



**CAROLINE COUNTY PUBLIC SCHOOLS**

# **2023 ANNUAL AUDIT REPORT**

**OCOTOBER 2023 | MSAR # 12419**

Caroline County Public Schools does not discriminate on the basis of race, color, gender, age, national origin, marital status, sexual orientation, religion or disability in matters affecting employment or providing access to programs.



**THE BOARD OF EDUCATION  
OF CAROLINE COUNTY**

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2023

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## TABLE OF CONTENTS

	Page
<b>Independent Auditors' Report on the Financial Statements</b>	1 - 3
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	4 - 5
<b>Management's Discussion and Analysis</b>	7 - 14
<b>Financial Statements</b>	
Statement of Net Position	16
Statement of Activities	17 - 18
Balance Sheet - Governmental Funds	19 - 20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21 - 22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Position - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	27
Notes to Financial Statements	28 - 55
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	57 - 60
Schedule of Changes in the Net OPEB Liability and Related Ratios	61
Schedule of Investment Returns	62
Schedule of Proportionate Share of the Net Pension Liability	63
Schedule of Contributions	64
Notes to Required Supplementary Information	65 - 67
<b>Additional Supplementary Information</b>	
Balance Sheet and Statement of Revenues, Expenditures and Fund Balance - School Activities Fund	69
Budgetary Comparison Schedule - Food Services Fund	70

## **INDEPENDENT AUDITORS' REPORT**

The Board of Education of Caroline County  
Denton, Maryland

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County, a component unit of Caroline County, Maryland, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Caroline County, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Board of Education of Caroline County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, the Board adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 96, "Subscription-Based Information Technology Arrangements". Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Board of Education of Caroline County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Board of Education of Caroline County's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the net OPEB liability and related ratios, schedule of investment returns, schedule of the proportionate share of 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Caroline County's basic financial statements. The accompanying balance sheet and statement of revenues, expenditures and fund balance – School Activities Fund and budgetary comparison schedule – Food Services Fund, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the balance sheet and statement of revenues, expenditures and fund balance – School Activities Fund and budgetary comparison schedule – Food Services Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, 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, 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Salisbury, Maryland  
September 28, 2023

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

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, 2023, 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 28 2023.

**Report on 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.

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 or significant deficiencies may exist that were not identified.

**Report on 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, followed by 'LLP' in a smaller, simpler font.

Salisbury, Maryland  
September 28, 2023



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

---

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2023**

---

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, 2023. 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 BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

---

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2023**

---

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 agency 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.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY  
Denton, Maryland**

**Management's Discussion and Analysis (MD&A)  
June 30, 2023**

**FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE**

The Statement of Net Position presents financial information on all of the Board's current and capital assets, minus the current liabilities and long-term debt. A comparison of net position for 2023 versus 2022 is shown below:

**Figure 1-1  
Statement of Net Position**

	June 30, 2023	June 30, 2022	\$ Change	% Change
Current and other assets	25,443,718	23,781,699	1,662,019	6.99%
Capital assets	135,312,915	132,496,907	2,816,008	2.13%
<b>Total Assets</b>	<u>160,756,633</u>	<u>156,278,606</u>	<u>4,478,027</u>	<u>2.87%</u>
Deferred outflows of resources	<u>26,927,900</u>	<u>31,741,646</u>	<u>(4,813,746)</u>	<u>-15.17%</u>
Current and other liabilities	12,025,606	14,189,951	(2,164,345)	-15.25%
Long-term liabilities	100,368,382	111,187,211	(10,818,829)	-9.73%
<b>Total Liabilities</b>	<u>112,393,988</u>	<u>125,377,162</u>	<u>(12,983,174)</u>	<u>-10.36%</u>
Deferred inflows of resources	<u>69,992,612</u>	<u>65,226,064</u>	<u>4,766,548</u>	<u>7.31%</u>
Net investment in capital assets	132,319,481	128,712,341	3,607,140	2.80%
Unrestricted	(127,021,548)	(131,295,315)	4,273,757	-3.26%
<b>Total Net Position</b>	<u><u>5,297,933</u></u>	<u><u>(2,582,974)</u></u>	<u><u>7,880,907</u></u>	<u><u>148.75%</u></u>

As illustrated in figure 1-1, the Board's total net position at the close of the fiscal year was \$5,297,933, which represents an increase of \$7,880,907 from the prior year. The largest portion of the Board's total assets reflects the investment in capital assets such as buildings and improvements, vehicles and equipment. These capital assets are used to provide services to the

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2023**

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, 2023	June 30, 2022	\$ Change	% Change
<b>Revenues</b>				
Program Revenues				
Charges for services	6,097,181	6,270,757	(173,576)	-2.77%
Operating grants and contributions	20,589,226	21,531,312	(942,086)	-4.38%
Capital grants and contributions	4,758,164	6,661,889	(1,903,725)	-28.58%
General Revenues				
County	16,081,000	15,965,381	115,619	0.72%
State aid	63,424,309	59,763,559	3,660,750	6.13%
Investment earnings	529,180	16,049	513,131	3197.28%
Other	1,255,427	610,220	645,207	105.73%
<b>Total Revenues</b>	<b>112,734,487</b>	<b>110,819,167</b>	<b>1,915,320</b>	<b>-13.87%</b>
<b>Expenses</b>				
Administration	4,128,549	3,106,464	1,022,085	32.90%
School management and support	5,620,614	5,435,414	185,200	3.41%
Instructional salaries and wages	33,216,418	32,584,892	631,526	1.94%
Textbooks and instructional supplies	1,578,434	1,928,671	(350,237)	-18.16%
Other instructional costs	7,483,301	8,379,143	(895,842)	-10.69%
Special education	9,028,031	8,529,388	498,643	5.85%
Pupil personnel services	1,025,023	1,048,239	(23,216)	-2.21%
Health services	1,274,792	1,220,719	54,073	4.43%
Pupil transportation	5,067,760	4,711,172	356,588	7.57%
Operation of plant	5,571,301	5,048,583	522,718	10.35%
Maintenance of plant	1,138,274	1,145,713	(7,439)	-0.65%

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2023**

Fixed charges	18,623,179	21,121,161	(2,497,982)	-11.83%
Community Services	638,625	417,141	221,484	53.10%
Capital outlay	41,168	144,907	(103,739)	-71.59%
School activity	824,832	631,923	192,909	30.53%
On-behalf state retirement	4,316,457	4,865,200	(548,743)	-11.28%
Food services	5,276,822	4,300,016	976,806	22.72%
<i>Total Expenses</i>	<u>104,853,580</u>	<u>104,618,746</u>	<u>234,834</u>	<u>0.22%</u>
<i>Change in Net Position</i>	7,880,907	6,200,421	1,680,486	27.10%
<i>Net Position End of Year</i>	5,297,933	(2,582,974)	7,880,907	305.11%

Figure 1-2 shows the key elements that contributed to the increase in the Board's net position for the year ended June 30, 2023. On the revenue side, there was a \$3,660,750 increase in state aid. This increase is due to The Blueprint for Maryland's Future Act (Senate Bill 1030) which increased the foundation amount of per pupil funding in conjunction with additional amounts of per pupil funding for special education, English Learner and economically disadvantaged students.

As shown in the chart above, the largest fluctuations on the expenditure side took place in the categories of administration, fixed charges and food services. Spending for administration increased due to a one-time staff retention bonus that was paid to all permanent Board of Education employees on November 30, 2022. This retention bonus was funded through the MD Leads grant. The fluctuation in fixed charges is due to the fluctuation in pension expense and post-employment benefit costs. The increase in expenditures for food services is due to renovations in school cafeterias, new serving lines and new cafeteria furniture.

## **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 pages 19 and 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 \$3,435,067. 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 BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

---

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2023**

---

The Food Service program is designed to be self-funded. As shown on page 24, the food service program generated a profit of \$1,088. Expenditures for the food service program increased due to rising food, supply and labor costs. As mentioned earlier, funding was also used to make improvements to school cafeterias.

