Schools, excess funds may be invested on a short, intermediate or long-term basis at the best obtainable rates. Investments are generally in direct or indirect obligations of the U.S. government and are fully collateralized.

Deposits

Custodial Risk: In the case of deposits, this is the risk that in the event of a bank failure, City Schools' deposits may not be returned to City Schools. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland.

At June 30, 2020, the reported balance of City Schools' cash accounts was \$7.2 million and the bank balance was \$12.1 million. The entire bank balance was collateralized by the federal depository insurance or by collateral held by City Schools' agent in City Schools' name. School Activity Funds are collateralized at the entity level.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

City Schools' investments at June 30, 2020, are presented below. All investments are identified by investment type and individual investment maturity (Expressed in thousands).

Investment Type	Investment Maturities (In Months)				Percent	Max. allowed per Investment Policy
	Fair Value	Less Than 3	3 to 12			
Money Market Funds	\$ 48,951	\$ 48,951	\$ -		10%	100%
Commercial Paper	18,143	-	18,143		3.8%	5%
Fixed Income	597	597	-		0.1%	100%
Equity Funds	466	466	-		0.1%	100%
U.S. Government Obligations	274,805	-	274,805		57.5%	100%
U.S. Treasury Obligations	134,931	-	134,931		28.2%	100%
Total Invested Funds	\$ 477,893	\$ 50,014	\$ 427,879		100.0%	
Less: Cash Equivalents	\$ (50,014)					
Total Investments	\$ 427,879					

Investment Ratings

Ratings apply to all Money Market funds, Commercial Paper, U.S. Government Agencies, Certificates of Deposit/Bankers' Acceptance and MLGIP (Expressed in thousands).

Moody	Percent	Fair Value	S&P	Percent	Fair Value	
AAA	85.4%	407,974	AAA	0.0%	206	(1)
Aaa	0.4%	1,967	AA+	85.0%	404,735	(1)
			A-1+	3.0%	12,995	(2)
			A-1	1.0%	5,148	(2)
P-1	3.8%	18,143				(2)
Not Rated	10.4%	49,809	Not Rated	11.0%	54,809	(3)
	100.0%	\$ 477,893		100.0%	\$ 477,893	

Risk Classification

- (1) - Prime - Maximum Safety
- (2) - Upper Medium Grade
- (3) - Not Rated

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Risk Classifications

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, City Schools will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of City Schools’ investments are fully insured or collateralized as required by City School Investment Policy.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit City Schools’ exposure to fair value losses arising from increasing interest rates and to remain sufficiently liquid to enable City Schools to meet all operating requirements which might be anticipated, City Schools’ investment policy requires a minimum of 20 percent of investments be in liquid investments which include U.S. Government Securities, Maryland Local Government Investment Pool (MLGIP) Investments, Overnight Repurchase Agreements and Money Market Mutual Funds.

Credit risk – City Schools’ investment policy permits the following investment types: U.S. government and federal agencies; repurchase agreements; bankers’ acceptances; money market mutual funds; Maryland local government investment pool; certificate of deposits and time deposits; and commercial paper. Bankers’ acceptances of domestic banks and commercial paper must maintain the highest rating from one of the Nationally Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC or State Treasurer. Repurchase agreements require collateralization at 102% of the principal amount by an obligation on the United States, its agencies or instrumentalities provided the collateral is held by a custodian. Certificates of deposit or time deposits must be collateralized at 102% of the market value and held by a custodian.

Concentration of credit risk – Concentration risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As stated above, City Schools limits investments to highly rated investments in the categories discussed above. City Schools does not have any individual issuer limits. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. City Schools’ investment policy does not permit investments in Commercial Paper of more than 5% and Certificates of Deposit/Bankers’ Acceptance of more than 25% of total investments.

U.S. Government Obligations and U.S. Government Agency obligations have no set limit. As of June 30, 2020, no investments exceeded their allowable limits.

Investments and Valuation - City Schools categorizes its investments using the fair value measurements identified in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value.

City schools investments are comprised of money market funds, fixed income securities, commercial paper and U.S. government securities and are valued at their Fair Market Value (“FMVs”) or amortized cost.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

City Schools had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Balance June 30, 2020
Investments by fair value level:				
Debt Securities:				
Equity Funds	\$ 466	\$ -	\$ -	\$ 466
US Government Obligations	-	274,805	-	274,805
US Treasury Obligations	-	134,931	-	134,931
Total Debt Securities:	466	409,736	-	410,202
Equity Securities:				
Fixed Income	597	-	-	597
Commercial paper	-	18,143	-	18,143
Total Equity Securities:	597	18,143	-	18,740
Total Investments by fair value level	\$ 1,063	\$ 427,879	\$ -	\$ 428,942
Investments carried at amortized cost:				
Deposits				8,960
Money Market Mutual Funds				48,951
Total Investments at amortized cost:				57,911
Total Investments				\$ 486,853

NOTE 4: CAPITAL ASSETS

As a result of Senate Bill 795, all property granted, conveyed, devised or bequeathed for the use of the System is titled to and held in trust by the Mayor and City Council. If, with the approval of the State Superintendent, the System finds that any land, school site or building no longer is needed for school purposes, it shall be transferred to the Mayor and City Council and may be used, sold, leased or otherwise disposed of, except by gift, by the Mayor and City Council.

The property, plant and equipment held for use by the System prior to enactment of Senate Bill 795, because it is titled to and held by the Mayor and City Council, are not included in the government-wide financial statements of the System.

Certain capital project expenditures incurred by the System were for renovations and improvements to buildings held in trust by the Mayor and City Council for the System's use. These project expenditures have been capitalized in the Statement of Net Position.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: CAPITAL ASSETS (Continued)

Capital asset balances and activity for the year ended June 30, 2020 is as follows (Expressed in thousands):

	Capital Assets Balance, July 1, 2019	Additions / Transfers	Decreases / Transfers	Capital Assets Balance, June 30, 2020
Governmental activities:				
Capital Assets not being depreciated:				
Construction In Progress	\$ 183,162	\$ 304,564	\$ (325,668)	\$ 162,058
Total capital assets not being depreciated	<u>183,162</u>	<u>304,564</u>	<u>(325,668)</u>	<u>162,058</u>
Capital Assets being depreciated:				
Building Improvements	1,325,723	323,025	(34,346)	1,614,402
Furniture and equipment	58,258	2,825	(686)	60,397
Total capital assets being depreciated	<u>1,383,981</u>	<u>325,850</u>	<u>(35,032)</u>	<u>1,674,799</u>
Less accumulated depreciation				
Building Improvements	542,664	81,595	(19,055)	605,204
Furniture and equipment	50,049	2,358	(639)	51,768
Total	<u>592,713</u>	<u>83,953</u>	<u>(19,694)</u>	<u>656,972</u>
Total capital assets being depreciated, net	<u>791,268</u>	<u>241,897</u>	<u>(15,338)</u>	<u>1,017,827</u>
Governmental Activities Capital Assets, Net	<u>\$ 974,430</u>	<u>\$ 546,461</u>	<u>\$ (341,006)</u>	<u>\$ 1,179,885</u>

