THE BOARD OF EDUCATION
OF CAROLINE COUNTY

FINANCIAL REPORT

JUNE 30, 2021

CONTENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Education of Caroline County
Denton, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County, a component unit of Caroline County, Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The Board of Education of Caroline County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the net OPEB liability and related ratios, schedule of investment returns, schedule of the proportionate share of the net pension liability, and the schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of The Board of Education of Caroline County'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 of Education of Caroline County'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 of Education of Caroline County's internal control over financial reporting and compliance.

TGM Group LLC

Salisbury, Maryland
September 30, 2021

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

INDEPENDENT AUDITORS' REPORT

The Board of Education of Caroline County
Denton, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The Board of Education of Caroline County's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Board of Education of Caroline County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Board of Education of Caroline County's internal control. Accordingly, we do not express an opinion on the effectiveness of The Board of Education of Caroline County's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

TGM Group LLC

Salisbury, Maryland
September 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE BOARD OF EDUCATION OF CAROLINE COUNTY
Denton, Maryland

Management's Discussion and Analysis (MD&A)
June 30, 2021

This section of The Board of Education of Caroline County's financial report provides management's overview and analysis of the Board's financial performance for the fiscal year that ended on June 30, 2021. Please read this discussion and analysis in conjunction with the financial statements and the notes to the financial statements that follow.

The intent of Management's Discussion and Analysis is to serve as an introduction to the financial statements and provide a framework for understanding the information they contain based on currently known facts, decisions and conditions.

OVERVIEW OF THE FINANCIAL STATEMENTS

District-wide Financial Statements

The first set of financial statements, the *district-wide statements*, are designed to provide readers with a complete picture regarding the financial status of the Board of Education of Caroline County. The district-wide statements include 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 Board, with the difference between the two reported as net position. The *statement of activities* reports revenues and expenses; it presents information showing how the Board's net position changed during the most recent fiscal year.

In the *statement of net position* and the *statement of activities*, the Board's activities are divided into two categories:

> Governmental Activities - Most of the Board's programs and services are included here, such as instruction, administration, special education, pupil services, health services, pupil transportation, operation and maintenance of plant, fixed charges, community services, school activities, and capital outlay.
>
> Business-type activities - The Board's food service operation is reported as a business-type activity. Fees are charged to staff, students, and visitors to help cover the costs of the food service operation.

The *district-wide statements*, measure the change in total economic resources during the period and are presented on a full accrual basis. 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.

The District-wide perspective is unrelated to budget and accordingly, budget comparisons are not provided.

Fund Financial Statements

The second set of statements, the *fund financial statements*, view the government as a collection of separate funds. 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 Caroline County uses fund accounting to ensure and demonstrate compliance with fiscal requirements. The Board's activities are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

> Governmental funds - Most of the Board's activities are reported in governmental funds, which focus on an entity's financial position and change in financial position. The governmental fund statements provide a detailed short-term view of the Board's operations and the services it provides. This information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. The Board's major governmental funds are the general fund, capital projects fund, and school activity fund.
>
> 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 near future. Accordingly, the modified accrual basis of accounting is used.
>
> Proprietary funds - Proprietary funds are used to account for the business-type activities of a government. The Board's food service fund falls under this classification since a significant portion of the funding is provided through user charges.
>
> Fiduciary funds - Fiduciary funds are used to account for resources held by the government as either a trustee (a party that administers property for a beneficiary) or an agent (one who acts on behalf of another). The Board's fiduciary funds consist of funds accumulating for retiree health benefits and custodial funds. Fiduciary funds are excluded from the government-wide financial statements because the school system cannot use these assets to finance its operations.

A budgetary presentation of individual fund financial information is presented as part of the required supplementary information. The budgetary statements utilize the current financial resources measurement focus. In these statements, available cash flows of the Board are measured as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are reported as expenditures.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

A comparison of Net Position for 2021 vs. 2020 is shown below:

Figure 1-1
Statement of Net Position

	June 30, 2021	June 30, 2020	$ Change	% Change
Current and other assets	22,010,329	16,548,978	5,461,351	33.00%
Capital assets	126,948,330	98,796,500	28,151,830	28.49%
Total Assets	148,958,659	115,345,478	33,613,181	29.14%
Deferred outflows of resources	34,485,235	26,256,430	8,228,805	31.34%
Current and other liabilities	14,394,409	11,434,285	2,960,124	25.89%
Long-term liabilities	143,430,444	126,562,317	16,868,127	13.33%
Total Liabilities	157,824,853	137,996,602	20,174,195	14.37%
Deferred inflows of resources	34,298,686	37,958,388	(3,659,702)	-9.64%
Net investment in capital assets	122,553,451	94,010,869	28,542,582	30.36%
Unrestricted	(131,333,117)	(128,363,951)	(2,969,166)	-2.31%
Total Net Position	(8,779,666)	(34,353,082)	25,573,416	74.44%

As illustrated in figure 1-1, the Board's total net position at the close of the fiscal year was ($8,779,666), which represents an increase of $25,573,416 from the prior year. The largest portion of the Board's total assets reflects the investment in capital assets such as land, buildings, vehicles and equipment. These capital assets are used to provide services to the students and citizens of Caroline County and are not available for future spending.

The Board's unrestricted net position is negative due to the implementation of GASB 75 which now requires state and local governments to report the liability of Other Post-Employment Benefits (OPEB). More detailed information about the Board's net OPEB liability can be found in Note 7 of the financial statements.

A comparison of revenue by source and expenses by category is presented in the table below:

Figure 1-2
Statement of Activities

	June 30, 2021	June 30, 2020	$ Change	% Change
Revenues				
Program Revenues				
Charges for services	5,325,851	4,614,045	711,806	15.43%
Operating grants and contributions	18,161,214	14,576,038	3,585,176	24.60%
Capital grants and contributions	29,442,861	10,515,949	18,926,912	179.98%
General Revenues				
County	15,575,972	15,220,217	355,755	2.34%
State aid	59,656,100	58,463,707	1,192,393	2.04%
Investment earnings	9,149	149,759	(140,610)	-93.89%
Other	486,633	633,369	(146,736)	-23.17%
Total Revenues	128,657,780	104,173,084	24,483,966	23.50%
Expenses				
Administration	2,317,047	2,325,663	(8,616)	-0.37%
School management and support	5,554,464	5,951,944	(397,480)	-6.68%
Instructional salaries and wages	31,325,488	31,790,788	(465,300)	-1.46%
Textbooks and instructional supplies	1,907,617	1,589,056	318,561	20.05%
Other instructional costs	8,437,918	5,885,485	2,552,433	43.37%
Special education	8,371,002	8,444,670	(73,668)	-0.87%
Pupil personnel services	711,386	674,230	37,156	5.51%
Health services	946,503	922,843	23,660	2.56%
Pupil transportation	4,152,181	4,548,438	(396,257)	-8.71%
Operation of plant	5,207,469	4,615,931	591,538	12.82%
Maintenance of plant	1,094,699	1,209,100	(114,401)	-9.46%
Fixed charges	23,934,329	21,200,447	2,733,882	12.90%

Community Services	423,888	453,089	(29,201)	-6.44%
Capital outlay	252,586	263,476	(10,890)	-4.13%
School activity	320,707	741,433	(420,726)	-56.74%
On-behalf state retirement	4,509,202	4,682,514	(173,312)	-3.70%
Food services	3,617,878	3,858,568	(240,690)	-6.24%
Total Expenses	103,084,364	99,157,675	3,926,689	3.96%
Change in Net Position	25,573,416	5,015,409	20,558,007	409.90%
Net Position End of Year	(8,779,666)	(34,353,082)	25,573,416	74.43%

As shown in figure 1-2, charges for services increased by $711,806. This increase is due to federal funding that food services received to provide free lunch to all students, regardless of their family's financial situation. There was also a $3,585,176 increase in operating grants and contributions. This increase is due to emergency relief funding that was received to address the impact COVID-19 has had, and continues to have, on elementary and secondary schools. Capital grants and contributions increased by $18,926,912 as a result of state and local funding for the Greensboro Elementary School construction project.

As shown in the chart above, the pandemic impacted expenditures in both positive and negative ways. The largest increases on the expenditure side took place in the following categories: other instructional costs, operation of plant and fixed charges. Spending for other instructional costs increased as a result of equipment that was purchased to provide all students with equal access to virtual learning such as laptops, iPads and Wi-Fi hotspots. Mobile teacher workstations, document cameras, Brightlinks, Apple TV's and whiteboards were also purchased so that the school system could adequately serve both in person and virtual students. The increase in expenditures for operation of plant is due to purchases of PPE, cleaning supplies, sanitizing supplies and HVAC control upgrades at three schools. The fluctuation in fixed charges is due to increases in employee and retiree benefits such as health insurance premiums, pension and unemployment costs.

FUND PERFORMANCE

As mentioned earlier, funds are self-balancing sets of accounts used by the Board to control and manage money for particular purposes. The balance sheet for the Board's governmental funds is shown on page 20, and the results of operations are presented on page 21. As shown by the results of operations, the fund balance for the general fund increased by $1,625,690. It is important to note that this change in fund balance is based on the GAAP basis of accounting (Generally Accepted Accounting Principles), which differs from the budgetary basis of accounting.