The general fund statement of revenues, expenditures, and changes in fund balance on the budgetary basis of accounting is shown on pages 57-60. 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 71% of the total operating budget. Local revenue, provided by the Caroline County Government, is dependent upon the economic condition of the County. However, Education Article Section 5-235 requires a county governing body to levy and appropriate an annual tax sufficient to provide an amount of revenue for elementary and secondary public education equal to the greater of 1) the local share of major state aid programs or 2) maintenance of effort (which is a formula based on the prior years per pupil appropriation times the current year enrollment count). State aid is largely formula driven based on student enrollment and wealth. State law defines the annual target per pupil foundation amounts of state education funding to be provided each year from FY 2023 through the full implementation of the Blueprint in FY 2033, after which the per pupil foundation amount will increase annually by inflation.

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, 2023, 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:

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2023**

**Figure 1-3**  
**Capital Assets - Governmental Activities**

	June 30, 2023	June 30, 2022	\$ Change	% Change
Construction in progress and land	3,683,169	46,695,588	(43,012,419)	-92.11%
Buildings and improvements	182,280,472	133,481,490	48,798,982	36.56%
Furniture and equipment	3,522,691	3,211,694	310,997	9.68%
Software	375,910	375,910	-	0.00%
Vehicles	4,291,770	4,244,965	46,805	1.10%
<i>Total capital assets</i>	<u>194,154,012</u>	<u>188,009,647</u>	<u>6,144,365</u>	<u>3.27%</u>

Projects which contributed to the increase in capital assets include: the Greensboro Elementary School construction project, the Greensboro Judy Center construction project, a new roof at Ridgely Elementary School, playground improvements and the purchase of two school buses. Capital 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 (Senate Bill 1030) 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



**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**Denton, Maryland**

---

**Management's Discussion and Analysis (MD&A)**  
**June 30, 2023**

---

Governance and Accountability. 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. The law is still being interpreted and it is unclear if the funding formulas will be adequate to cover all of the mandates set forth by this legislation.

- Funding opportunities associated with the pandemic have presented a once in a lifetime opportunity to modernize systems and adopt innovative approaches to teaching and learning. However, the grant period for this unprecedented influx of funds ends September 30, 2024 which presents budgetary challenges regarding how to sustain these valuable new initiatives into the 2024-25 school year and beyond.
- The effects of the pandemic are still being felt in the way of staff vacancies, supply chain shortages and the rising cost of goods and services. Health insurance rate increases and electricity costs continue to be an area of concern and will have an impact on future budgets.
- Funding other post-retirement benefits (OPEB) in accordance with GASB 75 remains an area of concern. Under GASB 75, the Board must recognize the present cost and liability of future health care that has been earned by current and retired employees. There is not requirement to fund this obligation, however, it becomes a liability against the Board's assets as reported in the Government-wide Statement of Net Position. Currently, health care expenses for retirees and active employees are expensed when paid. This practice is expected to continue given the current economic situation.

**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 Caroline County Board of Education, Finance Office, 204 Franklin Street, Denton, Maryland 21629.

## FINANCIAL STATEMENTS

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 16,023,211	\$ 1,793,439	\$ 17,816,650
Accounts receivable:			
Federal funds from State of Maryland	2,660,831	151,154	2,811,985
State of Maryland	2,950,793	123,245	3,074,038
Other	679,341	-	679,341
Internal balances	(833,999)	833,999	-
External parties (fiduciary fund)	954,313	-	954,313
Inventory	-	107,391	107,391
Non depreciable capital assets	3,683,169	-	3,683,169
Depreciable capital assets, net	131,015,643	614,103	131,629,746
<b>TOTAL ASSETS</b>	<b>157,133,302</b>	<b>3,623,331</b>	<b>160,756,633</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions (see Note 6)	2,727,908	-	2,727,908
Other post-employment benefits (see Note 7)	24,199,992	-	24,199,992
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>26,927,900</b>	<b>-</b>	<b>26,927,900</b>
<b>LIABILITIES</b>			
Accounts payable:			
Vendors	582,571	20,027	602,598
Accrued payroll	6,019,037	148,610	6,167,647
Other accrued expenses	2,837,999	-	2,837,999
Unearned revenue - Federal	622,234	-	622,234
Unearned revenue - State	283,270	-	283,270
Unearned revenue - other	375,297	251,489	626,786
Long-term liabilities:			
Due within one year	885,072	-	885,072
Due in more than one year	100,368,382	-	100,368,382
<b>TOTAL LIABILITIES</b>	<b>111,973,862</b>	<b>420,126</b>	<b>112,393,988</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions (see Note 6)	565,404	-	565,404
Other post-employment benefits (see Note 7)	69,427,208	-	69,427,208
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>69,992,612</b>	<b>-</b>	<b>69,992,612</b>
<b>NET POSITION</b>			
Net investment in capital assets	131,705,379	614,103	132,319,482
Unrestricted	(129,610,651)	2,589,102	(127,021,549)
<b>TOTAL NET POSITION</b>	<b>\$ 2,094,728</b>	<b>\$ 3,203,205</b>	<b>\$ 5,297,933</b>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2023**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>				
Current:				
Administration	\$ 4,128,549	\$ -	\$ 1,774,718	\$ -
School management and support	5,620,614	-	292,411	-
Instructional salaries and wages	33,216,418	-	4,353,302	-
Textbooks and instructional supplies	1,578,434	-	1,089,924	-
Other instructional costs	7,483,301	-	2,481,013	-
Special education	9,028,031	-	2,293,816	-
Pupil personnel services	1,025,023	-	377,888	-
Health services	1,274,792	-	387,451	-
Pupil transportation	5,067,760	-	214,598	-
Operation of plant	5,571,301	-	514,580	-
Maintenance of plant	1,138,274	-	-	-
Fixed charges	18,623,179	-	1,854,443	-
Community services	638,625	-	638,625	-
School activity expenditures	824,832	857,029	-	-
On-behalf State Retirement contributions	4,316,457	-	4,316,457	-
Capital outlay	41,168	-	-	4,758,164
<b>Total Governmental Activities</b>	<b>99,576,758</b>	<b>857,029</b>	<b>20,589,226</b>	<b>4,758,164</b>
<b>Business-Type Activities</b>				
Food Services	5,276,822	5,240,152	-	-
<b>Total Business-Type Activities</b>	<b>5,276,822</b>	<b>5,240,152</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>\$ 104,853,580</b>	<b>\$ 6,097,181</b>	<b>\$ 20,589,226</b>	<b>\$ 4,758,164</b>
<b>General Revenues</b>				
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				