Depreciation expense was charged to functions/programs as follows (Expressed in thousands):

Administration	111
Mid-level Administration	1
Instruction	93
Special Education	17
Student Personnel Services	1
Student Transportation	540
Plant services	83,155
Food Services	35
Total Depreciation Expense	<u>\$ 83,953</u>

City Schools had outstanding commitments under long-term construction projects in the amount of \$67.8 million as of June 30, 2020.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: GENERAL LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2020, are as follows (expressed in thousands):

	Balance			Balance	Amounts	Amounts
	July 1, 2019	Additions	Deductions	June 30, 2020	Due Within	Due in More
					One Year	Than One
						Year
Bonds						
2009 (QSCB)	\$ 34,438	\$ -	\$ 5,751	\$ 28,687	\$ 5,733	\$ 22,954
2011 (QSCB)	42,383	-	6,905	35,478	6,875	28,603
Total Bonds Payable	\$ 76,821	\$ -	\$ 12,656	\$ 64,165	\$ 12,608	\$ 51,557
Capital Leases						
2011 Lease - 1st Niagara	\$ 2,357	\$ -	\$ 1,010	\$ 1,347	\$ 1,070	\$ 277
2011 Lease - M&T	7,497	-	2,435	5,062	2,498	2,564
2014 Lease - School Bus	136	-	136	-	-	-
2017 Computer Lease	139	-	139	-	-	-
Total Capital Leases	\$ 10,129	\$ -	\$ 3,720	\$ 6,409	\$ 3,568	\$ 2,841
Compensated Absences (1)	\$ 50,653	\$ 37,419	\$ 33,585	\$ 54,487	\$ 5,994	\$ 48,493
Total Long-term Liabilities	\$ 137,603	\$ 37,419	\$ 49,961	\$ 125,061	\$ 22,170	\$ 102,891

(1) General Fund typically funds the liquidation of the liability for compensated absences unless the current funding source for the compensated absences allows the charge.

Debt Policy

In addition to the authority granted City Schools' by Maryland State SB 773 for bonds and Section 4-306.1 of the Education Article of the Annotated Code of the State of Maryland for leases, in 2002 (revised Feb. 2012), City Schools adopted a formal debt policy which set forth the parameters for issuing debt and managing outstanding debt as well as the process for issuing debt. The scope of the policy includes the direct debt, lease obligations and loan guarantees of City Schools. The policy does not include or envision debt incurred on the behalf of City Schools by the State of Maryland or the City of Baltimore to fund the Capital Improvement Plan of City Schools.

City Schools set the policy to limit total debt service to no more than 5.0% of the then current Total General Fund Operating Budget.

At the end of fiscal 2020, City Schools' had total long-term obligations outstanding of \$70.6 million. Of this amount \$6.4 million is considered capital lease debt, \$64.2 million is for City Schools Revenue Bond debt. City Schools' annual debt service for fiscal year 2020 is below the 5.0% allowed under City Schools Debt Policy.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)

City Schools has the following loan guarantees for Charter Schools (Expressed in thousands):

	Maturity Date	Balance June 30, 2020
Baltimore Leadership School for Young Women	11/01/20	\$ 200
Baltimore Leadership School for Young Women	06/30/21	45
City Neighbors - Hamilton (15 yr)	07/01/44	10,065
Baltimore Design School	06/15/43	20,734
		<u>\$ 31,044</u>

The Charter Schools above are all legally separate entities. The loan guarantees were approved by the City School Board. In the event the Charter Schools are unable to make a payment, City Schools will be required to make that payment.

Credit Rating

In Fiscal Year 2020, the Standard & Poor’s rating for the Baltimore City Board of School Commissioners, Maryland, System Revenue Bonds did not change and remains at AA+. The AA+ rating is based on the security provided by the first-dollar intercept of the State school fund revenues directly to the trustee to cover debt service on the two issues.

Long-term Obligations

Revenue Bonds

Series 2009 Qualified School Construction Revenue Bonds

On December 17, 2009, City Schools issued the City Schools Qualified School Construction Bonds Series 2009 in the amount of \$50.8 million, maturing through the year ending June 30, 2025. The net proceeds of the Series 2009 Bonds were used to fund various capital improvements to existing schools within City Schools

The interest rates on the bonds include a Tax Credit rate of 5.90% and an interest rate of 1.25%. Interest is payable quarterly on March 15, June 15, September 15, and December 15 of each year. Principal sinking fund payments started on December 15, 2014. As of June 30, 2020, the outstanding balance on the Series 2009A Bonds is \$28.7 million.

Series 2011 Qualified School Construction Revenue Bonds

In January 2011 City Schools issued the City Schools Qualified School Construction Bonds Series 2011 in the amount of \$60.8 million, maturing through the year ending June 30, 2026. The net proceeds of the Series 2011 Bonds were used to fund various capital improvements to existing schools within City Schools.

The interest rate on the bonds is 5.692% and interest is payable semi-annually on June 15 and December 15 of each year. Principal sinking fund payments started on December 15, 2014. As of June 30, 2020, the outstanding balance on the Series 2011 Bonds is \$35.5 million.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)

Arbitrage/Yield Reduction. The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the United States Treasury at least every five years. City Schools' did not have any arbitrage liability at June 30, 2020. Bond proceeds may be invested in higher yielding investments only during a temporary period described in Regulation section 1.148-2(e). After expiration of an applicable temporary period, proceeds must be yield restricted.

