

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**FINANCIAL REPORT**  
**AS OF JUNE 30, 2022 AND FOR THE YEAR THEN ENDED**

# BOARD OF EDUCATION OF ALLEGANY COUNTY

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INDEPENDENT AUDITORS' REPORT

Board of Education of Allegany County  
Cumberland, Maryland

**Report on the Audit of the Financial Statements****Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland, (“the Board”) a component unit of Allegany County, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Allegany County, Maryland, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, Reconciliation of Budgetary Basis to GAAP, the schedule of net other post-employment benefit liability and related ratios, retiree post-employment benefits – schedule of changes in the Board's net OPEB and related ratios, schedule of the Board's proportionate share of the net pension liability – Maryland State Retirement and Pension System, schedule of the Board's contributions - Maryland State Retirement and Pension System and on pages four (4) through


nineteen (19) and sixty-six (66) through seventy-six (76) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Allegany County, Maryland's basic financial statements. The accompanying School Activities - Increases, Decreases and Balances by School and the Statement Concerning Debt Service Fund for Public School Construction are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 School Activities – Increases, Decreases and Balances by School and the Statement Concerning Debt Service Fund for Public School Construction are 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 December 12, 2022, on our consideration of the Board of Education of Allegany County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Cumberland, Maryland  
December 12, 2022

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2022**

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Our discussion and analysis of The Board of Education of Allegany County's financial performance provides an overview of the School System's financial activities for the fiscal years ended June 30, 2022 and 2021, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

The goal of Management's Discussion and Analysis (MD&A) is for the School System's financial managers to provide the reader an easy-to-understand overview and analysis of the school district's financial position and results of operations for the year based on currently known facts, decisions, and conditions.

**FINANCIAL HIGHLIGHTS**

On a system-wide basis the net position of the School System increased by \$11,194,488 (8.15%) during the fiscal year ended June 30, 2022 when compared to fiscal 2021's net position. Cash decreased by \$5,573,070 (13.68%) to \$35,159,098 from the prior year of \$40,732,168 while Accounts Payable decreased by \$268,253 from \$3,799,802 to \$3,531,549, or 7.06%.

Total Governmental Funds revenues for the fiscal year ended June 30, 2022, were \$162,542,883. This represents an increase of \$14,278,698 (9.63%) over the prior fiscal year. The system received an increase of \$5,750,428 in School Construction revenues based upon the timing of the completion of construction projects in progress compared to the prior year's funding for construction still in process. The district also saw an overall increase of \$5,300,061 in Restricted revenues which was driven by CARES and Blueprint spending. State direct revenues within the Restricted fund increased by \$1,454,786 which relates to the Blueprint for Maryland's Future funding for 2022 and additional funding to assist with student learning loss. Federal – received through state Food Services revenue increased by \$2,221,256 as school was basically “in person” for the year as the federal government continued its feeding program where all students received free breakfast and free lunches. The school system received less unrestricted state aid this fiscal year. State direct revenues within the General fund decreased by \$743,686 (0.88%). However, payments from Allegany county government including Direct and “On Behalf” payments increased by \$1,157,156 or 3.61%.

Total Governmental Funds expenses for the fiscal year ended June 30, 2022 were \$153,242,704. This represents an increase of \$14,524,970 (10.47%) from the prior fiscal year. This increase was mainly attributable to restricted CARES grant expenditures for items such as technology, virtual learning platform, online resources, personal protective equipment, summer school and tutoring opportunities. Spending increased within the restricted fund by \$5,300,061 or 30.26% compared to the prior year. School Construction projects increased by \$3,854,858 or 146.51% as the district finished two roof projects and also had significant costs incurred relating to the Greenway Avenue project. Food services costs increased by \$718,308 as the number of meals served increased as a result of the year being “in person” compared to the prior year which had several “virtual learning” breaks as a result of COVID. Fixed charges within the Current

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2022**

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Expense fund increased by \$3,166,943 or 11.65% as a result of increasing healthcare costs compared to the prior year.

The Current Expense Fund total fund balance as of June 30, 2022, was \$31,893,073. This represents a decrease of \$634,361 (1.95%) to the fund balance from June 30, 2021. The majority of the shortfall is attributable to \$3,500,000 that was amended in the budget for the phase two and phase three upgrades at Greenway Avenue stadium. The stabilization of healthcare claims, decreases in instructional salaries, decreases in special education and student transportation had a positive impact on the school system's financial status during fiscal 2022. There were still many expenses that were not incurred during the fiscal year as a result of changes in instruction due to COVID. This would include limited professional development opportunities, no outdoor school, and limited field trips.

The Current Expense Fund unassigned fund balance as of June 30, 2022, was \$31,843,073. This represents a decrease of \$634,361 (1.95%) from unassigned fund balance at June 30, 2021.

Current Expense Fund revenues were below the final budget by \$5,371,617 (4.41%). The system amended the budget to use \$3,500,000 of fund balance in fiscal 2022, to make upgrades to Greenway Avenue stadium. These upgrades include the addition of an eight lane track and the replacement of the visitor side bleachers. The district also budgeted \$2,072,784 in unrestricted revenue for the Blueprint Tutoring grant. The grant was ultimately accounted for in the Restricted fund. Revenue relating to the state's portion of non-public placements were below budget by \$95,047.

Current Expense Fund expenses and other financing sources (uses) were under budget by \$4,737,256 (3.88%). The system controls labor costs by evaluating positions that come open during the school year. Also, as a result of COVID, there were several programs that were not able to occur during the course of the year that had been budgeted such as Outdoor School and some after-school programs. Fixed charges were also positive based upon healthcare expense allocations being less than budgeted. Maintenance and operations were under budget due to controlling labor costs and not having major building incidents or major equipment failures. Transportation was positive after the addition of a budget amendment to purchase additional radios for the fleet to be compliant with the new 911 system in the state of Maryland.

The unrestricted final General Fund budget for revenues increased by \$4,571,611 (3.90%) to \$121,940,696 compared to the \$117,369,085 budget for the period ended June 30, 2021. The school system received funding from county government of \$31,854,912. This funding represents the legal maintenance of effort. Although state revenue declined when compared to prior year, the state's funding represented an overall funding increase when restricted Blueprint for Maryland's Future funding is considered. This funding was prioritized by the state for fiscal 2021 and 2022 and is based upon the recommendations of the Commission on Innovation and Excellence in Education (commonly known as the Kirwan Commission).



**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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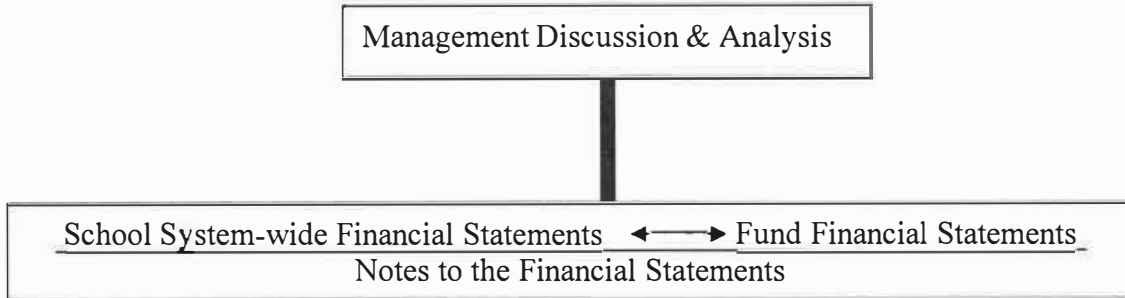
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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2022**

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**BASIC FINANCIAL STATEMENTS**



The illustration above represents the minimum requirements for the general-purpose external financial statements.

**School System-wide Financial Statements**

In addition to the MD&A, the System-wide Financial Statements are the other primary addition to financial reporting under GASB Statement No. 34. The System-wide perspective is designed to provide readers with a complete financial view of the entity known as The Board of Education of Allegany County. The financial presentation of this perspective is similar to a private sector business. An analysis of the School System as a whole and as to whether it is better off as a result of the year's activities is reflected in the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* presents information on all of the assets and liabilities of the School System with the difference between the two reported as *net position*. Over time, increases or decreases in the System's net position are one indicator as to whether the System's financial health is improving or deteriorating. Keep in mind to consider other non-financial factors to assess the overall health of the System. Deferred Outflows and Deferred Inflows are reported on the *Statement of Net Position*. The *Statement of Activities* presents information showing how the School System's net position changed during the most recent fiscal year.

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid. This means that any change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (like earned, but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

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**Management's Discussion and Analysis (MD&A)**  
**June 30, 2022**

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**Fund Financial Statements**

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Education of Allegany County uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The School System's funds are comprised of three categories: government funds, proprietary funds and fiduciary funds. Government funds include the unrestricted General Fund, restricted General Fund, Food Service and School Construction Funds. Proprietary funds include the Information Technology Fund. Fiduciary funds include School Activities, Retiree Insurance Benefit Trust, Retiree Insurance Benefit Plan and Retiree Health Plan Trust Funds.

The measurement focus of these statements is current financial resources; therefore, the emphasis is placed on the cash flows of the organization within the reporting period or in the near future. Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of The Board of Education of Allegany County, open encumbrances are excluded from expenditures in all funds, except for the restricted General Fund.

Budgetary presentation of individual fund financial information, utilizing the current financial resources, measurement focus and the budgetary basis of accounting, is presented as part of the Fund Financial Statements as well. In these statements, available cash flows of the School System are measured, as well as the commitment to acquire goods or services with such cash flows.

This is the legal basis upon which the budget is adopted so budget comparisons are provided.

The table below presents the differences in the presentation of the basic financial statements.

|                            | <b>School System-wide Statements</b> | <b>Fund Statements</b>      | <b>Budgetary Fund Statements</b> |
|----------------------------|--------------------------------------|-----------------------------|----------------------------------|
| <b>Measurement Focus</b>   | Economic Resources                   | Current Financial Resources | Current Financial Resources      |
| <b>Basis of Accounting</b> | Accrual                              | Modified Accrual            | Cash and Commitments             |
| <b>Budget</b>              | No                                   | No                          | Yes                              |

**Fiduciary Responsibility - School Activity Fund, Retiree Insurance Benefit Plan Fund, Retiree Insurance Benefit Trust, And Retiree Health Plan Trust Funds**

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2022**

The School System is the trustee for four fiduciary funds: the School Activity Fund, the Retiree Insurance Benefit Plan Fund, the Retiree Insurance Benefit Trust, and Retiree Health Plan Trust Fund. These funds are reported as separate Agency Funds. The trust funds are included in the Government Wide Statement of Net Position as a result of GASB 75. We are responsible for ensuring that the assets reported in the School Activity Fund, Retiree Insurance Benefit Plan Fund, Retiree Insurance Benefit Trust, and Retiree Health Plan Trust Fund are used for their intended purpose.

The unrestricted portion of net position at June 30, 2022, of \$14,734,752 is the result of combining the unreserved fund balances of the Governmental Funds with the unreserved fund balances of the Business-type Activities. This represents an increase of \$1,208,518 from the prior year where the unrestricted net position showed \$13,526,234.

We are committed by employee agreements to pay most employees at retirement their earned, unused sick leave up to 140 days at \$30 per day. The long-term portion of compensated absences is \$1,929,693 and is the amount we expect to pay beyond June 30, 2023. This liability is funded on a "pay as you go" basis from current financial resources.

|   | Total Cost of Services |                       |              | Net (Expense) Revenue   |                         |               |
|---|------------------------|-----------------------|--------------|-------------------------|-------------------------|---------------|
|   | June 30, 2022          | June 30, 2021         | % Change     | June 30, 2022           | June 30, 2021           | % Change      |
| Administration                              | \$ 1,614,484           | \$ 2,173,067          | -25.70%      | \$ (1,443,956)          | \$ (2,078,576)          | -30.53%       |
| Mid-level Administration                    | 7,827,506              | 7,282,774             | 7.48%        | (7,037,805)             | (6,998,184)             | 0.57%         |
| Instruction (Regular and Special Education) | 74,721,020             | 73,092,302            | 2.23%        | (59,977,240)            | (59,734,779)            | 0.41%         |
| Student Personnel and Health Services       | 1,527,864              | 1,261,548             | 21.11%       | (1,303,463)             | (1,195,139)             | 9.06%         |
| Student Transportation                      | 6,599,006              | 5,662,574             | 16.54%       | (6,208,959)             | (5,646,552)             | 9.96%         |
| Operation, Maintenance and Capital Outlay   | 12,127,458             | 9,967,404             | 21.67%       | (483,891)               | (5,950,430)             | -91.87%       |
| Fixed Charges                               | 35,230,332             | 31,433,113            | 12.08%       | (23,803,554)            | (21,194,974)            | 12.31%        |
| Community Services                          | 1,109,687              | 764,334               | 45.18%       | 681                     | (5,600)                 | -112.16%      |
| Food Services                               | 4,883,280              | 4,047,548             | 20.65%       | 838,000                 | (700,182)               | -219.68%      |
| Depreciation & Other                        | 5,495,169              | 5,600,379             | -1.88%       | (5,495,169)             | (5,600,379)             | -1.88%        |
| <b>Total</b>                                | <b>\$ 151,135,806</b>  | <b>\$ 141,285,043</b> | <b>6.97%</b> | <b>\$ (104,915,356)</b> | <b>\$ (109,104,795)</b> | <b>-3.84%</b> |

Results of operations for the School System as a whole are presented in the Statement of Activities. The cost of all governmental activities is \$151,135,806 of which \$45,526 was financed by users of the School System's programs. Grants and contributions from Federal and State governments for certain programs were \$46,174,924. Net services costs were \$104,915,356. Interest on capital leases is included within Administration and Instruction.

The School System is fiscally dependent on local and state aid to fund its daily operations. Approximately, 71% of the School System's Governmental Activities comes from these sources. State aid is largely formula-driven based on student population and wealth. Local revenue, provided by the Allegany County Government, is dependent upon the economic condition of the County. Most of the operating and capital grant funding is from the State and County governments and Federal grants passing through the State. These operating and capital grants represent approximately 29% of the School System's funding.