Net (Expenses) Revenue  
and changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,353,831)	\$ -	\$ (2,353,831)
(5,328,203)	-	(5,328,203)
(28,863,116)	-	(28,863,116)
(488,510)	-	(488,510)
(5,002,288)	-	(5,002,288)
(6,734,215)	-	(6,734,215)
(647,135)	-	(647,135)
(887,341)	-	(887,341)
(4,853,162)	-	(4,853,162)
(5,056,721)	-	(5,056,721)
(1,138,274)	-	(1,138,274)
(16,768,736)	-	(16,768,736)
-	-	-
32,197	-	32,197
-	-	-
4,716,996	-	4,716,996
<u>(73,372,339)</u>	<u>-</u>	<u>(73,372,339)</u>
-	(36,670)	(36,670)
-	(36,670)	(36,670)
<u>(73,372,339)</u>	<u>(36,670)</u>	<u>(73,409,009)</u>
16,081,000	-	16,081,000
63,424,309	-	63,424,309
491,422	37,758	529,180
1,255,427	-	1,255,427
<u>81,252,158</u>	<u>37,758</u>	<u>81,289,916</u>
7,879,819	1,088	7,880,907
<u>(5,785,091)</u>	<u>3,202,117</u>	<u>(2,582,974)</u>
<u>\$ 2,094,728</u>	<u>\$ 3,203,205</u>	<u>\$ 5,297,933</u>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
<b>ASSETS</b>			
Cash and investments	\$ 13,964,064	\$ 1,443,556	\$ 615,591
Accounts receivable:			
Federal funds from State of Maryland	2,660,831	-	-
State of Maryland	1,258,349	1,692,444	-
Other Board of Education funds	3,410,411	-	-
Local	47,500	251,344	-
Other	380,497	-	-
	<u>21,721,652</u>	<u>3,387,344</u>	<u>615,591</u>
<b>TOTAL ASSETS</b>	<b>\$ 21,721,652</b>	<b>\$ 3,387,344</b>	<b>\$ 615,591</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable:			
Vendors	\$ 582,571	\$ -	\$ -
Other Board of Education funds	-	3,290,097	-
Accrued payroll	6,019,037	-	-
Accrued leave	276,485	-	-
Other accrued expenses	2,837,999	-	-
Unearned revenue - Federal	622,234	-	-
Unearned revenue - State	226,387	56,883	-
Unearned revenue - other	345,278	-	30,019
<b>TOTAL LIABILITIES</b>	<b><u>10,909,991</u></b>	<b><u>3,346,980</u></b>	<b><u>30,019</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>FUND BALANCES</b>			
Assigned to:			
Accrued leave	864,161	-	-
School construction projects	-	40,364	-
School activities	-	-	585,572
Other purposes (encumbrances)	461,599	-	-
Unassigned	9,485,901	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>10,811,661</u></b>	<b><u>40,364</u></b>	<b><u>585,572</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 21,721,652</u></b>	<b><u>\$ 3,387,344</u></b>	<b><u>\$ 615,591</u></b>

	<b>Total Governmental Funds Balances</b>		\$ 11,437,597
Total Governmental Funds	<b>Amounts reported for governmental activities in the statement of net position are different because</b>		
\$ 16,023,211	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		134,698,812
2,660,831			
2,950,793			
3,410,411			
298,844	Deferred outflows of resources not reported in the fund financial statements		
<u>380,497</u>			
<u>\$ 25,724,587</u>	Pension (see Note 6)	2,727,908	
	Other post-employment benefits (see Note 7)	<u>24,199,992</u>	26,927,900
\$ 582,571	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
3,290,097			
6,019,037			
276,485	Accrued leave	(864,160)	
2,837,999	Accrued leave - retirement	(720,266)	
622,234	Retirement incentive plan	(340,676)	
283,270	Financed purchases	(2,993,433)	
<u>375,297</u>	Long-term leases	(432,843)	
<u>14,286,990</u>	Net pension liability	(6,691,215)	
	Post-employment benefits	<u>(88,934,375)</u>	(100,976,968)
	Deferred inflows of resources not reported in the fund financial statements		
864,161			
40,364	Pension (see Note 6)	(565,404)	
585,572	Other post-employment benefits (see Note 7)	<u>(69,427,208)</u>	(69,992,612)
461,599			
<u>9,485,901</u>			
<u>11,437,597</u>			
<u>\$ 25,724,587</u>	<b>Net Position of Governmental Activities</b>		<u>\$ 2,094,729</u>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2023**

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES	Total Governmental Funds
<b>REVENUES</b>				
County Appropriation	\$ 16,081,000	\$ 1,574,542	\$ -	\$ 17,655,542
State of Maryland	63,424,309	2,447,102	-	65,871,411
Restricted Federal revenues	10,817,660	623,003	-	11,440,663
Restricted State revenues	5,341,604	-	-	5,341,604
Restricted other revenues	227,024	-	-	227,024
On-behalf State Retirement contributions	4,316,457	-	-	4,316,457
Other sources	1,372,240	405,456	-	1,777,696
School activity revenues	-	-	857,029	857,029
<b>TOTAL REVENUES</b>	<u>101,580,294</u>	<u>5,050,103</u>	<u>857,029</u>	<u>107,487,426</u>
<b>EXPENDITURES</b>				
Current:				
Administration	4,006,178	-	-	4,006,178
School management and support	5,522,198	-	-	5,522,198
Instructional salaries and wages	33,186,679	-	-	33,186,679
Instructional textbooks and supplies	1,578,434	-	-	1,578,434
Other instructional costs	4,295,396	-	-	4,295,396
Special education	9,028,031	-	-	9,028,031
Pupil personnel services	1,025,023	-	-	1,025,023
Health services	1,274,792	-	-	1,274,792
Pupil transportation	5,531,085	-	-	5,531,085
Operation of plant	6,206,351	-	-	6,206,351
Maintenance of plant	1,322,050	-	-	1,322,050
Fixed charges	19,763,175	-	-	19,763,175
Community services	638,625	-	-	638,625
School activity expenditures	-	-	824,832	824,832
On-behalf State Retirement contributions	4,316,457	-	-	4,316,457
Capital outlay	895,381	5,030,067	-	5,925,448
<b>TOTAL EXPENDITURES</b>	<u>98,589,855</u>	<u>5,030,067</u>	<u>824,832</u>	<u>104,444,754</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	2,990,439	20,036	32,197	3,042,672
<b>OTHER FINANCING SOURCES</b>				
Proceeds from financed purchases	226,236	-	-	226,236
Proceeds from long-term leases	218,392	-	-	218,392
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>444,628</u>	<u>-</u>	<u>-</u>	<u>444,628</u>
Net change in fund balances	3,435,067	20,036	32,197	3,487,300
Fund balances, beginning	7,376,594	20,328	553,375	7,950,297
Fund balances, ending	<u>\$ 10,811,661</u>	<u>\$ 40,364</u>	<u>\$ 585,572</u>	<u>\$ 11,437,597</u>



**Net change in fund balances-total Governmental Funds** \$ 3,487,300

**Amounts reported for governmental activities  
in the statement of activities are different because**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Fixed asset additions	6,420,623	
Current year depreciation	(3,855,617)	
Total		2,565,006

Proceeds from financed purchases and long-term leases are revenues in the governmental funds but increases in liabilities in the statement of net position.

Financed purchases	(226,236)	
Long-term leases	(218,392)	
Total		(444,628)

In governmental fund financial statements, proceeds from a sale are shown as an increase in financial resources. In government wide financial statements, gain or loss is calculated and reported. (30,848)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in accrued leave		(29,740)
Decrease in accrued leave - retirement benefit		21,281
Increase in retirement incentive program		(141,951)
Decrease in pension expense due to deferred financing outflow		170,244
Increase in pension expense due to net pension liability		(2,114,061)
Decrease in pension expense due to deferred financing inflows		1,973,814
Increase in post-employment benefits expense due to deferred financing outflow		(4,983,990)
Decrease in post-employment benefits expense due to net OPEB liability		12,955,020
Increase in post-employment benefits expense due to deferred financing inflow		(6,740,361)

Repayment of financed purchases and long-term leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Financed purchases	1,017,369	
Long-term leases	175,364	
Total		1,192,733

Change in net position of Governmental Activities \$ 7,879,819

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2023**

	<u>Business-Type Activities</u>
	<u>Food Services</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,793,439
Accounts receivable:	
Federal funds from State	151,154
State of Maryland	123,245
Other Board of Education funds	833,999
Inventory	<u>107,391</u>
Total current assets	<u>3,009,228</u>
Capital assets, net	<u>614,103</u>
<b>TOTAL ASSETS</b>	<u><u>3,623,331</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	20,027
Accrued payroll	148,610
Unearned revenue - other	<u>251,489</u>
<b>TOTAL LIABILITIES</b>	<u>420,126</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	
<b>NET POSITION</b>	
Net investment in capital assets	614,103
Unrestricted	<u>2,589,102</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 3,203,205</u></u>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2023**

