

**BOARD OF EDUCATION OF
CHARLES COUNTY, MARYLAND**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Members of the Board
Board of Education of Charles County, Maryland
La Plata, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioners of Charles 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, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2023, and the respective changes in financial position, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2022, the Board adopted new accounting guidance for subscription-based information technology arrangements (SBITA). The guidance requires SBITAs to recognize a right-to-use software asset and corresponding SBITA liability for all SBITA with terms greater than twelve months. 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information 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 GAAS, 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's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 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**

Members of the Board
Board of Education of Charles County, Maryland
La Plata, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Charles County, Maryland (the Board), a component unit of the County Commissioner of Charles 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, and have issued our report thereon dated September 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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.

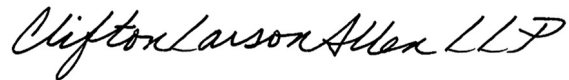
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2023

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As Management of the Board of Education of Charles County (the Board) we offer readers of the Board's financial statements this discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2023. This section should be read in conjunction with the financial statements, which immediately follow this discussion.

Overview of the Financial Statements

The Board's basic financial statements consist of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the Board's financial performance. The report also contains required supplementary information.

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the Board's overall financial strength.
- The next two statements are *fund financial statements* that focus on individual parts of the Board, and provide more detail on individual areas of revenues and expenditures.
- It also contains required supplementary information in addition to the basic financial statements themselves, such as a budgetary basis presentation of financial operations in the short-term for the budgetary general fund, measuring regulatory and budgetary compliance.

The financial statements also include notes that explain some of the information in the statements and, in some cases, provide even greater levels of detail.

Government-Wide Financial Statements

The Board's *Government-wide Financial Statements* provide a broad view of the Board's operations in a manner similar to a private sector business enterprise. The statements provide both short-term and long-term information about the Board's financial position, which assists in assessing the Board's economic condition at year-end. They are prepared using the economic resources focus and full accrual basis of accounting. These are methods similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if the cash has not been received. The Government-wide Financial Statements include two statements:

The *Statement of Net Position* presents all of the Board's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as "net position." The statement combines and consolidates all of the Board's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities, distinguishing between governmental and business-type activities. The end result is net position segregated into three components: net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Government-Wide Financial Statements (Continued)

The *Statement of Activities* presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned, but unused, vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Board. The majority of the Board's revenue is general revenue, grants and contributions from other governments.

The governmental activities of the Board include Instruction (Regular and Special), Pupil Services, Administration, Instructional Support, Operation and Maintenance, Transportation, Community Services, School Lunch Services, Planning and Construction, and Student Activities. These activities are mostly supported by county and state appropriations mandated in accordance with state law, and state and federal grants.

Typically, the Entity-wide financial statements can reflect governmental activities and business-type activities. While the Board's food service operation charges fees, the fee structure is not designed to recover costs including depreciation. Therefore, this function is included as a governmental activity and no business-type activities are presented.

Fund Financial Statements

The fund financial statements focus on major funds and on individual parts of the Board's operations. All of the funds of the Board can be divided into two categories: governmental funds and fiduciary funds, each of which use different accounting approaches and should be interpreted differently. The two categories are as follows:

Governmental Funds Financial Statements — Most of the basic services provided by the Board are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on balances of spendable resources at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The Board has four major governmental funds:

General Fund includes most of the Board's basic functions and generally follows the requirements of the Maryland State Department of Education.

Restricted Programs Fund consists of individual funds for state, local, and federal grants restricted for specific purposes.

Food Service Fund captures the financial activities of the cafeteria operations.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Fund Financial Statements (Continued)

Capital Projects Fund tracks larger construction projects. This fund reports revenues and expenditures on a yearly basis. It should be noted that due to the long-term nature of most projects, the budgetary basis of this fund crosses fiscal years.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations found on pages 24 and 26.

Fiduciary Fund Financial Statements — The fiduciary funds are used to account for resources held for the benefit of parties outside the Board. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Board's own programs. Accordingly, there is no analysis of the Board's fiduciary funds included in this Management's Discussion and Analysis. The accounting used for fiduciary funds is the accrual basis of accounting.

The Board's fiduciary funds include the Pension and Retiree Health (OPEB) Trust Funds which accumulates resources held in trust for pension and other postemployment health benefits to qualified beneficiaries.