**THE BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2022**

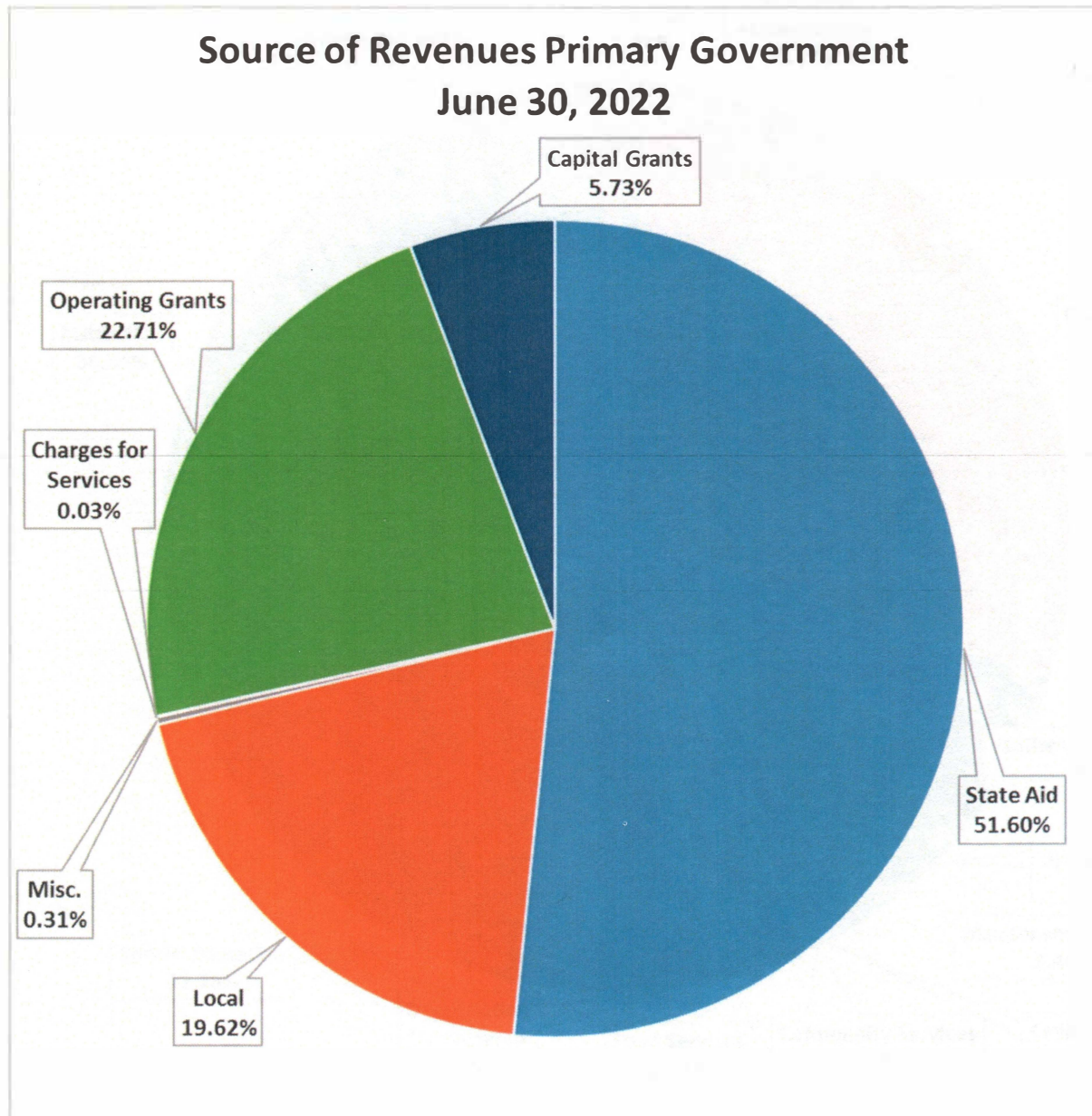
|   | Governmental Activities                    |                       |                      |               | Business-type Activities |                    |                    |                | Total School System   |                       |                      |              |
|---|--|-----------------------|----------------------|---------------|--------------------------|--------------------|--------------------|----------------|-----------------------|-----------------------|----------------------|--------------|
|   | June 30, 2022                              | June 30, 2021         | \$ Change            | % Change      | June 30, 2022            | June 30, 2021      | \$ Change          | % Change       | June 30, 2022         | June 30, 2021         | \$ Change            | % Change     |
|   | <b>Condensed Statement of Net Position</b> |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
| Current and Other Assets                              | \$ 66,392,517                              | \$ 59,050,086         | \$ 7,342,431         | 12.43%        | \$ (87,806)              | \$ (24,247)        | \$ (63,559)        | 262.13%        | \$ 66,304,711         | \$ 59,025,839         | \$ 7,278,872         | 12.33%       |
| Capital Assets  | 122,337,091                                | 119,512,056           | 2,825,035            | 2.36%         | -                        | -                  | -                  | 0.00%          | 122,337,091           | 119,512,056           | 2,825,035            | 2.36%        |
| <b>Total Assets</b>                                   | <b>\$ 188,729,608</b>                      | <b>\$ 178,562,142</b> | <b>\$ 10,167,466</b> | <b>5.69%</b>  | <b>\$ (87,806)</b>       | <b>\$ (24,247)</b> | <b>\$ (63,559)</b> | <b>262.13%</b> | <b>\$ 188,641,802</b> | <b>\$ 178,537,895</b> | <b>\$ 10,103,907</b> | <b>5.66%</b> |
| Deferred Outflow of Resources                         | 6,590,915                                  | 3,524,573             | 3,066,342            | 87.00%        | -                        | -                  | -                  | -              | 6,590,915             | 3,524,573             | 3,066,342            | 87.00%       |
| Current and Other Liabilities                         | \$ 20,932,185                              | \$ 20,929,748         | \$ 2,437             | 0.01%         | \$ 11,378                | \$ 16,757          | \$ (5,379)         | -32.10%        | \$ 20,943,563         | \$ 20,946,505         | \$ (2,942)           | -0.01%       |
| Long-term Net OPEB Liability                          | 13,426,485                                 | 10,485,511            | 2,940,974            | 28.05%        | -                        | -                  | -                  | -              | 13,426,485            | 10,485,511            | 2,940,974            | 28.05%       |
| Long-term Liabilities                                 | 6,560,812                                  | 8,365,422             | (1,804,610)          | -21.57%       | -                        | -                  | -                  | -              | 6,560,812             | 8,365,422             | (1,804,610)          | -21.57%      |
| <b>Total Liabilities</b>                              | <b>\$ 40,919,482</b>                       | <b>\$ 39,780,681</b>  | <b>\$ 1,138,801</b>  | <b>2.86%</b>  | <b>\$ 11,378</b>         | <b>\$ 16,767</b>   | <b>\$ (5,379)</b>  | <b>-32.10%</b> | <b>\$ 40,930,860</b>  | <b>\$ 39,797,438</b>  | <b>\$ 1,133,422</b>  | <b>2.86%</b> |
| Deferred Inflow of Resources                          | 5,679,463                                  | 4,837,124             | 842,339              | 17.41%        | -                        | -                  | -                  | -              | 5,679,463             | 4,837,124             | 842,339              | 17.41%       |
| <b>Net Assets:</b>                                    |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
| Invested in Capital Assets, Net of Related Debt       | \$ 122,077,982                             | \$ 119,226,418        | \$ 2,851,564         | 2.39%         | \$ -                     | \$ -               | \$ -               | 0.00%          | \$ 122,077,982        | \$ 119,226,418        | \$ 2,851,564         | 2.39%        |
| Restricted  | 11,809,660                                 | 4,675,254             | 7,134,406            | 152.50%       | -                        | -                  | -                  | -              | 11,809,660            | 4,675,254             | 7,134,406            | 152.50%      |
| Unrestricted  | 14,833,936                                 | 13,567,238            | 1,266,698            | 9.34%         | (99,184)                 | (41,004)           | (58,180)           | 141.89%        | 14,734,752            | 13,526,234            | 1,208,518            | 8.93%        |
| <b>Total Net Position</b>                             | <b>\$ 148,721,578</b>                      | <b>\$ 137,468,910</b> | <b>\$ 11,252,668</b> | <b>8.19%</b>  | <b>\$ (99,184)</b>       | <b>\$ (41,004)</b> | <b>\$ (58,180)</b> | <b>141.89%</b> | <b>\$ 148,622,394</b> | <b>\$ 137,427,906</b> | <b>\$ 11,194,488</b> | <b>8.15%</b> |
|   |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
|   |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
| <b>Changes in Net Position from Operating Results</b> |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
|   |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
|   |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
| <b>Governmental Activities</b>                        |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
| June 30, 2022   | June 30, 2021                              | \$ Change             | % Change             | June 30, 2022 | June 30, 2021            | \$ Change          | % Change           | June 30, 2022  | June 30, 2021         | \$ Change             | % Change             |              |
| Program Revenues:                                     |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
| Charges for Services                                  | \$ 45,526                                  | \$ 26,346             | \$ 19,180            | 72.80%        | \$ 108,136               | \$ 109,879         | \$ (1,743)         | -1.59%         | \$ 153,662            | \$ 136,225            | \$ 17,437            | 12.80%       |
| Operating Grants and Contributions                    | 36,872,027                                 | 28,422,583            | 8,449,444            | 29.73%        | 36,872,027               | 28,422,583         | 8,449,444          | 29.73%         | 36,872,027            | 28,422,583            | 8,449,444            | 29.73%       |
| Capital Grants and Contributions                      | 9,302,897                                  | 3,731,319             | 5,571,578            | 149.32%       | 9,302,897                | 3,731,319          | 5,571,578          | 149.32%        | 9,302,897             | 3,731,319             | 5,571,578            | 149.32%      |
| General Revenues:                                     |  |                       |                      |               |                          |                    |                    |                |                       |                       |                      |              |
| County Government                                     | 31,854,912                                 | 31,138,670            | 716,242              | 2.30%         | 31,854,912               | 31,138,670         | 716,242            | 2.30%          | 31,854,912            | 31,138,670            | 716,242              | 2.30%        |
| Grants and Contributions (unrestricted)               | 83,815,953                                 | 84,559,639            | (743,686)            | -0.88%        | 83,815,953               | 84,559,639         | (743,686)          | -0.88%         | 83,815,953            | 84,559,639            | (743,686)            | -0.88%       |
| Other   | 497,159                                    | 17,789                | 479,370              | 2694.76%      | 154,409                  | 156,898            | (2,489)            | -1.59%         | 651,568               | 174,687               | 476,881              | 272.99%      |
| <b>Total Revenues</b>                                 | <b>\$ 162,388,474</b>                      | <b>\$ 147,896,346</b> | <b>\$ 14,492,128</b> | <b>9.80%</b>  | <b>\$ 262,546</b>        | <b>\$ 266,777</b>  | <b>\$ (4,232)</b>  | <b>-1.69%</b>  | <b>\$ 162,651,019</b> | <b>\$ 148,163,123</b> | <b>\$ 14,487,896</b> | <b>9.78%</b> |
| Administration  | \$ 1,632,003                               | \$ 2,173,067          | \$(541,064)          | 24.90%        | \$ 1,632,003             | \$ 2,173,067       | \$(541,064)        | 24.90%         | \$ 1,632,003          | \$ 2,173,067          | \$(541,064)          | 24.90%       |
| Mid-level Administration                              | 7,827,506                                  | 7,282,774             | 544,732              | 7.48%         | 7,827,506                | 7,282,774          | 544,732            | 7.48%          | 7,827,506             | 7,282,774             | 544,732              | 7.48%        |
| Instruction (regular and special education)           | 74,721,020                                 | 73,092,302            | 1,628,718            | 2.23%         | 74,721,020               | 73,092,302         | 1,628,718          | 2.23%          | 74,721,020            | 73,092,302            | 1,628,718            | 2.23%        |
| Student Personnel and Health Services                 | 1,527,864                                  | 1,261,548             | 266,316              | 21.11%        | 1,527,864                | 1,261,548          | 266,316            | 21.11%         | 1,527,864             | 1,261,548             | 266,316              | 21.11%       |
| Student Transportation                                | 6,599,006                                  | 5,662,574             | 936,432              | 16.54%        | 6,599,006                | 5,662,574          | 936,432            | 16.54%         | 6,599,006             | 5,662,574             | 936,432              | 16.54%       |
| Operation, Maintenance and Capital Outlay             | 12,109,939                                 | 9,967,404             | 2,142,535            | 21.50%        | 12,109,939               | 9,967,404          | 2,142,535          | 21.50%         | 12,109,939            | 9,967,404             | 2,142,535            | 21.50%       |
| Fixed Charges   | 35,230,332                                 | 31,433,113            | 3,797,219            | 12.08%        | 35,230,332               | 31,433,113         | 3,797,219          | 12.08%         | 35,230,332            | 31,433,113            | 3,797,219            | 12.08%       |
| Community Services                                    | 1,109,687                                  | 764,334               | 345,353              | 45.18%        | 1,109,687                | 764,334            | 345,353            | 45.18%         | 1,109,687             | 764,334               | 345,353              | 45.18%       |
| Food Service  | 4,883,280                                  | 4,047,548             | 835,732              | 20.65%        | 4,883,280                | 4,047,548          | 835,732            | 20.65%         | 4,883,280             | 4,047,548             | 835,732              | 20.65%       |
| Depreciation & Other                                  | 5,495,169                                  | 5,600,379             | (105,210)            | -1.88%        | 5,495,169                | 5,600,379          | (105,210)          | -1.88%         | 5,495,169             | 5,600,379             | (105,210)            | -1.70%       |
| <b>Total Expenses</b>                                 | <b>\$ 161,135,806</b>                      | <b>\$ 141,285,043</b> | <b>\$ 19,850,763</b> | <b>6.97%</b>  | <b>\$ 320,725</b>        | <b>\$ 316,044</b>  | <b>\$ 4,681</b>    | <b>1.48%</b>   | <b>\$ 161,466,631</b> | <b>\$ 141,601,087</b> | <b>\$ 19,865,544</b> | <b>6.96%</b> |
| Increase/(Decrease) in Net Position                   | \$ 11,252,668                              | \$ 6,611,303          | \$ 4,641,365         | 70.20%        | \$ (58,180)              | \$ (49,267)        | \$ (8,913)         | -18.09%        | \$ 11,194,488         | \$ 6,662,036          | \$ 4,532,452         | 70.69%       |

THE BOARD OF EDUCATION OF ALLEGANY COUNTY  
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Management's Discussion and Analysis (MD&A)  
June 30, 2022

GENERAL FUND (CURRENT EXPENSE) BUDGETARY HIGHLIGHTS

The Current Expense Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures. These categories are Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services, Food Services, and Capital Outlay. The legal level of budgetary control is at the category level. The following two pie charts are reflective of actual revenues and expenses.



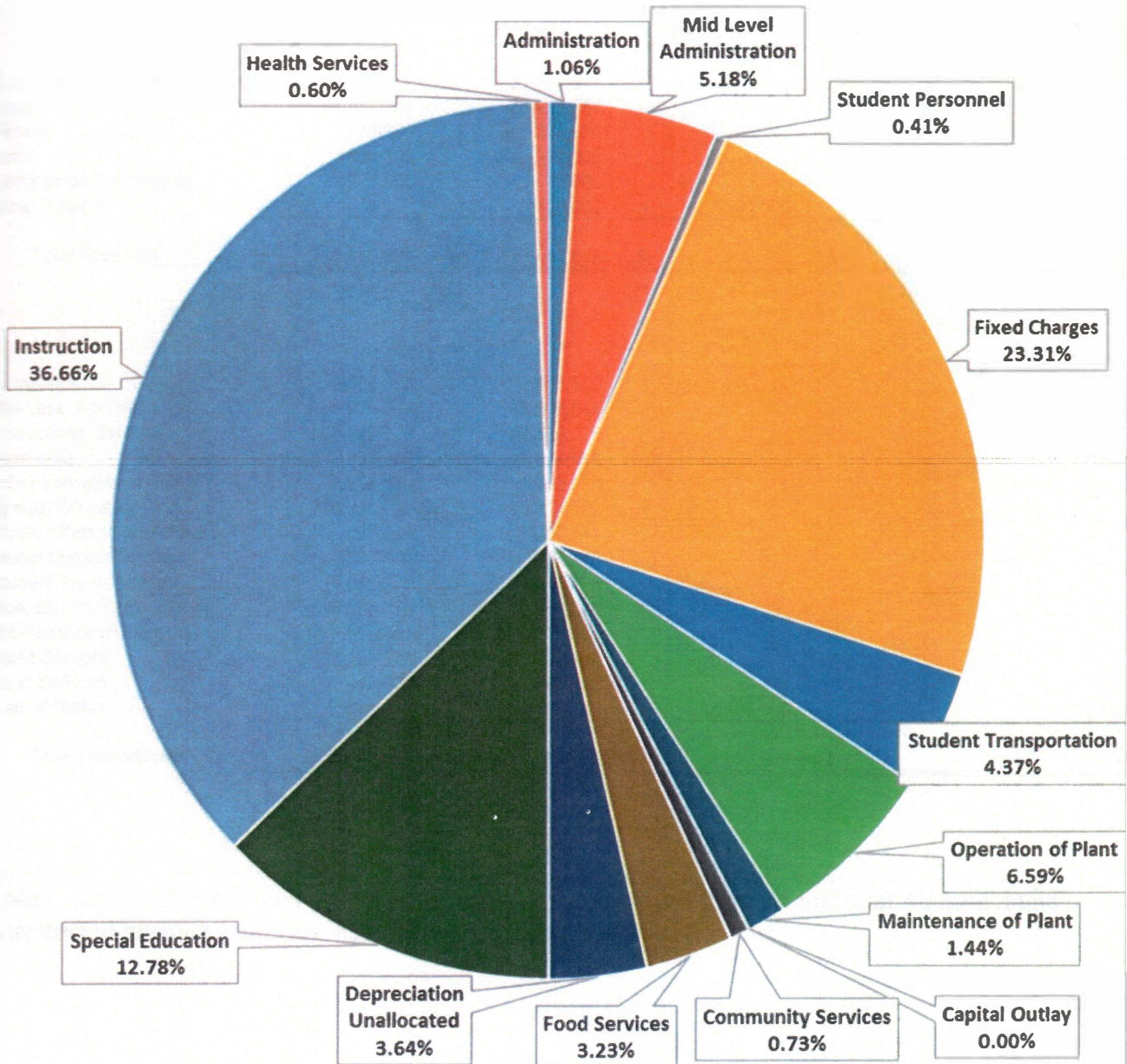


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Fund Performance

Funds are self-balancing sets of accounts used by the School System to control and manage money for particular purposes.

Governmental Fund Expenses  
June 30, 2022



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**General Fund – Unrestricted**

A schedule of changes between the original and final budgets for the year ended June 30, 2022, is presented below.

|                            | Original<br>Budget    | Final<br>Budget       | Additions           | Reductions  | Total<br>Change     |
|----------------------------|-----------------------|-----------------------|---------------------|-------------|---------------------|
| County Appropriation       | \$ 31,854,912         | \$ 31,854,912         |                     |             | \$ -                |
| State                      | 85,983,784            | 85,983,784            |                     |             | -                   |
| Federal                    | 275,000               | 275,000               |                     |             | -                   |
| Local                      | 302,000               | 302,000               |                     |             | -                   |
| Earnings on investments    | 25,000                | 25,000                |                     |             | -                   |
| Other Sources              | -                     | 3,500,000             | 3,500,000           |             | 3,500,000           |
| <b>Total Revenues</b>      | <b>\$ 118,440,696</b> | <b>\$ 121,940,696</b> | <b>\$ 3,500,000</b> | <b>\$ -</b> | <b>\$ 3,500,000</b> |
| Administration             | \$ 2,408,550          | \$ 2,408,550          |                     |             | \$ -                |
| Mid-Level Administration   | 6,970,644             | 6,970,644             |                     |             | -                   |
| Instructional Salaries     | 43,646,729            | 43,426,729            |                     |             | -                   |
| Textbooks                  | 3,134,909             | 2,924,909             |                     |             | -                   |
| Other Instructional Costs  | 1,962,890             | 1,762,890             |                     |             | -                   |
| Special Education          | 16,414,592            | 16,314,592            |                     |             | -                   |
| Student Personnel Services | 687,941               | 687,941               |                     |             | -                   |
| Student Health Services    | 853,140               | 853,140               |                     |             | -                   |
| Student Transportation     | 6,241,276             | 6,446,276             |                     |             | -                   |
| Operation of Plant         | 8,076,376             | 8,251,376             |                     |             | -                   |
| Maintenance of Plant       | 1,879,801             | 2,129,801             |                     |             | -                   |
| Fixed Charges              | 25,109,174            | 25,109,174            |                     |             | -                   |
| Food Services              | 448,432               | 548,432               |                     |             | -                   |
| Capital Outlay             | 606,242               | 4,106,242             | 3,500,000           |             | 3,500,000           |
| <b>Total Expenditures</b>  | <b>\$ 118,440,696</b> | <b>\$ 121,940,696</b> | <b>\$ 3,500,000</b> | <b>\$ -</b> | <b>\$ 3,500,000</b> |

Local, state, and other sources of revenues account for over 99% of the total General Fund unrestricted revenue. Both are stable and highly predictable.

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**Budget Variances**

Below is a table listing positive and negative budget variances for the year ended June 30, 2022 as a supplement to the narrative discussion below the chart.

**Unrestricted General Fund Budget to Actual Variances**

| <b>Budget Variance Descriptions:</b>                         | <b>Positive<br/>(Negative)</b> |
|--|--------------------------------|
| <b>Revenues:</b>   |                                |
| Blueprint for Maryland's Future - Tutoring grant             | (2,072,784)                    |
| Medicare D Revenues  | (58,744)                       |
| Special Education Private Placements                         | (95,047)                       |
| Unused Prior Year Fund Balance                               | (3,500,000)                    |
| Interest Earned  | (13,423)                       |
| Other Revenue Variances                                      | 368,381                        |
| <b>Total Revenue Variances</b>                               | <b>\$ (5,371,617)</b>          |
| <br><b>Expenditures and Other Financing Sources (Uses):</b>  |                                |
| Labor Savings & Efficiencies                                 | 2,574,932                      |
| Non Labor Transportation Savings                             | 46,461                         |
| Nonpublic Special Education Placements                       | 667,201                        |
| Fixed Charge Variance  | 1,015,535                      |
| Other expenditure variances                                  | 433,127                        |
| <b>Total Expenditures and Other Financing Sources (Uses)</b> | <b>4,737,256</b>               |
| <b>Total Positive Variance - Unrestricted General Fund</b>   | <b>\$ (634,361)</b>            |

**Revenues:**

For the year ended June 30, 2022, total unrestricted General Fund revenues resulted in a shortfall when compared to budget of \$5,371,617.

Revenues of \$2,072,784 for the Blueprint for Maryland's Future Tutoring grant were included in fiscal 2022 budget as unrestricted, but the grant was ultimately accounted for as being restricted. There was also a shortfall of state revenues that related to non-public placements. Public schools are required to provide a free and appropriate education to all students in a public school system. When students have intensive educational needs that cannot be met by the local school system, the school system is mandated to provide an education in a facility that can meet those needs. The cost is shared between the local school system and state government based upon a formula. The number of students receiving services and severity of the services needed also plays a role in the overall costs.



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Medicare Part D revenues shows a negative variance of \$58,744. The system is self-insured for health insurance purposes. As a result, the system qualifies for the Medicare Part D program that reimburses the system for a portion of prescription drug benefits provided to Medicare eligible retirees. The Government Accounting Standards Board (GASB) has issued a technical bulletin requiring recipients of Medicare Part D funds to show these proceeds as revenue. The system budget is based upon past experience.

Special Education private placement revenue had a negative budget variance of \$95,047. The budget for Special Education private placement is an estimate based on the anticipated state formula and number of students served. The total number of students requiring these intensive services was similar when comparing fiscal 2022 to fiscal 2021.

The district did a budget amendment and budgeted to utilize fund balance of \$3,500,000 for the Greenway Avenue Stadium Project. The project included the replacement of the existing seven lane track with an eight lane track. The project also included various infrastructure improvements as well as the replacement of the visitor side bleachers. The total cost of the project was approximately \$5,000,000 with the state contributing \$1,500,000.

Interest revenues were lower than anticipated as a result of the impact of the COVID pandemic on interest rates. The decrease was below plan by \$13,423. Interest rates, which had been showing growth after historic lows for years, fell significantly since the beginning of the pandemic in March 2020. Fed policy changes will likely positively impact rates in the future.