The Food Service program is designed to be self-funded. As shown on page 23, the food service program generated a profit of $1,367,277. As a result of the COVID-19 pandemic, the U.S. Department of Agriculture provided free school meals for all kids younger than 18 for the entire 2020-2021 school year. Our school nutrition program worked hard to ensure all students had access to safe, nutritious school meals, whether students were attending class in-person, virtually or a combination of the two.

The general fund statement of revenues, expenditures, and changes in fund balance on the budgetary basis of accounting is shown on pages 53-56. Instructional salaries and wages as well as the fixed charges associated with these costs account for the largest percentage of the general fund unrestricted expenditures.

It is critical for the reader to understand that the county appropriation and unrestricted state aid account for approximately 86% of the total operating budget. Local revenue, provided by the Caroline County Government, is dependent upon the economic condition of the County. However, the education statute requires a minimum level of funding (maintenance of effort) which is a formula based on the prior years per pupil appropriation times the current year enrollment. State aid is largely formula driven based on student enrollment and wealth. Both of these revenue streams have historically been stable and highly predictable. The biggest unknown in the short term is what the student enrollment figures are going to look like due to COVID and whether or not the state will decide to add hold harmless funding if enrollment counts are down.

Additional revenue items include: state and federal restricted revenue, interest revenue and E-rate rebates. It is important to note that restricted federal and restricted state revenue may be one-time and tend to vary from one year to the next. Recurring but unpredictable are the E-rate rebates received from the Federal Communications Commission.

On the budgetary statements for both the general fund and the food services fund, the original budget is the same as the final budget. The Board follows a policy of not amending the original budget until our financial report has been issued. The Board notifies the county of any categories that are over budget. After the financial report has been issued, any necessary changes are presented to the County for approval.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2021, the Board had invested in a broad range of capital assets including construction in progress, land, buildings and improvements, furniture, equipment and vehicles. The following schedule shows the Board's capital assets by type:

Figure 1-3
Capital Assets - Governmental Activities

	June 30, 2021	June 30, 2020	$ Change	% Change
Construction in progress and land	40,468,940	12,775,386	27,693,554	216.77%
Buildings and improvements	131,960,399	129,365,518	2,594,881	2.01%
Furniture and Equipment	2,477,879	2,313,546	164,333	7.10%
Software	375,910	361,630	14,280	3.95%
Vehicles	4,032,468	3,639,167	393,301	10.81%
Total capital assets	179,315,596	148,455,247	30,860,349	20.79%

Projects which contributed to the increase in capital assets include: the Greensboro Elementary School construction project, a new track at Colonel Richardson High School and HVAC control upgrades at Ridgely Elementary, Denton Elementary and Lockerman Middle. Several school buses were also purchased throughout the year. Capital expenditures for renovation and construction projects are approved and funded by the state and local governments on a per project basis.

School Districts in Maryland are fiscally dependent on the state and county governments. Thus, the Board of Education of Caroline County has ownership of its assets, but does not issue the debt associated with them. Accordingly, the Board carries no bond rating. As mentioned in the notes to the financial statements, the Board has capital lease obligations for building renovations, vehicles and energy equipment upgrades.

FACTORS BEARING ON THE BOARD'S FUTURE

At the time these financial statements were prepared and audited, the Board was aware of the following circumstances that could affect its financial health in the future:

- The Blueprint for Maryland's Future Act (HB l1300) became law following the veto override in the 2021 session. This is a landmark piece of legislation intended to transform Maryland's early childhood, primary, and secondary education system to the levels of the highest performing systems. It contains comprehensive funding and policy reforms in five major policy areas: Early Childhood Education; High-quality and Diverse Teachers and Leaders; College and Career Readiness Pathways; More Resources to Ensure All Students are Successful; and Governance and Accountability. House Bill 1372 revises the Blueprint law to account for the timing of the enactment of the major bill, including the inception of certain programs and requirements, the due dates for various reports, and extends the timeframe for certain provisions. The Blueprint for Maryland's Future changes the per pupil amounts and provides additional funding for the major policy areas but with it comes a high level of accountability to ensure that funds are being spent effectively and consistent with the policy framework.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students and creditors with a general overview of the Board's finances and to demonstrate its compliance and show its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Finance Office, Caroline County Board of Education, 204 Franklin Street, Denton, Maryland 21629.

FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 15,777,154	$ 240,505	$ 16,017,659
Accounts receivable:			
Federal funds from State of Maryland	2,657,866	297,759	2,955,625
State of Maryland	2,339,766	-	2,339,766
Other	251,011	-	251,011
Internal balances	(1,269,245)	1,269,245	-
External parties (fiduciary fund)	366,888	-	366,888
Prepaids	3,352	-	3,352
Inventory	-	76,028	76,028
Non depreciable capital assets	40,468,940	-	40,468,940
Depreciable capital assets, net	86,221,679	257,711	86,479,390
TOTAL ASSETS	146,817,411	2,141,248	148,958,659
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 6)	1,220,700	-	1,220,700
Other post-employment benefits (see Note 7)	33,164,514	-	33,164,514
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,385,214	-	34,385,214
LIABILITIES			
Accounts payable:			
Vendors	558,929	23,400	582,329
Accrued payroll	5,775,105	131,728	5,906,833
Other accrued expenses	3,827,097	-	3,827,097
Unearned revenue - Federal	1,948,945	-	1,948,945
Unearned revenue - State	394,934	-	394,934
Unearned revenue - other	336,924	96,059	432,983
Long-term liabilities:			
Due within one year	1,301,288	-	1,301,288
Due in more than one year	143,430,444	-	143,430,444
TOTAL LIABILITIES	157,573,666	251,187	157,824,853
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 6)	316,098	-	316,098
Other post-employment benefits (see Note 7)	33,982,588	-	33,982,588
TOTAL DEFERRED INFLOWS OF RESOURCES	34,298,686	-	34,298,686
NET POSITION			
Net investment in capital assets	122,295,740	257,711	122,553,451
Unrestricted	(132,965,467)	1,632,350	(131,333,117)
TOTAL NET POSITION	$ (10,669,727)	$ 1,890,061	$ (8,779,666)

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Administration	$ 2,317,047	$ -	$ 94,310	$ -
School management and support	5,554,464	-	285,665	-
Instructional salaries and wages	31,325,488	-	2,460,361	-
Textbooks and instructional supplies	1,907,617	-	1,318,902	-
Other instructional costs	8,437,918	-	3,903,505	-
Special education	8,371,002	-	2,092,069	-
Pupil personnel services	711,386	-	100,430	-
Health services	946,503	-	210,204	-
Pupil transportation	4,152,181	-	499,950	-
Operation of plant	5,207,469	-	700,845	-
Maintenance of plant	1,094,699	-	7,808	-
Fixed charges	23,934,329	-	1,554,075	-
Community services	423,888	-	423,888	-
School activity expenditures	320,707	340,857	-	-
On-behalf State Retirement contributions	4,509,202	-	4,509,202	-
Capital outlay	252,586	-	-	29,442,861
Total Governmental Activities	99,466,486	340,857	18,161,214	29,442,861
Business-Type Activities				
Food Services	3,617,878	4,984,994	-	-
Total Business-Type Activities	3,617,878	4,984,994	-	-
Totals	$ 103,084,364	$ 5,325,851	$ 18,161,214	$ 29,442,861

General Revenues
Caroline County
State of Maryland
Investment earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

The Notes to Financial Statements are an integral part of this statement.

Net (Expenses) Revenue and changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (2,222,737)	$ -	$ (2,222,737)
(5,268,799)	-	(5,268,799)
(28,865,127)	-	(28,865,127)
(588,715)	-	(588,715)
(4,534,413)	-	(4,534,413)
(6,278,933)	-	(6,278,933)
(610,956)	-	(610,956)
(736,299)	-	(736,299)
(3,652,231)	-	(3,652,231)
(4,506,624)	-	(4,506,624)
(1,086,891)	-	(1,086,891)
(22,380,254)	-	(22,380,254)
-	-	-
20,150	-	20,150
-	-	-
29,190,275	-	29,190,275
(51,521,554)	-	(51,521,554)
-	1,367,116	1,367,116
-	1,367,116	1,367,116
(51,521,554)	1,367,116	(50,154,438)
15,575,972	-	15,575,972
59,656,100	-	59,656,100
8,988	161	9,149
486,633	-	486,633
75,727,693	161	75,727,854
24,206,139	1,367,277	25,573,416
(34,875,866)	522,784	(34,353,082)
$ (10,669,727)	$ 1,890,061	$ (8,779,666)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
ASSETS			
Cash and investments	$ 13,601,284	$ 1,619,889	$ 555,981
Accounts receivable:			
Federal funds from State of Maryland	2,657,866	-	-
State of Maryland	1,134,613	1,205,153	-
Other Board of Education funds	2,057,541	-	-
Local	-	160,993	-
Other	90,018	-	-
Prepaids	3,352	-	-
TOTAL ASSETS	$ 19,544,674	$ 2,986,035	$ 555,981
LIABILITIES AND FUND BALANCES			
Accounts payable:			
Vendors	$ 552,835	$ 6,094	$ -
State of Maryland	-	-	-
Other Board of Education funds	-	2,959,898	-
Accrued payroll	5,775,105	-	-
Accrued leave	466,880	-	-
Other accrued expenses	3,827,097	-	-
Unearned revenue - Federal	1,948,945	-	-
Unearned revenue - State	394,934	-	-
Unearned revenue - other	306,905	-	30,019
TOTAL LIABILITIES	13,272,701	2,965,992	30,019
COMMITMENTS AND CONTINGENCIES			
FUND BALANCES			
Nonspendable	3,352	-	-
Assigned to:			
Accrued leave	836,477	-	-
School construction projects	-	20,043	-
School activities	-	-	525,962
Other purposes (encumbrances)	603,161	-	-
Unassigned	4,828,983	-	-
TOTAL FUND BALANCES	6,271,973	20,043	525,962
TOTAL LIABILITIES AND FUND BALANCES	$ 19,544,674	$ 2,986,035	$ 555,981

The Notes to Financial Statements are an integral part of this statement.