	Business-Type Activities
	<u>Food Services</u>
OPERATING REVENUES	
Sale of meals	\$ 683,169
Federal assistance	3,604,731
State assistance	313,233
USDA donated commodities	495,128
Other sources	143,891
TOTAL OPERATING REVENUES	<u>5,240,152</u>
OPERATING EXPENSES	
Food	1,949,761
Salaries and wages	1,422,782
Fixed charges	570,784
Contracted services	195,435
Supplies and materials	244,279
Other charges	36,433
USDA donated commodities	495,128
Depreciation	58,411
Additional equipment	303,809
TOTAL OPERATING EXPENSES	<u>5,276,822</u>
OPERATING INCOME	(36,670)
NON-OPERATING REVENUES	
Interest income	<u>37,758</u>
Change in net position	1,088
Net position beginning of year	<u>3,202,117</u>
Net position end of year	<u>\$ 3,203,205</u>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOOD SERVICE FUND**  
**Year Ended June 30, 2023**

<b>CASH FLOWS FROM OPERATIONS:</b>	
Receipts from students	\$ 683,169
Operating grants received	5,205,495
Other operating receipts	395,380
Payments to food and other suppliers	(2,755,883)
Payments to employees and employee related benefits	(1,981,171)
Net cash provided by operating activities	<u>1,546,990</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash transfers to other Board funds	<u>(357,700)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of equipment	<u>(340,261)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	<u>37,758</u>
Net increase in cash	886,787
Cash and investments, beginning of year	<u>906,652</u>
Cash and investments, end of year	<u><u>\$ 1,793,439</u></u>

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

Operating loss	\$ (36,670)
Adjustments:	
Depreciation	58,411
(Increase) decrease in assets:	
Federal receivables	1,511,650
Inventory	(9,763)
Increase (decrease) in liabilities:	
Accounts payable	(16,404)
Accrued payroll	12,396
Unearned revenue - other	27,370
Total adjustments	<u>1,583,660</u>
Net cash provided by operating activities	<u><u>\$ 1,546,990</u></u>

**Noncash items:**

Donation of food commodities	\$ 495,128
------------------------------	------------

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2023**

	Retiree Benefit <u>Trust Fund</u>	Custodial <u>Funds</u>
<b>ASSETS</b>		
Investments	\$ 1,661,346	\$ -
Accounts receivable:		
Federal funds from State	-	385,858
State of Maryland	-	638,011
Other	-	13,285
<b>TOTAL ASSETS</b>	<b><u>\$ 1,661,346</u></b>	<b><u>\$ 1,037,154</u></b>
<b>LIABILITIES</b>		
Accounts payable:		
Vendors	\$ -	\$ 8,198
State of Maryland	-	36,325
Unearned revenue - other	-	38,318
Other Board of Education funds	-	954,313
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>1,037,154</u></b>
<b>NET POSITION</b>		
Held in trust for other post-employment benefits	1,661,346	-
Restricted for other entities	-	-
<b>TOTAL NET POSITION</b>	<b><u>\$ 1,661,346</u></b>	<b><u>\$ -</u></b>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2023**

	Retiree Benefit <u>Trust Fund</u>	Custodial <u>Funds</u>
<b>ADDITIONS</b>		
Investment income	\$ 134,522	\$ -
Restricted Federal revenues	-	1,765,794
Restricted State revenues	-	3,600,643
Restricted other revenues	-	499,125
<b>TOTAL ADDITIONS</b>	<u>134,522</u>	<u>5,865,562</u>
<b>DEDUCTIONS</b>		
Administrative expenses	6,895	-
Restricted Federal programs	-	1,765,794
Restricted State programs	-	3,600,643
Restricted other programs	-	499,125
<b>TOTAL DEDUCTIONS</b>	<u>6,895</u>	<u>5,865,562</u>
Change in net position	127,627	-
Net position, beginning of year	<u>1,533,719</u>	<u>-</u>
Net position, end of year	<u>\$ 1,661,346</u>	<u>\$ -</u>

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### 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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### 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.



# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 2. Summary of Significant Accounting Policies (Continued)

#### B. Fund Accounting (continued)

##### 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.

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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 2. Summary of Significant Accounting Policies (Continued)

#### D. Basis of Accounting (continued)

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.

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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 2. Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 2. Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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, change in the proportion and share of contributions, 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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 2. Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 2. Summary of Significant Accounting Policies (Continued)

#### 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, 2023 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 \$461,599.

#### T. New Accounting Policies

The Board adopted Government Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*, at July 1, 2022. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements. The Statement increases the usefulness of the financial statements by requiring the recognition of certain subscription-based assets and liabilities. It additionally requires disclosure of essential information about those arrangements. The Board did not have any arrangements that met the definition of a right-to-use subscription-based information technology arrangement at June 30, 2023.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 3. Cash and Investments

At June 30, 2023, the Board of Education had bank deposits with various commercial banks totaling \$3,205,380 (carrying value \$1,606,313). 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, 2023, bank deposits were fully collateralized. Investments of \$16,210,337 (carrying value \$16,210,337) 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, 2023, 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	\$ 1,606,313
Investments	16,210,337
<b>Total cash and investments</b>	<b>\$ 17,816,650</b>

#### 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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### 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, 2023. 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, 2023, the pooled position of the MABE Trust was \$616,539,843 in total, of which the Board's allocated investment balance was \$1,661,346. 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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 3,410,411	\$ -
School Construction Fund	-	3,290,097
Food Service - Enterprise Fund	833,999	
External Parties - Fiduciary Fund	-	954,313
	<u>\$ 4,244,410</u>	<u>\$ 4,244,410</u>

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



**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2023

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deductions	Transfers	Balance June 30, 2023
<b>Governmental Activities</b>					
<b>Capital Assets, not being depreciated</b>					
Construction in progress	\$ 46,313,893	\$ 1,930,723	\$ -	\$ (44,943,142)	\$ 3,301,474
Land	381,695	-	-	-	381,695
Total capital assets, not being depreciated	<u>46,695,588</u>	<u>1,930,723</u>	<u>-</u>	<u>(44,943,142)</u>	<u>3,683,169</u>
<b>Capital assets, being depreciated</b>					
Buildings and improvements	133,481,490	3,855,840	-	44,943,142	182,280,472
Furniture and equipment	2,567,636	92,605	-	-	2,660,241
Software	375,910	-	-	-	375,910
Vehicles	4,244,965	323,063	(276,258)	-	4,291,770
Total capital assets, being depreciated	<u>140,670,001</u>	<u>4,271,508</u>	<u>(276,258)</u>	<u>44,943,142</u>	<u>189,608,393</u>
Less accumulated depreciation:					
Buildings and improvements	(51,392,820)	(3,241,581)	-	-	(54,634,401)
Furniture and equipment	(1,741,194)	(122,579)	-	-	(1,863,773)
Software	(365,912)	(2,856)	-	-	(368,768)
Vehicles	(2,084,998)	(307,993)	245,410	-	(2,147,581)
Total accumulated depreciation	<u>(55,584,924)</u>	<u>(3,675,009)</u>	<u>245,410</u>	<u>-</u>	<u>(59,014,523)</u>
Total capital assets, being depreciated, net	<u>85,085,077</u>	<u>596,499</u>	<u>(30,848)</u>	<u>44,943,142</u>	<u>130,593,870</u>
<b>Intangible right-to-use assets:</b>					
Leased equipment	644,058	218,392	-	-	862,450
Less accumulated amortization	(260,069)	(180,608)	-	-	(440,677)
Total intangible right-to-use assets, net	<u>383,989</u>	<u>37,784</u>	<u>-</u>	<u>-</u>	<u>421,773</u>
Governmental activities capital assets, net	<u>\$ 132,164,654</u>	<u>\$ 2,565,006</u>	<u>\$ (30,848)</u>	<u>\$ -</u>	<u>\$ 134,698,812</u>
<b>Business-type activities</b>					
<b>Capital Assets, being depreciated</b>					
Equipment	\$ 1,225,518	\$ 264,625	\$ (20,100)	\$ -	\$ 1,470,043
Software	27,122	-	-	-	27,122
Vehicles	55,670	75,636	-	-	131,306
Total capital assets, being depreciated	<u>1,308,310</u>	<u>340,261</u>	<u>(20,100)</u>	<u>-</u>	<u>1,628,471</u>
Less accumulated depreciation:					
Equipment	(893,265)	(52,109)	20,100	-	(925,274)
Software	(27,122)	-	-	-	(27,122)
Vehicles	(55,670)	(6,302)	-	-	(61,972)
Total accumulated depreciation	<u>(976,057)</u>	<u>(58,411)</u>	<u>20,100</u>	<u>-</u>	<u>(1,014,368)</u>
Business-type activities capital assets, net	<u>\$ 332,253</u>	<u>\$ 281,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,103</u>