Other revenues were over budget, creating a net favorable variance in the amount of \$368,381.

**Expenditures and Inter-fund transfers:**

For the year ended June 30, 2022, total unrestricted General Fund expenditures and other financing sources (uses) resulted in a positive variance of \$4,737,256.

Management evaluated positions that came open through attrition to determine if replacement was necessary. Through the replacement process, when an open position was replaced, it was filled at a lower cost than was budgeted. Staff retiring or leaving the system during the year typically were replaced with part-time substitutes for the remainder of the year. Those open positions were then evaluated prior to the next school year. All labor savings resulted in lower payroll tax expenditures for the school system. Also, there were very limited field trips and very little staff development as the district focused on the reduction of learning loss and keeping teachers in front of students.

The school system, as part of the normal budgeting process, budgets transportation costs up to 18 months before incurring them. Fuel costs can be very volatile given the nature of the industry as well as influences outside of the control of the system, so the district typically takes a conservative approach with regard to budgeting fuel costs. By the end of the year, the cost of

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fuel had risen to the point that it was approaching the budget on a monthly basis. As amended, the district was able to purchase 67 new bus radios in order for the district's bus fleet to be 100% fully compliant with the Maryland First 911 radio system.

Instructional salaries had a positive variance of \$1,639,689. There were over 28 retirements this year which accounted for some variances, there were also very limited local field trips, no Outdoor School, and limited staff development opportunities. Special education also had a difficult time filling opening positions during the year including several instructional assistants. Also, special education was also able to use grants to pay for some positions previously paid from local funds. The labor savings from Special education was \$799,097.

The district is self-insured for healthcare costs. The majority of the fixed charge variance was a result of healthcare expenditures being under budget during the period. Expenditures were below plan by \$745,580 for fiscal 2022. An additional variance related to payroll taxes which were less as a result of savings in salaries and wages. Retirement costs were also below plan by \$306,105.

During the year, no major equipment breakdowns or building incidents occurred. At the end of the year, there were a few items that were unable to be completed as a result of availability of materials that the district was unable to procure such as additional blacktop projects and a vehicle that was unable to be procured as a result of availability.

The remaining other expenditure variance is attributable to instructional expenditures being less than planned as a result of having to purchase fewer supplies than planned which yielded savings of \$259,652. The district also was able to purchase some items utilizing grant funds that were attributable to COVID. Health services department savings compared to the original budget were \$163,220.

The organization participates in a cooperative arrangement with Allegany County Government. The Information Technology fund has two individual employees that perform various information technology functions for both the school system and county government. Operating revenues for the fund were \$108,136 while non-operating revenues totaled \$154,409 for fiscal year 2022. Total operating expenses were \$320,725 in fiscal year 2022 while last year's operating expenses were \$316,044. The fund had a negative change in net position of \$58,180 as a result of the county funding its participation in the agreement at 35% this fiscal year. Both parties agreed to take the shortfall from fund balance. The financial results of this proprietary fund can be found on pages 26 and 27 of this report.

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**Restricted Fund**

Restricted revenues and expenses for the year were \$22,812,279 which is up about 30.3% or \$5,300,061 from the prior year's revenues and expenses of \$17,512,218. Restricted revenues are tied to the availability of grants and funding. The federal funding attributable to coronavirus relief or CARES matches almost directly to the increase in the restricted revenues. Overall, CARES and ARP spending was \$9,974,949 this year compared to CARES spending of \$6,146,547 last year. Restricted Blueprint spending this year was \$3,590,093 compared to \$2,038,097 last year. Spending is prescribed within the grants themselves, but ranged from the purchase of technology such as devices and access points, infrastructure for distance learning, hotspots for students and staff without connectivity, contractual resources for distance learning, summer school programs and tutoring to mitigate learning loss, protective personnel equipment, additional custodial staffing to support cleaning at schools and safely reopening schools.

**Food Services Fund**

Throughout the pandemic, students who have wanted a meal whether learning virtually, during the summer, or when in school have had the opportunity to get not only a free lunch, but also free breakfast as a result of federal support to schools. This was again the case in fiscal 2022, even though the schools were, for the most part, back to pre-pandemic operations. Summer meals in fiscal 2022 were also limited to schools who were hosting summer school compared to prior year when all the kitchens were open for lunch pick up. Overall, revenue increased by \$2,042,160 to \$6,085,335 as the district served more meals compared to the prior year.

Expenses within the fund increased to \$4,844,837 compared to fiscal year 2021's expenses of \$4,126,529. The increase in expenses is directly attributable to the increase in the number of meals served this year compared to the prior year. School was in session for the whole year this year compared to the prior year where there were some breaks where the district was completely virtual.

**School Construction Fund**

The majority of the activity within the School Construction fund focused on the completion of the roof projects at Bel Air and the Career Center. The boiler projects at both Washington and Braddock middle schools were both also completed this fiscal year along with Fort Hill's lobby modification. Projects at Greenway Avenue to replace the track and visitor side bleachers were also begun along with a field house at Allegany and a weight room at the Mountain Ridge stadium. Electrical upgrades and lobby modifications were also started this fiscal year at both Washington and Braddock. Current year expenses paid by the County were \$1,577,629 compared to \$123,113 in fiscal year 2021. State direct revenues increased from \$3,419,554 last year to \$7,725,268 in fiscal 2022. The increase relates to two roof projects, security vestibule projects at three schools, electrical upgrades at two schools, an elevator project, and a major upcoming boiler project.

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At June 30, 2022, the School System had \$255,827,292 invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment. Capital assets increased \$8,000,176 from the same time last year, net of disposals and transfers. The increase relates primarily to the Greenway Avenue stadium project and the completion of the boiler projects at Braddock and Washington. The total net cost of assets after depreciation was \$122,337,091. Total depreciation expense for the year ended June 30, 2022 was \$6,062,607.

The main capital focus this year were the replacement roof projects at the Career Center and Bel Air along with three boiler projects at various stages of completion. The Greenway Avenue stadium project was ongoing at the end of the fiscal year. Lobby modifications at Washington and Braddock middle schools and Fort Hill high school were also started during fiscal 2022.

***Debt***

School systems in Maryland are in the uncommon position of owning assets, but not the debt associated with those assets, as we have no borrowing power. We are fully fiscally dependent on the state and county governments to incur debt to fund capital projects. Accordingly, the School System carries no bond rating but the system does have a debt policy to cover leasing and alternative financing arrangements permitted under state law.

**FACTORS IMPACTING THE SCHOOL SYSTEM**

The single biggest issue within the district is the ongoing impact of the Novel Coronavirus Disease (COVID-19). Students again had the opportunity to receive not only a free lunch, but also a free breakfast as the federal government continued to provide meals for students whether attending school in person or virtually during the pandemic. This continued to occur during the 2021-2022 school year, but the program was not renewed for the 2022-2023 school year. The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law by President Donald Trump on March 27, 2020. Several additional pieces of CARES Act funding have been made available to the district to aid in covering expenses and needs of the district as a result of the pandemic. The district initially prioritized using this funding for technology such as laptops and Chromebooks for students and teachers as well as a robust distance learning platform to allow virtual online learning. Now that districts have been back in school and somewhat back to "normal", the priority is tutoring and the closure of achievement gaps as a result of the pandemic. The 2022-23 school year began and has continued to only offer "in person" learning. There was a virtual option for a limited number of students in the K-Grade 6 demographic as no vaccine

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was previously available at the beginning of the school year for students in this age range. That has changed and in the 2022-2023 school year “in person” learning is now the only option.

Legislation from federal and state governments has impacted public education in Maryland. The State’s Bridge to Excellence in Public Schools and the Federal No Child Left Behind legislation require school systems to ensure that all students in core academic areas are taught by “highly qualified” teachers and economically disadvantaged children must have access to a pre-kindergarten program. In addition, there are new certification and assessment requirements for paraprofessionals and extensive tracking and reporting requirements.

The Every Student Succeeds Act of 2015 (ESSA) was signed into law by President Barack Obama. This reauthorization of the ESSA, formerly known as the No Child Left Behind Act, provides a long term, stable federal policy that gives states additional flexibility and encourages states, local school systems, and schools to innovate while at the same time holding all accountable for results. ESSA moves to establish State standards, sets academic goals, and assesses progress towards those goals for all students and schools. It also measures and reports performance of all students, schools, and local school systems and identifies schools in need of improvement and provides support to those schools. It also serves to provide and support staff development and growth for educators and supports students to ensure a well-rounded education. All of these requirements have cost impacts.

A majority of the funding for the school system comes from the Maryland General Assembly. State aid education formulas are based largely on student population and wealth. Wealth in the state aid education formulas is measured by income taxes, real estate assessments, and personal property assessments. Less funding can result when a school system’s student population declines or wealth increases more than state averages or decreases less than state averages. Student population is also a factor in the required minimum of funding from county government called maintenance of effort. LEA’s across the state are all facing loss of enrollment as a result of the pandemic.

The Blueprint for Maryland’s Future was passed by the Maryland General Assembly and allowed to go into law on May 15, 2019 by Governor Hogan. The goal of The Blueprint for Maryland’s Future is to transform the state’s early childhood, primary, and secondary education systems to the levels of high performing systems around the world. Implementation of the recommendations of the Commission on Innovation and Excellence in Education (commonly known as the Kirwan Commission) began in fiscal 2020. This funding has continued in fiscal 2022. This funding included such items as pre-kindergarten expansion, concentration of poverty funding, teacher salary incentives, additional special education funding and targeted intervention services. The Blueprint for Maryland’s Future continues to be implemented in fiscal 2023 and has extensive reporting requirements that LEAs must adhere to remain compliant.

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For state participating construction projects, Allegany County now qualifies to have state government pay for 90% of the eligible construction costs. Costs not eligible for state funding must be funded locally.

The school system is self-insured for health, dental, and prescription drug costs. Provisions of the federal Affordable Care Act have caused additional costs in order to comply with the regulations. Additional medical costs to the school system's health plan for employees and retirees may increase the budget for health costs even though a reserve now exists relative to the costs of health care for the district.

School systems are being encouraged to adopt the community eligibility provision (CEP), which provides free meals to all students regardless of household income. In fiscal 2019, the district began participation in the CEP program for the district's four elementary schools with the highest percentage of Free and Reduced Meal students. The participating schools are George's Creek, John Humbird, South Penn and Westernport. For the 2022-2023 school year, Cash Valley has also been added as a CEP school which gives the district a total of five elementary schools. Costs not covered by the food service fund will be covered by the unrestricted fund. Since the start of the pandemic, students have received free lunch and free breakfast. However, as previously mentioned, that provision of the law expired for the 2022-2023 school year.

**CONTACT THE BOARD OF EDUCATION OF ALLEGANY COUNTY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the school system's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Lawrence S. McKenzie, CPA, Chief Financial Officer, (301) 759-2024, [boardfinance@acpsmd.org](mailto:boardfinance@acpsmd.org), at The Board of Education of Allegany County, 108 Washington Street, Cumberland, Maryland 21502.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF NET POSITION  
June 30, 2022

|   | Primary Government         |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>ASSETS</b>                                     |                            |                             |                       |
| <b>Current Assets:</b>                            |                            |                             |                       |
| Cash and cash equivalents                         | \$ 35,159,098              | \$ -                        | \$ 35,159,098         |
| Accounts receivable                               | 28,782,326                 | -                           | 28,782,326            |
| Prepaid expenses                                  | 2,030,772                  | -                           | 2,030,772             |
| Inventory   | 332,515                    | -                           | 332,515               |
| Internal balances                                 | 87,806                     | (87,806)                    | -                     |
| <b>Total Current Assets</b>                       | <b>66,392,517</b>          | <b>(87,806)</b>             | <b>66,304,711</b>     |
| <b>Noncurrent Assets:</b>                         |                            |                             |                       |
| Non-depreciable capital assets                    | 12,120,692                 | -                           | 12,120,692            |
| Depreciable capital assets, net of depreciation   | 110,216,399                | -                           | 110,216,399           |
| <b>Total Noncurrent Assets</b>                    | <b>122,337,091</b>         | <b>-</b>                    | <b>122,337,091</b>    |
| <b>TOTAL ASSETS</b>                               | <b>\$ 188,729,608</b>      | <b>\$ (87,806)</b>          | <b>\$ 188,641,802</b> |
| <b>Deferred Outflow Of Resources:</b>             |                            |                             |                       |
| Deferred outflows of resources related to OPEB    | 4,524,438                  | -                           | 4,524,438             |
| Deferred outflows of resources related to pension | 2,066,477                  | -                           | 2,066,477             |
|   | 6,590,915                  | -                           | 6,590,915             |
| <b>LIABILITIES</b>                                |                            |                             |                       |
| <b>Current Liabilities:</b>                       |                            |                             |                       |
| Accounts payable                                  | \$ 3,531,549               | \$ -                        | \$ 3,531,549          |
| Salaries and benefits payable                     | 1,735,803                  | 11,378                      | 1,747,181             |
| Grant advances                                    | 4,687,089                  | -                           | 4,687,089             |
| Accrued hospital insurance                        | 8,693,252                  | -                           | 8,693,252             |
| Current portion of long-term capital leases       | 104,477                    | -                           | 104,477               |
| Current portion of long-term debt                 | 246,988                    | -                           | 246,988               |
| Other current liabilities                         | 1,933,027                  | -                           | 1,933,027             |
| <b>Total Current Liabilities</b>                  | <b>20,932,185</b>          | <b>11,378</b>               | <b>20,943,563</b>     |
| <b>Noncurrent Liabilities:</b>                    |                            |                             |                       |
| Long-term portion of capital leases               | 154,632                    | -                           | 154,632               |
| Long-term portion of compensated absences         | 1,929,693                  | -                           | 1,929,693             |
| Net OPEB liability                                | 13,426,485                 | -                           | 13,426,485            |
| Net pension liability                             | 4,476,487                  | -                           | 4,476,487             |
| <b>Total Noncurrent Liabilities</b>               | <b>19,987,297</b>          | <b>-</b>                    | <b>19,987,297</b>     |
| <b>TOTAL LIABILITIES</b>                          | <b>40,919,482</b>          | <b>11,378</b>               | <b>40,930,860</b>     |
| <b>Deferred Inflow Of Resources:</b>              |                            |                             |                       |
| Deferred inflows of resources related to OPEB     | 3,196,092                  | -                           | 3,196,092             |
| Deferred inflows of resources related to pension  | 2,483,371                  | -                           | 2,483,371             |
|   | 5,679,463                  | -                           | 5,679,463             |
| <b>NET POSITION</b>                               |                            |                             |                       |
| Invested in capital assets, net of related debt   | 122,077,982                | -                           | 122,077,982           |
| Restricted for:                                   |                            |                             |                       |
| Capital projects                                  | 11,477,145                 | -                           | 11,477,145            |
| Food inventories                                  | 2,363,287                  | -                           | 2,363,287             |
| Unrestricted                                      | 12,803,164                 | (99,184)                    | 12,703,980            |
| <b>TOTAL NET POSITION</b>                         | <b>\$ 148,721,578</b>      | <b>\$ (99,184)</b>          | <b>\$ 148,622,394</b> |

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

| Function/Programs   | Expenses              | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                         |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-------------------------|
|   |                       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                   |
| <b>Primary government</b>   |                       |                      |                                    |                                  |   |                          |                         |
| <b>Governmental activities:</b>   |                       |                      |                                    |                                  |   |                          |                         |
| Administration  | \$ 1,614,484          | \$ -                 | \$ 170,528                         | \$ -                             | \$ (1,443,956)                                    | \$ -                     | \$ (1,443,956)          |
| Mid-level administration  | 7,827,506             | -                    | 789,701                            | -                                | (7,037,805)                                       | -                        | (7,037,805)             |
| Instruction - salaries  | 47,897,758            | -                    | 6,367,537                          | -                                | (41,530,221)                                      | -                        | (41,530,221)            |
| Instruction - textbooks & instructional supplies                                | 4,363,039             | -                    | 1,746,706                          | -                                | (2,616,333)                                       | -                        | (2,616,333)             |
| Instruction - other   | 3,129,372             | -                    | 2,515,277                          | -                                | (614,095)   | -                        | (614,095)               |
| Student personnel services  | 625,715               | -                    | 12,172                             | -                                | (613,543)   | -                        | (613,543)               |
| Health services   | 902,149               | -                    | 212,229                            | -                                | (689,920)   | -                        | (689,920)               |
| Student transportation  | 6,599,006             | -                    | 390,047                            | -                                | (6,208,959)                                       | -                        | (6,208,959)             |
| Operation of plant and equipment  | 9,953,769             | -                    | 2,031,231                          | -                                | (7,922,538)                                       | -                        | (7,922,538)             |
| Maintenance of plant  | 2,173,689             | -                    | 309,439                            | -                                | (1,864,250)                                       | -                        | (1,864,250)             |
| Fixed charges   | 27,091,423            | -                    | 3,287,869                          | -                                | (23,803,554)                                      | -                        | (23,803,554)            |
| - on behalf, retirement   | 6,798,173             | -                    | 6,798,173                          | -                                | -   | -                        | -                       |
| - on behalf, nurses, security & mental health                                   | 1,340,736             | -                    | 1,340,736                          | -                                | -   | -                        | -                       |
| Community Services  | 1,109,687             | -                    | 1,110,368                          | -                                | 681   | -                        | 681                     |
| Capital outlay  | -                     | -                    | -                                  | 9,302,897                        | 9,302,897   | -                        | 9,302,897               |
| Special education   | 19,308,456            | -                    | 4,114,260                          | -                                | (15,194,196)                                      | -                        | (15,194,196)            |
| Food Service  | 4,883,280             | 45,526               | 5,675,754                          | -                                | 838,000   | -                        | 838,000                 |
| Interest on Capital Leases  | 22,395                | -                    | -                                  | -                                | (22,395)  | -                        | (22,395)                |
| Unallocated depreciation expense (excludes direct depreciation)                 | 5,495,169             | -                    | -                                  | -                                | (5,495,169)                                       | -                        | (5,495,169)             |
| <b>Total Governmental Activities</b>  | <b>151,135,806</b>    | <b>45,526</b>        | <b>36,872,027</b>                  | <b>9,302,897</b>                 | <b>(104,915,356)</b>                              | <b>-</b>                 | <b>(104,915,356)</b>    |
| <b>Business-type activities:</b>  |                       |                      |                                    |                                  |   |                          |                         |
| Information Technology  | 320,725               | 108,136              | -                                  | -                                | -   | (212,589)                | (212,589)               |
| <b>Total Business-type Activities</b>   | <b>320,725</b>        | <b>108,136</b>       | <b>-</b>                           | <b>-</b>                         | <b>-</b>  | <b>(212,589)</b>         | <b>(212,589)</b>        |
| <b>Total Primary Government</b>   | <b>\$ 151,456,531</b> | <b>\$ 153,662</b>    | <b>\$ 36,872,027</b>               | <b>\$ 9,302,897</b>              | <b>\$ (104,915,356)</b>                           | <b>\$ (212,589)</b>      | <b>\$ (105,127,945)</b> |
| <b>General Revenues:</b>  |                       |                      |                                    |                                  |   |                          |                         |
| County appropriation:   |                       |                      |                                    |                                  |   |                          |                         |
| Regular   |                       |                      |                                    |                                  | 31,854,912  |                          | 31,854,912              |
| Grants, subsidies, and contributions not restricted                             |                       |                      |                                    |                                  | 83,815,953  |                          | 83,815,953              |
| Investment earnings/loss  |                       |                      |                                    |                                  | 14,193  |                          | 14,193                  |
| Miscellaneous income  |                       |                      |                                    |                                  | 652,365   |                          | 652,365                 |
| Gain (loss) on disposal of fixed assets   |                       |                      |                                    |                                  | (14,990)  |                          | (14,990)                |
| Transfers   |                       |                      |                                    |                                  | (154,409)   | 154,409                  | -                       |
| <b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b> |                       |                      |                                    |                                  | <b>116,168,024</b>                                | <b>154,409</b>           | <b>116,322,433</b>      |
| <b>Change in Net Position</b>   |                       |                      |                                    |                                  | <b>11,252,668</b>                                 | <b>(58,180)</b>          | <b>11,194,488</b>       |
| <b>Net Position - July 1, 2021</b>  |                       |                      |                                    |                                  | <b>137,468,910</b>                                | <b>(41,004)</b>          | <b>137,427,906</b>      |
| <b>Net Position - June 30, 2022</b>   |                       |                      |                                    |                                  | <b>\$ 148,721,578</b>                             | <b>\$ (99,184)</b>       | <b>\$ 148,622,394</b>   |

The accompanying notes are an integral part of these financial statements.