The future minimum revenue bond obligations as of June 30, 2020, are as follows (Expressed in thousands):

Fiscal Year	Revenue Bonds		Total Debt
	Principal	Interest	
2021	12,608	4,097	16,705
2022	13,373	4,097	17,470
2023	16,156	4,097	20,253
2024	15,372	4,097	19,469
2025	6,038	5,511	11,549
2026	618	5,511	6,129
Total	\$ 64,165	\$ 27,410	\$ 91,575

Capital Leases

In November 2011, City Schools entered into leases with two (2) financial institutions to refinance the 2006 Energy Lease. The 2011 Refunding Lease – Key Government Finance, Inc. in the amount of \$22.3 million @ 2.755% was issued for a term of 11 years, maturing through the year ending June 30, 2022 and refunded \$24.2 million in 2006 leases. As of June 30, 2020, the outstanding balance on the 2011 Refunding Lease - 1st Niagara was \$1.3 million. The 2011 Refunding Lease - M&T in the amount of \$24.2 @ 2.582% was issued for a term of 11 years, maturing through the year ending June 30, 2022 and refunded \$22.3 million in 2006 leases. As of June 30, 2020, the outstanding balance on the 2011 Refunding Lease - M&T was \$5.1 million. City Schools had no gains or losses as a result of these refinancings.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2020, are as follows (Expressed in thousands):

Fiscal Year	Capital Leases
2021	3,694
2022	2,878
Total minimum lease payments	\$ 6,572
Less: amount representing interest	(163)
Present value of minimum lease payments	\$ 6,409

The following is a schedule of leased property under capital leases by major class as of June 30, 2020, (Expressed in thousands):

Classes of Property	
Building Improvements	\$ 63,252
Equipment	3,926
Accumulated Depreciation	(46,127)
	\$ 21,051

Amortization of assets recorded under capital leases is included in depreciation expense.

Operating Leases

City Schools has entered into an operating lease with Phillips Office Solutions to provide office equipment and a vehicle lease with Enterprise Fleet Management for Fiscal Year 2021. During the year which ended June 30, 2020, rent and lease expenditures equaled \$1.0 million, of which \$.8 million of these expenditures was made from the General Fund and \$0.2 million from grant funds. As of June 30, 2020, future minimum lease payments approximate:

Fiscal Year	Operating Leases
2021	3,125
2022	3,233
2023	3,229
	\$ 9,587

Subsequent Events

As of June 30, 2020, City Schools does not anticipate issuing any debt within the next 12 months.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES, AND TRANSFERS

(Expressed in Thousands)		
Interfund Receivable	Interfund Payables	
<u>s</u>	<u>s</u>	
General Fund	\$ -	\$ 11,017 Payable of \$1,012 to Food Services Fund, \$2,405 to Special Fund, and to Capital Projects Funds, \$7,600
Food Services Fund	1,012	- Food Services Fund receivable from General Fund
Special Revenue Fund	2,405	- Special Revenue Fund payable to General Fund
Debt Service Fund	201	- Debt Service Fund receivable from Capital Projects Fund
Capital Projects Fund	7,600	201 \$7,600 payable to Capital Projects Fund from General Fund and \$201 payable to Debt Service Fund for a net payable of \$7,399
	<u>\$ 11,218</u>	<u>\$ 11,218</u>

The interfund balances are primarily the result of City Schools' policy not to reflect cash deficits in its individual funds.

(Expressed in Thousands)				
Transfer Out	Transfer In			Total
	Debt Service	Capital Projects	Food Service	
General Fund	\$ 20,683	\$ 19,641	\$ 11,189	\$ 51,513
Capital Projects	481	-	-	481
	<u>\$ 21,164</u>	<u>\$ 19,641</u>	<u>\$ 11,189</u>	<u>\$ 51,994</u>

The interfund transfers are primarily the result of City Schools policy to transfer General Fund debt service expenditures and related funding to the Debt Service Fund, as well as transferring funding to offset Food Service operating deficits.

NOTE 7: RISK MANAGEMENT

City Schools participates in the City's Risk Management Fund. City Schools 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. The Risk Management Fund services all claims for risk of loss, including general liability property and casualty, workers' compensation, automobile physical damage and bodily injury and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750 thousand with a cap of \$150 million. Settled claims have not exceeded this commercial insurance coverage in any of the past three years ended June 30, 2020. City Schools is Self-Insured for unemployment compensation.

City Schools makes annual payments to the Risk Management Fund based on actuarial estimates provided by an actuarial consultant hired annually by City Schools and the City of Baltimore. The payment does not include coverage for unemployment compensation, the actual expense for which City Schools will reimburse the State of Maryland Unemployment Insurance Fund. City Schools was not required by the City of Baltimore to make a payment to the Risk Management fund for the year ended June 30, 2020.

Health Insurance - As of January 1, 2003, City Schools entered into an agreement with CareFirst/BlueCross BlueShield of Maryland for health insurance. City Schools' costs are based on actuarial estimates and historical cost information, City Schools underwrites 81.5% of the cost of health insurance and the employees contribute 18.5%. Actual contribution rates by the Board may vary based on actual results.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7: RISK MANAGEMENT (continued)

The health insurance is a claim made policy with an administrative fee paid to Carefirst/BlueCross BlueShield. The estimated claims incurred but not reported (IBNR) liability in the amount of \$8.5 million has been reported at the end of the year in salaries and other payables.

Changes in claims payable, recorded in the General Fund, for fiscal years 2019 and 2020 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2020				
Reserve Liability	\$ 8,000,000	\$ 73,563,789	\$ (73,063,789)	\$ 8,500,000
Total	<u>\$ 8,000,000</u>	<u>\$ 73,563,789</u>	<u>\$ (73,063,789)</u>	<u>\$ 8,500,000</u>
2019				
Reserve Liability	\$ 8,000,000	\$ 87,920,944	\$ (86,508,578)	\$ 8,000,000
Total	<u>\$ 8,000,000</u>	<u>\$ 87,920,944</u>	<u>\$ (86,508,578)</u>	<u>\$ 8,000,000</u>

NOTE 8: RETIREMENT PLANS

Teachers Retirement and Pension Systems of the State of Maryland

General Information about the Plan

Plan description - The employees of City Schools are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of City Schools are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a comprehensive annual financial report that is available to the public and can be obtained at <http://www.sra.maryland.gov>.

Benefits provided - The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retirees' benefits allowance will be computed. Some of these options require actuarial reductions based on the retirees' and/or designated beneficiary's attained age and similar actuarial factors.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8: RETIREMENT PLANS (continued)

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of either the Teachers' or Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning on July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

Contributions - City Schools and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5-7 % annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by City Schools' Board of Trustees for the System.