Budget and Actual Financial Statements

A Schedule of Revenues and Expenditures — Budget and Actual – Non-GAAP Budgetary Basis is presented for the General Fund, which has a legally adopted annual budget. This schedule shows both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Schedule of Revenues and Expenditures — Budget and Actual — Non-GAAP Budgetary Basis can be found immediately following the basic governmental fund financial statements on page 79.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Financial Analysis of the Board as A Whole (Government-Wide)

The Board's combined Net Position as of June 30, 2023 totaled (\$93.8) million, an increase of \$22.4 million or 19.30%.

Condensed Statement of Net Position (in Millions of Dollars)

	Governmental Activities		Total Percent
	2022	2023	Change 2022-2023
Assets			
Current and Other Assets	\$ 136.2	\$ 131.2	(3.7)%
Capital Assets	432.5	485.8	12.3
Total Assets	<u>568.7</u>	<u>617.0</u>	8.5
Deferred Outflows of Resources	260.5	240.4	(7.7)
Liabilities			
Long-Term Liabilities	698.8	548.1	(21.6)
Other Liabilities	<u>56.5</u>	<u>68.5</u>	21.2
Total Liabilities	755.3	616.6	(18.4)
Deferred Inflows of Resources	<u>190.0</u>	<u>334.7</u>	76.1
Net Position			
Investment in Capital Assets	430.3	477.8	10.1
Restricted	11.0	-	(100.0)
Unrestricted	<u>(557.5)</u>	<u>(571.6)</u>	1.8
Total Net Position	<u>\$ (116.2)</u>	<u>\$ (93.8)</u>	(19.3)%

The major portion of the Board's net position reflects the investment in capital assets (land, land improvements, buildings, equipment, and construction), \$477.8 million. These assets include school buildings, relocatable classrooms, land for athletic fields, playgrounds, and equipment in the school classrooms and other buildings.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Changes In Net Position: The Board's Net Position increased by \$22.4 million in 2023 as opposed to a decrease of \$8.9 million in 2022.

- The Board's government-wide activities had an unrestricted net deficit of (\$567.5) million at June 30, 2023, a decrease of \$19.3 million. The deficit decrease is due primarily to an increase in Capital Assets – Land and Construction in Progress, and a reduction of Long-Term Liabilities attributable to the pension and OPEB liabilities.
- The Board's revenues of \$559.1 million increased by \$40.3 million or 7.8% over last year. The overall increase of \$35.0 million is largely attributable to an increase in revenues for Capital projects of \$25.5 million. There was an additional \$13.1 million in State Formula Aid as well as an increase of \$12 million in appropriations from Charles County.
- Expenses totaled \$536.7 million or \$8.9 million more than fiscal year 2022. The most significant increases are \$4.0 million in Administration attributable to new ERP software and administration salaries, and \$5.1 million in Transportation is due to additional funds paid to ensure we are competitive and have bus drivers to transport children to and from school. These increases were offset by reductions of \$7.2 million in Operation and Maintenance projects, and \$2.0 million in Other Expenses.