**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022**

|  | <u>General Fund<br/>(Current Expense)<br/>Unrestricted</u> | <u>(Current Expense)<br/>Restricted</u> | <u>Food<br/>Service</u> | <u>School<br/>Construction</u> | <u>Total Governmental<br/>Funds</u> |
|--|--|---|-------------------------|--------------------------------|-------------------------------------|
| <b>ASSETS</b>                              |  |   |                         |                                |                                     |
| Cash and cash equivalents                  | \$ 20,767,411  | \$ -                                    | \$ 50,302               | \$ 14,341,385                  | \$ 35,159,098                       |
| Accounts receivable                        | 1,291,347  | 17,077,423                              | 1,876,918               | 8,536,638                      | 28,782,326                          |
| Inventory - food                           |  |   | 332,515                 |                                | 332,515                             |
| Internal receivables                       | 27,849,501   |   |                         |                                | 27,849,501                          |
| Prepaid expenses                           | 438,504  | 1,592,268                               |                         |                                | 2,030,772                           |
| <b>TOTAL ASSETS</b>                        | <u>50,346,763</u>  | <u>18,669,691</u>                       | <u>2,259,735</u>        | <u>22,878,023</u>              | <u>94,154,212</u>                   |
| <b>LIABILITIES AND FUND BALANCES</b>       |  |   |                         |                                |                                     |
| <b>LIABILITIES</b>                         |  |   |                         |                                |                                     |
| Accounts payable                           | 1,441,993  | 768,616                                 | 11,079                  | 339,998                        | 2,561,686                           |
| Salaries and benefits payable              | 1,018,884  | 664,485                                 | 52,434                  |                                | 1,735,803                           |
| Internal payables                          | 5,178,108  | 12,549,501                              | 593,871                 | 10,410,078                     | 28,731,558                          |
| Grant advances                             |  | 4,687,089                               |                         |                                | 4,687,089                           |
| Accrued hospital insurance                 | 8,693,252  |   |                         |                                | 8,693,252                           |
| Current portion of long-term debt          | 246,988  |   |                         |                                | 246,988                             |
| Other current liabilities                  | 1,874,465  |   | 58,562                  |                                | 1,933,027                           |
| <b>TOTAL LIABILITIES</b>                   | <u>18,453,690</u>  | <u>18,669,691</u>                       | <u>715,946</u>          | <u>10,750,076</u>              | <u>48,589,403</u>                   |
| <b>FUND BALANCES</b>                       |  |   |                         |                                |                                     |
| Nonspendable:                              |  |   |                         |                                |                                     |
| Inventory - food                           |  |   | 332,515                 |                                | 332,515                             |
| Prepaid expenses                           | 438,504  | 1,592,268                               |                         |                                | 2,030,772                           |
| Restricted - Capital Projects              |  |   |                         | 11,477,145                     | 11,477,145                          |
| Assigned to:                               |  |   |                         |                                |                                     |
| Unemployment Benefits                      | 50,000   |   |                         |                                | 50,000                              |
| Capital Projects                           |  |   |                         | 650,802                        | 650,802                             |
| Food Service                               |  |   | 1,211,274               |                                | 1,211,274                           |
| Unassigned                                 | 31,404,569   | (1,592,268)                             |                         |                                | 29,812,301                          |
| <b>TOTAL FUND BALANCES</b>                 | <u>31,893,073</u>  | <u>-</u>                                | <u>1,543,789</u>        | <u>12,127,947</u>              | <u>45,564,809</u>                   |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 50,346,763</u>                                       | <u>\$ 18,669,691</u>                    | <u>\$ 2,259,735</u>     | <u>\$ 22,878,023</u>           | <u>\$ 94,154,212</u>                |

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

|  |              |                       |
|--|--------------|-----------------------|
| <b>Total Fund Balances - Governmental Funds</b>  |              | <b>\$ 45,564,809</b>  |
| <br><b>Amounts reported for governmental activities in the statement of net position are different because:</b>  |              |                       |
| Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$255,405,203 and the accumulated depreciation is \$133,068,112   |              | 122,337,091           |
| The net pension liability associated with the school system's proportionate share of the Maryland State Retirement and Pension System is not payable with current financial resources and is not reported in the governmental funds. The activity associated with the school system's share of the net pension liability consist of: |              |                       |
| Net pension liability  | (4,476,487)  |                       |
| Deferred outflows of resources - pension   | 2,066,477    |                       |
| Deferred inflows of resources - pension  | (2,483,371)  | (4,893,381)           |
| The net other post-employment benefits liability for the school system is not payable with current financial resources and is not reported in the governmental funds. The activity associated with the school system's net other post-employment benefits liability consist of:  |              |                       |
| Net other post-employment benefits liability   | (13,426,485) |                       |
| Deferred outflows of resources - other post-employment benefits  | 4,524,438    |                       |
| Deferred inflows of resources - other post-employment benefits   | (3,196,092)  | (12,098,139)          |
| Long-term liabilities for compensated absences are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.   |              | (1,929,693)           |
| Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Similarly, the short and long-term liabilities related to copiers under lease are not reported in the governmental funds.   |              | (259,109)             |
| <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>  |              | <b>\$ 148,721,578</b> |

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

|  | General Fund<br>(Current Expense)<br>Unrestricted | (Current Expense)<br>Restricted | Food<br>Service     | School<br>Construction | Total Governmental<br>Funds |
|--|---|---------------------------------|---------------------|------------------------|-----------------------------|
| <b>REVENUES</b>  |   |                                 |                     |                        |                             |
| County - regular appropriation                               | \$ 31,854,912                                     | \$ -                            | \$ -                | \$ 1,577,629           | \$ 33,432,541               |
| - on behalf, nurses, security & mental health                | 1,340,736   |                                 |                     |                        | 1,340,736                   |
| State - direct   | 83,815,953  | 4,896,363                       | 147,922             | 7,725,268              | 96,585,506                  |
| - on behalf, retirement                                      | 6,798,173   |                                 |                     |                        | 6,798,173                   |
| Federal - direct   |   |                                 | 435,575             |                        | 435,575                     |
| - received through State                                     |   | 16,969,864                      | 5,047,257           |                        | 22,017,121                  |
| - received through Pass-Thru Agency                          | 290,085   | 692,398                         |                     |                        | 982,483                     |
| Other revenue  | 608,129   | 253,654                         | 45,526              | 43,439                 | 950,748                     |
| <b>TOTAL REVENUES</b>  | <b>124,707,988</b>                                | <b>22,812,279</b>               | <b>5,676,280</b>    | <b>9,346,336</b>       | <b>162,542,883</b>          |
| <b>EXPENDITURES</b>  |   |                                 |                     |                        |                             |
| Administration   | 2,357,267   | 170,528                         |                     |                        | 2,527,795                   |
| Mid-level administration                                     | 7,084,646   | 789,701                         |                     |                        | 7,874,347                   |
| Instruction - salaries                                       | 41,787,040  | 6,367,537                       |                     |                        | 48,154,577                  |
| Instruction - textbooks & instructional supplies             | 2,616,333   | 1,746,706                       |                     |                        | 4,363,039                   |
| Instruction - other  | 1,671,333   | 2,515,277                       |                     |                        | 4,186,610                   |
| Student personnel services                                   | 613,543   | 12,172                          |                     |                        | 625,715                     |
| Health services  | 689,920   | 212,229                         |                     |                        | 902,149                     |
| Student transportation                                       | 6,396,173   | 390,047                         |                     |                        | 6,786,220                   |
| Operation of plant and equipment                             | 8,152,603   | 2,031,231                       |                     |                        | 10,183,834                  |
| Maintenance of plant   | 1,857,198   | 309,439                         |                     |                        | 2,166,637                   |
| Fixed charges  | 22,208,639  | 2,997,784                       |                     |                        | 25,206,423                  |
| - on behalf, retirement                                      | 6,798,173   |                                 |                     |                        | 6,798,173                   |
| - on behalf, nurses, security & mental health                | 1,340,736   |                                 |                     |                        | 1,340,736                   |
| Community Services   | 5,600   | 1,110,368                       |                     |                        | 1,115,968                   |
| Capital outlay   | 185,579   |                                 |                     | 6,485,968              | 6,671,547                   |
| Special education  | 15,203,937  | 4,114,260                       |                     |                        | 19,318,197                  |
| Food Service   |   | 45,000                          | 4,844,837           |                        | 4,889,837                   |
| Capital lease payments                                       |   |                                 |                     |                        |                             |
| Principal  | 108,505   |                                 |                     |                        | 108,505                     |
| Interest   | 22,395  |                                 |                     |                        | 22,395                      |
| <b>TOTAL EXPENDITURES</b>                                    | <b>119,099,620</b>                                | <b>22,812,279</b>               | <b>4,844,837</b>    | <b>6,485,968</b>       | <b>153,242,704</b>          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>5,608,368</b>                                  | <b>-</b>                        | <b>831,443</b>      | <b>2,860,368</b>       | <b>9,300,179</b>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |   |                                 |                     |                        |                             |
| Interfund transfers  | (6,324,705)                                       |                                 | 409,055             | 3,876,242              | (2,039,408)                 |
| Capital lease financing                                      | 81,976  |                                 |                     |                        | 81,976                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>(6,242,729)</b>                                | <b>-</b>                        | <b>409,055</b>      | <b>3,876,242</b>       | <b>(1,957,432)</b>          |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>(634,361)</b>                                  | <b>-</b>                        | <b>1,240,498</b>    | <b>6,736,610</b>       | <b>7,342,747</b>            |
| <b>FUND BALANCE - JULY 1, 2021</b>                           | <b>32,527,434</b>                                 | <b>-</b>                        | <b>303,291</b>      | <b>5,391,337</b>       | <b>38,222,062</b>           |
| <b>FUND BALANCE - JUNE 30, 2022</b>                          | <b>\$ 31,893,073</b>                              | <b>\$ -</b>                     | <b>\$ 1,543,789</b> | <b>\$ 12,127,947</b>   | <b>\$ 45,564,809</b>        |

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

|  |                  |                             |
|--|------------------|-----------------------------|
| <b>Total Net Change in Fund Balance - Governmental Funds</b>   |                  | <b>\$ 7,342,747</b>         |
| <b>Amounts reported for governmental activities in the statement of activities are different because:</b>  |                  |                             |
| Long-term accrued compensated absences are not reported in governmental funds as a liability. However, in the statement of activities, the long-term compensatee absences are reported as current expense. The net amount of long term accrued compensated absences is a decrease of \$109,609.                        |                  | 109,609                     |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.                         |                  |                             |
| Depreciation expense   | (6,062,607)      |                             |
| Capital Outlays  | <u>8,905,219</u> | 2,842,612                   |
| Capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.   |                  | (81,976)                    |
| A portion of pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.  |                  | 757,044                     |
| The net expense related to other post-employment benefits is not reflected as a source of current financial uses and therefore, is not reported in the governmental funds.   |                  | 191,704                     |
| Repayment of capital lease principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position.  |                  | 108,505                     |
| Governmental funds report the proceeds from the sale of capital assets as income. However, in the statement of activities the sale of capital assets are reported net of the remaining book value of the assets as either a gain or loss. The remaining book value of assets disposed of during the year was \$17,577. |                  | <u>(17,577)</u>             |
| <b>TOTAL CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>  |                  | <b><u>\$ 11,252,668</u></b> |

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2022

|   | <u>Information<br/>Technology Fund</u> |
|---|--|
| <b>ASSETS</b>                                   |  |
| <b>TOTAL ASSETS</b>                             | <u>\$ -</u>                            |
| <b>LIABILITIES</b>                              |  |
| <b>Current Liabilities:</b>                     |  |
| Accounts payable                                | -                                      |
| Salaries and benefits payable                   | 11,378                                 |
| Internal payable                                | <u>87,806</u>                          |
| <b>Total Current Liabilities</b>                | <u>99,184</u>                          |
| <b>TOTAL LIABILITIES</b>                        | <u>99,184</u>                          |
| <b>NET POSITION</b>                             |  |
| Invested in capital assets, net of related debt | -                                      |
| Unrestricted                                    | <u>(99,184)</u>                        |
| <b>TOTAL NET POSITION</b>                       | <u>(99,184)</u>                        |
| <b>TOTAL LIABILITIES AND NET POSITION</b>       | <u>\$ -</u>                            |

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022**

|   | <b>Information<br/>Technology Fund</b> |
|---|--|
| <b>OPERATING REVENUES</b>                 |  |
| County - regular appropriation            | \$ 108,086                             |
| Other sources                             | <u>50</u>                              |
| <b>Total Operating Revenues</b>           | <u>108,136</u>                         |
| <b>OPERATING EXPENSES</b>                 |  |
| Salaries and wages                        | 211,877                                |
| Contracted services                       | 43,227                                 |
| Other charges                             | <u>65,621</u>                          |
| <b>Total Operating Expenses</b>           | <u>320,725</u>                         |
| Operating Income (Loss)                   | (212,589)                              |
| <b>NON-OPERATING REVENUE</b>              |  |
| Interfund Transfers                       | <u>154,409</u>                         |
| <b>Total Non-operating Revenues</b>       | <u>154,409</u>                         |
| Change in Net Position                    | (58,180)                               |
| <b>TOTAL NET POSITION - JULY 1, 2021</b>  | <u>(41,004)</u>                        |
| <b>TOTAL NET POSITION - JUNE 30, 2022</b> | <u>\$ (99,184)</u>                     |

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2022**

|   | <b>Information<br/>Technology Fund</b> |
|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                |  |
| Cash received from customers                                | \$ 108,136                             |
| Cash paid to suppliers                                      | (115,414)                              |
| Cash payments to employees                                  | (210,690)                              |
| <b>Net Cash (Used) by Operating Activities</b>              | <b>(217,968)</b>                       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>     |  |
| Change in due to/from other funds                           | 63,559                                 |
| Interfund transfer  | 154,409                                |
| <b>Net Cash Provided by Noncapital Financing Activities</b> | <b>217,968</b>                         |
| Net change in Cash  | -                                      |
| <b>Cash and cash equivalents, beginning of year</b>         | -                                      |
| <b>Cash and cash equivalents, end of year</b>               | <b>\$ -</b>                            |

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

|  |                     |
|--|---------------------|
| <b>Operating Income (Loss)</b>   | \$ (212,589)        |
| Adjustments to reconcile operating income (loss) to net cash provided by operations: |                     |
| Change in assets and liabilities   |                     |
| Increase (decrease) in accounts payable  | (6,566)             |
| Increase (decrease) salaries & benefits payable                                      | 1,187               |
| Total Adjustments  | (5,379)             |
| <b>Net Cash (Used) by Operating Activities</b>                                       | <b>\$ (217,968)</b> |

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2022

|  | School<br>Activities | Retiree Insurance<br>Benefit Plan | Retiree Insurance<br>Benefit Trust | Retiree Health<br>Plan Trust | Total<br>Fiduciary Funds |
|--|----------------------|-----------------------------------|------------------------------------|------------------------------|--------------------------|
| <b>ASSETS</b>  |                      |                                   |                                    |                              |                          |
| Cash and cash equivalents                                    | \$ 2,151,612         | \$ -                              | \$ -                               | \$ -                         | \$ 2,151,612             |
| Investments  | 459,874              |                                   | 12,392,031                         | 2,176,656                    | 15,028,561               |
| Accounts receivable  | 29,024               |                                   |                                    |                              | 29,024                   |
| Internal receivables   |                      | 969,863                           |                                    |                              | 969,863                  |
| <b>TOTAL ASSETS</b>  | <b>2,640,510</b>     | <b>969,863</b>                    | <b>12,392,031</b>                  | <b>2,176,656</b>             | <b>18,179,060</b>        |
| <b>LIABILITIES</b>   |                      |                                   |                                    |                              |                          |
| Accounts payable   | 28,426               | -                                 |                                    |                              | 28,426                   |
| School Activity Advances                                     | 2,612,084            |                                   |                                    |                              | 2,612,084                |
| <b>TOTAL LIABILITIES</b>                                     | <b>2,640,510</b>     | <b>-</b>                          | <b>-</b>                           | <b>-</b>                     | <b>2,640,510</b>         |
| <b>NET POSITION</b>  |                      |                                   |                                    |                              |                          |
| Future obligation of retiree benefits to be funded (deficit) |                      | 969,863                           |                                    |                              | 969,863                  |
| Held in trust for retiree health plan benefits               |                      |                                   | 12,392,031                         | 2,176,656                    | 14,568,687               |
| <b>TOTAL NET POSITION</b>                                    | <b>-</b>             | <b>969,863</b>                    | <b>12,392,031</b>                  | <b>2,176,656</b>             | <b>15,538,550</b>        |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                    | <b>\$ 2,640,510</b>  | <b>\$ 969,863</b>                 | <b>\$ 12,392,031</b>               | <b>\$ 2,176,656</b>          | <b>\$ 18,179,060</b>     |

The accompanying notes are an integral part of these financial statements.