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers Retirement and Pension System, which for the year ended June 30, 2020 was \$23.4 million. The State's contributions on behalf of the Board for the year ended June 30, 2020 was \$62.4 million. The fiscal 2020 contribution made by the State on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2020, was 6.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2020 of \$23.4 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, City Schools did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for City Schools and City Schools pays the normal cost related to City Schools' members in the Teachers Retirement and Pension Systems; therefore, City Schools is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amount recognized by City Schools as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with City Schools was as follows (in thousands):

City Schools' proportionate share of the net pension liability	-
State's proportionate share of net pension liability of City Schools	<u>\$627,235</u>
Total	<u>\$627,235</u>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8: RETIREMENT PLANS (continued)

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2020, City Schools recognized pension expense of \$62.4 million and revenue of \$62.4 million for support provided by the State. In the Statement of Activities, the Board recognized pension expense of \$79.8 million and revenue of \$79.8 million for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, City Schools did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

Actuarial assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 11.60%, including inflation
Investment rate of return	7.40%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2019 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.40% and an inflation assumption of 2.60% were used in the June 30, 2019 valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Public Equity	37%	6.30%
Private Equity	13%	7.50%
Rate Sensitive	19%	1.30%
Credit Opportunity	9%	3.60%
Real Assets	14%	4.50%
Absolute Return	8%	3.00%
Total	<u>100%</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2019.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: RETIREMENT PLANS (continued)

Discount rate - The single discount rate used to measure the total pension liability was 7.40%. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability - Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, City Schools did not record a net pension liability related to the Teachers Retirement and Pension Systems.

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

Employees' Retirement System of the City of Baltimore

General Information about the Plan

Plan description - The Employees' Retirement System is a cost-sharing multiple employer defined benefit contributory plan that was established by City ordinance on January 1, 1926, as contained in Article 22 of the Baltimore City Code, and are amended by the Mayor and City Council. ERS covers regular and permanent employees in the general administrative service of the City and certain non-teacher employees of the Baltimore City Public School System. ERS is administered by the City of Baltimore. Responsibility for ERS's administration and operation is vested in a 7-member Board of Trustees that includes 2 mayoral appointees. ERS issues publically available financial and investment reports that can be obtained at <http://www.bcers.org/ERS>.

Benefits provided - Members automatically become a member of the plan after one year of regular and permanent employment with the City of Baltimore or Baltimore City Schools. ERS consist of four classes (A, C, D, and RSP) of membership options which determine the employees' contribution and how a retirees' benefits allowance will be computed. Employees hired on or after July 1, 1979 must join the non-contributory plan. Some of these options require actuarial reductions based on the retirees' and/or designated beneficiary's attained age and similar actuarial factors. Members of classes A, C, & D are vested after 10 years of membership service; RSP members are vested after 5 year of employment service. Classes A and C are for qualified employees hired prior to July 1, 2014; these classes are currently closed to new and rehired employees.

A member of ERS is generally eligible for full retirement benefits upon the earlier of 30 years of normal service (regardless of age) or at age 60-65 and 5 years of membership service. Members are also eligible for early retirement at the age of 55 and 5 years of membership service. Member's retirement eligibility may also vary based on the member's class. Average Final Compensation is the average of the member's annual earnable compensation on January 1 for the three successive years of service when the member's annual earnable compensation is the highest or if the member is in service January 1 for less than three successive years, than the average during the total service is used. The retirement allowance varies based on the member's class.

Contributions - Covered members' contributions range from 1-5% depending on the member's class. City School employees hired prior to July 1, 1979 must contribute to the plan at a rate of 4 percent of the employees' salary and wages unless the employee elects to transfer to the non-contributory plan. The contribution requirements of the members are established and may be amended by the Mayor and City Council of Baltimore City.

City Schools' contractually required contribution rate for the ERS for the year ended June 30, 2020, was 5.0% of participating members' salary and wages. City Schools made its share of the required contributions during the year ended June 30, 2020 of \$15.7 million.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8: RETIREMENT PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, City Schools did not report its proportionate share of the unfunded pension liability for ERS based on terms of Senate Bill (SB) 795. Under SB 795 the City of Baltimore is responsible for specific liabilities, among which City Schools has determined to be the unfunded pension liability. In accordance with SB 795, City Schools is responsible for the annual retirement contribution for City School employees participating in ERS.

The amount recognized by City Schools is its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with City Schools was as follows (in thousands):

City Schools' proportionate share of the net pension liability	-
ERS' proportionate share of net pension liability of City Schools	<u>\$109,575</u>
Total	<u>\$109,575</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Due to the special situation noted above related to ERS, City Schools did not report deferred outflows of resources and deferred inflows of resources related to ERS.

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.55% (effective 6/30/2019)
Salary increases	0.062% to 0.034%
Investment rate of return	7.00%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

Actuarial funding method:	Entry Age Normal Method. Unfunded liability amortized over 20 years
Actuarial assumptions date:	Effective 7/1/1989. Revised 6/30/2019
Post-retirement	6.50% Projected salary increases: Inflation rate, proximately 2.65%.
Cost-of-living adjustments:	1.5% for participants in pay status under age 65 and 2.0% for participants in pay status age 65 and over.

Pre-Retirement Mortality: 1. Non-line-of-Duty - Pub-2010 Total General Employee Below-Median mortality tables adjusted by 125% for males and 185% for females with future mortality improvement through 2022 using scale MP-2018.

2. Line-of-Duty - 0.005% at all ages (effective 6/30/1999).

Post-Retirement Mortality: 1. Retirees and Beneficiaries – Pub-2010 General Retiree Below-Median Weighted mortality tables adjusted by 115% for males and 125% for females with future mortality improvement through 2022 using SOA's Scale MP-2018.

2. Disabled members - Pub-2010 General Disabled Annuitant mortality tables adjusted by 163% for males and 145% for females with future mortality improvement through 2022 using SOA's Scale MP-2018.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8: RETIREMENT PLANS (continued)

The last actuarial experience study covered the period 7/1/2014 through 6/30/2018. Generally, an experience study is conducted every four years, unless requested by the ERS Board of Trustees.

Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	27%	7.50%
Defensive Equity	3%	6.70%
International Equity	20%	7.70%
Fixed Income	22%	2.60%
Real Estate	13%	6.46%
Risk Premia	2%	5.40%
Private Equity	13%	10.80%
Total	<u>100%</u>	

For the year ended June 30, 2019, the annual money-weighted rate of return of the Plan was 8.1%. The money-weighted rate of return expresses the Plan's investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate - The discount rates used to measure the total pension liability were 7.0% and 6.50%, for active and retired members, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability - The sensitivity of the pension liability schedule presents the net pension liability of the Plan calculated using the discount rate 7.00 percent for active participants and 6.5% for retired participants as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than these current discount rates.

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$149,889	\$109,575	\$75,443

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9: POST EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description - The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. All costs of the Plan for employees of the BCPSS are the responsibility of the City and reflected as such in the City's Comprehensive Annual Financial Report (CAFR). The Plan is a contributory, single employer defined benefit plan. The benefit and contribution provisions of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare and prescription drug benefits to retirees and their beneficiaries. Retirees may choose from two health plan options and four levels of coverage.