Total Governmental Funds
$ 15,777,154
2,657,866
2,339,766
2,057,541
160,993
90,018
3,352
$ 23,086,690
$ 558,929
-
2,959,898
5,775,105
466,880
3,827,097
1,948,945
394,934
336,924
16,268,712
3,352
836,477
20,043
525,962
603,161
4,828,983
6,817,978
$ 23,086,690

Total Governmental Funds Balances		$ 6,817,978
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		126,690,619
Deferred outflows of resources not reported in the fund financial statements		
Pension (see Note 6)	1,220,700	
Other post-employment benefits (see Note 7)	33,164,514	
		34,385,214
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Accrued leave	(836,477)	
Accrued leave - retirement	(521,874)	
Retirement incentive plan	(342,063)	
Capital leases	(4,394,879)	
Net pension liability	(5,786,061)	
Post-employment benefits	(132,383,498)	
		(144,264,852)
Deferred inflows of resources not reported in the fund financial statements		
Pension (see Note 6)	(316,098)	
Other post-employment benefits (see Note 7)	(33,982,588)	
		(34,298,686)
Net Position of Governmental Activities		$ (10,669,727)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
REVENUES			
County Appropriation	$ 15,575,972	$ 8,429,025	$ -
State of Maryland	59,656,100	1,418,695	-
Restricted Federal revenues	8,938,880	-	-
Restricted State revenues	4,551,532	-	-
Restricted other revenues	245,739	80,448	-
On-behalf State of Maryland	-	19,430,554	-
On-behalf State Retirement contributions	4,509,202	-	-
Other sources	509,749	4,529	-
School activity revenues	-	-	340,857
TOTAL REVENUES	93,987,174	29,363,251	340,857
EXPENDITURES			
Current:			
Administration	2,220,653	-	-
School management and support	5,531,448	-	-
Instructional salaries and wages	31,346,148	-	-
Instructional textbooks and supplies	1,907,617	-	-
Other instructional costs	6,011,973	-	-
Special education	8,371,002	-	-
Pupil personnel services	711,386	-	-
Health services	946,503	-	-
Pupil transportation	4,927,908	-	-
Operation of plant	6,090,866	-	-
Maintenance of plant	1,165,411	-	-
Fixed charges	18,298,291	-	-
Community services	423,888	-	-
School activity expenditures	-	-	320,707
On-behalf State Retirement contributions	4,509,202	-	-
Capital outlay	294,188	29,612,875	-
TOTAL EXPENDITURES	92,756,484	29,612,875	320,707
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,230,690	(249,624)	20,150
OTHER FINANCING SOURCES			
Proceeds from capital leases	395,000	-	-
TOTAL OTHER FINANCING SOURCES	395,000	-	-
Net change in fund balances	1,625,690	(249,624)	20,150
Fund balances, beginning	4,646,283	269,667	505,812
Fund balances, ending	$ 6,271,973	$ 20,043	$ 525,962

The Notes to Financial Statements are an integral part of this statement.

Total	**Net change in fund balances-total Governmental Funds**		$ 1,396,216
Governmental			
Funds	**Amounts reported for governmental activities in the**		
	statement of activities are different because		
$ 24,004,997			
61,074,795	Governmental funds report capital outlays as expenditures.		
8,938,880	However, in the statement of activities, the cost of those		
4,551,532	assets is allocated over their estimated useful lives as depreciation		
326,187	expense.		
19,430,554			
4,509,202	Fixed asset additions	31,083,977	
514,278	Current year depreciation	(3,030,771)	
340,857			
123,691,282	Total		28,053,206
	Proceeds from capital leases are revenues in the		
	governmental funds but increases in liabilities in the		
2,220,653	statement of net position.		(395,000)
5,531,448			
31,346,148	In governmental fund financial statemetns, proceeds from a sale		
1,907,617	are shown as an increase in financial resources. In government wide		
6,011,973	financial statements, gain or loss is calculated and reported.		
8,371,002			
711,386	Some expenses reported in the statement of activities do not		
946,503	require the use of current financial resources and therefore		
4,927,908	are not reported as expenditures in governmental funds.		(18,657)
6,090,866			
1,165,411	Increase in accrued leave		20,660
18,298,291	Increase in accrued leave - retirement benefit		164,580
423,888	Increase in retirement incentive program		24,772
320,707	Increase in pension expense due to deferred financing outflow		323,705
4,509,202	Increase in pension expense due to net pension liability		(718,968)
29,907,063	Increase in pension expense due to deferred financing inflows		180,017
122,690,066	Decrease in post-employment benefits expense due to deferred financing outflow		7,783,198
	Increase in post-employment benefits expense due to net OPEB liability		(16,894,908)
	Decrease in post-employment benefits expense due to deferred financing inflow		3,501,566
1,001,216			
	Repayment of capital lease obligations and long-term debt are		
	expenditures in the governmental funds, but the repayment		
395,000	reduces long-term liabilities in the statement of net position.		785,752
395,000			
	Change in net position of Governmental Activities		$ 24,206,139
1,396,216			
5,421,762			
$ 6,817,978			

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2021

	Business-Type Activities
	Food Services
ASSETS	
Current assets:	
Cash and investments	$ 240,505
Accounts receivable:	
Federal funds from State	297,759
Other Board of Education funds	1,269,245
Inventory	76,028
Total current assets	1,883,537
Capital assets, net	257,711
TOTAL ASSETS	2,141,248
LIABILITIES	
Current liabilities:	
Accounts payable	23,400
Accrued payroll	131,728
Unearned revenue - other	96,059
TOTAL LIABILITIES	251,187
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Net investment in capital assets	257,711
Unrestricted	1,632,350
TOTAL NET POSITION	$ 1,890,061

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2021

	Business-Type Activities Food Services
OPERATING REVENUES	
Sale of meals	$ 42,542
Federal assistance	4,297,301
State assistance	254,910
USDA donated commodities	326,015
Other sources	64,226
TOTAL OPERATING REVENUES	4,984,994
OPERATING EXPENSES	
Food	1,279,226
Salaries and wages	1,235,501
Fixed charges	495,491
Contracted services	11,498
Supplies and materials	105,503
Other charges	125,864
USDA donated commodities	326,015
Depreciation	23,273
Additional equipment	15,507
TOTAL OPERATING EXPENSES	3,617,878
OPERATING INCOME	1,367,116
NON-OPERATING REVENUES	
Interest income	161
Change in net position	1,367,277
Net position beginning of year	522,784
Net position end of year	$ 1,890,061

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF CASH FLOWS
FOOD SERVICE FUND
Year Ended June 30, 2021

CASH FLOWS FROM OPERATIONS:	
Receipts from students	$ 42,542
Operating grants received	4,573,752
Other operating receipts	294,438
Payments to food and other suppliers	(1,504,327)
Payments to employees and employee related benefits	(1,717,151)
Net cash provided by operating activities	1,689,254
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash transfers to other Board funds	(1,451,081)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of equipment	(140,554)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	161
Net increase in cash	97,780
Cash and investments, beginning of year	142,725
Cash and investments, end of year	$ 240,505

Reconciliation of operating loss to net cash used by operating activities:

Operating income	$ 1,367,116
Adjustments:	
Depreciation	23,273
(Increase) decrease in assets:	
Federal receivables	21,541
State receivables	-
Other receivables	134,153
Inventory	10,101
Increase (decrease) in liabilities:	
Accounts payable	23,170
Accrued payroll	13,841
Unearned revenue - other	96,059
Total adjustments	322,138
Net cash provided by operating activities	$ 1,689,254

Noncash items:

Donation of food commodities	$ 326,015

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021

	Retiree Benefit Trust Fund	Custodial Funds
ASSETS		
Investments	$ 1,693,583	$ -
Accounts receivable:		
Federal funds from State	-	376,679
State of Maryland	-	92,881
Other	-	30,698
TOTAL ASSETS	$ 1,693,583	$ 500,258
LIABILITIES		
Accounts payable:		
Vendors	$ -	$ 10,055
State of Maryland	-	112,406
Unearned revenue - other	-	10,909
Other Board of Education funds	-	366,888
TOTAL LIABILITIES	-	500,258
NET POSITION		
Held in trust for other post-employment benefits	1,693,583	-
Restricted for other entities	-	-
TOTAL NET POSITION	$ 1,693,583	$ -

The Notes to Financial Statements are an integral part of this statement.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2021

	Retiree Benefit Trust Fund	Custodial Funds
ADDITIONS		
Investment income	$ 330,447	$ -
Restricted Federal revenues	-	2,124,014
Restricted State revenues	-	3,510,314
Restricted other revenues	-	468,433
TOTAL ADDITIONS	330,447	6,102,761
DEDUCTIONS		
Administrative expenses	6,667	-
Restricted Federal programs	-	2,124,014
Restricted State programs	-	3,510,314
Restricted other programs	-	468,433
TOTAL DEDUCTIONS	6,667	6,102,761
Change in net position	323,780	-
Net position, beginning of year	1,369,803	-
Net position, end of year	$ 1,693,583	$ -

The Notes to Financial Statements are an integral part of this statement.

Note 1. The Board of Education of Caroline County and Its Significant Accounting Policies

The Board of Education of Caroline County (the “Board”) is empowered by Title 13A of the Code of Maryland Regulations to fulfill the elementary and secondary educational needs of students in Caroline County, Maryland (the “County”).

Financial Reporting Entity

The Board is the basic level of government that has financial accountability and control over all activities related to the public school education in Caroline County, Maryland. The Board receives funding from local, State and Federal government sources and must comply with the requirements of these funding source entities.

The Board is a component unit of Caroline County, Maryland and is included in the County’s reporting entity. This conclusion has been reached based on the following criteria: (1) The County is responsible for approving the Board’s budget and establishing spending limitations and; (2) The Board cannot issue bonded debt, but the County can and does issue bonds to finance school system operations. In addition, there are no component units which are included in the Board's reporting entity.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Board’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.

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 Board. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. Internal activity between the funds is eliminated from the statements.

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 business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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, with certain limited exceptions. 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 general revenues of the Board.

Note 2. Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

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 a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. In addition, the Board has presented the School Activities Fund as a major fund because the Board believes this fund is significant to the Board as a whole.

B. Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's major governmental funds:

General Fund - The General Fund is the general operating fund of the Board. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Board administers the construction and repair of public schools and uses the School Construction Fund to record the revenues from the County and other governmental units and the expenditures in connection therewith.

School Activities Fund – The School Activities Fund is used to account for revenues and expenditures at the schools for, among other things, student insurance and pictures, athletics, clubs and other student activities, and principals' miscellaneous expenditures.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Board's major enterprise fund is:

Food service fund – This fund accounts for the financial transactions related to the food service operations of the Board.

FIDUCIARY FUNDS

Custodial funds – Custodial funds report fiduciary activities that are not required to be reported as another fiduciary fund type. The Board acts as the processing agent for several organizations.

Note 2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Retiree benefit trust fund – This fund consists of contributions of the Board to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions and are reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred.

Fiduciary funds are not reported in the government-wide financial statements.

C. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included on the statement of net position.

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, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds 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 position. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

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 the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Note 2. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: interest, tuition, grants, fees and rentals.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than fiduciary funds, are legally required to be budgeted and appropriated. The budget is prepared on the budgetary basis of accounting. The budget establishes a limit on the amounts that the Board may appropriate and sets annual limits as to the amount of expenditures at a level of control selected by the Board. The legal level of control has been established by the Board at the object level within each fund and function.

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted.

F. Inventory

On government-wide financial statements and the fund financial statements of proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Note 2. Summary of Significant Accounting Policies (continued)

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in 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 proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) 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 five thousand dollars. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land, land improvements and construction in progress 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15 – 50 years	N/A
Furniture and Equipment	5 – 20 years	15 years
Vehicles	6 – 12 years	6 years
Software	5 years	5 years

H. Compensated Absences

ACCRUED LEAVE

Employees are allowed to carryover up to 20 days of unused vacation. In addition, certain employees are allowed to carry-over an additional 20 days of unused vacation to be used in the year of retirement. Sick leave vests for certain employees under certain limited circumstances. The Board of Education expenses the cost of vacations as they are earned and the accrued leave account presented in the balance sheet represents vacations earned but not taken at year-end. Compensated absences are reported as accrued in the government wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees, which would be included in accrued leave.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government–wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Note 2. Summary of Significant Accounting Policies (continued)

J. Net Position

In the government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred outflow of resources related to its pension liability (Note 6) and OPEB liability (Note 7) for changes in assumptions, the difference between actual and expected experience, the net difference between projected and actual investment earnings on plan investments, and contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension liability (Note 6) and OPEB liability (Note 7) for changes in assumptions, the difference between actual and expected experience, and the net difference between projected and actual investment earnings on plan investments. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

The deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

L. Pensions

Certain employees of the Board are members of the Maryland State Retirement and Pension System ("the System"). The Maryland State Retirement and Pension System is considered a single, multi-employer cost-sharing plan.

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

Note 2. Summary of Significant Accounting Policies (continued)

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Benefit Trust of the Board of Education of Caroline County and additions to/deductions from the Retiree Benefit Trust of the Board of Education of Caroline County's fiduciary net position have been determined on the same basis as they are reported by the Retiree Benefit Trust of the Board of Education of Caroline County. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

N. Fund Balance Reserves

Fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable (i.e. inventory or long term receivables), restricted (by external parties or legislation), committed (by the highest level of authorities of the government), assigned (i.e. residual amounts in other funds), and unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board. Assigned fund balances is a limitation imposed by a designee of the Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Proprietary fund equity is classified the same as in the government-wide statements.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

P. Estimates

The preparation of 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.

Q. Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund, the Board considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

R. Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Transfers are fund balance amounts reserved and/or designated in the prior year that received County approval to be spent on capital projects.

S. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. General fund unrestricted encumbrances outstanding at June 30, 2021 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled $603,161.

Note 2. Summary of Significant Accounting Policies (continued)

T. New Accounting Policies

The Board adopted Government Accounting Standards Board's Statement No. 84, *Fiduciary Activities,* at July 1, 2020. This statement's objective is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities are reported. The Board is reporting a new classification of custodial funds which were previously reported as agency funds in the statement of fiduciary net position. The Board is also presenting custodial funds in the statement of changes in fiduciary net position.

Note 3. Cash and Investments

At June 30, 2021, the Board of Education had bank deposits with various commercial banks totaling $2,033,639 (carrying value $497,146). As required by law, the depository is to pledge securities in addition to FDIC insurance at least equal to that amount on deposit at all times. The depository banks pledge collateral for specific accounts that are held in the Board's name at the Bank of New York Mellon. As of June 30, 2021, bank deposits were fully collateralized. Investments of $15,407,074 (carrying value $15,520,513) consist solely of U.S. Government Securities made through the State of Maryland Local Government Investment Pool which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The MLGIP is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A., which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a semi-annual basis and provide suggestions to enhance the pool. The MLGIP is rated AAAm by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, banker's acceptance or money market funds.

The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities.

At June 30, 2021, the Board has an agreement with its primary bank to maintain a cash balance of $200,000 in lieu of payment of service fees.

Reconciliation to Statement of Net Position:

Cash at carrying value	$	497,146
Investments		15,520,513
Total cash and investments	$	16,017,659

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits (OPEB) that are held by the Maryland Association of Boards of Education (MABE) in the MABE Pooled OPEB Investment Trust (MABE Trust). The MABE Trust is administered by MABE, and is a wholly-owned instrumentality of its members. The ten members who are the sole contributors to the MABE Trust are the Allegany Fiduciary Fund and the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's and Washington.

Note 3. Cash and Investments (continued)

Investment in External Investment Pool (continued)

The investments of the MABE Trust are stated at fair value and are deposited with Fidelity as of June 30, 2021. Investments consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. The MABE trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. All investments of the MABE Trust are considered Level 1 or Level 2, the Board's membership investment in the MABE Trust are considered Level 2. For investments in mutual funds, there are no unfunded commitments and investments are able to be fully redeemed on a daily basis. As of June 30, 2021, the pooled position of the MABE Trust was $589,129,491 in total, of which the Board's allocated investment balance was $1,693,583. The Board may terminate its membership interest in the MABE Trust and withdraw its allocated investment balance by providing written notice six months prior to the intended date of withdraw.

The MABE Trust is audited annually by an independent CPA firm and issues a publicly available audited report. The report may be obtained by sending a request to the Administrator of the MABE Pooled OPEB Investment Trust, 621 Ridgely Avenue, Suite 300, Annapolis, MD 21401-1112 or calling (410) 841-5414.