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 5. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Administration	\$	122,371
School management and support		98,416
Other instructional costs		3,242,062
Pupil transportation		253,861
Maintenance of plant		138,907
		<hr/>
Total depreciation expense	\$	<u>3,855,617</u>

### 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](http://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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 6. Pension Plans (Continued)

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:

#### 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.

#### Teachers' and Employees' Retirement Systems (Continued)

##### 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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 6. Pension Plans (Continued)

#### 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.

##### 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 services 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, 2023 the Board's total payroll for all employees was \$56,663,683. Total covered payroll was \$43,547,643. 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 2023 was \$2,240,444. In addition, the State of Maryland contributed \$4,316,457 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 6. Pension Plans (Continued)

During fiscal year 2023, the Board reported expense of \$904,080 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, 2023, 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:

	<b>2023</b>
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 6,691,215
State's proportionate share of the net pension liability (Teachers' Systems)	<u>42,652,317</u>
Total	<u>\$ 49,343,532</u>

The net pension liability was measured as of June 30, 2022, 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, 2022 the Board's proportion of the net pension liability was .033%, which was substantially the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Board recognized pension expense of \$2,995,166 in the government-wide financial statements. \$3,025,163 was recognized in the fund financial statements. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 746,016	\$ 67,438
Net difference between projected and actual investment earnings on pension plan investments		20,265
Differences between expected and actual experience		477,701
Change in proportion and share of contributions	1,197,173	
Board contributions subsequent to measurement date	<u>784,719</u>	
Total	<u>\$ 2,727,908</u>	<u>\$ 565,404</u>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2023

**Note 6. Pension Plans (Continued)**

The \$784,719 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, 2024. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.49 to 5.72 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, 2023:

<b>Year Ending June 30,</b>	<b>Amortization of Pension Expense</b>
2024	\$ 256,248
2025	260,064
2026	159,685
2027	675,888
2028	25,900
Thereafter	-
	<b>\$ 1,377,785</b>

**Actuarial Assumptions**

The total pension liability in the June 30, 2022 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	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 6. Pension Plans (Continued)

#### 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of</u>
Public Equity	34%	6.00%
Private Equity	16%	8.40%
Rate Sensitive	21%	1.20%
Credit Opportunity	8%	4.90%
Real Assets	15%	5.20%
Absolute Return	6%	3.50%
Total	<u>100%</u>	

#### Discount rate

A single discount rate of 6.80% 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 6.80%. 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 6.80%, 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:

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	5.80%	\$ 10,266,453
Current discount rate	6.80%	\$ 6,691,215
1% increase	7.80%	\$ 3,724,596

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### 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.



**THE BOARD OF EDUCATION OF CAROLINE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2023

**Note 7. Other Postemployment Benefits (Continued)**

**Plan Membership**

At May 1, 2023 (valuation date), the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	420
Inactive plan members or beneficiaries entitled but not yet receiving benefits	-
Active plan members	668
	<hr/>
	1,088
	<hr/>

**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.

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.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 7. Other Postemployment Benefits (Continued)

#### 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, 2023:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	5.31%
Fixed income	2.70%
Cash	0.49%

#### 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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	52.26%
Fixed income	41.94%
Cash	5.80%
Total	<u>100.00%</u>

For the year ended June 30, 2023, the total rate of return, net of investment expense, was 8.32%. 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, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of May 1, 2023 rolled forward to the June 30, 2023 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 3.69% as of June 30, 2022 and 3.86% as of June 30, 2023.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### 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	May 1, 2023
Measurement date	June 30, 2023
Amortization method	Level percentage of projected payroll
Actuarial Assumptions:	
Discount rate - June 30, 2022	3.69%
Discount rate - June 30, 2023	3.86%
Economic Assumptions:	
Inflation rate	2.50%
Rate of growth in real income/GDP per capita	1.40%
Extra trend due to technology and other factors	1.00%
Expected health share of GDP in 2031	19.00%
Health share of GDP resistance point	20.00%
Year for limiting cost growth to GDP growth	2075
Medical trend	Based on Society of Actuaries Getzen Long-Term Healthcare Cost Trend Mode. The current valuation uses the most recent version of the model (updated in October 2021) with baseline assumptions.
Mortality	The mortality rates were calculated for healthy active, healthy inactive, survivor, and disabled decrements using the Pub-2010 Headcount-Weighted Mortality Projected with Fully Generational MP 2021 Mortality Improvement Scales for Teacher Employees, Teacher Retirees, Teacher Contingent Survivors, and Teacher Disabled Retirees, respectively.

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### 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 3.86% as of June 30, 2023. This rate has been adjusted from 3.69% as of June 30, 2022.

#### Change in the Net OPEB Liability

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balance as of June 30, 2022	\$ 103,423,114	\$ 1,533,719	\$ 101,889,395
Changes for the Year			
Service Cost	4,973,822	-	4,973,822
Interest	3,767,145	-	3,767,145
Changes of Benefit Terms	-	-	-
Experience Losses/Gains	(16,294,058)	-	(16,294,058)
Trust Contributions - Employer	-	2,861,731	(2,861,731)
Net Investment Income	-	134,522	(134,522)
Changes in Assumptions	(2,412,571)	-	(2,412,571)
Benefit Payments (net of retiree contributions)	(2,861,731)	(2,861,731)	-
Administrative Expense	-	(6,895)	6,895
Net Changes	(12,827,393)	127,627	(12,955,020)
<b>Balance as of June 30, 2023</b>	<b>\$ 90,595,721</b>	<b>\$ 1,661,346</b>	<b>\$ 88,934,375</b>

Plan fiduciary net position as a percentage of the total OPEB liability at June 30, 2023 is approximately 1.83%.

#### 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 (2.86%) or one percentage point higher (4.86%) than the current discount rate:

	<b>Discount Rate</b>	<b>Net OPEB Liability</b>
1% decrease	2.86%	\$ 102,287,089
Current discount rate	3.86%	\$ 88,934,375
1% increase	4.86%	\$ 73,911,973

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2023

**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:

	<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease	3.00%	\$ 72,384,179
Current healthcare cost trend rate	4.00%	\$ 88,934,375
1% increase	5.00%	\$ 104,869,186

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

For the year ended June 30, 2023, the Board will recognize OPEB expense in the amount of \$1,631,062 on the government-wide statements. At June 30, 2023, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 23,285,375	\$ 32,546,453
Net difference between projected and actual investment earnings	102,598	
Differences between expected and actual experience	812,019	36,880,755
Total	<u>\$ 24,199,992</u>	<u>\$ 69,427,208</u>

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:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2024	\$ (7,010,362)
2025	(7,021,220)
2026	(6,974,262)
2027	(6,954,966)
2028	(3,789,334)
Thereafter	<u>(13,477,072)</u>
	<u>\$ (45,227,216)</u>

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 7% of total premiums. Currently, ESMEC keeps on hand 10.5% as a recommended conservative reserve. As of January 2023, the Board's funds held by ESMEC fell short of the recommended reserve by \$214,233. All funds held by ESMEC are restricted to being used only for health care expenses.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2023

**Note 9. Financed Purchases (Continued)**

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

Financed purchase obligations at June 30, 2023 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	\$ 1,466,136
Energy equipment, bank, interest at 3.816%; payable in annual installments ranging from approximately \$42,000 to \$470,000 through October 2025	117,596
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	990,433
Vehicles, bank, interest at 1.95%; payable in semi-annual installments of approximately \$51,000, including interest through 2024	101,197
Vehicles, J.P.Morgan, interest at 1.66%; payable annual installments of approximately \$77,171, including interest through 2024	150,583
Vehicles, Cogent Bank, interest at 2.98%; payable annual installments of approximately \$59,190, including interest through 2025	167,488
	\$ 2,993,433

The vehicle and equipment purchases 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 agreements would be deemed terminated.