As discussed in Note 8, under Senate Bill 795 (SB 795) the City has a special legal situation with City Schools relating to specific liabilities on behalf of City Schools. As stated in Note 13, Other Postemployment Benefits, Plan Description, of the City of Baltimore 2019 and prior Comprehensive Annual Financial Reports, the City of Baltimore provides other postemployment benefits (OPEB) to all qualified City and BCPSS employees. All costs of the Plan for employees of the BCPSS are the responsibility of the City and reflected as such in their Note and the City's financial statements.

In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree related health and life insurance benefits are paid from the Trust Fund. The City also contracted with the Board of Trustees of the Employees' Retirement System to act as investment manager for the Trust Fund. BNY Mellon Bank Asset Saving is the Trust Fund's asset custodian. The Plan does not issue stand-alone financial statements; however, the OPEB Trust Fund is included in the City's financial statement as a fiduciary fund.

The number of participants in the Plan as of June 30, 2019, per actuary report was as follows:

	City	Schools	Total
Active Employees	12,214	8,727	20,941
Inactive employees or beneficiaries currently receiving benefits	10,260	5,743	16,003
Totals	22,474	14,470	36,944

Significant Accounting Policies of the OPEB Trust Fund - The financial statements for the OPEB Trust Fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments - Plan investments are reported at fair value. Securities traded on national and international exchanges are valued at the last reported sale price at the current exchange rates.

Funding Policy - The City's policy is to fund benefits on a pay-as-you-go basis plus make additional contributions comprising the federal retiree drug subsidy payments and an additional annual appropriation. Retirees are required to contribute at various rates ranging from approximately \$46 to \$1,809 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

Benefits provided - Retirees with at least five years of service are eligible for medical insurance coverage during retirement. The cost of this coverage is subsidized by the employer for those who meet certain age and service requirements. Spousal coverage is also available for eligible employees who retire.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (continued)

Contributions - Retirees pay 50% of the City of Baltimore’s full premium equivalent cost, based upon age and years of service at retirement. City Schools contractually required contribution rate for the year ended June 30, 2020, was 24.44% of City Schools’ covered-employee payroll. The City, on behalf of City Schools, contributes City Schools’ share of the required OPEB contributions. For fiscal year 2020 City Schools’ required contributions was \$29.8 million.

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

At June 30, 2020, the City reported a liability of \$1,469,103 which included City Schools’ proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The amount recognized by City Schools is its proportionate share of the net OPEB liability and the total portion of the net OPEB liability that was associated with City Schools was as follows:

City Schools’ proportionate share of the net OPEB liability	-
City’ proportionate share of net OPEB liability of City Schools	<u>\$359,055</u>
Total	<u>\$359,055</u>

Actuarial assumptions - The total net OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.10% , average, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	0.0% from 2019 to 2020, decreasing to an ultimate rate of 3.84% for 2075

Mortality rates were based on the RP-2014 Employee Mortality Tables with Generational Projection Using MP-2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation

Discount rate - The discount rate used to measure the total OPEB liability was 7.00 percent. This discount rate was determined based on the extent future assets are sufficient to cover projected benefits. This may require the use of a “blended-rate” using the Plan’s long-term rate of return and AA/Aa or higher 20-year tax-exempt general obligation bond rate.

Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the proportionate share of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability, as if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability	\$ 436,107	\$ 359,055	\$ 296,499

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (continued)

Sensitivity of the proportionate share of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability, as if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 6.00%	Healthcare Cost Trend Discount Rate 7.00%	1% Increase 8.00%
Net OPEB liability	\$ 283,484	\$ 359,055	\$ 455,029

OPEB plan fiduciary net position - Detailed information about the OPEB plan’s fiduciary net position is available in the City of Baltimore’s annual financial statements.

<https://comptroller.baltimorecity.gov/audits/reports>

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10: FUND BALANCE

Fund Balance at June 30, 2020 consists of the following (Expressed in thousands):

	General Fund	Special Revenue Fund	Capital Projects Fund	Food Services Fund	Debt Service Fund	Total
Fund Balances						
Nonspendable for:						
Inventory	\$ -	\$ -	\$ -	\$ 1,194	\$ -	\$ 1,194
Prepays	438	-	-	-	-	438
Total Nonspendable	438	-	-	1,194	-	1,632
Committed						
Budget Stabilization	20,000	-	-	-	-	20,000
Restricted						
Third Party Billing	-	27,479	-	-	-	27,479
Capital	-	-	22,692	-	-	22,692
Food Service	-	-	-	277	-	277
Debt Service	-	-	-	-	346	346
Total Restricted	-	27,479	22,692	277	346	50,794
Assigned						
Regular programs	11,169	-	-	-	-	11,169
Special education	10,811	-	-	-	-	10,811
Administration	6,161	-	-	-	-	6,161
Mid-level administration	1,153	-	-	-	-	1,153
Plant services	6,883	-	-	-	-	6,883
Student transportation services	5,555	-	-	-	-	5,555
Food Services deficit	24,000	-	-	-	-	24,000
ERP system	26,364	-	-	-	-	26,364
Technology, Connectivity Support Project	9,000	-	-	-	-	9,000
PPE, barriers, Signage Projects	8,000	-	-	-	-	8,000
Transition funds for Collington Square from Charter School Operator	124	-	-	-	-	124
Lighting Project Pilot	3,000	-	-	-	-	3,000
Building Perparation, Cleaning, Safety and Enhancement Projects	9,000	-	-	-	-	9,000
Air Conditioning Project	5,225	-	-	-	-	5,225
Elevator Project	900	-	-	-	-	900
Maree G. Farring E/M School	6,000	-	-	-	-	6,000
FY 2020 Adopted budget - Other financing sources	15,300	-	-	-	-	15,300
Total Assigned	148,645	-	-	-	-	148,645
Unassigned						
Litigation Contingency	3,000	-	-	-	-	3,000
Other contingencies	44,020	-	-	-	-	44,020
	47,020	-	-	-	-	47,020
Total fund balances	\$216,103	\$27,479	\$ 22,692	\$ 1,471	\$ 346	\$268,091

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 11: ENCUMBRANCES

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

Encumbrances at June 30, 2020 are included in assigned general fund balance and are for the following uses (Expressed in thousands):

	<u>General Fund</u>
Instruction:	
Regular programs	\$ 11,169
Special education	10,811
Supporting services:	
Administration	6,161
Mid-level administration	1,153
Plant services	6,883
Student transportation services	5,555
	\$ 41,732

NOTE 12: LITIGATION AND CONTINGENCIES

In the normal course of operation, City Schools is subject to lawsuits and claims not covered by the Risk Management Fund. Since City Schools participates in the Risk Management Fund, the City provides for the estimated losses on certain outstanding claims above a certain amount (Note 7). City Schools accrues for estimated claims liabilities not covered by the Risk Management Fund. In the opinion of management, the disposition of lawsuits and claims that have not been accrued will not have a material effect on City Schools' financial position or results of operations. There are certain lawsuits pending that have not been accrued because the probability of loss cannot be reasonably estimated; however, City Schools has earmarked \$3.0 million of the unassigned fund balance for such contingencies.