Note 4. Interfund Receivables and Payables

	Due From Other Funds	Due To Other Funds
General Fund	$ 3,326,786	$ 1,269,245
School Construction Fund	-	2,959,898
Food Service - Enterprise Fund	1,269,245	
External Parties - Fiduciary Fund	-	366,888
	$ 4,596,031	$ 4,596,031

Due to/from other funds represent advances of cash for operating needs. There were no transfers during the year.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Deductions	Transfers	Balance June 30, 2021
Governmental Activities					
Capital Assets, not being depreciated					
Construction in progress	$ 12,393,691	$ 29,181,480	$ -	$ (1,487,926)	$ 40,087,245
Land	381,695	-	-	-	381,695
Total capital assets, not being depreciated	12,775,386	29,181,480	-	(1,487,926)	40,468,940
Capital assets, being depreciated					
Buildings and improvements	129,365,518	1,106,955	-	1,487,926	131,960,399
Furniture and equipment	2,313,546	164,333	-	-	2,477,879
Software	361,630	14,280	-	-	375,910
Vehicles	3,639,167	616,929	(223,628)	-	4,032,468
Total capital assets, being depreciated	135,679,861	1,902,497	(223,628)	1,487,926	138,846,656
Less accumulated depreciation:					
Buildings and improvements	(46,029,992)	(2,660,988)	-	-	(48,690,980)
Furniture and equipment	(1,516,355)	(114,005)	-	-	(1,630,360)
Software	(361,628)	(1,428)	-	-	(363,056)
Vehicles	(1,891,202)	(254,350)	204,971	-	(1,940,581)
Total accumulated depreciation	(49,799,177)	(3,030,771)	204,971	-	(52,624,977)
Total capital assets, being depreciated, net	85,880,684	(1,128,274)	(18,657)	1,487,926	86,221,679
Governmental activities capital assets, net	$ 98,656,070	$ 28,053,206	$ (18,657)	$ -	$ 126,690,619

	Balance June 30, 2020	Additions	Deductions	Transfers	Balance June 30, 2021
Business-type activities					
Equipment	$ 1,030,832	$ 140,554	$ (56,229)	$ -	$ 1,115,157
Software	27,122	-	-	-	27,122
Vehicles	55,670	-	-	-	55,670
Total capital assets, being depreciated	1,113,624	140,554	(56,229)	-	1,197,949
Less accumulated depreciation:					
Equipment	(890,402)	(23,273)	56,229	-	(857,446)
Software	(27,122)	-	-	-	(27,122)
Vehicles	(55,670)	-	-	-	(55,670)
Total accumulated depreciation	(973,194)	(23,273)	56,229	-	(940,238)
Business-type activities capital assets, net	$ 140,430	$ 117,281	$ -	$ -	$ 257,711

Depreciation expense was charged to governmental functions as follows:

Administration	$ 96,394
School management and support	32,294
Other instructional costs	2,661,470
Pupil transportation	205,344
Maintenance of plant	35,269
Total depreciation expense	$ 3,030,771

Note 6. Pension Plans

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. Responsibility for the System's administration and operation is vested in a 15 member Board of Trustees. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Generally, all regular employees of the Board participate in the Employees' Retirement and Pension Systems (Employees' Systems). Teachers employed by the Board generally participate in the Teachers' Retirement and Pensions Systems (Teachers' Systems). Both the Employees' Systems and the Teachers' Systems (collectively the Systems) are cost sharing multiple-employer defined benefit pension plans.

Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems

General Plan Policies

The Teachers' Retirement System of the State of Maryland was established on August 1, 1927 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. In this regard, teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Until December 31, 2004, existing members of the Teachers' Retirement System had the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. Until December 31, 2004, existing members of the Employees' Retirement System had the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System.

Significant Plan Benefits and Policies

The following is a general description of the significant plan benefits and related contribution requirements for the Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems:

Note 6. Pension Plans (continued)

Teachers' and Employees' Retirement Systems

Retirement Benefits:

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e. average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

Vested Allowance:

A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions. Members terminating employment before attaining retirement age and before completing 5 years of creditable service are refunded their accumulated contributions plus earned interest.

Employee Contributions:

Members of the Teachers' and Employees' Retirement System are required to contribute to the systems a fixed percentage of their regular salaries and wages (e.g. 7% or 5%, depending on the COLA option selected). The contributions are deducted from each member's salary and wage payment and are remitted to the systems on a regular, periodic basis.

Teachers' and Employees' Pension System

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

A member terminating employment before attaining retirement age, but after completing 5 years of eligibility service, becomes eligible for a vested pension allowance provided the member lives to age 62. Members terminating employment before attaining retirement age and before completing 5 years of eligibility service are refunded their accumulated contributions plus earned interest.

Note 6. Pension Plans (continued)

Employee Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2021. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

For members enrolled on and after July 1, 2011, the employee contribution is 7%; vesting requires ten years of eligible service; service retirement is at age 65 with ten years of eligibility service or based on the Rule of 90 (age and service must equal 90); early service retirement is age 60 with 15 years of eligibility service; average final compensation is a five year average; and the benefit multiplier per year is 1.5%.

Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems

Employer Contributions:

For the year ended June 30, 2021 the Board's total payroll for all employees was $52,985,980. Total covered payroll was $42,253,203. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The related payment for fiscal year ending 2021 was $1,779,779. In addition, the State of Maryland contributed $4,509,202 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2021, the Board reported expense of $757,775 related to the Employees' Systems in the fund financial statements.

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

Because the State of Maryland pays the unfunded liability for the Teachers' Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. The Board is required to record a liability for the Employees' Systems.

At June 30, 2021, the Board reported a liability for its proportionate share of the net pension liability. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

		2020
Board's proportionate share of the net pension liability (Employees' Systems)	$	5,786,061
State's proportionate share of the net pension liability (Teachers' Systems)		49,360,110
Total	$	55,146,171

Note 6. Pension Plans (continued)

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Boards proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2020 the Board's proportion of the net pension liability was .026%, which was substantially the same as its proportion measured as of June 30, 2019. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2019 to June 30, 2020 for the net pension liability, deferred financing outflows and deferred financing inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2021, the Board recognized pension expense of $2,752,800 in the government-wide financial statements. $2,537,544 was recognized in the fund financial statements. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 24,745	$ 108,449
Net difference between projected and actual investment earnings on pension plan investments	438,180	-
Differences between expected and actual experience	-	207,649
Board contributions subsequent to measurement date	757,775	-
Total	$ 1,220,700	$ 316,098

The $757,775 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.50 to 5.87 years. The net difference in investment earnings are being amortized over a closed five-year period. These amounts will be recognized in pension expense as follows as of June 30, 2021:

Year Ending June 30,	Amortization of Pension Expense
2022	$ (31,581)
2023	27,466
2024	75,037
2025	76,952
2026	(1,047)
	$ 146,827

Note 6. Pension Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.60% general, 3.15% wage
Salary increases	3.10% to 11.60%, including inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Investments

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.20%
Private Equity	13%	6.50%
Rate Sensitive	19%	-0.30%
Credit Opportunity	9%	2.80%
Real Asssets	14%	4.30%
Absolute Return	8%	1.80%
Total	100%	

Note 6. Pension Plans (continued)

Discount rate

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

Sensitivity of the Boards Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Net Pension Liability
1% decrease	6.40%	$ 8,237,397
Current discount rate	7.40%	$ 5,786,061
1% increase	8.40%	$ 3,744,331

Note 7. Other Postemployment Benefits

Plan Description

The Board administers a single employer defined benefit plan, The Caroline County Public Schools Post-Retirement Medical and Life Insurance Benefits Plan (the "Plan"), that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees, their spouses and eligible dependents. The Plan does not issue a publicly available financial report.

Plan Administration

In May 2009, the Board created the Retiree Benefit Trust of the Board of Education of Caroline County (the "Trust") in order to facilitate the funding or partial funding of the actuarially calculated OPEB liability. The Trust established a trust account with, and became a member of, the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). It is a member owned trust that provides the Board and the other nine members a structure to pool assets to reduce investment costs and share administrative expenses. The Board reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, and benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of the governing body and upon advance notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its members for investment purposes only. Each member of the MABE Trust is required to designate a member trustee. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in the respective financial statements using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available. The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

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

Plan Membership

At March 1, 2021 (valuation date), the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	422
Inactive plan members or beneficiaries entitled but not yet receiving benefits	-
Active plan members	704
	1,126

Note 7. Other Postemployment Benefits (continued)

Benefits Provided

The Plan provides medical, prescription drug, dental, and vision benefits to eligible retirees, their spouses and eligible dependents. The benefits provided are the same as those provided to active employees. Retirees receive a subsidy for their post-retirement medical insurance based on the years of service with the Board. Retirees with at least 5 years of service receive a subsidy based on 90% of the single rate prior to age 65. Retirees with less than 15 years of service receive no employer subsidy after attaining age 65. After attaining age 65, retirees with at least 15 years of service receive a subsidy of up to 100% of the pre-Medicare subsidy amount. There is no explicit subsidy for dependents or surviving spouses, although they are allowed access to the plan and pay 100% of the costs. There is no subsidy for dental premiums once the participant reaches Medicare age.