**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

|                                     | <u>School<br/>Activities</u> | <u>Retiree Insurance<br/>Benefit Plan</u> | <u>Retiree Insurance<br/>Benefit Trust</u> | <u>Retiree Health<br/>Plan Trust</u> | <u>Total<br/>Fiduciary Funds</u> |
|-------------------------------------|------------------------------|---|--|--------------------------------------|----------------------------------|
| <b>ADDITIONS</b>                    |                              |   |  |                                      |                                  |
| Student activity revenues           | \$ 1,853,086                 | \$ -                                      | \$ -                                       | \$ -                                 | \$ 1,853,086                     |
| Transfers                           |                              | 1,885,000                                 |  |                                      | 1,885,000                        |
| Earnings/(loss) on investment       |                              | -   | (1,915,202)                                | (342,070)                            | (2,257,272)                      |
| <b>DEDUCTIONS</b>                   |                              |   |  |                                      |                                  |
| Student activity expenses           | 1,853,086                    |   |  |                                      | 1,853,086                        |
| Retiree benefits                    |                              | 1,419,730                                 |  |                                      | 1,419,730                        |
| CHANGE IN NET POSITION              | -                            | 465,270                                   | (1,915,202)                                | (342,070)                            | (1,792,002)                      |
| <b>NET POSITION - JULY 1, 2021</b>  | -                            | 504,593                                   | 14,307,233                                 | 2,518,726                            | 17,330,552                       |
| <b>NET POSITION - JUNE 30, 2022</b> | \$ -                         | \$ 969,863                                | \$ 12,392,031                              | \$ 2,176,656                         | \$ 15,538,550                    |

The accompanying notes are an integral part of these financial statements.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - REPORTING ENTITY

The Board of Education of Allegany County, Maryland ("Board") is an elected group constituting an on-going entity which has governance responsibilities over all activities related to public elementary and secondary school education within its jurisdiction, Allegany County, Maryland ("County"). The Board receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. The Board is included as a component unit of Allegany County, Maryland as defined in Generally Accepted Accounting Principles (GAAP) since the Board is fiscally dependent on Allegany County, Maryland. In evaluating how to define the Board, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibilities. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organizations. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The Board has not included any component units in these financial statements.

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

##### **A. Basis of Presentation**

The Board's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### A. Basis of Presentation (Continued)

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental (primarily supported by County appropriations and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program, or function of the Board's governmental activities and for the single business-type activity of the Board.

Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

***Fund Financial Statements*** During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each enterprise and governmental fund was a major fund and is presented in a separate column. Fiduciary funds are reported by type.

# BOARD OF EDUCATION OF ALLEGANY COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **B. Fund Accounting**

The accounts of the Board are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. The following funds and account groups are used by the Board:

#### *Governmental Fund Types*

##### Current Expense Fund - Unrestricted

The Current Expense Fund - Unrestricted is the general operating fund of the Board. All financial resources, except those required to be accounted for in another fund, are accounted for in this fund.

##### Current Expense Fund - Restricted and Food Service Fund

The Current Expense Fund - Restricted and Food Service Fund are special revenue funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. In the event an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are generally used first. In the event an expenditure is incurred for purposes for which both assigned and unassigned net position is available, assigned resources are used first.

##### School Construction Fund

The School Construction Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

#### *Proprietary Fund Types*

##### Information Technology Fund

The Information Technology Fund is an enterprise fund used to account for financing of services provided by the Information Technology Fund to other departments of the Board and to other governments within Allegany County.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Fund Accounting (Continued)**

*Fiduciary Fund Type*

School Activities Fund

The School Activities Fund is an expendable trust fund used to account for assets held by the Board in a trustee capacity for various student groups.

Retiree Insurance Benefit Plan Fund

The Retiree Insurance Benefit Plan Fund is an expendable trust fund used to account for assets held by the Board in a trustee capacity for future retirees' medical expenses.

Retiree Insurance Benefit Plan Trust

The Retiree Insurance Benefit Plan Trust is an expendable trust fund used to account for assets held in trust for future retirees' medical expenses.

Retiree Health Plan Trust

The Retiree Health Plan Trust is used to account for assets held in trust for future retirees' medical expenses.

**C. Measurement Focus**

*Government-wide Financial Statements* The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Board are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

# BOARD OF EDUCATION OF ALLEGANY COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus (Continued)

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is reported using the economic resources measurement focus.

#### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The modified accrual basis of accounting is used by all governmental fund types and the fiduciary fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 be used to pay liabilities of the current period. A six month availability period is used for revenue recognition for all governmental and fiduciary fund revenues. Expenditures are recorded when the related fund liability is incurred.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **D. Basis of Accounting (Continued)**

The proprietary fund is accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All GASB pronouncements are followed in the proprietary fund. FASB, APB Opinions and ARB's issued before November 30, 1989 are followed to the extent they do not contradict GASB. FASB pronouncements issued after November 30, 1989 that are developed for business entities are followed to the extent that they do not contradict GASB.

The Board reports deferred inflows of resources on its statement of net position. Deferred inflows represent an acquisition of net position that applies to a future period and will not be recognized as an inflow or resources, or a revenue, until that time. The Board reports deferred outflows of resources on its statement of net position. Deferred outflows represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or an expense, until that time. The Board reports deferred outflows of resources and deferred inflows of resources related to its pension plan. See Note 6. The Board also reports deferred inflows of resources related to its Other Post-Employment Benefits or OPEB. See Note 11.

##### **E. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for all funds except, School Activities Fund, School Construction Fund, Retiree Insurance Benefit Trust, and Retiree Health Plan Trust. Annual operating budgets are adopted by the Board each fiscal year through passage of an annual budget and amended as required for all funds. Budget amendments requiring a change between categories requires approval by the Board and by the County. The budget is prepared using the same basis of accounting as is used to record actual revenues and expenditures/expenses with a few exceptions.

**BOARD OF EDUCATIONS OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgets and Budgetary Accounting (Continued)**

At the request of the Maryland State Department of Education, on-behalf retirement payments made by the State of Maryland are not included in the final budgeted amounts of revenue and expenditures. The other exceptions are in the Proprietary Fund Type – Information Technology Fund and the Governmental Fund Type - School Construction Fund. The Proprietary Fund Type – Information Technology Fund prepares its budget on the modified accrual basis but prepares its statements on the accrual basis. The Governmental Fund Type - School Construction Fund prepares its budget on the modified accrual basis but does not account for revenues from state committed funds for projects that have not begun. Budgetary control is exercised at the department level. Budgets presented in the financial statements reflect all amendments.

**F. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the restricted governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

At June 30, 2022, \$11,477,145 of School Construction fund balance has been reserved to cover expected appropriations for specific construction projects. Expenditures in excess of total appropriations for a project are closed out against the unreserved portion of fund balance at the end of the project.

**G. Post Retirement Health Care Benefits**

Prior to 1992, the Board was reimbursed 100% by all retired employees that elected to continue coverage under their health care plan. In accordance with the Board of Education Policy Manual and the Health Care Insurance Contract, all employees covered at the time they retired could elect to continue their coverage at their own expense. The reimbursements the Board received were netted with the premiums for the retirees. In 1992 and 2000, new policies were implemented to subsidize a portion of the retirees' health care costs. These policies are further described in Note 11.



BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**H. Inventories**

Materials, supplies, and textbooks purchased from Unrestricted and Restricted Current Expense Funds are not inventoried. Food Service Fund inventories consist of food and supplies located in the individual schools and in the central warehouse. Purchased food and supplies are valued at current cost, which is different from lower of cost or market. The difference is immaterial. The value of donated food is determined from U.S. Department of Agriculture price lists. Inventory on hand at the end of the period is recorded as an asset and a corresponding reservation of the fund balance is made. The amount on hand as of June 30, 2022 is \$332,515.

**I. Compensated Absences**

Accumulated earned vacation time is accrued when incurred. At June 30, 2022, \$1,780,721 has been accrued and included in other current liabilities on the Fund Balance Sheet.

During the year ended June 30, 1994, the Board implemented the provisions of the Governmental Accounting Standards Board's Statement No. 16, *Accounting for Compensated Absences*. This statement requires the recording of accumulated unused sick leave if such amounts will be paid as termination benefits. At June 30, 2022, \$246,988 has been accrued as the current portion of this liability on the Fund Balance Sheet. The long-term portion of \$1,929,693 has been recorded in the government-wide statement of net position. Long-term compensated absences decreased in the current year by \$109,609 over the prior year total of \$2,039,302.

The Board only pays benefits to employees who terminate employment upon reaching the required retirement age or death. Benefits are not paid to employees who terminate prior to reaching their defined retirement age.

**J. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Interfund balances have no set repayment schedule and are generally not expected to be repaid within one year.

The composition of interfund balances as of June 30, 2022 is as follows:

| Payable Fund           | Receivable Fund | Amount        |
|------------------------|-----------------|---------------|
| Unrestricted           | General Fund    | \$ 5,178,108  |
| Restricted             | General Fund    | 12,549,501    |
| School Construction    | General Fund    | 10,410,078    |
| General Fund           | Retiree Ins.    | (969,863)     |
| Food Service           | General Fund    | 593,871       |
| Information Technology | General Fund    | 87,806        |
|                        |                 | \$ 27,849,501 |

**L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of three thousand dollars (\$3,000) for equipment and five thousand dollars (\$5,000) for buildings. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>                 | <u>Governmental<br/>Activities<br/>Estimated Lives</u> | <u>Business-Type<br/>Activities<br/>Estimated Lives</u> |
|------------------------------------|--|---|
| Land                               | N/A  | N/A   |
| Buildings and Improvements         | 7-50 years   | N/A   |
| Furniture, Equipment, and Vehicles | 5-20 years   | 5-20 years  |
| Equipment under capital lease      | 5-7 years  | 5-7 years   |

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are for services provided by the Information Technology Fund to other entities within Allegany County. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

N. Statement of Cash Flows

For purposes of the statement of cash flows, the Information Technology Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

O. Credit Risk

As of June 30, 2022, the Board has recorded receivables from various governmental units. As these receivables are believed to be completely collectable, allowances for doubtful accounts are not recorded, nor are the receivables collateralized.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Debt**

The school system does not have the authority to issue bonds under Maryland state law or the ability to access revolving loan funds or pools. The school system cannot enter into revenue debt, conduit debt, or any other type of hybrid debt. The school system is permitted to enter into alternative financing types of debt as approved by the Board of Education and County Commissioners. The finance department reviews all lease agreements to ensure consistency with school system policy and Maryland law. Leases paid for by central office funds are approved as part of the annual budget process. No lease financing in excess of \$100,000 will be entered into without approval of the Board of Education. The Board's debt consists of compensated absences payable and obligations related to capital leases.

**R. Fund Balance**

The elected Board of Education is the highest level of decision making authority in the organization. The elected Board of Education can commit fund balance. To remove or change the constraints placed on resources requires action by the elected Board of Education. The elected Board of Education has delegated authority to assign fund balance to the Superintendent or designee. In the event an expenditure is made from multiple balance classifications, the order of spending will be committed, assigned, and unassigned.

**S. Net Pension Liability**

The net pension liability had a balance at June 30, 2021 of \$6,142,206, and a balance at June 30, 2022 of \$4,476,487. The liability balance decreased \$1,665,719 during the current year. No portion of the balance is considered due within one year.

**T. Cash and Cash Equivalents**

Cash includes currency on hand as well as demand deposits with banks or financial institutions. It also includes other kinds of accounts that have the general characteristics of demand deposits in that the Entity may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. Cash equivalents, excluding items classified as marketable securities, include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present minimal risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under that definition.

**U. Investments**

Due to Board's investment practices being governed by the Annotated Code of the State of Maryland, investment activity includes certificates of deposit, money market funds, instruments of the U.S. Treasury, and repurchase agreements secured by the U.S. Treasury and other federal securities with maturities of three months or longer qualify as investments.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2022, was as follows

|  | <u>Balance 6/30/21</u> | <u>Additions</u>    | <u>Disposals</u>   | <u>Transfers</u>   | <u>Balance 6/30/22</u> |
|--|------------------------|---------------------|--------------------|--------------------|------------------------|
| Governmental Activities                      |                        |                     |                    |                    |                        |
| Non-depreciable assets:                      |                        |                     |                    |                    |                        |
| Land   | \$ 7,643,505           | -                   |                    |                    | \$ 7,643,505           |
| Construction-in-progress                     | <u>2,797,588</u>       | <u>4,220,479</u>    |                    | <u>(2,540,880)</u> | <u>4,477,187</u>       |
| Total Non-depreciable assets                 | <u>10,441,093</u>      | <u>4,220,479</u>    | <u>0</u>           | <u>(2,540,880)</u> | <u>12,120,692</u>      |
| Depreciable assets:                          |                        |                     |                    |                    |                        |
| Land Improvements                            | 10,468,605             | 322,525             | (19,060)           | 598,280            | \$ 11,370,350          |
| Buildings and Improvements                   | 202,331,234            | 2,431,641           | (86,334)           | 1,942,600          | 206,619,141            |
| Furniture, Equipment and Vehicles            | <u>24,102,237</u>      | <u>1,930,575</u>    | <u>(737,792)</u>   |                    | <u>25,295,020</u>      |
| Total Depreciable Assets                     | <u>236,902,077</u>     | <u>4,684,741</u>    | <u>(843,186)</u>   | <u>2,540,880</u>   | <u>243,284,511</u>     |
| Less accumulated depreciations               |                        |                     |                    |                    |                        |
| Land Improvements                            | (5,289,195)            | (548,848)           | 9,027              |                    | (5,829,016)            |
| Buildings and Improvements                   | (105,221,773)          | (4,111,892)         | 80,640             |                    | (109,253,024)          |
| Furniture, Equipment and Vehicles            | <u>(17,320,147)</u>    | <u>(1,401,867)</u>  | <u>735,942</u>     |                    | <u>(17,986,072)</u>    |
| Total Accumulated Depreciation               | <u>(127,831,114)</u>   | <u>(6,062,607)</u>  | <u>825,609</u>     | <u>0</u>           | <u>(133,068,112)</u>   |
| Total Capital Assets Being Depreciated       | <u>109,070,963</u>     | <u>(1,377,866)</u>  | <u>(17,577)</u>    | <u>2,540,880</u>   | <u>110,216,399</u>     |
| Governmental Activities Capital Assets, Net  | <u>\$ 119,512,056</u>  | <u>\$ 2,842,613</u> | <u>\$ (17,577)</u> | <u>\$ -</u>        | <u>\$ 122,337,091</u>  |
| Business-Type Activities                     |                        |                     |                    |                    |                        |
| Non-depreciable assets:                      |                        |                     |                    |                    |                        |
| Construction-in-progress                     | \$ -                   |                     | -                  | -                  | \$ -                   |
| Total Non-depreciable assets                 | <u>-</u>               | <u>-</u>            | <u>-</u>           | <u>-</u>           | <u>-</u>               |
| Depreciable assets:                          |                        |                     |                    |                    |                        |
| Furniture, Equipment, and Vehicles           | 483,946                | -                   | (61,857)           |                    | 422,089                |
| Less: Accumulated Depreciation               | <u>(483,946)</u>       |                     | <u>61,857</u>      |                    | <u>(422,089)</u>       |
| Total Depreciable Assets                     | <u>-</u>               | <u>-</u>            | <u>-</u>           | <u>-</u>           | <u>-</u>               |
| Business-Type Activities Capital Assets, Net | <u>\$ -</u>            | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>            |

\* Depreciation was charged to governmental functions as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Administration                   | \$ 135,454          |
| Transportation                   | 231,252             |
| Operation of plant and equipment | 31,588              |
| Maintenance of plant             | 159,267             |
| Food Service                     | 9,877               |
| Unallocated                      | <u>5,495,169</u>    |
| Total Depreciation Expense       | <u>\$ 6,062,607</u> |

The insurance value of capital assets as of June 30, 2022 is \$ 455,049,689

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - POSSIBLE FUTURE AUDIT ADJUSTMENTS OF REVENUE**

Revenue is subject to periodic state or federal audits and possible future adjustments. Any adjustments resulting from such audits will be recorded in the year assessed.

**NOTE 5 - FOOD SERVICE EXPENDITURES**

Included in revenue and expenditures of the Food Service Fund is the value of USDA donated commodities used during the year of \$487,700. This amount includes the value of the donated commodities plus costs to process the commodities into useable form.

**NOTE 6 - PENSION PLAN**

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRP) and addition to/deductions from the MSRP fiduciary net position have been determined on the same basis as they are reported by MSRP. 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.

**General Information about the Pension Plan**

The Board of Education of Allegany County participates in the Maryland State Retirement and Pension System, a cost sharing multiple-employer public employee retirement system. Substantially all employees of the Board are eligible to participate in the System, which provides retirement, disability and death benefits in accordance with State statutes. The system is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Teachers and Employees Retirement and Pension Systems. The annual report for the year ended June 30, 2021 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, by calling 1-800-492-5909 or at [www.sra.state.md.us](http://www.sra.state.md.us).

The Maryland State Retirement and Pension System has various plans for school system employees. The Teachers' and Employees' Retirement System closed to new members hired on or after January 1, 1980. Members on December 31, 1979 continue to be members unless they elected to transfer into the pension system prior to January 1, 2005. The Teachers' and Employees' Pension System was established for members hired on or after January 1, 1980. The plan design and benefit levels are different for the retirement system as compared to the pension system. They will be disclosed separately.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION PLAN (Continued)**

**Teachers' and Employees' Retirement System (Continued)**

Retirement system member contributions are based upon a specified percentage of annual earnable compensation. Generally, members who elected in 1984 to receive unlimited future cost-of-living adjustments (COLA) contribute 7%. Members who elected in 1984 to receive a limited future COLA contribute 5%.

Retirement system members are eligible for full service retirement allowance upon attaining age 60 or upon accumulating 30 years of service regardless of age. Full service retirement allowance equals  $1/55$  (1.818%) of the highest three years' average final compensation (AFC) multiplied by the number of years and months of creditable service.

Retirement system members are eligible for early service retirement upon accumulating at least 25 years of eligibility service prior to attaining age 60. The benefit will be reduced by 0.5% per month by which the retirement date precedes the earlier of the date on which the member reaches age 60 or the date on which the member would have completed 30 years of service. The maximum reduction is 30% for the pension in the retirement system and 42% on the benefit of the pension system if applicable.

Ordinary disability retirement is possible for members upon completing five years of eligibility service and receiving certification from the Medical Board that the member is permanently incapable of performing their necessary job functions. The ordinary disability retirement allowance generally equals  $1/55$  (1.818%) of the highest three years' AFC multiplied by the number of years of accumulated creditable service. However, the ordinary disability benefit can be no greater than 1.818% of the AFC for each year of creditable service the member would have received had they continued to work until age 60.

There is also an accidental disability retirement benefit if the Medical Board certifies that, in the course of job performance, and as the direct result of an accidental injury, the member became totally and permanently disabled. The accidental disability allowance equals the sum of an annuity determined as the actuarial value of the members' accumulated contributions plus  $2/3$  (66.7%) of AFC. Allowance may not exceed the members' AFC.

To be eligible for death benefits, retirement system members must have accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. Death benefits are equal to a members' annual earnable compensation at the time of death plus accumulated contributions.

Retirement system members are vested provided they have at least five years of eligibility prior to separation. Vested allowances are equal to the normal service retirement allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation. If members do not withdraw their contributions and die before attaining age 60, their accumulated contributions are returned to the designated beneficiary.

## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 6 - PENSION PLAN (Continued)

##### Teachers' and Employees' Pension System

The Teachers' and Employees' Pension System was established on January 1, 1980. All members of the pension system on or before June 30, 2011, generally participate in the Alternative Contributory Pension Selection (ACPS). All members who enroll in the pension system on or after July 1, 2011, participate in the Reformed Contributory Pension Benefit (RCPB).