City Schools receives grant funds, principally from the United States Government and the State of Maryland, for various programs. Certain expenditures of these funds are subject to audit by the grantors, and City Schools is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management, no material refunds will be required as a result of expenditures disallowed by the grantors.

As described in Note 5, at June 30, 2020, City Schools has \$31.0 million in loan guarantees to Charter Schools as follows: Baltimore Leadership School for Young Women in the amount of \$0.2 million, City Neighbors Hamilton in the amount of \$10.1 million and the Baltimore Design School in the amount of \$20.7 million. In the event of default, City Schools will assume the liability for the loan and take ownership of the related building.

NOTE 13: COMPARATIVE SUMMARIZED TOTALS

The amounts shown for 2019 in the accompanying financial statements are included only to provide a basis for comparison with 2020 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles. Certain reclassifications have been made to the 2019 summarized financial statements in order to conform to the presentation used in 2020.

BALTIMORE CITY PUBLIC SCHOOL SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14: CONTINGENCIES AND COMMITMENTS

As disclosed in NOTE 8, City Schools did not report its proportionate share of the unfunded pension liability for ERS based on the terms in Senate Bill (SB) 795. Under SB 795 the City of Baltimore is responsible for specific liabilities, among which City Schools has determined to be the unfunded pension liability.

REQUIRED SUPPLEMENTARY INFORMATION

Baltimore City Public Schools
General Fund (Non GAAP Budgetary Basis)
Schedule of Revenue, Expenditures and Changes in
Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Net Change</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
State of Maryland	\$ 850,213	\$ 858,646	\$ 857,206	\$ (1,440)
City of Baltimore	278,412	280,520	280,520	-
Federal sources	5,400	5,400	2,850	(2,550)
Local sources:				
Interest earnings	250	250	7,092	6,842
Other revenue	6,110	8,433	10,933	2,500
Other Financing Sources	22,000	22,000	-	(22,000)
Total revenues	<u>1,162,385</u>	<u>1,175,249</u>	<u>1,158,601</u>	<u>(16,648)</u>
Expenditures				
Instruction:				
Regular programs	402,766	413,118	402,039	11,079
Special education	182,257	186,982	169,583	17,399
Supporting services:				
Student personnel services	16,255	16,030	13,420	2,610
Student health services	144	97	3	94
Administration	55,964	54,024	44,328	9,696
Mid-level administration	75,297	77,206	76,481	725
Plant services	119,330	122,980	118,178	4,802
Fringe ⁽¹⁾	240,288	231,226	214,301	16,925
Student transportation services	49,326	51,769	41,213	10,556
Debt service:				
Principal retirement and, interest ⁽²⁾	20,758	21,817	-	21,817
Total expenditures	<u>1,162,385</u>	<u>1,175,249</u>	<u>1,079,546</u>	<u>95,703</u>
Excess of Revenues and Other Financing Sources				
Over Expenditures - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,055</u>	<u>\$ 79,055</u>
Adjustments				
Current Year Encumbrances			41,732	
Prior Year Encumbrances			(37,136)	
Transfers out - Other Funds ⁽²⁾			<u>(51,513)</u>	
Excess of Revenues and Other Financing Sources				
Over Expenditures - GAAP Basis			32,138	
Fund Balance - Beginning of Year			<u>183,965</u>	
Fund Balance - End of Year			<u>\$ 216,103</u>	

(1) Fringe is reported as a separate line item but is allocated in the Statement of Activities and the Changes in Fund Balance.

(2) Principal and Interest payments transferred to the Debt Service Fund.

**Baltimore City Public Schools
Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in
Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Net Change with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State of Maryland	\$ 692	\$ 48,536	\$ 37,574	\$ (10,962)
Federal sources	104,262	215,784	116,819	(98,965)
Local sources:				
Other revenue		5,972	1,614	(4,358)
Total revenues	<u>104,954</u>	<u>270,292</u>	<u>156,007</u>	<u>(114,285)</u>
Expenditures				
Instruction:				
Regular programs	63,829	166,546	\$ 87,671	78,875
Special education	14,517	20,724	16,684	4,040
Supporting services:				
Student personnel services	4,664	4,203	3,919	284
Student health services		3,493	1,213	2,280
Administration	4,874	10,298	6,558	3,740
Mid-level administration	4,799	10,082	9,027	1,055
Plant services		475	159	316
Capital outlay			-	-
Fringe *	12,204	42,261	27,180	15,081
Student transportation services	67	740	434	306
Food services		11,470	-	11,470
Community services			-	-
Total expenditures	<u>104,954</u>	<u>270,292</u>	<u>152,845</u>	<u>117,447</u>
Excess of Revenues and Other Financing Sources Over Expenditures - GAAP Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>
Fund Balance - Beginning of Year			<u>24,317</u>	
Fund Balance - End of Year			<u>\$ 27,479</u>	

* Fringe is reported as a separate line item but is allocated in the Statement of Activities and the Changes in Fund Balance

**Baltimore City Public Schools
Food Service Fund
Schedule of Revenue, Expenditures, and Changes in
Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2020**

(Expressed in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Net Change</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
Revenues				
State of Maryland	\$ 750	\$ 750	\$ 754	\$ 4
Federal sources	54,531	54,531	36,218	(18,313)
Local sources:				
Other revenue	<u>23</u>	<u>23</u>	<u>39</u>	<u>16</u>
Total revenues	<u>55,304</u>	<u>55,304</u>	<u>37,011</u>	<u>(18,293)</u>
Expenditures				
Instruction:				
Regular programs	-	-	-	-
Special education	-	-	-	-
Supporting services:				
Student personnel services	-	-	-	-
Student health services	-	-	-	-
Administration	-	-	-	-
Mid-level administration	-	-	-	-
Plant services	-	-	-	-
Capital outlay	-	-	-	-
Fringe *	9,213	9,213	9,205	8
Student transportation services	-	-	-	-
Food services	46,091	46,091	38,995	7,096
Community services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>55,304</u>	<u>55,304</u>	<u>48,200</u>	<u>7,104</u>
Excess of Revenues and Other Financing Sources Over Expenditures - GAAP Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,189)</u>	<u>\$ (11,189)</u>
Other Financing Sources (uses)				
Transfer in from other funds			<u>11,189</u>	<u>11,189</u>
Fund Balance - Beginning of Year			<u>1,471</u>	
Fund Balance - End of Year			<u>\$ 1,471</u>	