Benefits Provided (continued)

Participants must meet the eligibility requirements of the Maryland State Teachers'/Employees' pension system (EPS). For members hired before July 1, 2011, the earliest retirement eligibility is age 55 with 15 years of service, age 62 with 5 years of service, age 63 with 4 years of service, age 64 with 3 years of service, age 65 with 2 years of service, or 30 years of service regardless of age. For members hired after July 1, 2011, the earliest eligibility is age 60 with 15 years of service, age 65 with 10 years of service, or age plus service is at least 90 (Rule of 90). Participants must also have at least 5 years of service in Caroline County (15 years of service if hired after 7/1/2013). Disability health benefits require the participant meet the retirement eligibility requirements noted above or have 5 years of service (15 years if hired after 7/1/2013). The disability benefit is until age 65 unless the retirement eligibility requirements above are met. Eligible spouses and dependents must be enrolled in the plan immediately prior to the retiree's effective date of retirement to receive coverage.

Contributions

The employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon annual approval of the operating budget.

Investment Policy

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 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 class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation
Equity	54.77%
Fixed income	38.93%
Cash	6.30%
Total	100.00%

Note 7. Other Postemployment Benefits (continued)

Rate of Return

Best estimates of real rates of return for each major asset class included in the target asset allocations as of June 30, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	4.72%
Fixed income	1.60%
Cash	-0.02%

For the year ended June 30, 2021, the total rate of return, net of investment expense, was 23.64%. The total rate of return represents a hypothetical return on capital balance invested in the Trust during the entire year. Actual returns may vary due to the timing of capital contributions and redemptions.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of March 1, 2021 rolled forward to the June 30, 2021 measurement date. These calculations are based on the entry age normal cost method as required by GASB 74 and GASB 75. The discount rate used to determine liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate was 2.45% as of June 30, 2020 and 1.92% as of June 30, 2021.

Note 7. Other Postemployment Benefits (continued)

Actuarial Assumptions

Projections of benefits for financial reporting are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of net assets, consistent with the long-term perspective of the calculations.

Significant valuation methods and assumptions are as follows:

Actuarial cost method - GASB 74 and 75	Entry age normal
Actuarial valuation date	March 1, 2021
Measurement date	June 30, 2021
Amortization method	Level percentage of projected payroll
Actuarial Assumptions:	
Discount rate - June 30, 2020	2.45%
Discount rate - June 30, 2021	1.92%
Economic Assumptions:	
Inflation rate	2.50%
Rate of growth in real income/GDP per capita	1.50%
Extra trend due to technology and other factors	1.10%
Expected health sahre of GDP in 2029	20.0%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075
Medical trend	Based on Society of Actuaries Long Term Medical Trend Model, baseline assumption. The Society of Actuaries Model was released in October 2010 and updated in September 2019.

Note 7. Other Postemployment Benefits (continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 20-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 1.92% as of June 30, 2021. This rate has been adjusted from 2.45% as of June 30, 2020.

Change in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2020	$ 116,858,393	$ 1,369,803	$ 115,488,590
Changes for the Year			
Service Cost	6,451,048	-	6,451,048
Interest	2,834,201	-	2,834,201
Changes of Benefit Terms	-	-	-
Experience Losses/Gains	(1,894,142)	-	(1,894,142)
Trust Contributions - Employer	-	2,807,732	(2,807,732)
Net Investment Income	-	330,447	(330,447)
Changes in Assumptions	12,635,313	-	12,635,313
Benefit Payments (net of retiree contributions)	(2,807,732)	(2,807,732)	-
Administrative Expense	-	(6,667)	6,667
Net Changes	17,218,688	323,780	16,894,908
Balance as of June 30, 2021	$ 134,077,081	$ 1,693,583	$ 132,383,498

Plan fiduciary net position as a percentage of the total OPEB liability at June 30, 2021 is approximately 1.26%.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following amounts present 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 one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

	Discount Rate	Net OPEB Liability
1% decrease	0.92%	$ 161,413,860
Current discount rate	1.92%	$ 132,383,498
1% increase	2.92%	$ 109,853,996

Note 7. Other Postemployment 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 one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

	Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease	3.00%	$ 105,455,322
Current healthcare cost trend rate	4.00%	$ 132,383,498
1% increase	5.00%	$ 169,412,982

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the Board will recognize OPEB expense in the amount of $8,417,876 on the government-wide statements. At June 30, 2021, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 32,887,331	$ 442,427
Net difference between projected and actual investment earnings	-	154,901
Differences between expected and actual experience	277,183	33,385,260
Total	$ 33,164,514	$ 33,982,588

The deferred inflows and outflows related to non-investment activity are being amortized over nine years. The net difference in investment earnings are being amortized over a closed five-year period. The following table shows the amortization of these balances:

Year Ending June 30,	Amortization
2022	$ (778,389)
2023	(777,384)
2024	(778,065)
2025	(788,923)
2026	(741,967)
Thereafter	3,046,654
	$ (818,074)

Note 8. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the Maryland Association of Boards of Education Group Insurance Pool (the Pool) was formed when several Maryland boards of education joined together to pool their casualty risks. Property insurance coverage was added in 1988. The Board pays an annual premium to the Pool that is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims that exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participating boards on a pro rata basis.

The Board continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. The Board purchases health insurance from a provider through a modified retrospective rating arrangement agreement. The Board is a member of the Eastern Shore of Maryland Educational Consortium Health Insurance Alliance (the Alliance), a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that the Alliance be self-sustaining through member premiums. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as a recommended conservative reserve. As of December 21,2020, the Board’s funds held by ESMEC exceeded the recommended reserve by $1,094,355. All funds held by ESMEC are restricted to being used only for health care expenses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Capital Leases

The Board has entered into non-cancelable leases that transfer ownership at the end of the lease, thus the Board has recorded the lease obligations and the related assets in the appropriate funds.

Capital lease obligations at June 30, 2021 consist of the following:

Building renovation, Capital One Public Funding, LLC, interest at 3.95%; payable in semi-annual installments of approximately $64,000, including interest through October 2038	$	1,598,483
Vehicles, bank, interest at 2.94%; payable in annual installments of approximately $94,000, including interest through 2023		180,070
Vehicles, bank, interest at 1.95%; payable in semi-annual installments of approximately $36,000, including interest through 2023		140,705
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately $42,000 to $470,000 through October 2025		976,736
Energy equipment, General Capital Management, Inc., interest at 3.126%; payable in annual installments ranging from approximately $111,000 to $175,000 through October 2029		1,200,215
Vehicles, bank, interest at 1.95%; payable in semi-annual installments of approximately $51,000, including interest through 2024		298,670
	$	4,394,879

Note 9. Capital Leases (continued)

The vehicle and equipment leases are secured by the vehicles and equipment financed under the related agreements. In the event of nonappropriation of funds in a given year, the vehicle and equipment leases would be deemed terminated. The building renovation agreement is the result of the Board entering into a ground lease with Capital One Public Funding, LLC for property owned by the Board for a total of $10 through August 2048. Capital One Public Funding, LLC immediately subleased this property back to the Board and provided funding for renovations on the property. In the event of default by the Board on the sublease, the property is available for Capital One Public Funding, LLC to use through the term of the ground lease. Under the terms of the ground lease, it expires on full payment under the terms of the sublease agreement.

Future minimum lease payments under these capital leases, which will be funded from the General Fund, are as follows:

2022	$	983,862
2023		1,007,623
2024		418,511
2025		320,453
2026		324,978
2027-2031		1,306,414
2032-2036		636,924
2037-2039		318,462
		5,317,227
Less amounts representing interest		922,348
Present value of net minimum lease payments	$	4,394,879

Interest expense on the above capital leases was approximately $175,000 for the year ended June 30, 2021.

The cost of items acquired under capital lease arrangements, as included in capital assets, totaled $7,680,895 and the related accumulated depreciation was $1,345,991 at June 30, 2021.

Note 10. Long-Term Liabilities

Changes in long-term liabilities were as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due within one year
Capital leases	$ 4,785,631	$ 395,000	$ 785,752	$ 4,394,879	$ 834,408
Compensated absences	1,019,966	631,518	348,127	1,303,357	466,880
Compensated absences - retirement	686,454	-	164,580	521,874	-
Retirement incentive plan	366,835	-	24,772	342,063	-
Net pension liability (Note 6)	5,067,093	718,968	-	5,786,061	-
Net OPEB liability (Note 7)	115,488,590	16,894,908	-	132,383,498	-
	$127,414,569	$18,640,394	$ 1,323,231	$144,731,732	$ 1,301,288

Long-term liabilities are generally liquidated by the General Fund.

Note 11. Operating Lease

The Board leases administrative copy machines, computer equipment, and office space over terms ranging from three to five years.

Approximate future minimum lease commitments are as follows:

Fiscal year ending June 30,

2022	$	108,629
2023		45,491

Rent expense, under these leases, totaled approximately $426,000 for the year ended June 30, 2021.