Members of the ACPS and RCPB contribute 7% of earnable compensation. Members of the ACPS are eligible for retirement upon accumulating 30 years of service. Absent 30 years of eligibility, options exist for retirement based upon age and years of eligibility if a member's age is 62 or older. Generally, the full service pension allowance equals 1.2% of the AFC for the three highest consecutive years for the ACPS. RCPB members are eligible for full service pension when their combined age and eligibility service equals 90 years or they attain age 65 after 10 years of eligibility. The RCPB full service pension allowance is equal to 1.5% of the AFC for the five highest years as an employee. Members of the ACPS and RCPB are eligible for cost-of-living adjustments. ACPS members have the adjustment capped at 3% and is applied to all benefits attributable to service earned before June 30, 2011 which would have been in payment for one year. ACPS and RCPB members have the cost-of-living allowance capped at 2.5% for service earned on and after July 1, 2011 or the increase in the consumer price index if the most recent calendar quarter was greater than or equal to the assumed rate. In years in which cost-of-living adjustments would be less than zero due to a decline in the consumer price index, retirement allowances will not be adjusted. Cost-of-living adjustments in succeeding years are adjusted until the difference between the negative cost-of-living adjustment that would have been applied and the zero cost-of-living adjustment is fully recovered.

Pension system members are eligible for early service retirement benefits. The ACPS allows an early service payment upon attaining age 55 with at least 15 years of eligibility service. The benefit payable will be the ACPS full service pension which will be reduced by 0.5% for each month by which the retirement precedes age 62.

The maximum reduction is 42%. The RCPB members are eligible for early service pension payments attaining age 60 and 15 years of eligible service. The benefit payable will be the RCPB full service pension which will be reduced by 0.5% for each month by which the retirement precedes age 65. The maximum reduction is 30%.



BOARD OF EDUCATION OF ALLEGANY COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN (Continued)

Teachers' and Employees' Pension System (Continued)

Ordinary disability retirement is possible for ACPS and RCPB members upon completing five years of eligibility service and receiving certification from the Medical Board that the member is permanently incapable of performing their necessary job functions. The ordinary disability pension allowances generally equal the full service pension allowance if the members are at least age 62 on the date of retirement.

There is also an accidental disability pension benefit if the Medical Board certifies that, in the course of job performance, and as the direct result of an accidental injury, the member became totally and permanently disabled. The accidental disability allowance equals the sum of an annuity determined as the actuarial value of the members' accumulated contributions plus 2/3 (66.7%) of AFC. Allowance may not exceed the members' AFC.

To be eligible for death benefits, pension system members must have accumulated at least one year of eligibility service prior to the date of death or died in the line of duty. Generally, the benefit is equal to the members' annual earnable compensation on the date of death plus accumulated contributions.

Pension system members are vested depending upon their plan. ACPS members are vested with five years of service. RCPB members are vested with 10 years of service.

For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive 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 retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of either the Teachers' or Employees' Retirement System (ERS) 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 AFC multiplied by the number of years of accumulated creditable service.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION PLAN (Continued)**

**Teachers' and Employees' Pension System (Continued)**

An individual who is 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 member's 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.

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance.

The State of Maryland, which is a non-employer contributor to the Teachers' Retirement System (TRS) and Teachers' Pension System (TPS), makes non-employee contributions in amounts required by State statutes at a set cost-sharing amount through 2017. The Board pays all employer contributions for employees who participate in the Employees' Pension System (EPS). Employees participating in the EPS include employees classified as custodial and cafeteria personnel. Employer contribution rates for custodial and cafeteria personnel are established by annual actuarial valuations, subject to the approval of the systems' Board of Trustees in accordance with the Annotated Code of Maryland.

Employees covered under the TRS, TPS and the EPS are required by State statute to contribute 7.0% of earned compensation.

For the year ended June 30, 2019 and thereafter, the Board is responsible for paying 100% of the normal cost for the TPS and TRS plans. The State of Maryland is responsible for paying 100% of the School System's past costs related to TPS and TRS plans. This meets the criteria of a special funding situation in accordance with Governmental Accounting Standards. The State's contributions on behalf of the Board for the year ended June 30, 2022 were \$6,798,173, which were equal to the State's required contributions for that year. The contributions are recognized as revenues and expenditures in the Unrestricted Current Expense Fund. The Board's contributions for the year ended June 30, 2022 were \$2,595,644 to the TRS and TPS, and \$707,322 for the EPS, which were equal to the Board's required contributions for that year.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION PLAN (Continued)**

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

Before discussion of the process used to calculate and allocate the net pension liability, it is important to understand Maryland's particular situation concerning the payment of employer pension costs for Maryland's teacher population under the 24 Boards of Education (BOE).

At the time that the GASB's pension changes were under consideration, an initiative for pension cost sharing was before the 2012 session of the General Assembly. This legislation, which became law, required each BOE to begin paying the "normal cost" for their teachers starting in FY 2013 and full normal cost to be paid in FY 2017 and each year thereafter.

Because the State of Maryland pays the unfunded liability and the local BOEs pay the normal cost for the teachers' pension, the local Boards of Education are not required under GASB 68 to record their share of the unfunded pension liability for the TRS but instead, that liability is recorded by the State of Maryland. The portion of the net pension liability recorded by the State of Maryland related to the Board's teachers' pensions was \$57,256,783 as of June 30, 2021. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's portion of the net pension liability recorded by the State was calculated based on pension contributions made for Board teacher pensions relative to total employer contributions for the Teachers' Retirement System and Teachers' Pension System for the year ended June 30, 2021, actuarially determined. As June 30, 2021, the Board's proportion was 0.81 percent.

Certain non-teacher Board personnel including custodial and cafeteria personnel participate in the ERS. The Board has responsibility for the funding of these employee contributions and therefore, is required under GASB 68 to record their proportional share of the net pension liability of the Employee' Retirement and Pension System. The proportional share is based on the employer contributions for only those employees participating in the ERS and does not include contributions made for employees participating in the TRS.

At June 30, 2022, the Board reported a liability of \$4,476,487 for its proportionate share of the ERS and EPS net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's contributions to the ERS relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2021, actuarially determined. At June 30, 2021, the Board's proportion was 0.02984 percent compared to 0.02718 percent at June 30, 2020, an increase of 0.00266.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Pension expense for the ERS plan for the year ended June 30, 2022 was \$(49,722)

At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes of assumptions   | \$ 866,462                           | \$ 95,946                           |
| Change in proportionate share  | 492,693                              |                                     |
| Net difference between projected and actual earnings                                       |                                      | 2,044,327                           |
| Difference between actual and expected experience  |                                      | 343,098                             |
| Board contributions to the Employees' Pension System<br>subsequent to the measurement date | 707,322                              |                                     |
| Total  | \$ 2,066,477                         | \$ 2,483,371                        |

\$707,322 reported as deferred outflows of resources related to pensions resulting from Board contributions to the ERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |                |
|---------------------|----------------|
| 2023                | \$ (345,146)   |
| 2024                | (276,158)      |
| 2025                | (272,754)      |
| 2026                | (362,317)      |
| 2027                | 132,159        |
| Thereafter          | 0              |
| Total               | \$ (1,124,216) |

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Actuarial                 | Individual Entry Age Normal  |
| Amortization method       | Level Percentage of Payroll, Closed  |
| Inflation                 | 2.25% general, 2.75% wage  |
| Salary increases          | 2.75% to 9.25%   |
| Discount rate             | 6.80%  |
| Investment rate of return | 6.80%  |
| Retirement Age            | Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.               |
| Mortality                 | Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females. |

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 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 reduce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System 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      | 37.00%                   | 4.70%   |
| Private Equity     | 13.00%                   | 6.50%   |
| Rate Sensitive     | 19.00%                   | -0.40%  |
| Credit Opportunity | 9.00%                    | 2.60%   |
| Real Assets        | 14.00%                   | 4.20%   |
| Absolute Return    | <u>8.00%</u>             | 2.00%   |
| Total              | <u>100.00%</u>           |   |

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The discount rate used to measure the total pension liability was 6.80 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to determine the total pension liability.

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80 percent) or 1-percentage-point higher (7.80 percent) than the current rate:

|  | 1% Decrease<br>5.80% | Current Discount<br>Rate 6.80% | 1% Increase<br>7.80% |
|--|----------------------|--------------------------------|----------------------|
|  | _____                | _____                          | _____                |
| Board's proportionate share of the net pension liability | \$ 7,624,072         | \$ 4,476,487                   | \$ 1,865,572         |

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

**NOTE 7 - RELATED PARTIES**

The Board is closely related to Allegany County and the State of Maryland, and is dependent on these two sources for the major portion of its current expense funding. The amounts received and receivable during the year are disclosed within the financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - CASH AND INVESTMENTS**

**Deposits**

At June 30, 2022, the carrying amount of the Board's reconciled bank deposits was \$35,159,098 and the various bank balances were \$36,992,584. Of the bank balances, \$293,741 was covered by depository insurance. Total collateralized deposits were \$36,698,843.

**Investments**

The Board's investment practices are governed by the Annotated Code of the State of Maryland. The Annotated Code limits the Board's investment activity to certificates of deposit, money market funds, instruments of the U.S. Treasury, and repurchase agreements secured by U.S. Treasury and other federal securities.

All investment revenue is recorded in the fund that held the investments at year end.

As of June 30, 2022, the Board's local investments in certificates of deposit and maturities are outlined as follows:

|                         | Investment Maturity in Months |          |           |              |          |
|-------------------------|-------------------------------|----------|-----------|--------------|----------|
| Fair Value              | Less Than 1                   | 1-6      | 6-12      | More Than 12 |          |
| Certificates of Deposit | \$459,874                     | \$30,297 | \$336,703 | \$52,831     | \$40,043 |

Investments of \$14,568,687 related to other post-employment benefits are discussed at Note 11 – Other Post-Employment Benefits Other Than Pension Benefits.

**Interest Rate Risk** - In accordance with its investment policy, the Board manages its exposure to declines in fair values arising from interest rates by limiting the maturity date of securities to no more than 2 years from the date of purchase, unless it is matched to a specific cash flow requirement.

**Credit Risk** – The Board's investment policy for investments outside the MABE pooled investment trust limits the investments of the portfolio to 5% of Bankers Acceptances, 5% to money market mutual funds, and 5% to commercial paper. The Board's investment policy complies with Maryland state law limits.

**Custodial Credit Risk** – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-board's name.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - ON-BEHALF PAYMENTS**

The State of Maryland paid \$6,798,173 into the State Retirement and Pension System of Maryland on behalf of the Board.

In addition, the Board receives support in the form of “on-behalf spending” from the Allegany County Government. School nurses are provided to the Board through the Allegany County Health Department at a total cost of \$1,976,246 of which \$790,585 is paid by the Board and the remainder of \$1,185,661 is funded by County, State, and Federal funds.

County government also supported the school system by assisting with school security of \$122,435 for public school students and mental health spending in the amount of \$32,640 for both public and non public school students.

**NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS**

The Board is exposed to risks of loss from lawsuits, medical and dental insurance claims, workers' compensation claims, and property damage claims. The Board manages its risks for these claims in various ways. Risks of loss arising from property damage and errors and omissions have been transferred to the Board's insurance carrier through the purchase of set premium insurance. The Board retains the risk of loss for medical and dental claims and has included \$8,693,252 in accrued expenses on the balance sheet to cover incurred but not reported claims. This amount decreased by \$251,552 from the prior year amount of \$8,944,804, and was based on total claims paid of \$20,524,491 and \$18,019,544 for 2022 and 2021, respectively. The Board does not include any other incremental costs in its basis. The Board's insurance consultant had advised that the recorded liability is sufficient. The Board purchased stop-loss insurance, however, so that if an individual claim exceeds \$350,000, the insurance company will reimburse the Board for the excess.

|  |           |                         |
|--|-----------|-------------------------|
| Hospital Insurance Liability at Beginning of Year  | \$        | 8,944,804               |
| Claims and changes in estimates during the year    |           | 20,272,939              |
| Claims paid  |           | <u>(20,524,491)</u>     |
| <b>Hospital Insurance Liability at End of Year</b> | <b>\$</b> | <b><u>8,693,252</u></b> |



## BOARD OF EDUCATION OF ALLEGANY COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 10 - COMMITMENTS, CONTINGENCIES, RISKS, AND SUBSEQUENT EVENTS (Continued)

The Board participates in the Maryland Association of Boards of Education's risk pool to manage the risks for workers' compensation claims. The Board pays an annual premium into the pool and may participate in refunds or be assessed additional premiums based on the experience of the pool and the Board's individual experience. No additional amounts have been recorded in the financial statements for any additional assessments since it is unlikely that a material amount, if any, will be assessed.

The Board also joined the Maryland Association of Boards of Education risk pool, organized as a trust, for the purpose of providing property, liability, and automobile coverage to members of the pool for an annual premium. Such premiums are actuarially calculated for the pool as a whole based upon loss data and are allocated to members based on student enrollment, number, and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for liabilities, covering claims aggregating \$3 million per system per year.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Board's financial condition, liquidity, and future results of operations. Board officials are actively monitoring the situation. Access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The Board's financial condition and services may be impacted for fiscal year 2023.

The Board is exposed to a variety of threatened and pending litigation at June 30, 2022. No liability has been recorded for contingencies in the financial statements as the Board does not believe it is likely that a material liability will result from these claims that will not be covered by insurance, and no amount is determinable.

The Board evaluated subsequent events through December 12, 2022, for possible inclusion in the financial statements for potential required disclosures.

#### **Long-range facilities plan**

A long-range facilities plan for the future operation of County schools has been approved by vote by the School Board. Formal action is required for school consolidations and new school constructions. Funding for any action would come from State, County, and the Board funds.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

In fiscal year 2018, GASB issued a new accounting standard for the employer of OPEB plans (Statement No. 75 Accounting and Reporting for Postemployment Benefits Other than Pensions). The Board adopted and implemented this standard.

Since 1992, a new policy was implemented to subsidize a portion of the retiree's health care premiums. For 2022, a maximum subsidy for all retirees of \$230,000 was Board approved. The total annual amount of the subsidy for the 2022 fiscal year is as follows for 86 retirees:

| <u>Years of Service at Retirement</u> | <u>Total Premium Subsidy Paid</u> |                    |
|---------------------------------------|-----------------------------------|--------------------|
|                                       | <u>Under Age 65</u>               | <u>Over Age 65</u> |
| 25 - 29 years                         | \$ 0                              | \$77,515           |
| 30 or more years                      | \$ 0                              | \$120,785          |

**Plan Description**

In 2000, the “Retiree Insurance Benefit Plan” was established to subsidize a portion of future retirees' health care costs. Eligible employees retiring after June 30, 2002 will be covered under this plan. Eligible employees who retired prior to July 1, 2002 will continue to receive supplements under the plan described in the previous paragraph. The Board contributed \$1,885,000 toward the fund during the fiscal year ended June 30, 2022.

The Retiree Insurance Benefit Plan, a single-employer plan, is an independent fund jointly established by the Board of Education of Allegany County and four bargaining units to reimburse eligible retirees a portion of their post-retirement health insurance costs. Annual benefits to be paid from the fund are to be determined by a Plan Oversight Committee, consisting of five employee union representatives and four representatives appointed by the Board. The plan is presented within the financial statements as a Fiduciary Fund.

In March 2009, the Board entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education of Maryland to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes and to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The assets of the MABE Trust are managed by GYL Financial Synergies and consist of money market funds, U.S. government securities, fixed income securities, asset-backed securities, equity securities, mutual funds and exchange traded funds.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(Continued)**

At June 30, 2022 the net position of the MABE Trust was valued at \$537.12 million; the School System's interest was \$14,568,687 which is held in trust for the OPEB liability. Certain investments in the trust are measured at net asset value and as such are not subject to fair value disclosure leveling. The pool does not carry a credit quality rating.

The MABE OPEB Trust is audited annually by an independent CPA firm. Cohen & Company, LTD performed this service. The audit report is usually issued by September 1st each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, MD 21401-1112. The State of Maryland Treasurer's Office provides regulatory oversight of the investment pool, and the fair value of the School System's position in the pool is the same as the fair value of pool shares. The Board can withdraw its allocated investment balance from the fund by providing written notification six months prior to the intended date of withdrawal.

**Plan Membership and Benefits Provided**

In addition to subsidizing a portion of retiree health care benefits, the Board provides other post-employment benefits under a single employer plan. The Board provides medical benefits including prescription drug to eligible employees who retire from the Allegany County Public School System. The employer's contributions are financed on a pay-as-you-go basis through negotiated agreements with employee bargaining groups, and the future payment for these benefits is contingent upon annual approval of the operating budget. As of the June 30, 2021 actuarial valuation date, plan membership included 1,176 active employees that may receive this benefit in the future and 945 retirees and beneficiaries that are currently eligible for this benefit. 683 retirees are taking advantage of some portion of retiree benefits as of June 30, 2021. Details of the post-retirement benefits are as follows:

**Medical Benefits**

Retirees are eligible for continued membership of the school system's group medical plans provided they have at least 15 years of service with the Allegany County Public Schools. Employees must actually retire from the Board and begin receiving retirement benefits from the State of Maryland without any time break between the last day of employment and their retirement date. Employees must retire July 1, 2002, or thereafter.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(Continued)**

The retiree pays the premiums for these benefits but is eligible for a reduction of the premium based upon years of service and age. Retirees with 30 years of service are eligible for the maximum benefit. Retirees with more than 25 years, but less than 30 years of services are eligible for 85% of the maximum benefit. Retirees with over 20 years of service, but less than 25 years of service are eligible for 70% of the maximum benefit. Retirees with over 15 years of service but less than 20 years of service are eligible for 55% of the maximum benefit. The fund will reimburse for health, dental, vision, and prescription premiums paid toward the Board insurance, other employer provided insurance, private policies, and/or Medicare B. Retirees can be covered by any health insurance plan they choose. They can be covered by any combination of the Board's health insurance, their spouse's insurance and/or a supplemental health insurance policy. If the employee dies in service July 1, 2002, or thereafter, their spouse may be eligible for benefits as explained in the negotiated contract.

**Actuarial Methods and Assumptions.**

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                           |   |
|---------------------------|---|
| Actuarial Valuation Date: | June 30, 2021   |
| Measurement Date          | June 30, 2022   |
| Amortization Method       | Entry Age Normal  |
| Inflation                 | 2.5 percent   |
| Salary Increases          | 4.0 percent   |
| Discount Rate             | 7.0 percent   |
| Investment Rate of Return | 7.0 percent   |
| Mortality:                | Pub-2010 Teacher Headcount-weighted<br>with fully generational scale MP-2021. The table represents the most recent table released by<br>the Society of Actuaries specifically for governmental employees. |

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

The last complete actuarial valuation was performed as of June 30, 2021. The June 30, 2021 valuation was based on (a) the plan provisions as in effect on that date, (b) employee data as of June 30, 2021, as provided by the plan sponsor, and (c) asset information as of June 30, 2021. The measurement included a 7.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially, reduced linearly to an annual increase of 4.5%. The actuarial value of assets was determined using market value.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Investments**

The MABE Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset allocations over short time spans.