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

2024	\$ 554,871
2025	456,814
2026	384,168
2027	287,411
2028	292,212
2029-2033	981,561
2034-2038	636,924
2039-2041	63,691
	3,657,652
Less amounts representing interest	664,219
Present value of net minimum purchased finance payments	\$ 2,993,433

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2023

**Note 9. Financed Purchases**

Interest expense on the above financed purchases was approximately \$126,600 for the year ended June 30, 2023.

The cost of items acquired under these financed purchase arrangements, as included in capital assets, totaled \$7,557,901 and the related accumulated depreciation was \$1,731,103 at June 30, 2023.

**Note 10. Long-Term Liabilities**

Changes in long-term liabilities were as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Due within one year
Financed purchases	\$ 3,784,566	\$ 226,236	\$ 1,017,369	\$ 2,993,433	\$ 453,456
Intangible right-to-use leases	389,815	218,392	175,364	432,843	155,131
Compensated absences	980,367	687,295	527,016	1,140,646	276,485
Compensated absences - retirement	741,547	-	21,281	720,266	-
Retirement incentive plan	198,725	141,951	-	340,676	-
Net pension liability (Note 6)	4,577,154	2,114,061	-	6,691,215	-
Net OPEB liability (Note 7)	101,889,395	-	12,955,020	88,934,375	-
	<u>\$ 112,561,569</u>	<u>\$ 3,387,935</u>	<u>\$ 14,696,050</u>	<u>\$ 101,253,454</u>	<u>\$ 885,072</u>

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



# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2023

### Note 11. Intangible Right-to-Use Assets

The Board implemented the guidance of GASB No. 87, *Leases*, at July 1, 2021 for accounting and reporting leases that had previously been reported as operating leases and recognized the value of copiers leased under long-term contracts along with a related liability.

As of July 1, 2022 the Board had a variety of lease agreements in place for copiers and vehicles. Payments under these leases total approximately \$33,500 per year for leases expiring during fiscal year 2024, \$30,500 per year for leases expiring during fiscal year 2025, and \$53,800 per year for leases expiring during fiscal year 2026. For purposes of discounting future payments on these leases the Board used its incremental borrowing rate in place at the time of lease inception, 2.99% during fiscal year 2020 and 1.65% during fiscal year 2022.

During fiscal year 2023, the Board entered into additional vehicle lease agreements. Payments under these leases total approximately \$9,600 per year for leases expiring during fiscal year 2027 and \$38,000 per year for leases expiring during fiscal year 2028. For purposes of discounting future payments on these leases the Board used its incremental borrowing rate in place at the time of lease inception on 2.98%.

The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 5.

Minimum lease payments over the next five years include:

Lease Payments to Maturity									
Copier Leases			Vehicle Leases			Total			
Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2024	\$ 39,291	\$ 864	\$ 40,155	\$115,840	\$ 8,595	\$124,435	\$ 155,131	\$ 9,459	\$ 164,590
2025	23,104	384	23,488	101,454	6,124	107,578	124,558	6,508	131,066
2026	-	-	-	96,602	3,873	100,475	96,602	3,873	100,475
2027	-	-	-	45,974	1,685	47,659	45,974	1,685	47,659
2028	-	-	-	10,578	315	10,893	10,578	315	10,893
<b>Total</b>	<b>62,395</b>	<b>1,248</b>	<b>63,643</b>	<b>370,448</b>	<b>20,592</b>	<b>391,040</b>	<b>432,843</b>	<b>21,840</b>	<b>454,683</b>

Interest expense on the above intangible right-to-use assets was approximately \$11,700 for the year ended June 30, 2023.

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**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 an active school construction project as of June 30, 2023 for the Greensboro Judy Center.

## 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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
County appropriation	\$ 16,080,832	\$ 16,080,832	\$ 16,081,000	\$ 168
State revenues:				
Current expense	33,363,637	33,363,637	33,363,637	-
Transportation	3,252,950	3,252,950	3,252,950	-
Guaranteed tax base	2,138,478	2,138,478	2,138,478	-
Handicapped children	3,375,487	3,375,487	3,375,487	-
Limited English proficiency	3,462,682	3,462,682	3,462,682	-
Supplemental grant	966,820	966,820	966,820	-
Compensatory education	16,864,255	16,864,255	16,864,255	-
Total state revenues	63,424,309	63,424,309	63,424,309	-
Other sources:				
Tuition	7,000	7,000	35,659	28,659
Interest income	30,000	30,000	503,513	473,513
Miscellaneous	512,355	512,355	833,069	320,714
Total other sources	549,355	549,355	1,372,241	822,886
Total unrestricted revenues	80,054,496	80,054,496	80,877,550	823,054
Restricted revenues:				
Restricted Federal revenues	26,568,185	26,568,185	10,724,149	(15,844,036)
Restricted State revenues	5,082,858	5,082,858	5,353,760	270,902
Restricted other revenues	-	-	227,024	227,024
Total restricted revenues	31,651,043	31,651,043	16,304,933	(15,346,110)
<b>TOTAL REVENUES</b>	<b>111,705,539</b>	<b>111,705,539</b>	<b>97,182,483</b>	<b>(14,523,056)</b>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2023**  
**(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES</b>				
Administration:				
Salaries and wages	\$ 1,572,655	\$ 1,572,655	\$ 1,596,012	\$ (23,357)
Contracted services	339,877	339,877	369,105	(29,228)
Supplies and materials	58,200	58,200	56,347	1,853
Other charges	291,958	291,958	278,725	13,233
Equipment	5,000	5,000	257	4,743
Transfers	-	-	(73,685)	73,685
Total Administration	2,267,690	2,267,690	2,226,761	40,929
School management and support:				
Salaries and wages	4,775,627	4,775,627	4,622,272	153,355
Contracted services	29,000	29,000	31,556	(2,556)
Supplies and materials	142,896	142,896	148,132	(5,236)
Other charges	492,204	492,204	430,066	62,138
Equipment	16,719	16,719	8,931	7,788
Total school management and support	5,456,446	5,456,446	5,240,957	215,489
Instructional salaries and wages:				
Salaries and wages	31,505,010	31,505,010	28,833,377	2,671,633
Instructional textbooks and supplies:				
Supplies and materials	619,097	619,097	468,396	150,701
Other instructional costs:				
Contracted services	727,893	727,893	783,955	(56,062)
Other charges	148,350	148,350	146,351	1,999
Equipment	880,369	880,369	966,653	(86,284)
Transfers	21,400	21,400	10,270	11,130
Total other instructional costs	1,778,012	1,778,012	1,907,229	(129,217)
Special education:				
Salaries and wages	5,430,444	5,430,444	5,486,606	(56,162)
Contracted services	24,980	24,980	7,471	17,509
Supplies and materials	59,032	59,032	50,163	8,869
Other charges	21,500	21,500	22,983	(1,483)
Equipment	11,141	11,141	1,606	9,535
Transfers	1,284,852	1,284,852	1,186,200	98,652
Total special education	6,831,949	6,831,949	6,755,029	76,920