Note 12. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. In the opinion of the Board, there are no approved contracts that would have a material effect on the financial statements.

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Board.

There are various legal claims pending against the Board that arise in the normal course of the Board's activities. In the opinion of legal counsel and management, the ultimate disposition of these various claims will have no adverse impact on the financial position of the Board.

The Board has active school construction projects as of June 30, 2021. At June 30, 2021 the Board's commitments with contractors were as follows:

Projects	Expenditures to Date	Remaining Commitments
Greensboro Elementary School	$ 39,528,958	$ 7,286,615
Control Upgrades	386,577	430,852

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have had significant impacts on the traditional education model of Boards of Education across the Country. In addition, there has been significant economic uncertainty and volatility in financial markets. The impact on future funding and on defined benefit plan (pensions and other post-employment benefit) actuarial assumptions used to estimate the net pension and other post-employment liabilities of the Board are not reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
County appropriation	$ 15,575,961	$ 15,575,961	$ 15,575,972	$ 11
State revenues:				
Current expense	30,628,704	30,628,704	30,628,598	(106)
Transportation	3,000,659	3,000,659	2,999,659	(1,000)
Guaranteed tax base	2,170,167	2,170,167	2,170,167	-
Handicapped children	2,904,379	2,904,379	2,904,379	-
Limited English proficiency	3,093,905	3,093,905	3,087,446	(6,459)
Supplemental grant	966,820	966,820	966,820	-
Compensatory education	16,192,650	16,192,650	16,192,650	-
Salary incentive	706,381	706,381	706,381	-
Total state revenues	59,663,665	59,663,665	59,656,100	(7,565)
Other sources:				
Tuition	7,000	7,000	14,608	7,608
Interest income	225,000	225,000	13,516	(211,484)
Miscellaneous	600,000	600,000	481,624	(118,376)
Total other sources	832,000	832,000	509,748	(322,252)
Total unrestricted revenues	76,071,626	76,071,626	75,741,820	(329,806)
Restricted revenues:				
Restricted Federal revenues	7,524,944	7,524,944	10,861,508	3,336,564
Restricted State revenues	4,317,390	4,317,390	4,029,838	(287,552)
Restricted other revenues	-	-	234,123	234,123
Total restricted revenues	11,842,334	11,842,334	15,125,469	3,283,135
TOTAL REVENUES	87,913,960	87,913,960	90,867,289	2,953,329

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2021
(continued)

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES				
Administration:				
Salaries and wages	$ 1,499,991	$ 1,499,991	$ 1,529,881	$ (29,890)
Contracted services	348,177	348,177	417,762	(69,585)
Supplies and materials	66,950	66,950	67,239	(289)
Other charges	319,458	319,458	159,514	159,944
Equipment	21,350	21,350	-	21,350
Transfers	-	-	(43,562)	43,562
Total Administration	2,255,926	2,255,926	2,130,834	125,092
School management and support:				
Salaries and wages	4,981,116	4,981,116	4,661,359	319,757
Contracted services	29,000	29,000	49,108	(20,108)
Supplies and materials	140,102	140,102	143,145	(3,043)
Other charges	542,204	542,204	385,523	156,681
Equipment	9,619	9,619	6,422	3,197
Total school management and support	5,702,041	5,702,041	5,245,557	456,484
Instructional salaries and wages:				
Salaries and wages	30,929,090	30,929,090	28,885,788	2,043,302
Instructional textbooks and supplies:				
Supplies and materials	773,070	773,070	615,725	157,345
Other instructional costs:				
Contracted services	754,893	754,893	758,139	(3,246)
Other charges	187,350	187,350	130,254	57,096
Equipment	953,486	953,486	1,438,901	(485,415)
Transfers	21,400	21,400	(37,988)	59,388
Total other instructional costs	1,917,129	1,917,129	2,289,306	(372,177)
Special education:				
Salaries and wages	4,704,299	4,704,299	4,926,968	(222,669)
Contracted services	24,980	24,980	85,517	(60,537)
Supplies and materials	60,457	60,457	13,355	47,102

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2021
(continued)

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Other charges	$ 28,500	$ 28,500	$ 13,379	$ 15,121
Equipment	9,441	9,441	5,035	4,406
Transfers	1,238,005	1,238,005	1,235,178	2,827
Total special education	6,065,682	6,065,682	6,279,432	(213,750)
Pupil personnel services:				
Salaries and wages	463,713	463,713	406,514	57,199
Contracted services	27,550	27,550	192,336	(164,786)
Supplies and materials	16,000	16,000	6,694	9,306
Other charges	10,100	10,100	5,412	4,688
Total pupil personnel services	517,363	517,363	610,956	(93,593)
Health services:				
Salaries and wages	685,543	685,543	716,268	(30,725)
Contracted services	6,000	6,000	6,912	(912)
Supplies and materials	27,200	27,200	7,611	19,589
Other charges	4,500	4,500	3,085	1,415
Equipment	5,500	5,500	2,794	2,706
Total health services	728,743	728,743	736,670	(7,927)
Pupil transportation:				
Salaries and wages	1,847,387	1,847,387	1,771,872	75,515
Contracted services	2,143,480	2,143,480	1,611,715	531,765
Supplies and materials	250,836	250,836	196,581	54,255
Other charges	55,179	55,179	65,241	(10,062)
Equipment	266,720	266,720	396,788	(130,068)
Total pupil transportation	4,563,602	4,563,602	4,042,197	521,405
Operation of plant:				
Salaries and wages	1,826,782	1,826,782	1,852,136	(25,354)
Contracted services	1,121,323	1,121,323	970,856	150,467
Supplies and materials	257,650	257,650	261,281	(3,631)
Other charges	1,784,095	1,784,095	2,290,190	(506,095)
Equipment	17,500	17,500	17,335	165
Total operation of plant	5,007,350	5,007,350	5,391,798	(384,448)

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
Year Ended June 30, 2021
(continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
Maintenance of plant:				
Salaries and wages	$ 596,532	$ 596,532	$ 613,712	$ (17,180)
Contracted services	253,400	253,400	375,062	(121,662)
Supplies and materials	106,000	106,000	162,659	(56,659)
Other charges	17,228	17,228	15,449	1,779
Equipment	71,486	71,486	147,144	(75,658)
Total maintenance of plant	1,044,646	1,044,646	1,314,026	(269,380)
Fixed charges:				
Insurance and employee benefits	16,332,640	16,332,640	16,744,218	(411,578)
	16,332,640	16,332,640	16,744,218	(411,578)
Capital outlay:				
Contracted services	8,000	8,000	13,275	(5,275)
Building improvements	226,344	226,344	188,990	37,354
Total capital outlay	234,344	234,344	202,265	32,079
TOTAL EXPENDITURES OF LOCAL AND UNRESTRICTED FUNDS	76,071,626	76,071,626	74,488,772	1,582,854
Restricted programs				
Restricted Federal programs	7,524,944	7,524,944	10,861,508	(3,336,564)
Restricted State programs	4,317,390	4,317,390	4,029,838	287,552
Restricted other programs	-	-	234,123	(234,123)
Total restricted programs	11,842,334	11,842,334	15,125,469	(3,283,135)
TOTAL UNRESTRICTED AND RESTRICTED EXPENDITURES	87,913,960	87,913,960	89,614,241	(1,700,281)
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	$ 1,253,048	$ 1,253,048

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	Fiscal Year									
As of June 30,	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Total OPEB liability										
Service cost							$ 5,201,246	$ 5,344,777	$ 5,189,980	$ 6,451,048
Interest							4,096,803	4,331,478	3,074,589	2,834,201
Changes of benefit terms							-	-	-	-
Differences between expected and actual experience							-	(47,552,366)	356,379	(1,894,142)
Changes of assumptions							(796,367)	19,110,918	11,462,567	12,635,313
Benefit payments							(3,406,859)	(3,140,788)	(2,553,233)	(2,807,732)
Net change in OPEB liability							5,094,823	(21,905,981)	17,530,282	17,218,688
Total OPEB liability - beginning							116,139,269	121,234,092	99,328,111	116,858,393
Total OPEB liability - ending (a)							$121,234,092	$ 99,328,111	$ 116,858,393	$ 134,077,081
Plan fiduciary net position										
Contributions - employer							$ 3,406,860	$ 3,186,788	$ 2,553,233	$ 2,807,732
Net investment income							83,935	82,805	39,080	330,447
Benefit payments							(3,406,859)	(3,140,788)	(2,553,233)	(2,807,732)
Administrative expenses							(5,958)	-	(6,521)	(6,667)
Net change in plan fiduciary net position							77,978	128,805	32,559	323,780
Plan fiduciary net position - beginning							1,130,461	1,208,439	1,337,244	1,369,803
Plan fiduciary net position - ending (b)							$ 1,208,439	$ 1,337,244	$ 1,369,803	$ 1,693,583
Board's net OPEB liability - ending (a) - (b)							$120,025,653	$ 97,990,867	$115,488,590	$132,383,498
Plan fiduciary net position as a percentage of the total OPEB liability							1.00%	1.35%	1.17%	1.26%
Covered employee payroll							$ 38,356,101	$ 39,053,847	$ 42,497,498	$ 42,253,203
Board's net OPEB liability as a percentage of covered employee payroll							312.92%	250.91%	271.75%	313.31%
Expected Average Remaining Service Years of All Participants							9	9	9	9