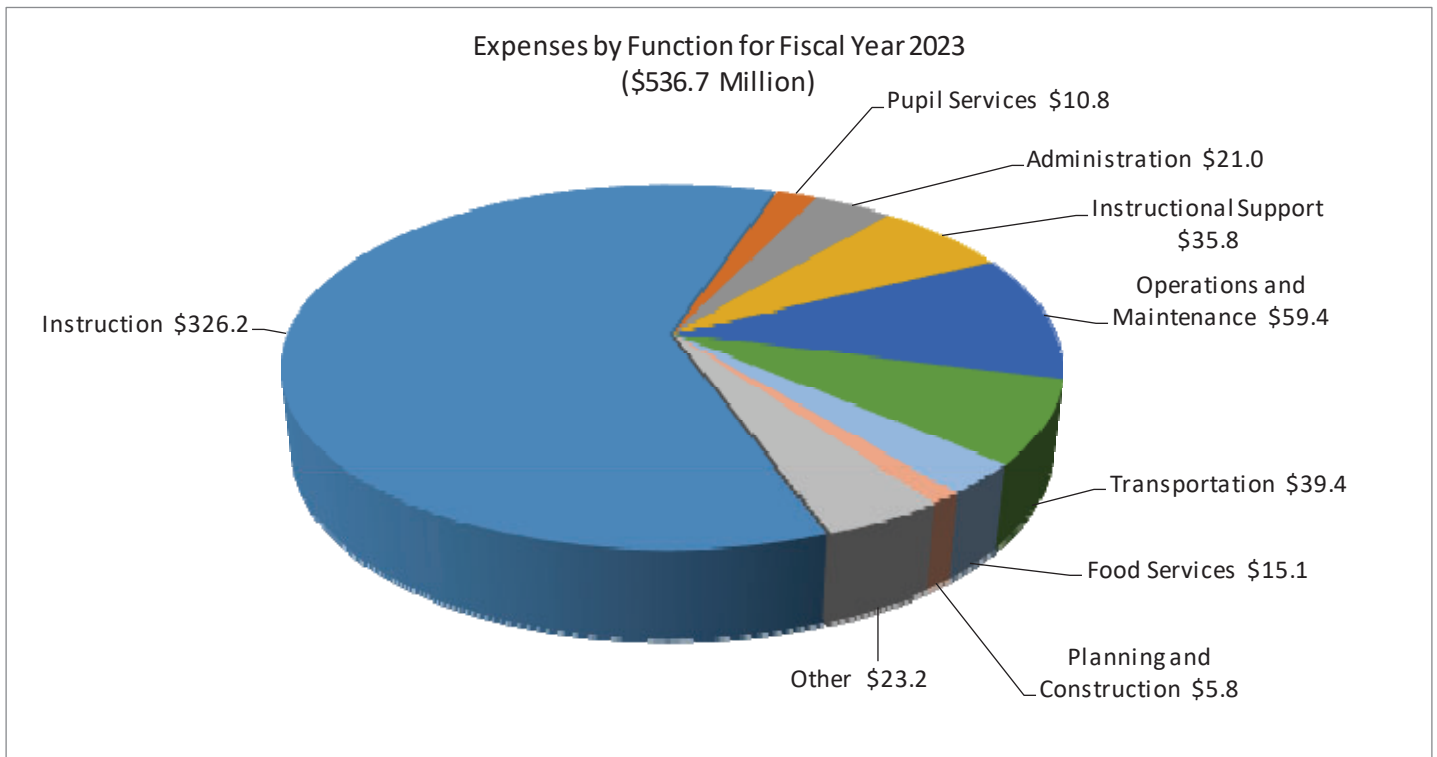
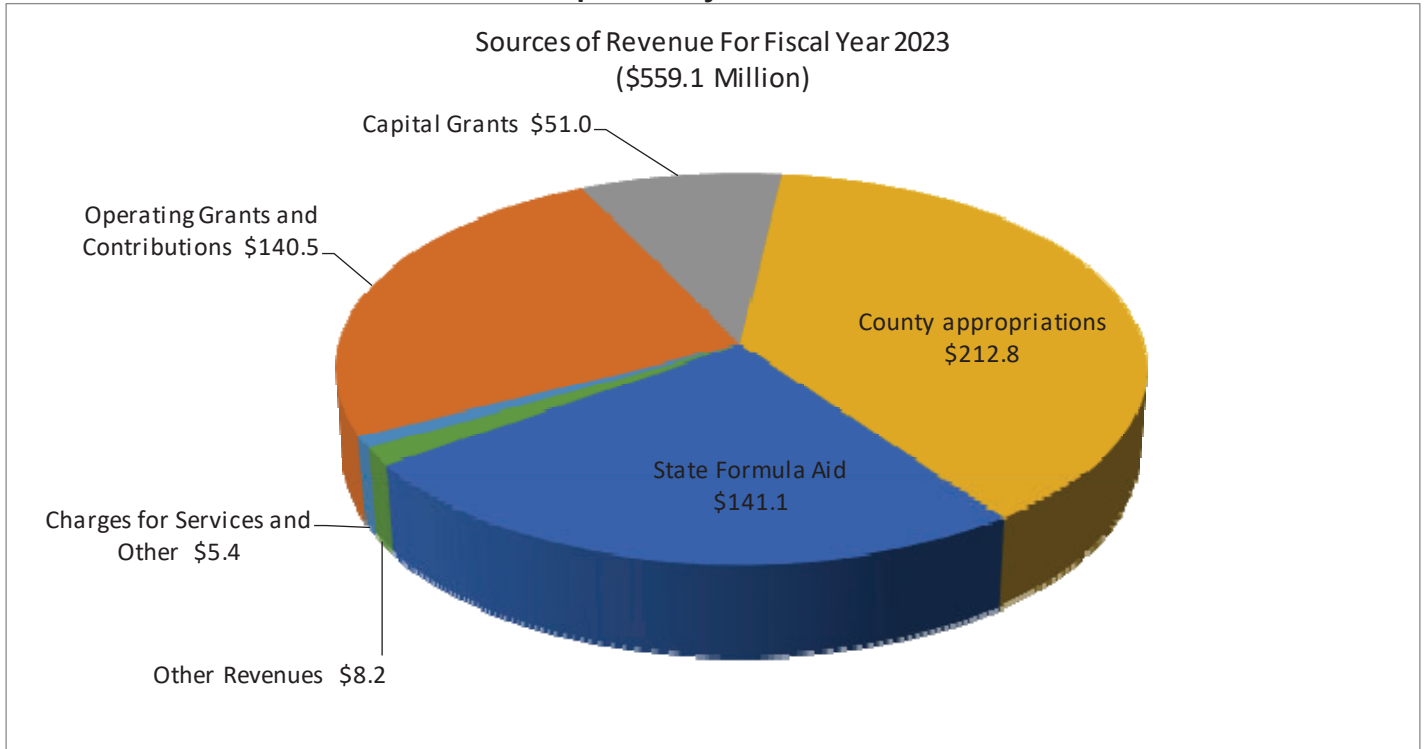
**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Changes in Net Position (in Millions of Dollars)