* Fringe is reported as a separate line item but is allocated in the Statement of Activities and the Changes in Fund Balance

Baltimore City Public Schools
Schedule of Proportionate Share of Net Pension Liability
And Schedule of Contributions
Last Ten Fiscal Years
(amounts in thousands)

	2020	2019	2018	2017	2016	2015**	2014*	2013*	2012*	2011*
City Schools' proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
City Schools' proportionate share of the net pension liability	-	-	-	-	-	-				
State's proportionate share of net pension liability of City Schools	<u>627,235</u>	<u>691,991</u>	<u>691,026</u>	<u>1,133,628</u>	<u>884,420</u>	<u>661,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 627,235</u>	<u>\$ 691,991</u>	<u>\$ 691,026</u>	<u>\$ 1,133,628</u>	<u>\$ 884,420</u>	<u>\$ 661,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City schools' covered payroll	\$ 538,167	\$ 527,211	\$ 525,582	\$ 543,668	\$ 556,555	\$ 561,026				
City schools' proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
Plan Fiduciary net position as a percentage of the total pension liability	75.43%	71.18%	69.38%	65.79%	68.78%	71.87%				
	2020	2019	2018	2017	2016	2015	2014	2013	2012*	2011*
Contractually required contribution	\$ 23,370	\$ 24,102	\$ 24,795	\$ 23,202	\$ 24,093	\$ 20,955	\$ 16,400	\$ 12,900		
Contributions in relation to the contractually required contribution	<u>(23,370)</u>	<u>(24,102)</u>	<u>(24,795)</u>	<u>(23,202)</u>	<u>(24,093)</u>	<u>(20,955)</u>	<u>(16,400)</u>	<u>(12,900)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Schools' covered payroll	\$ 564,587	\$ 538,167	\$ 527,211	\$ 525,582	\$ 543,668	\$ 556,555	\$ 561,026	\$ 538,182		
Contributions as a percentage of covered payroll	4.14%	4.48%	4.70%	4.41%	4.43%	3.77%	2.92%	2.40%		

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

** City Schools was required to report the proportionate share of net pension liability beginning June 30, 2015

Baltimore City Public Schools
Notes – Schedule of Contributions
Teachers Retirement and Pension System

Teachers Retirement and Pension Systems of the State of Maryland

NOTE 1 - CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 - CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2020 valuation:

- Inflation assumptions changed as follows:
 - 6/30/2019 2.60%
 - 6/30/2018 2.60%
 - 6/30/2017 2.65%
 - 6/30/2016 2.70%
 - 6/30/2015 2.70%
- Investment return assumption changed as follows:
 - 6/30/2019 7.40%
 - 6/30/2018 7.50%
 - 6/30/2017 7.50%
 - 6/30/2016 7.55%
 - 6/30/2015 7.65%

Baltimore City Public Schools
Schedule of Contributions
Employees Retirement System of the City of Baltimore
Last Ten Fiscal Years
(amounts in thousands)

	2020	2019	2018	2017	2016	2015	2014*	2013*	2012*	2011*
City Schools' proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
City Schools' proportionate share of the net pension liability	-	-	-	-	-	-				
ERS' proportionate share of net pension liability of City Schools	<u>109,575</u>	<u>125,125</u>	<u>182,017</u>	<u>212,806</u>	<u>153,634</u>	<u>134,652</u>	-	-	-	-
Total	<u>\$ 109,575</u>	<u>\$ 125,125</u>	<u>\$ 182,017</u>	<u>\$ 212,806</u>	<u>\$ 153,634</u>	<u>\$ 134,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City schools' covered payroll	\$ 88,089	\$ 82,140	\$ 70,933	\$ 80,469	\$ 78,259	\$ 77,287				
City schools' proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
Plan Fiduciary net position as a percentage of the total pension liability	69.80%	64.30%	62.20%	58.70%	61.20%	68.00%				
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 15,453	\$ 15,730	\$ 16,402	\$ 15,580	\$ 15,400	\$ 14,389	\$ 13,360	\$ 12,016	\$ 10,741	\$ 8,994
Contributions in relation to the contractually required contribution	<u>(15,453)</u>	<u>(15,730)</u>	<u>(16,402)</u>	<u>(15,580)</u>	<u>(15,400)</u>	<u>(14,389)</u>	<u>(13,360)</u>	<u>(12,016)</u>	<u>(10,741)</u>	<u>(8,994)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Schools' covered payroll	\$ 95,583	\$ 88,089	\$ 82,140	\$ 70,933	\$ 80,469	\$ 78,259	\$ 77,287	\$ 69,376	\$ 64,395	\$ 65,566
Contributions as a percentage of covered payroll	16.17%	17.86%	19.97%	21.96%	19.14%	18.39%	17.29%	17.32%	16.68%	13.72%

* Information unavailable

Baltimore City Public Schools
Notes – Schedule of Contributions
Employees Retirement System of the City of Baltimore

NOTE 1 - CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 - CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2020 valuation:

- Inflation assumptions changed as follows:
 - 6/30/2019 2.60%
 - 6/30/2018 2.60%
 - 6/30/2017 2.65%
 - 6/30/2016 2.70%
 - 6/30/2015 2.70%
- Investment return assumption changed as follows:
 - 6/30/2019 7.40%
 - 6/30/2018 7.50%
 - 6/30/2017 7.50%
 - 6/30/2016 7.55%
 - 6/30/2015 7.65%

Baltimore City Public Schools
Schedule of City Schools' Proportionate Share of the Net OPEB Liability
City of Baltimore Postemployment Benefit Plan
Last Ten Fiscal Years
(amounts in thousands)