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. The expected inflation rate is 2.48%.

| <u>Asset Class</u>                    | <u>Target Allocation</u> | <u>Long Term<br/>Expected Real<br/>Rate of Return</u> |
|---------------------------------------|--------------------------|---|
| US Large Cap Equity                   | 19.0%                    | 7.44%   |
| US Mid Cap Equity                     | 6.5%                     | 8.10%   |
| US Small Cap Equity                   | 6.5%                     | 8.76%   |
| Non-US Developed Large Cap Equity     | 15.0%                    | 8.62%   |
| Emerging Markets Equity               | 8.0%                     | 10.71%  |
| US Real Estate - REITS                | 5.0%                     | 7.90%   |
| US Aggregate Fixed Income             | 28.5%                    | 3.17%   |
| US High Yield Fixed Income            | 5.0%                     | 5.19%   |
| EM Gov't Fixed Income - Hard Currency | 3.5%                     | 5.54%   |
| US Cash                               | 3.0%                     | 2.49%   |
| <b>Total</b>                          | <b>100.0%</b>            |   |

The level of plan assets are sufficient to cover projected future obligated payments.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(Continued)**

**Rate of Return on Investments**

For the year ended June 30, 2022, the annual money-weighted rate of return on investments net of investment expense was (13.42) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Actual future returns may vary due to the timing of capital contributions and redemptions.

**Change in Net OPEB Liability**

|   | <b>Total OPEB<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net OPEB<br/>Liability</b> |
|---|---------------------------------|--|-------------------------------|
| <b>Balance at July 1, 2021</b>                    | <b>\$ 27,311,470</b>            | <b>\$ 16,825,959</b>                   | <b>\$ 10,485,511</b>          |
| <b>Changes for the year:</b>                      |                                 |  |                               |
| Service cost                                      | 398,283                         | -                                      | 398,283                       |
| Interest  | 1,856,130                       | -                                      | 1,856,130                     |
| Difference between expected and actual experience | -                               | -                                      | -                             |
| Assumption changes                                | 47,319                          | -                                      | 47,319                        |
| Contributions - employer                          | -                               | 1,618,030                              | (1,618,030)                   |
| Contributions - employee                          | -                               | -                                      | -                             |
| Net investment income                             | -                               | (2,242,443)                            | 2,242,443                     |
| Benefit payments                                  | (1,618,030)                     | (1,618,030)                            | -                             |
| Administrative expense                            | -                               | (14,829)                               | 14,829                        |
| Other changes                                     | -                               | -                                      | -                             |
| <b>Net Changes</b>                                | <b>683,702</b>                  | <b>(2,257,272)</b>                     | <b>2,940,974</b>              |
| <b>Balance at June 30, 2022</b>                   | <b>\$ 27,995,172</b>            | <b>\$ 14,568,687</b>                   | <b>\$ 13,426,485</b>          |

For the year ended June 30, 2022, the Board recognized OPEB expense of \$1,426,328

**Sensitivity of the net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current discount rate:

|                    | 1% Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|--------------------|-----------------------|------------------------------------|-----------------------|
| Net OPEB Liability | <u>\$16,329,342</u>   | <u>\$13,426,485</u>                | <u>\$10,916,036</u>   |

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(Continued)**

**Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (7.0 percent decreasing to 5.5 percent) than the current healthcare rates:

|                    | 1% Decrease<br>(5.0% to 3.5%) | Healthcare<br>Cost Trend<br>Rate<br>(6.0% to 4.5%) | 1% Increase<br>(7.0% to 5.5%) |
|--------------------|-------------------------------|--|-------------------------------|
| Net OPEB Liability | <u>\$ 10,565,139</u>          | <u>\$ 13,426,485</u>                               | <u>\$ 16,835,805</u>          |

**Deferred Outflows and Deferred Inflows of Resources Related to Other Post-Employment Benefits**

At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|---|--|---|
| Changes in Assumptions  | \$ 1,587,771   | \$ 69,925   |
| Difference between expected and actual experience                             | -  | 1,728,594   |
| Net difference between projected and actual earnings on OPEB plan investments | 2,936,667  | 1,397,573   |
| Board contributions to the OPEB subsequent to the measurement date            | -  | -   |
|   | <u>\$ 4,524,438</u>                                  | <u>\$ 3,196,092</u>                                 |

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
**(Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: |                     |
|---------------------|---------------------|
| 2023                | \$ 344,142          |
| 2024                | 345,082             |
| 2025                | 244,649             |
| 2026                | 710,193             |
| 2027                | (238,233)           |
| Thereafter          | <u>(77,487)</u>     |
| Total               | <u>\$ 1,328,346</u> |

**NOTE 12 - CAPITAL LEASES**

The Board leases photocopy and printing equipment under capital leases with interest rates ranging from 2.1% to 8.1% and maturity dates up to 2028. The total capital lease obligation as of June 30, 2022 was \$259,109 with \$104,477 representing the current portion and \$154,632 representing the long-term portion. In fiscal 2021, the capital lease obligation was \$285,638 of which \$101,724 was current and \$183,914 was considered long-term. The detail of the \$26,529 decrease in the total capital lease liability is presented below. The capital lease obligations are secured by the equipment under lease.

|  |                   |
|--|-------------------|
| Capital Lease Liability at June 30, 2021 | \$ 285,638        |
| Additional Lease Obligations             | 81,976            |
| Payments on Capital Lease Liability      | <u>(108,505)</u>  |
| Capital Lease Liability at June 30, 2022 | <u>\$ 259,109</u> |



**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - CAPITAL LEASES (Continued)**

Following is a schedule of principal and interest payments under capital leases as of June 30, 2022:

| <u>Year Ended June 30:</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|----------------------------|-------------------|------------------|-------------------|
| 2023                       | \$ 104,477        | \$ 16,744        | \$ 121,221        |
| 2024                       | 81,121            | 9,144            | 90,265            |
| 2025                       | 39,312            | 4,264            | 43,576            |
| 2026                       | 20,792            | 1,909            | 22,701            |
| 2027                       | 13,370            | 480              | 13,850            |
| 2028 and thereafter        | <u>37</u>         | <u>0</u>         | <u>37</u>         |
| Total                      | <u>\$ 259,109</u> | <u>\$ 32,541</u> | <u>\$ 291,650</u> |

The portion of the lease payments that are for service and materials have not been capitalized. Minimum total future lease payments, including the amounts for service and materials, as of June 30, 2022 follow:

| <u>Year ended June 30:</u> | <u>Minimum Lease Payments</u> |
|----------------------------|-------------------------------|
| 2023                       | 267,852                       |
| 2024                       | 201,501                       |
| 2025                       | 99,693                        |
| 2026                       | 53,133                        |
| 2027                       | 29,569                        |
| 2028 and thereafter        | <u>82</u>                     |
| Total                      | <u>\$ 651,830</u>             |

The following is equipment acquired through capital leases, which is included in capital assets on the statement of net position at June 30, 2022:

|                               |                  |
|-------------------------------|------------------|
| Cost                          | \$942,771        |
| Less accumulated depreciation | <u>(707,936)</u> |
|                               | <u>\$234,835</u> |

**NOTE 13 - FUND BALANCE**

A surplus fund balance of \$31,893,073 existed in the Current Expense Fund Type, Unrestricted Fund, as of June 30, 2022. The surplus of \$31,404,569 was undesignated.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 - ACCOUNTS RECEIVABLE**

Total accounts receivable of Governmental Funds in the financial statements as of June 30, 2022 is \$28,782,326. This total consists of the following components:

|                                |                          |
|--------------------------------|--------------------------|
| County Government              | \$ 703,056               |
| State Government               | 11,254,623               |
| Federal Government             | 16,289,412               |
| Other Local Education Agencies | 8,171                    |
| Other                          | <u>527,064</u>           |
| <br>Total                      | <br><u>\$ 28,782,326</u> |

**NOTE 15 - STADIUM FUNDS**

***Greenway Avenue Stadium***

On August 13, 1996 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Greenway Avenue Stadium. The \$1 surcharge is also assessed on student ticket sales for the varsity football homecoming game. The funds are to be used to maintain, renovate, and upgrade Greenway Avenue Stadium. These funds are collected by Fort Hill and Allegany High Schools and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

The activity for the year ended June 30, 2022 is as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| Balance, beginning of year        | \$ 272,771        |
| Add: Ticket surcharge collections | 14,899            |
| Donation                          | 0                 |
| Tower rent                        | 19,309            |
| Less: Expenditures                | <u>0</u>          |
| Balance, end of year              | <u>\$ 306,979</u> |

***Mountain Ridge Stadium***

On March 13, 2007 the Board approved a \$1 surcharge on adult ticket sales for varsity football, varsity soccer, and varsity track sporting events held at Mountain Ridge Stadium. The funds are to be used to maintain, renovate, and upgrade Mountain Ridge Stadium. These funds are collected by Mountain Ridge High School and remitted to the central office. Once received by the central office, these funds become part of the School Construction Fund.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 - STADIUM FUNDS (Continued)**

***Mountain Ridge Stadium (Continued)***

The activity for the year ended June 30, 2022 is as follows:

|                                   |                  |
|-----------------------------------|------------------|
| Balance, beginning of year        | \$ 73,668        |
| Add: Ticket surcharge collections | 6,615            |
| Interest                          | 0                |
| Less: Expenditures                | 0                |
| Balance, end of year              | <u>\$ 80,283</u> |

**NOTE 16 - FAIR VALUE MEASUREMENTS**

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities.
- Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed securities and swap agreements.
- Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement including the reporting entity’s own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)**

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

|   | <b>Level 1</b>       | <b>Level 2</b>      | <b>Level 3</b> | <b>Total</b>         |
|---|----------------------|---------------------|----------------|----------------------|
| <b>Certificates of Deposit</b>  | <b>\$ 459,874</b>    | <b>\$ -</b>         | <b>\$ -</b>    | <b>\$ 459,874</b>    |
| <b>MABE Investment Assets:</b>  |                      |                     |                |                      |
| Corporate Bonds   | -                    | 1,904,751           | -              | 1,904,751            |
| Corporate Asset Backed Securities                                       | -                    | 194,008             | -              | 194,008              |
| Equity Securities   | 4,833,866            | -                   | -              | 4,833,866            |
| Exchange Traded Funds   | -                    | -                   | -              | -                    |
| Mutual Funds  | 4,801,252            | -                   | -              | 4,801,252            |
| Municipal Bonds   | -                    | -                   | -              | -                    |
| Foreign Government Bonds  | -                    | 15,418              | -              | 15,418               |
| US Government and Agency Fixed Income<br>Asset Backed Securities        | -                    | 1,973,050           | -              | 1,973,050            |
| <b>Total MABE investments by fair value level</b>                       | <b>9,635,118</b>     | <b>4,087,227</b>    | <b>-</b>       | <b>13,722,345</b>    |
| <b>Total Investments measured at fair value</b>                         | <b>\$ 10,094,992</b> | <b>\$ 4,087,227</b> | <b>\$ -</b>    | <b>\$ 14,182,219</b> |
| MABE Investments measured at net asset value                            |                      |                     |                | 846,342              |
| <b>Total Investments Measured at Fair Value<br/>and Net Asset Value</b> |                      |                     |                | <b>\$ 15,028,561</b> |

The fair value measurement for these assets are based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

|  | Un restricted        |                      |                      |                                     |
|--|----------------------|----------------------|----------------------|-------------------------------------|
|  | Budgeted Amounts     |                      | Actual               | Variance With                       |
|  | Original             | Final                | Budgetary<br>Basis   | Final Budget<br>Positive (Negative) |
| <b>REVENUES</b>  |                      |                      |                      |                                     |
| County - regular appropriation                               | \$ 31,854,912        | \$ 31,854,912        | \$ 31,854,912        | \$ -                                |
| State - direct   | 85,983,784           | 85,983,784           | 83,815,953           | (2,167,831)                         |
| Federal - direct   | 275,000              | 275,000              | 290,085              | 15,085                              |
| Fund Balance   | -                    | 3,500,000            | -                    | (3,500,000)                         |
| Other revenue  | 327,000              | 327,000              | 608,129              | 281,129                             |
| <b>TOTAL REVENUES</b>  | <u>118,440,696</u>   | <u>121,940,696</u>   | <u>116,569,079</u>   | <u>(5,371,617)</u>                  |
| <b>EXPENDITURES</b>  |                      |                      |                      |                                     |
| Administration   | 2,408,550            | 2,254,141            | 2,357,267            | (103,126)                           |
| Mid-level administration                                     | 6,970,644            | 6,970,644            | 7,084,646            | (114,002)                           |
| Instruction - salaries                                       | 43,646,729           | 43,426,729           | 41,787,040           | 1,639,689                           |
| Instruction - textbooks & instructional supplies             | 3,134,909            | 2,924,909            | 2,747,233            | 177,676                             |
| Instruction - other  | 1,962,890            | 1,762,890            | 1,671,333            | 91,557                              |
| Student personnel services                                   | 687,941              | 687,941              | 613,543              | 74,398                              |
| Health services  | 853,140              | 853,140              | 689,920              | 163,220                             |
| Student transportation                                       | 6,241,276            | 6,446,276            | 6,396,173            | 50,103                              |
| Operation of plant and equipment                             | 8,076,376            | 8,251,376            | 8,152,603            | 98,773                              |
| Maintenance of plant   | 1,879,801            | 2,129,801            | 1,857,198            | 272,603                             |
| Fixed charges  | 25,109,174           | 23,224,174           | 22,208,639           | 1,015,535                           |
| Community Service  | -                    | -                    | 5,600                | (5,600)                             |
| Food Services  | 448,432              | -                    | -                    | -                                   |
| Capital outlay   | 606,242              | 230,000              | 185,579              | 44,421                              |
| Special education  | 16,414,592           | 16,314,592           | 15,203,937           | 1,110,655                           |
| <b>TOTAL EXPENDITURES</b>                                    | <u>118,440,696</u>   | <u>115,476,613</u>   | <u>110,960,711</u>   | <u>4,515,902</u>                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>-</u>             | <u>6,464,083</u>     | <u>5,608,368</u>     | <u>(855,715)</u>                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                      |                      |                      |                                     |
| Interfund transfers  | -                    | (6,464,083)          | (6,324,705)          | 139,378                             |
| Capital lease financing                                      | -                    | -                    | 81,976               | 81,976                              |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <u>-</u>             | <u>(6,464,083)</u>   | <u>(6,242,729)</u>   | <u>221,354</u>                      |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <u>-</u>             | <u>-</u>             | <u>(634,361)</u>     | <u>(634,361)</u>                    |
| <b>FUND BALANCE - JULY 1, 2021</b>                           | <u>31,893,073</u>    | <u>31,893,073</u>    | <u>32,527,434</u>    | <u>-</u>                            |
| <b>FUND BALANCE - JUNE 30, 2022</b>                          | <u>\$ 31,893,073</u> | <u>\$ 31,893,073</u> | <u>\$ 31,893,073</u> | <u>\$ (634,361)</u>                 |

The accompanying notes are an integral part of these financial statements.

BOARD OF EDUCATION OF ALLEGANY COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS - RESTRICTED (CURRENT EXPENSE) AND FOOD SERVICE  
FOR THE YEAR ENDED JUNE 30, 2022

|  | Restricted        |                   |                   |                                  | Food Service      |                   |                     |                                  |
|--|-------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|---------------------|----------------------------------|
|  | Budgeted Amounts  |                   | Actual            | Variance With                    | Budgeted Amounts  |                   | Actual              | Variance With                    |
|  | Original          | Final             | Budgetary Basis   | Final Budget Positive (Negative) | Original          | Final             | Budgetary Basis     | Final Budget Positive (Negative) |
| <b>REVENUES</b>  |                   |                   |                   |                                  |                   |                   |                     |                                  |
| State - direct   | \$ 3,486,988      | \$ 3,486,988      | \$ 4,896,363      | \$ 1,409,375                     | \$ 115,000        | \$ 115,000        | \$ 147,922          | \$ 32,922                        |
| Federal - direct   |                   |                   | -                 | -                                | 365,000           | 365,000           | 435,575             | 70,575                           |
| - received through State & Pass-Thru Agencies            | 12,510,653        | 12,510,653        | 17,662,262        | 5,151,609                        | 3,035,000         | 3,035,000         | 5,047,257           | 2,012,257                        |
| Other revenue  | 164,600           | 164,600           | 253,654           | 89,054                           | 825,000           | 825,000           | 45,526              | (779,474)                        |
| <b>TOTAL REVENUES</b>                                    | <u>16,162,241</u> | <u>16,162,241</u> | <u>22,812,279</u> | <u>6,650,038</u>                 | <u>4,340,000</u>  | <u>4,340,000</u>  | <u>5,676,280</u>    | <u>1,336,280</u>                 |
| <b>EXPENDITURES</b>                                      |                   |                   |                   |                                  |                   |                   |                     |                                  |
| Administration   | 98,441            | 98,441            | 170,528           | (72,087)                         |                   |                   |                     |                                  |
| Mid-level administration                                 | 286,296           | 286,296           | 789,701           | (503,405)                        |                   |                   |                     |                                  |
| Instruction - salaries                                   | 4,525,842         | 4,525,842         | 6,367,537         | (1,841,695)                      |                   |                   |                     |                                  |
| Instruction - textbooks & instructional supplies         | 1,875,471         | 1,875,471         | 1,746,706         | 128,765                          |                   |                   |                     |                                  |
| Instruction - other                                      | 1,864,448         | 1,864,448         | 2,515,277         | (650,829)                        |                   |                   |                     |                                  |
| Student personnel services                               | -                 | -                 | 12,172            | (12,172)                         |                   |                   |                     |                                  |
| Health services  | 283,120           | 283,120           | 212,229           | 70,891                           |                   |                   |                     |                                  |
| Student transportation                                   | 297,321           | 297,321           | 390,047           | (92,726)                         |                   |                   |                     |                                  |
| Operation of plant and equipment                         | -                 | -                 | 2,031,231         | (2,031,231)                      |                   |                   |                     |                                  |
| Maintenance of plant                                     | 100,000           | 100,000           | 309,439           | (209,439)                        |                   |                   |                     |                                  |
| Fixed charges  | 2,192,632         | 2,192,632         | 2,997,784         | (805,152)                        |                   |                   |                     |                                  |
| Community Services                                       | 510,923           | 510,923           | 1,110,368         | (599,445)                        |                   |                   |                     |                                  |
| Special education  | 4,127,747         | 4,127,747         | 4,114,260         | 13,487                           |                   |                   |                     |                                  |
| Food Service   | -                 | -                 | 45,000            | (45,000)                         | 4,781,932         | 4,781,932         | 4,844,837           | (62,905)                         |
| <b>TOTAL EXPENDITURES</b>                                | <u>16,162,241</u> | <u>16,162,241</u> | <u>22,812,279</u> | <u>(6,650,038)</u>               | <u>4,781,932</u>  | <u>4,781,932</u>  | <u>4,844,837</u>    | <u>(62,905)</u>                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>                         | <u>(441,932)</u>  | <u>(441,932)</u>  | <u>831,443</u>      | <u>1,273,375</u>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                   |                   |                   |                                  |                   |                   |                     |                                  |
| Interfund transfers                                      |                   |                   | -                 | -                                | 441,932           | 441,932           | 409,055             | (32,877)                         |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>                         | <u>-</u>          | <u>-</u>          | <u>1,240,498</u>    | <u>1,240,498</u>                 |
| <b>FUND BALANCE - JULY 1, 2021</b>                       | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>                         | <u>303,291</u>    | <u>303,291</u>    | <u>303,291</u>      | <u>-</u>                         |
| <b>FUND BALANCE - JUNE 30, 2022</b>                      | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>                      | <u>\$ 303,291</u> | <u>\$ 303,291</u> | <u>\$ 1,543,789</u> | <u>\$ 1,240,498</u>              |

The accompanying notes are an integral part of these financial statements.