	Governmental Activities		Change	Percent Change
	2022	2023		
Revenues				
Program Revenues:				
Charges for Services	\$ 1.2	\$ 5.4	\$ 4.2	348.6 %
Operating Grants and Contributions	158.8	140.5	(18.3)	(11.5)
Capital Grants and Contributions	25.5	51.0	25.5	100.0
General Revenues:				
County Appropriations	200.8	212.8	12.0	6.0
State Formula Aid	128.0	141.1	13.1	10.3
Other	4.5	8.2	3.7	82.7
Total Revenues	<u>518.8</u>	<u>559.1</u>	<u>40.3</u>	7.8
Expenses				
Instruction	322.7	326.2	3.5	1.1
Support Services:				
Pupil Services	9.9	10.8	0.9	8.6
Administration	17.0	21.0	4.0	23.5
Instructional Support	34.3	35.8	1.5	4.3
Operations and Maintenance	66.6	59.4	(7.2)	(10.8)
Transportation	34.3	39.4	5.1	14.9
Food Services	14.1	15.1	1.0	7.3
Planning and Construction	3.7	5.8	2.1	57.9
Other	25.2	23.2	(2.0)	(7.9)
Total Expenses	<u>527.8</u>	<u>536.7</u>	<u>8.9</u>	1.7
Increase (Decrease) in Net Position	<u>\$ (8.9)</u>	<u>\$ 22.4</u>	<u>\$ 31.3</u>	(351.6)%

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Revenues and Expenses by Source and Function



**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Governmental Activities

The county appropriation for the operating budget in fiscal year 2023 was \$212.8 million or \$12.0 million more than in fiscal year 2022. Total cost of services increased 0.7% from 2022. Also, in fiscal year 2023, the net cost of services decreased by \$2.6 million or 0.8%. In fiscal year 2022 the net cost increased by \$51.8 million or 17.9%.

Net Cost of Governmental Activities: The cost of the nine major Board activities (schedule shown below): Instruction, Instructional Support, Pupil Services, Administration, Transportation, Operation and Maintenance, Food Services, Planning and Construction and Other (Community Services, Student Activities and unallocated depreciation) are reflected in the table below. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the impact on the Board by each of the activities. General revenues, including county appropriations and state aid, must support the net cost of the Board's activities.