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

SCHEDULE OF INVESTMENT RETURNS

	Fiscal Year									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Annual money-weighted rate of return, net of investment						10.52%	6.84%	6.63%	2.44%	23.64%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Board's Proportion (Percentage) of the NPL A	Board's Proportionate Share of the NPL B	State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Payroll D	Board's Proportionate Share as a Percentage of Covered Payroll (B / D)	Plan's Total Fiduciary Net Position E	Plan's Total Pension Liability F	Plan's Fidcuciary Net Position as a Percentage of Total Pension Liability (E / F)
2012										
2013										
2014										
2015	June 30, 2014	0.0180451%	$ 3,202,423	$32,296,888	$ 35,499,311	$ 33,545,377	9.55%	$45,339,988,000	$63,086,719,000	71.87%
2016	June 30, 2015	0.0200659%	$ 4,170,028	$42,446,720	$ 46,616,748	$ 34,560,151	12.07%	$45,789,840,000	$66,571,552,000	68.78%
2017	June 30, 2016	0.0198918%	$ 4,693,266	$52,612,087	$ 57,305,353	$ 37,308,221	12.58%	$45,365,927,000	$68,959,954,000	65.79%
2018	June 30, 2017	0.0192341%	$ 4,159,121	$47,736,155	$ 51,895,276	$ 38,356,101	10.84%	$48,987,184,000	$70,610,885,000	69.38%
2019	June 30, 2018	0.0232090%	$ 4,869,621	$45,495,750	$ 50,365,371	$ 39,053,847	12.47%	$51,827,233,000	$72,808,833,000	71.18%
2020	June 30, 2019	0.0245670%	$ 5,067,093	$45,567,434	$ 50,634,527	$ 42,497,498	11.92%	$53,943,420,000	$74,569,030,000	72.34%
2021	June 30, 2020	0.0256005%	$ 5,786,061	$49,360,110	$ 55,146,171	$ 42,253,203	13.69%	$54,586,037,000	$77,187,397,000	70.72%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

THE BOARD OF EDUCATION OF CAROLINE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Measurement Date	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Board's Covered Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2012						
2013						
2014						
2015	June 30, 2014	$ 1,721,938	$ 1,721,938	$ -	$ 33,545,377	5.13%
2016	June 30, 2015	$ 1,889,117	$ 1,889,117	$ -	$ 34,560,151	5.47%
2017	June 30, 2016	$ 1,991,654	$ 1,991,654	$ -	$ 37,308,221	5.34%
2018	June 30, 2017	$ 2,160,014	$ 2,160,014	$ -	$ 38,356,101	5.63%
2019	June 30, 2018	$ 2,294,732	$ 2,294,732	$ -	$ 39,053,847	5.88%
2020	June 30, 2019	$ 2,444,849	$ 2,444,849	$ -	$ 42,497,498	5.75%
2021	June 30, 2020	$ 2,498,747	$ 2,498,747	$ -	$ 42,253,203	5.91%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Comparison Schedule

The Board of Education annually adopts budgets for the General Fund and Food Service Fund. All appropriations are legally controlled at the departmental level for the General Fund and the Food Service Fund.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. The budgetary schedule for the Food Service Fund is included in the additional supplementary information section. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Adjustments necessary to convert the results of operations and fund balances at the end of the year on the GAAP basis to the budgetary basis are as follows:

	June 30, 2021 GENERAL FUND Revenues and other financing sources	Expenditures and other financing uses	Fund Balance
GAAP BASIS	$ 94,382,174	$ 92,756,484	$ 6,271,973
Encumbrances at June 30, 2020	(1,235,686)	(1,466,205)	-
Encumbrances at June 30, 2021	2,625,003	3,228,164	(603,161)
Proceeds from capital leases	(395,000)	(395,000)	-
Payments made on-behalf of the Board by the State of Maryland	(4,509,202)	(4,509,202)	-
BUDGETARY BASIS	$ 90,867,289	$ 89,614,241	$ 5,668,812

	June 30, 2021 FOOD SERVICE FUND Revenues	Expenditures	Fund Balance
GAAP BASIS	$ 4,985,155	$ 3,617,878	$ 1,890,061
Encumbrances at June 30, 2021	49,514	110,361	(159,875)
Capital asset additions	-	140,554	(140,554)
Commodities donated by the State of Maryland	(326,015)	(326,015)	-
BUDGETARY BASIS	$ 4,708,654	$ 3,542,778	$ 1,589,632

Note 2. Required Fund Disclosures

The General Fund had an excess of actual expenditures over budgeted expenditures of $1,700,281 for the year ended June 30, 2021 attributable to an increase in grant funds. Additional revenues of $1,902,599 provided for the excess expenditures as restricted expenditures were over budget by $3,283,135 and unrestricted expenditures were under budget by $1,582,854.

Note 3. Pensions

Change in Benefit Terms

There were no benefit changes during the year.

Note 3. Pensions (continued)

Changes in Assumptions

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

- Inflation assumption changed from 2.60% to 2.65% for general and from 3.10% to 3.15% for wage

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years for State system
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.15% wage
Salary increases	3.10% to 11.60%, including inflation
Investment rate of return	7.40%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Note 4. Other Postemployment Benefits (OPEB)

Change in Benefit Terms

There were no benefit changes during the year.

Change in Assumptions

- The claims assumption was updated to include the most recent plan experience.
- The discount rate was changed from 2.45% at June 30, 2020 to 1.92% at June 30, 2021.

Methods and Assumptions

Actuarial cost method - GASB 74 and 75	Entry age normal
Actuarial valuation date	March 1, 2021
Measurement date	June 30, 2021
Amortization method	Level percentage of projected payroll
Actuarial Assumptions:	
Discount rate - June 30, 2020	2.45%
Discount rate - June 30, 2021	1.92%
Economic Assumptions:	
Inflation rate	2.50%
Rate of growth in real income/GDP per capita	1.50%
Extra trend due to technology and other factors	1.10%
Expected health sahre of GDP in 2029	20.0%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF CAROLINE COUNTY
SCHOOL ACTIVITIES FUND

BALANCE SHEET AND STATEMENT OF
REVENUES, EXPENDITURES AND FUND BALANCE
June 30, 2021

Fund title	Fund Number	June 30, 2020 Fund Balance	Year Ended June 30, 2021 Revenues	Expenditures	Transfers	Cash	Receivables	Payables	Fund Balance
Central Office	100	$ 31,300	$ 65,384	$ 37,423	$ (2,565)	$ 56,696	$ -	$ -	$ 56,696
Administration and Faculty	150	16,323	20,258	22,525	(1,120)	12,936	-	-	12,936
Athletics	200	86,226	93,612	80,797	-	99,041	-	-	99,041
Graduating Class Activities	250	29,964	13,418	14,580	342	29,144	-	-	29,144
Clubs, Groups and Organizations	300	82,413	18,776	18,565	(1,234)	81,390	-	-	81,390
School Publications	350	32,845	5,339	10,321	(45)	27,818	-	-	27,818
General Instruction Fund	400	95,069	21,080	25,702	1,424	91,871	-	-	91,871
School General Fund	650	131,672	102,990	110,794	3,198	127,066	-	-	127,066
Certificate of deposit		-	-	-	-	30,019	-	-	-
Total		$ 505,812	$ 340,857	$ 320,707	$ -	$ 555,981	$ -	$ -	$ 525,962

THE BOARD OF EDUCATION OF CAROLINE COUNTY

STATEMENT OF REVENUES AND EXPENSES - BUDGETARY BASIS
FOOD SERVICES FUND
Year Ended June 30, 2021

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Sale of meals	$ 843,979	$ 843,979	$ 42,542	$ (801,437)
Federal assistance	2,650,000	2,650,000	4,346,815	1,696,815
State assistance	280,000	280,000	254,910	(25,090)
Interest income	1,500	1,500	161	(1,339)
Other	40,000	40,000	64,226	24,226
TOTAL REVENUES	3,815,479	3,815,479	4,708,654	893,175
EXPENDITURES				
Current:				
Food	1,908,500	1,908,500	1,279,226	629,274
Depreciation	-	-	23,273	(23,273)
Salaries and wages	1,176,603	1,176,603	1,235,501	(58,898)
Fixed charges	456,326	456,326	495,491	(39,165)
Contracted services	54,500	54,500	11,498	43,002
Supplies and materials	147,000	147,000	105,503	41,497
Other charges	31,550	31,550	125,864	(94,314)
Capital outlay	41,000	41,000	266,422	(225,422)
TOTAL EXPENDITURES	3,815,479	3,815,479	3,542,778	272,701
EXCESS OF REVENUES OVER EXPENDITURES	$ -	$ -	$ 1,165,876	$ 1,165,876