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2023**  
**(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Pupil personnel services:				
Salaries and wages	\$ 514,856	\$ 514,856	\$ 431,623	\$ 83,233
Contracted services	194,550	194,550	201,391	(6,841)
Supplies and materials	16,000	16,000	9,420	6,580
Other charges	7,100	7,100	5,360	1,740
Total pupil personnel services	732,506	732,506	647,794	84,712
Health services:				
Salaries and wages	855,730	855,730	855,174	556
Contracted services	6,000	6,000	240	5,760
Supplies and materials	27,200	27,200	13,255	13,945
Other charges	3,500	3,500	3,023	477
Equipment	5,500	5,500	14,126	(8,626)
Total health services	897,930	897,930	885,818	12,112
Pupil transportation:				
Salaries and wages	1,890,151	1,890,151	2,138,599	(248,448)
Contracted services	2,143,480	2,143,480	1,942,679	200,801
Supplies and materials	381,836	381,836	430,462	(48,626)
Other charges	59,717	59,717	71,374	(11,657)
Equipment	442,020	442,020	468,898	(26,878)
Total pupil transportation	4,917,204	4,917,204	5,052,012	(134,808)
Operation of plant:				
Salaries and wages	2,014,429	2,014,429	2,072,103	(57,674)
Contracted services	1,099,823	1,099,823	1,266,462	(166,639)
Supplies and materials	257,650	257,650	287,695	(30,045)
Other charges	2,003,668	2,003,668	2,118,878	(115,210)
Equipment	17,500	17,500	7,145	10,355
Total operation of plant	5,393,070	5,393,070	5,752,283	(359,213)

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS**  
**GENERAL FUND**  
**Year Ended June 30, 2023**  
**(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Maintenance of plant:				
Salaries and wages	\$ 577,149	\$ 577,149	\$ 560,763	\$ 16,386
Contracted services	283,400	283,400	303,274	(19,874)
Supplies and materials	160,000	160,000	130,202	29,798
Other charges	16,728	16,728	17,329	(601)
Equipment	99,505	99,505	138,063	(38,558)
Total maintenance of plant	<u>1,136,782</u>	<u>1,136,782</u>	<u>1,149,631</u>	<u>(12,849)</u>
Fixed charges:				
Insurance and employee benefits	18,370,955	18,370,955	17,908,733	462,222
	<u>18,370,955</u>	<u>18,370,955</u>	<u>17,908,733</u>	<u>462,222</u>
Capital outlay:				
Contracted services	3,000	3,000	3,000	-
Building improvements	144,845	144,845	794,620	(649,775)
Total capital outlay	<u>147,845</u>	<u>147,845</u>	<u>797,620</u>	<u>(649,775)</u>
TOTAL EXPENDITURES OF LOCAL AND UNRESTRICTED FUNDS	<u>80,054,496</u>	<u>80,054,496</u>	<u>77,625,640</u>	<u>2,428,856</u>
Restricted programs				
Restricted Federal programs	26,568,185	26,568,185	10,724,149	15,844,036
Restricted State programs	5,082,858	5,082,858	5,353,760	(270,902)
Restricted other programs	-	-	227,024	(227,024)
Total restricted programs	<u>31,651,043</u>	<u>31,651,043</u>	<u>16,304,933</u>	<u>15,346,110</u>
TOTAL UNRESTRICTED AND RESTRICTED EXPENDITURES	<u>111,705,539</u>	<u>111,705,539</u>	<u>93,930,573</u>	<u>17,774,966</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,251,910</u>	<u>\$ 3,251,910</u>

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2023**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

As of June 30,	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Total OPEB liability</b>										
Service cost					\$ 5,201,246	\$ 5,344,777	\$ 5,189,980	\$ 6,451,048	\$ 8,048,090	\$ 4,973,822
Interest					4,096,803	4,331,478	3,074,589	2,834,201	2,550,228	3,767,145
Changes of benefit terms					-	-	-	-	-	-
Differences between expected and actual experience					-	(47,552,366)	356,379	(1,894,142)	789,470	(16,294,058)
Changes of assumptions					(796,367)	19,110,918	11,462,567	12,635,313	(38,746,914)	(2,412,571)
Benefit payments					(3,406,859)	(3,140,788)	(2,553,233)	(2,807,732)	(3,294,841)	(2,861,731)
<b>Net change in OPEB liability</b>					5,094,823	(21,905,981)	17,530,282	17,218,688	(30,653,967)	(12,827,393)
<b>Total OPEB liability - beginning</b>					116,139,269	121,234,092	99,328,111	116,858,393	134,077,081	103,423,114
<b>Total OPEB liability - ending (a)</b>					<u>\$ 121,234,092</u>	<u>\$ 99,328,111</u>	<u>\$ 116,858,393</u>	<u>\$ 134,077,081</u>	<u>\$ 103,423,114</u>	<u>\$ 90,595,721</u>
<b>Plan fiduciary net position</b>										
Contributions - employer					\$ 3,406,860	\$ 3,186,788	\$ 2,553,233	\$ 2,807,732	\$ 3,366,934	\$ 2,861,731
Net investment income					83,935	82,805	39,080	330,447	(225,126)	134,522
Benefit payments					(3,406,859)	(3,140,788)	(2,553,233)	(2,807,732)	(3,294,841)	(2,861,731)
Administrative expenses					(5,958)	-	(6,521)	(6,667)	(6,831)	(6,895)
<b>Net change in plan fiduciary net position</b>					77,978	128,805	32,559	323,780	(159,864)	127,627
<b>Plan fiduciary net position - beginning</b>					1,130,461	1,208,439	1,337,244	1,369,803	1,693,583	1,533,719
<b>Plan fiduciary net position - ending (b)</b>					<u>\$ 1,208,439</u>	<u>\$ 1,337,244</u>	<u>\$ 1,369,803</u>	<u>\$ 1,693,583</u>	<u>\$ 1,533,719</u>	<u>\$ 1,661,346</u>
<b>Board's net OPEB liability - ending (a) - (b)</b>					<u>\$ 120,025,653</u>	<u>\$ 97,990,867</u>	<u>\$ 115,488,590</u>	<u>\$ 132,383,498</u>	<u>\$ 101,889,395</u>	<u>\$ 88,934,375</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>					1.00%	1.35%	1.17%	1.26%	1.48%	1.83%
<b>Covered employee payroll</b>					\$ 38,356,101	\$ 39,053,847	\$ 42,497,498	\$ 42,253,203	\$ 42,884,658	\$ 43,547,643
<b>Board's net OPEB liability as a percentage of covered employee payroll</b>					312.92%	250.91%	271.75%	313.31%	237.59%	204.22%
<b>Expected Average Remaining Service Years of All Participants</b>					9	9	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, 2023**

**SCHEDULE OF INVESTMENT RETURNS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Annual money-weighted rate of return, net of investment				10.52%	6.84%	6.63%	2.44%	23.64%	-13.29%	8.32%

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, 2023**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Board's Proportion (Percentage) of the NPL A</b>	<b>Board's Proportionate Share of the NPL B</b>	<b>State's Proportionate Share of the NPL C</b>	<b>Total (B+C)</b>	<b>Board's Covered Payroll D</b>	<b>Board's Proportionate Share as a Percentage of Covered Payroll (B / D)</b>	<b>Plan's Total Fiduciary Net Position E</b>	<b>Plan's Total Pension Liability F</b>	<b>Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (E / F)</b>
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%
2022	June 30, 2021	0.0305097%	\$ 4,577,154	\$ 30,700,108	\$ 35,277,262	\$ 42,884,658	10.67%	\$ 67,604,500,000	\$ 82,606,805,000	81.84%
2023	June 30, 2022	0.0228677%	\$ 6,691,215	\$ 42,652,317	\$ 49,343,532	\$ 43,547,643	15.37%	\$ 64,310,991,000	\$ 84,319,523,000	76.27%