**BOARD OF EDUCATION OF ALLEGANY COUNTY  
RECONCILIATION OF BUDGETARY BASIS TO GAAP  
JUNE 30, 2022**

|   | Revenues              | Expenditures          | Current Year<br>Effect on Fund<br>Balance |
|---|-----------------------|-----------------------|---|
| Unrestricted Current Expense Fund Budgetary Basis                                   | \$ 116,569,079        | \$ 110,960,711        | \$ 5,608,368                              |
| Retirement contribution made by the State on behalf of the Board                    | 6,798,173             | 6,798,173             | -   |
| Board, and local contributions for nurses, security and mental health professionals | 1,340,736             | 1,340,736             | -   |
| Statement of Revenues, Expenditures, and Change in Fund Balances Actuals            | <u>\$ 124,707,988</u> | <u>\$ 119,099,620</u> | <u>\$ 5,608,368</u>                       |

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**NOTE 1 - BUDGET TO ACTUAL VARIANCES**

***General Fund***

For the year ended June 30, 2022, General Fund revenues fell short of budget expectations while expenditures came in significantly under budget.

Revenues of \$2,072,784 for the Blueprint for Maryland's Future Tutoring grant was included in fiscal 2022 budget as unrestricted. There was also a shortfall of state revenues that related to non-public placements. Public schools are required to provide a free and appropriate education to all students in a public school system. When students have intensive educational needs that cannot be met by the local school system, the school system is mandated to provide an education in a facility that can meet those needs. The cost is shared between the local school system and state government based upon a formula. The number of students receiving services and severity of the services needed also plays a role in the overall costs.

Medicare Part D revenues shows a negative variance of \$58,744. The system is self-insured for health insurance purposes. As a result, the system qualifies for the Medicare Part D program that reimburses the system for a portion of prescription drug benefits provided to Medicare eligible retirees. The Government Accounting Standards Board (GASB) has issued a technical bulletin requiring recipients of Medicare Part D funds to show these proceeds as revenue. The system budget is based upon past experience.

The district did a budget amendment and budgeted to utilize fund balance of \$3,500,000 for the Greenway Avenue Stadium Project. The project included the replacement of the existing seven lane track with an eight lane track. The project also included various infrastructure improvements as well as the replacement of the visitor side bleachers. The total cost of the project was approximately \$5,000,000 with the state contributing \$1,500,000.

A favorable variance of \$1,639,689 existed for Instructional salaries due to a large number of retirements at the end of fiscal 2021. As a result, these positions were filled with staff members at the lower end of the salary scale compared to those who retired. There were also some open positions. Another contributing factor was that there were very limited field trips and less staff development costs as the district focused on the reduction of learning loss and keeping teachers in front of students.

Other instructional expenditures came in under budget. Contracted services, other charges, and transfers were all under budget in fiscal 2022. Also, due to having very limited staff development costs, there were very few speakers providing staff development.



**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**NOTE 1 - BUDGET TO ACTUAL VARIANCES (Continued)**

***General Fund (Continued)***

Administration was higher than budget as a result of an increase in administrative compensated absences as well as a few instances where starting salaries were higher than planned given the process for scale placement as outlined in the negotiated agreement.

Mid-level Administration was over budget as a result of providing additional administrative coverage on a long term basis as a result of need. Supplies and expenses were also higher than originally budgeted.

Special Education was under budget by \$1,110,655. A favorable salary variance resulted from teacher retirements and a focus of filling positions with grant funds, when available. A \$239,237 unfavorable variance compared to budget is a result of increased Occupational and Physical Therapy services for those students of greatest need as they catch up from learning loss as a result of the pandemic.

Health Services came in under budget by \$163,220. The contracted services with the Health Department were less than anticipated while still providing schools with appropriate on site nursing professionals.

Student Transportation was under budget by \$50,103. As a result of a budget amendment, the district was able to complete the fleet's radio transition to the Maryland 911 standard. The district's fuel costs fluctuated greatly over the course of the year. Typically, we budget very conservatively given the volatile nature of fuel. By the end of the year, the price of fuel had risen to the levels previously budgeted on a monthly basis. Fuel costs were over budget as a result of the increase in the cost of fuel for the onsite diesel tank at the transportation garage.

The operations department was able to come in under budget overall. Overall, salaries were lower than anticipated within the budget as some cleaners were still being utilized as a result of grants. Supplies and materials and contracted services were under budget, but there were increases in other charges as utilities costs came in higher than plan for the year. Equipment came in slightly over the amended budget as operations was able to purchase some ride on equipment which will help with the overall efficiency of the department going forward.

The maintenance department was under budget by \$272,603, a 13% favorable variance. The majority of the variance was a result of some year-end projects that were not able to be completed as a result of a lack of material availability to complete the projects such as some paving projects.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**NOTE 1 - BUDGET TO ACTUAL VARIANCES (Continued)**

***General Fund (Continued)***

The school system was able to come in under budget in fixed charges as a result of stabilizing healthcare claims. The district is self-insured for healthcare costs. The majority of the fixed charge variance was a result of healthcare expenditures being under budget during the period. Expenditures were below plan by \$745,580 for fiscal 2022. An additional variance related to payroll taxes which were less as a result of savings in salaries and wages. Overall, payroll taxes were \$448,529 below budget. Retirement costs were also below plan by \$306,105.

***Special Revenue Fund – Restricted***

Restricted revenues and expenses for the year were \$22,812,279 which is up about 30.3% or \$5,300,061 from the prior year's revenues and expenses of \$17,512,218. Restricted revenues are tied to the availability of grants and funding. The federal funding attributable to coronavirus relief or CARES matches almost directly to the increase in the restricted revenues.

Overall, CARES and ARP spending was \$9,974,949 this year compared to CARES spending of \$6,146,547 last year. Restricted Blueprint spending this year was \$3,590,093 compared to \$2,038,097 last year. Spending is prescribed within the grants themselves, but ranged from the purchase of technology such as devices and access points, infrastructure to support school computer usage, hotspots for students and staff without connectivity, contractual resources for distance learning, summer school programs and tutoring to mitigate learning loss, protective personnel equipment, additional custodial staffing to support cleaning at schools and safely reopening schools.

***Special Revenue Fund – Food Service***

Throughout the pandemic, students who have wanted a meal whether learning virtually, during the summer, or when in school have had the opportunity to get not only a free lunch, but also free breakfast as a result of federal support to schools. This was again the case in fiscal 2022, even though the schools were, for the most part, back to pre-pandemic operations. Summer meals in fiscal 2022 were also limited to schools who were hosting summer school compared to prior year when all the kitchens were open for lunch pick up. Overall, revenue increased by \$6,085,335 to \$6,085,335 as the district served more meals compared to the prior year.

Expenses within the fund increased to \$4,844,837 compared to fiscal year 2021. The increase in expenses is directly attributable to the increase in the number of meals served this year compared to the prior year. School was in session for the whole year this year compared to the prior year where there were some breaks where the district was completely virtual.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**NOTE 2 - RECONCILIATION OF BUDGETARY BASIS TO GAAP**

Actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual on the budgetary basis of accounting, in order to provide a meaningful comparison of actual results with budget estimates. Under the budgetary basis, capital leases principal payments are recognized as a current expense. In addition, retirement contributions made by the State on behalf of the Board, and local contributions for nurses, security, and mental health professionals are not recognized as revenue and current expense on the budget basis.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SCHEDULE OF NET OTHER POST EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS**

|  | 2022           | 2021         | 2020         | 2019         | 2018         |
|--|----------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ 1,618,030   | \$ 1,572,880 | \$ 1,600,868 | \$ 1,619,502 | \$ 1,607,290 |
| Contributions in relation to the actuarially determined contribution | \$ (1,618,030) | (1,572,880)  | (1,600,868)  | (1,619,502)  | (1,607,290)  |
| Contribution deficiency (excess)                                     |                | \$ -         | \$ -         | \$ -         | \$ -         |
| Covered - employee payroll   | 72,618,514     | 68,527,140   | 66,916,160   | 67,194,377   | 63,892,883   |
| Contribution as a percentage of covered employee payroll             | 2.23%          | 2.30%        | 2.39%        | 2.41%        | 2.52%        |

Notes:

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is completed the Board will present information for those years for which the information is available.

Changes since prior valuation:

- 1) The mortality table was updated from the Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2020 to the Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2021.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**RETIREE POST-EMPLOYMENT BENEFITS-SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB AND RELATED RATIOS  
LAST 10 FISCAL YEARS**

|   | 2022          | 2021          | 2020          | 2019          | 2018          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>TOTAL OPEB LIABILITY</b>   |               |               |               |               |               |
| Service cost  | \$ 398,283    | \$ 443,747    | \$ 371,344    | \$ 347,050    | \$ 324,346    |
| Interest  | 1,856,130     | 1,972,504     | 1,750,690     | 1,718,804     | 1,690,682     |
| Difference between expected & actual experience                         | -             | (2,387,106)   | -             | -             | -             |
| Change of assumptions   | 47,319        | (96,563)      | 2,633,852     | -             | -             |
| Benefit payments  | (1,618,030)   | (1,572,880)   | (1,600,868)   | (1,619,502)   | (1,607,290)   |
| Net change in total OPEB liability                                      | 683,702       | (1,640,298)   | 3,155,018     | 446,352       | 407,738       |
| Total OPEB liability - beginning  | 27,311,470    | 28,951,768    | 25,796,750    | 25,350,398    | 24,942,660    |
| Total OPEB liability - end  | \$ 27,995,172 | \$ 27,311,470 | \$ 28,951,768 | \$ 25,796,750 | \$ 25,350,398 |
| <b>PLAN FIDUCIARY NET POSITION</b>                                      |               |               |               |               |               |
| Contributions-employer  | \$ 1,618,030  | \$ 1,572,880  | \$ 1,600,868  | \$ 1,619,502  | \$ 1,607,290  |
| Net investment income   | (2,242,443)   | 3,276,688     | 419,617       | 867,405       | 838,773       |
| Administrative expenses   | (14,829)      | (14,593)      | (47,444)      | -             | -             |
| Benefit payments  | (1,618,030)   | (1,572,880)   | (1,600,868)   | (1,619,502)   | (1,607,290)   |
| Net change in plan fiduciary position                                   | (2,257,272)   | 3,262,095     | 372,173       | 867,405       | 838,773       |
| Plan fiduciary net position - beginning                                 | 16,825,959    | 13,563,864    | 13,191,691    | 12,324,286    | 11,485,513    |
| Plan fiduciary net position - end                                       | \$ 14,568,687 | \$ 16,825,959 | \$ 13,563,864 | \$ 13,191,691 | \$ 12,324,286 |
| Board's net OPEB liability- end   | \$ 13,426,485 | \$ 10,485,511 | \$ 15,387,904 | \$ 12,605,059 | \$ 13,026,112 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 52.04%        | 61.61%        | 46.85%        | 51.14%        | 48.62%        |
| Covered employee payroll  | 72,618,514    | 68,527,140    | 66,916,160    | 67,194,377    | 63,892,883    |
| Net OPEB liability as a percentage of covered-employee payroll          | 18.49%        | 15.30%        | 23.00%        | 18.76%        | 20.39%        |

**Notes:**

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10 year trend is completed, the Board will present the information for the years that are available.

**Key Assumptions:**

|                            |  |
|----------------------------|--|
| Actuarial Valuation Date:  | June 30, 2021  |
| Measurement Date:          | June 30, 2022  |
| Amortization Method:       | Entry Age Normal   |
| Salary Increases:          | 4.0%   |
| Discount Rate:             | 7.0%   |
| Investment Rate of Return: | 7.0%   |
| Mortality:                 | Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2021. The table represents the most recent table released by the Society of Actuaries specifically for governmental employees. |

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
LAST 10 FISCAL YEARS**

|  | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Board's proportion of the net pension liability (asset)  | 0.03%        | 0.03%        | 0.03%        | 0.03%        | 0.03%        | 0.03%        | 0.03%       | 0.03%       |
| Board's proportionate share of net pension liability   | \$ 4,476,487 | \$ 6,142,206 | \$ 5,730,106 | \$ 5,846,752 | \$ 5,657,005 | \$ 6,932,618 | \$6,917,608 | \$5,665,273 |
| Board's covered employee payroll   | 6,420,914    | 6,211,901    | 6,338,813    | 6,491,484    | 6,517,359    | 6,710,481    | \$7,210,687 | \$7,469,056 |
| Board's proportionate share of the net pension liability as a percentage of its covered employee payroll | 69.72%       | 98.88%       | 90.04%       | 90.07%       | 86.80%       | 103.31%      | 95.94%      | 75.85%      |
| Plan fiduciary net position as a percentage of the total pension liability                               | 81.84%       | 70.72%       | 72.34%       | 71.18%       | 69.38%       | 65.79%       | 68.78%      | 71.87%      |

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end. The measurement period year-end was one year prior to each fiscal year-end.

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is completed the Board will present information for those years for which the information is available.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SCHEDULE OF THE BOARD'S CONTRIBUTIONS - MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
LAST 10 FISCAL YEARS**

|  | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually required contribution                                  | \$ 707,322          | \$ 657,501          | \$ 582,676          | \$ 570,493          | \$ 555,671          | \$ 532,468          | \$ 572,404          | \$ 701,601          |
| Contributions in relation to the contractually required contribution | <u>\$ (707,322)</u> | <u>\$ (657,501)</u> | <u>\$ (582,676)</u> | <u>\$ (570,493)</u> | <u>\$ (555,671)</u> | <u>\$ (532,468)</u> | <u>\$ (572,404)</u> | <u>\$ (701,601)</u> |
| Contribution deficiency (excess)                                     | <u>\$0</u>          | <u>\$0</u>          | <u>\$0</u>          | <u>\$0</u>          | <u>\$0</u>          | <u>\$0</u>          | <u>\$0</u>          | <u>\$0</u>          |
| Board's covered-employee payroll                                     | \$ 6,691,795        | \$ 6,420,914        | \$ 6,211,901        | \$ 6,338,813        | \$ 6,491,484        | \$ 6,517,359        | \$6,710,481         | \$7,210,687         |
| Contributions as a percentage of covered-employee payroll            | 10.57%              | 10.24%              | 9.38%               | 9.00%               | 8.56%               | 8.17%               | 8.53%               | 9.73%               |

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end. The measurement period year-end was one year prior to each fiscal year-end.

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is completed the Board will present information for those years for which the information is available.

100% of the net pension liability associated with the system is the responsibility of the State of Maryland. Consequently, 10 year information is not provided for the Teachers' Retirement System.

There were no changes in benefit terms during the year.

Changes in Actuarial Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2021 actuarial valuation as compared to the 2020 actuarial valuation.

- Inflation assumption changed from 2.60% general and 3.10% wage to 2.25% general and 2.75% wage.
- Salary increase assumption changed from a range of 3.1% to 11.60% to a range of 2.75% to 9.25%
- Investment Rate of Return and discount rate changed from 7.40% to 6.80%.

**BOARD OF EDUCATION OF ALLEGANY COUNTY**

**SCHOOL ACTIVITIES -  
INCREASES, DECREASES AND BALANCES BY SCHOOL  
For Year Ended June 30, 2022**

|  | Balances<br>June 30, 2021 | Increases           | Decreases           | Balances<br>June 30, 2022 |
|--|---------------------------|---------------------|---------------------|---------------------------|
| <b>HIGH SCHOOLS</b>                          |                           |                     |                     |                           |
| Allegany                                     | \$ 262,655                | \$ 372,416          | \$ 353,700          | \$ 281,371                |
| Center for Career and<br>Technical Education | 87,785                    | 69,851              | 66,760              | 90,876                    |
| Fort Hill                                    | 293,116                   | 405,646             | 411,909             | 286,853                   |
| Mountain Ridge                               | 361,842                   | 475,088             | 440,182             | 396,748                   |
| Total High Schools                           | <u>1,005,398</u>          | <u>1,323,001</u>    | <u>1,272,551</u>    | <u>1,055,848</u>          |
| <b>MIDDLE SCHOOLS</b>                        |                           |                     |                     |                           |
| Braddock                                     | 49,974                    | 72,773              | 60,903              | 61,844                    |
| Mount Savage                                 | 98,842                    | 97,464              | 101,386             | 94,920                    |
| Washington                                   | 123,669                   | 58,852              | 47,822              | 134,699                   |
| Westmar                                      | 60,041                    | 32,064              | 27,077              | 65,028                    |
| Total Middle Schools                         | <u>332,526</u>            | <u>261,153</u>      | <u>237,188</u>      | <u>356,491</u>            |
| <b>ELEMENTARY SCHOOLS</b>                    |                           |                     |                     |                           |
| Beall  | 35,365                    | 37,463              | 29,128              | 43,700                    |
| Bel Air                                      | 13,768                    | 12,977              | 7,118               | 19,627                    |
| Cash Valley                                  | 32,313                    | 20,578              | 14,778              | 38,113                    |
| Cresaptown                                   | 88,932                    | 20,633              | 15,515              | 94,050                    |
| Flintstone-school                            | 203,103                   | 17,896              | 21,268              | 199,731                   |
| Flintstone-McLuckie                          | 357,748                   | 4,902               | 6,000               | 356,650                   |
| Frost  | 83,154                    | 14,785              | 6,872               | 91,067                    |
| Georges Creek                                | 78,483                    | 16,487              | 14,985              | 79,985                    |
| John Humbird                                 | 47,339                    | 16,395              | 17,078              | 46,656                    |
| Northeast                                    | 75,886                    | 15,968              | 20,332              | 71,522                    |
| Parkside                                     | 15,639                    | 17,264              | 16,830              | 16,073                    |
| South Penn                                   | 64,435                    | 33,894              | 39,547              | 58,782                    |
| West Side                                    | 51,328                    | 19,593              | 22,289              | 48,632                    |
| Westernport                                  | 36,502                    | 20,097              | 21,442              | 35,157                    |
| Total Elementary Schools                     | <u>1,183,995</u>          | <u>268,932</u>      | <u>253,182</u>      | <u>1,199,745</u>          |
| <b>TOTAL SCHOOLS</b>                         | <u>\$ 2,521,919</u>       | <u>\$ 1,853,086</u> | <u>\$ 1,762,921</u> | <u>\$ 2,612,084</u>       |



**STATEMENT CONCERNING DEBT SERVICE FUND  
FOR PUBLIC SCHOOL CONSTRUCTION**

Board of Education of Allegany County  
Cumberland, Maryland

Our audit of the basic financial statements of the Board of Education of Allegany County as of June 30, 2022 and for the year then ended was intended for the purpose of formulating an opinion on the basic financial statements taken as a whole. The Board of Education of Allegany County has no jurisdiction, direct or indirect, over the Debt Service Fund for Public School Construction, and the fund is, consequently, outside the scope of our audit. Therefore, detailed information with respect to the Debt Service Fund is not included in this report.

Maryland law passed in 1971 provides for payment by the State of all costs, in excess of available federal funds, of all approved public school construction and capital improvements projects in its counties and Baltimore City. In addition, the law provides for payment of principal and interest on debt issued by any subdivision for public school construction, if the debt was outstanding or obligated as of June 30, 1967.

Additional legislation passed during 1973 provides that the State will assume public school costs for debt obligated after June 30, 1967 on construction contracts let prior to July 1, 1967.