	2020	2019	2018	2017	2016 *	2015 *	2014 *	2013 *	2012 *	2011 *
Total OPEB liability										
Service cost	\$ 52,654	\$ 29,956	\$ 30,838	\$ 29,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	149,945	100,281	94,514	93,367	-	-	-	-	-	-
Changes of benefit terms	-	563,734	-	-	-	-	-	-	-	-
Differences between expected and actual experience		(210,824)	-	-	-	-	-	-	-	-
Differences between expected and actual return on investments	-	-	-	-	-	-	-	-	-	-
Changes of assumptions	(103,175)	304,959	30,644	-	-	-	-	-	-	-
Benefit payments	(104,936)	(97,821)	(106,352)	(106,880)	-	-	-	-	-	-
Net change in total OPEB liability	(5,512)	690,285	49,644	16,139	-	-	-	-	-	-
Total OPEB liability - beginning	\$ 2,140,993	\$ 1,450,708	\$ 1,401,064	\$ 1,384,925						
Total OPEB liability - ending (a)	\$ 2,135,481	\$ 2,140,993	\$ 1,450,708	\$ 1,401,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 121,951	\$ 124,579	\$ 163,109	\$ 138,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	35,823	58,021	-	-	-	-	-	-
Net investment income	866	33,133	34,793	46,166	-	-	-	-	-	-
Net investment expense	-	-	(1,860)	-	-	-	-	-	-	-
Benefit payments	(104,936)	(97,821)	(159,818)	(164,901)	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	17,881	59,891	72,047	78,217	-	-	-	-	-	-
Total fiduciary net position - beginning	\$ 648,497	\$ 588,606	\$ 516,559	\$ 438,342						
Total fiduciary net position - ending (b)	\$ 666,378	\$ 648,497	\$ 588,606	\$ 516,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 1,469,103	\$ 1,492,496	\$ 862,102	\$ 884,505	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total OPEB liability	31.21%	30.29%	40.57%	36.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 1,352,753	\$ 1,196,671	\$ 1,345,680	\$ 1,464,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a percentage of covered payroll	108.60%	124.72%	64.06%	60.42%	0%	0%	0%	0%	0%	0%

* Information unavailable

**Notes – Schedule of Net OPEB Liability
for the Year Ended June 30, 2020**

Notes to Schedule:

As discussed in Note 8, under Senate Bill 795 (SB 795) the City has a special legal situation with City Schools which requires the City to assume specific liabilities on behalf of City Schools. All costs on the Plan for employees of City Schools are the responsibility of the City and reflected as such in the City's Comprehensive Annual Financial Report (CAFR). The OPEB data reported in the schedule includes that for the City and City Schools.

Changes of assumptions.

New baseline per capita claims cost were developed for the current valuation.

Updated Getzen model trend assumptions were used for current valuation.

Entry age normal actuarial method replaces Projected Unit Credit

Baltimore City Public Schools
Schedule of City Schools' Contributions
City of Baltimore Postemployment Benefit Plan
Last Ten Fiscal Years
(amounts in thousands)

	2020	2019	2018	2017	2016	2015*	2014*	2013*	2012*	2011*
City Schools Statutorily required contribution	\$ 29,805	\$ 29,805	\$ 29,805	\$ 29,805	\$ 29,805	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	(29,805)	(29,805)	(29,805)	(29,805)	(29,805)	-	-	-	-	-
Annual contribution deficiency(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 660,170	\$ 626,256	\$ 607,722	\$ 614,601	\$ 637,024	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	4.51%	4.76%	4.90%	4.85%	4.68%	0.00%	0.00%	0.00%	0.00%	0.00%

* Information unavailable



London Thomas, 6th Grade
Dreaming of Friday
Tempera on Acetate
Calvin Rodwell Elementary/Middle School, #256
Brittany Carr, Teacher

Baltimore City Public Schools
Capital Projects Fund – Budgetary Comparison
For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

Description	<u>Capital Projects (School Renovations)</u>				
	Total	Current		Unexpended	Unexpended
	Appropriation	Prior Years	Years	Encumbered	Appropriation
		Expenditures	Expenditures		
<u>Building Renovations & Additions</u>					
ARLINGTON ELEMENTARY	\$ 40,640	\$ 1,128	\$ 37,528	\$ 1,762	\$ 222
ARUNDEL ELEMENTARY	41,178	41,178	(27)	-	-
BAY-BROOK ELEMENTARY	39,935	45	39,891	-	-
CALVIN RODWELL ELEMENTARY	36,199	42	36,157	-	-
FAIRMOUNT-HARFORD HIGH	50,098	-	50,098	-	-
GRACELAND PARK-ODONNELL HEIGHTS	39,738	13,341	20,996	5,734	-
HOLABIRD ELEMENTARY	33,271	5,361	21,183	4,930	1,797
JOHN RUHRAH ELEMENTARY	43,875	41	43,834	-	-
ROBERT POOLE MIDDLE	626	-	626	-	-
	<u>\$ 325,560</u>	<u>\$ 61,136</u>	<u>\$ 250,286</u>	<u>\$ 12,426</u>	<u>\$ 2,019</u>
<u>Systemic Remodeling</u>					
Interior Renovations	\$ 12,863	\$ 526	\$ 3,169	\$ 34	\$ 9,134
Boiler Projects	5,206	50	428	1,546	3,182
Chiller Projects	7,488	-	1,421	4,769	1,298
Elevator Projects	5,006	645	915	359	3,087
Roof Projects	30,976	644	10,529	3,608	16,195
Window Projects	5,125	983	1,802	457	1,883
Fire Protection Systems	12,055	2,735	1,665	2,200	5,455
HVAC Projects	93,369	10,311	28,221	37,417	17,420
Various Systemic Projects	33,043	3,351	6,128	4,989	18,575
	<u>\$ 205,131</u>	<u>\$ 19,245</u>	<u>\$ 54,278</u>	<u>\$ 55,379</u>	<u>\$ 76,229</u>
Non Capitalized Costs	104	104	-	-	-
Totals	<u>\$ 530,795</u>	<u>\$ 80,485</u>	<u>\$ 304,564</u>	<u>\$ 67,805</u>	<u>\$ 78,248</u>

Baltimore City Public School System
Statement of Changes in Fiduciary Assets and Liabilities
School Activity and Cable Funds
For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	School	Cable	
	Activity	Fund	Total
	Fund	Fund	
Assets			
Cash and cash equivalents			
Beginning Balance, July 1, 2019	1,868	1,160	\$ 3,028
Additions	2,495	57	2,552
Deductions	(2,615)	(147)	(2,762)
Ending Balance, June 30, 2020	<u>\$ 1,748</u>	<u>\$ 1,070</u>	<u>\$ 2,818</u>
Liabilities			
Due to student groups and others			
Beginning Balance, July 1, 2019	\$ 1,868	\$ 1,160	\$ 3,028
Additions	2,495	57	2,552
Deductions	(2,615)	(147)	(2,762)
Ending Balance, June 30, 2020	<u>\$ 1,748</u>	<u>\$ 1,070</u>	<u>\$ 2,818</u>