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, 2023**

**SCHEDULE OF CONTRIBUTIONS**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Contractually Required Contribution</b> <b>A</b>	<b>Actual Contribution</b> <b>B</b>	<b>Contribution Deficiency (Excess)</b> <b>(A - B)</b>	<b>Board's Covered Payroll</b> <b>C</b>	<b>Actual Contribution as a Percentage of Covered Payroll</b> <b>(B / C)</b>
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%
2022	June 30, 2021	\$ 2,628,113	\$ 2,628,113	\$ -	\$ 42,884,658	6.13%
2023	June 30, 2022	\$ 3,025,163	\$ 3,025,163	\$ -	\$ 43,547,643	6.95%

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

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2023

### 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, 2023		
	GENERAL FUND		
	Revenues and other financing sources	Expenditures and other financing	Fund Balance
GAAP BASIS	\$ 102,024,922	\$ 98,589,855	\$ 10,811,661
Encumbrances at June 30, 2022	(739,077)	(1,017,519)	-
Encumbrances at June 30, 2023	657,723	1,119,322	(461,599)
Proceeds from financed purchases	(226,236)	(226,236)	-
Proceeds from right-to-use assets	(218,392)	(218,392)	-
Payments made on-behalf of the Board by the State of Maryland	(4,316,457)	(4,316,457)	-
<b>BUDGETARY BASIS</b>	<b>\$ 97,182,483</b>	<b>\$ 93,930,573</b>	<b>\$ 10,350,062</b>

	June 30, 2023		
	FOOD SERVICE FUND		
	Revenues	Expenditures	Fund Balance
GAAP BASIS	\$ 5,277,910	\$ 5,276,822	\$ 3,203,205
Encumbrances at June 30, 2022	(33,022)	(119,822)	-
Encumbrances at June 30, 2023	-	763,989	(763,989)
Capital asset additions	-	340,261	(340,261)
Commodities donated by the State of Maryland	(495,128)	(495,128)	-
<b>BUDGETARY BASIS</b>	<b>\$ 4,749,760</b>	<b>\$ 5,766,122</b>	<b>\$ 2,098,955</b>

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2023

### Note 2. Required Fund Disclosures

The General Fund's actual expenditures were less than the budgeted expenditures by \$17,774,966 for the year ended June 30, 2023 primarily attributable to restricted programs. Budgeted revenues exceeded actual revenues by \$14,523,056 primarily attributable to restricted programs. The restricted expenditures were under budget by \$15,346,110 and unrestricted expenditures were under budget by \$2,428,856.

### Note 3. Pensions

#### Change in Benefit Terms

There were no benefit changes during the year.

#### Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2022 valuation:

- Salary increase assumption changed from 2.75% to 9.25% in the 2021 actuarial valuation to 2.75% to 11.25% in the 2022 actuarial valuation.

#### Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years for State system
Asset valuation method	5-year smoothed market; 40% recognized in 2021; 15% equally over next four valuations
Inflation	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Investment rate of return	6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2019 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females

# THE BOARD OF EDUCATION OF CAROLINE COUNTY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2023

### Note 4. Other Postemployment Benefits (OPEB)

#### Change in Benefit Terms

There were no benefit changes during the year.

#### Change in Assumptions

- The discount rate was changed from 3.69% at June 30, 2022 to 3.86% at June 30, 2023.
- The medical trend was updated to the latest model released by the SOA.
- The mortality, retirement, disability, withdrawal and salary scale rates were updated to the most recent State Retirement and Pension System of Maryland assumptions.

#### Methods and Assumptions

Actuarial cost method - GASB 74 and 75	Entry age normal
Actuarial valuation date	May 1, 2023
Measurement date	June 30, 2023
Amortization method	Level percentage of projected payroll
Actuarial Assumptions:	
Discount rate - June 30, 2022	3.69%
Discount rate - June 30, 2023	3.86%
Economic Assumptions:	
Inflation rate	2.50%
Rate of growth in real income/GDP per capita	1.40%
Extra trend due to technology and other factors	1.00%
Expected health share of GDP in 2031	19.00%
Health share of GDP resistance point	20.00%
Year for limiting cost growth to GDP growth	2075
Medical trend	Based on Society of Actuaries Getzen Long-Term Healthcare Cost Trend Mode. The current valuation uses the most recent version of the model (updated in October 2021) with baseline assumptions.
Mortality	The mortality rates were calculated for healthy active, healthy inactive, survivor, and disabled decrements using the Pub-2010 Headcount-Weighted Mortality Projected with Fully Generational MP 2021 Mortality Improvement Scales for Teacher Employees, Teacher Retirees, Teacher Contingent Survivors, and Teacher Disabled Retirees, respectively.

## ADDITIONAL SUPPLEMENTARY INFORMATION

**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**STATEMENT OF REVENUES AND EXPENSES - BUDGETARY BASIS**  
**FOOD SERVICES FUND**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Sale of meals	\$ 844,934	\$ 844,934	\$ 683,169	\$ (161,765)
Federal assistance	2,759,418	2,759,418	3,604,731	845,313
State assistance	280,000	280,000	313,233	33,233
Interest income	1,500	1,500	37,758	36,258
Other	40,000	40,000	110,869	70,869
<b>TOTAL REVENUES</b>	<b>3,925,852</b>	<b>3,925,852</b>	<b>4,749,760</b>	<b>823,908</b>
<b>EXPENDITURES</b>				
Current:				
Food	1,908,500	1,908,500	1,949,761	(41,261)
Depreciation	-	-	58,411	(58,411)
Salaries and wages	1,257,045	1,257,045	1,422,782	(165,737)
Fixed charges	505,257	505,257	570,784	(65,527)
Contracted services	35,500	35,500	635,036	(599,536)
Supplies and materials	147,000	147,000	211,257	(64,257)
Other charges	31,550	31,550	41,143	(9,593)
Capital outlay	41,000	41,000	876,948	(835,948)
<b>TOTAL EXPENDITURES</b>	<b>3,925,852</b>	<b>3,925,852</b>	<b>5,766,122</b>	<b>(1,840,270)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,016,362)</b>	<b>\$ (1,016,362)</b>



**THE BOARD OF EDUCATION OF CAROLINE COUNTY**  
**BALANCE SHEET AND STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE**  
**SCHOOL ACTIVITIES FUND**  
**June 30, 2023**

<u>Fund title</u>	<u>Fund Number</u>	June 30, 2022 <u>Fund Balance</u>	<u>Year Ended June 30, 2023</u>						
			<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Cash</u>	<u>Receivables</u>	<u>Payables</u>	<u>Fund Balance</u>
Central Office	100	\$ 79,492	\$ 68,819	\$ 50,778	\$ (6,161)	\$ 91,372	\$ -	\$ -	\$ 91,372
Administration and Faculty	150	10,004	22,494	24,023	21	8,496	-	-	8,496
Athletics	200	79,436	256,989	257,090	(14,365)	64,970	-	-	64,970
Graduating Class Activities	250	43,179	41,992	44,724	14,365	54,812	-	-	54,812
Clubs, Groups and Organizations	300	81,819	106,056	96,369	(835)	90,671	-	-	90,671
School Publications	350	36,936	14,104	20,431	135	30,744	-	-	30,744
General Instruction Fund	400	98,477	199,995	186,848	1,440	113,064	-	-	113,064
School General Fund	650	124,032	146,580	144,569	5,400	131,443	-	-	131,443
Certificate of deposit		-	-	-	-	30,019	-	-	-
<b>Total</b>		<b>\$ 553,375</b>	<b>\$ 857,029</b>	<b>\$ 824,832</b>	<b>\$ -</b>	<b>\$ 615,591</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 585,572</b>