Net Cost of Government Activities (in Millions of Dollars)

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2022	2023	Change 2022-2023	2022	2023	Change 2022-2023
Instruction	\$ 322.7	\$ 326.2	1.1 %	\$ 212.5	\$ 220.0	3.5 %
Pupil Services	9.9	10.8	8.6	9.5	10.2	7.3
Administration	17.0	21.0	23.5	15.6	19.7	26.5
Instructional Support	34.3	35.8	4.3	33.0	34.1	3.5
Operations and Maintenance	66.6	59.4	(10.8)	65.7	58.4	(11.1)
Transportation	34.3	39.4	14.9	21.4	25.1	17.1
Food Services	14.1	15.1	7.3	(7.0)	(3.0)	(56.6)
Planning and Construction	3.7	5.8	57.9	(32.5)	(46.0)	41.5
Other	25.2	23.2	(7.9)	24.1	21.3	(11.4)
Total	\$ 527.7	\$ 536.7	1.7 %	\$ 342.4	\$ 339.8	(0.8)%

**Financial Highlights
Financial Analysis of the Board's Funds**

The general fund is the operating fund for the Board. On a GAAP basis the Board ended the fiscal year with a general fund balance of \$54.1 million. The fund balance consists of amounts assigned for subsequent year's expenditures and unassigned amounts.

The total governmental funds consist of the General, Restricted Programs (restricted by purpose and source of funds), Food Service, and Capital Projects. Capital Projects receive their funding on a reimbursement basis. The Board reported a total governmental funds balance of \$62.5 million as compared to last year's combined ending balance of \$78.5 million or \$16.0 million less than last year. The decrease in the fund balance of \$16.0 million is primarily due to decreases in the General Fund Balance of \$6.4 million and the Restricted Program Fund balance of \$11.0.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Changes in Fund Balance - Governmental Funds - GAAP Basis

	General Fund	Restricted Program Fund	Food Services Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 241,134,459	\$ 4,062,196	\$ 818,689	\$ 30,023,558	\$ 276,038,902
Federal Government	846,149	20,632,712	12,372,672	-	33,851,533
Other Sources	9,176,028	883,926	4,865,574	854	14,926,382
Local Sources	213,955,302	486,081	-	19,814,993	234,256,376
Total Revenues	<u>465,111,938</u>	<u>26,064,915</u>	<u>18,056,935</u>	<u>49,839,405</u>	<u>559,073,193</u>
EXPENDITURES					
Current:					
Administration	16,675,893	1,158,568	-	-	17,834,461
Mid-Level Administration	27,820,029	1,298,790	-	-	29,118,819
Instruction:					
Instructional Salaries	151,344,685	5,570,955	-	-	156,915,640
Materials of Instruction	6,400,687	3,279,286	-	-	9,679,973
Other Costs of Instruction	3,934,453	3,020,070	-	-	6,954,523
Special Education	40,597,949	6,316,719	-	-	46,914,668
Student Personnel Services	5,057,656	39,831	-	-	5,097,487
Health Service	4,384,906	32,686	-	-	4,417,592
Transportation	38,326,888	1,182,314	-	-	39,509,202
Operations	36,013,470	669,084	-	-	36,682,554
Maintenance	10,352,269	20,789	-	-	10,373,058
Food Service	-	113,229	14,980,439	-	15,093,668
Community Service	675,931	1,340,724	-	-	2,016,655
Fixed Charges	111,691,494	2,495,274	1,753,355	-	115,940,123
Student Activities	5,320,498	-	-	-	5,320,498
Capital Outlay	11,670,058	9,998,170	-	50,087,431	71,755,659
Debt Service:					
Principal	2,581,689	326,036	-	-	2,907,725
Interest	3,337	91	-	-	3,428
Total Expenditures	<u>472,851,892</u>	<u>36,862,616</u>	<u>16,733,794</u>	<u>50,087,431</u>	<u>576,535,733</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(7,739,954)	(10,797,701)	1,323,141	(248,026)	(17,462,540)
OTHER FINANCING SOURCES (USES)					
Transfer	376,745	-	331,765	-	708,510
Transfer Out	(331,765)	(376,745)	-	-	(708,510)
Lease Proceeds	65,694	-	-	-	65,694
Subscription Proceeds	1,241,019	143,310	-	-	1,384,329
Total Other Financing Sources (Uses)	1,351,693	(233,435)	331,765	-	1,450,023
NET CHANGE IN FUND BALANCE	(6,388,261)	(11,031,136)	1,654,906	(248,026)	(16,012,517)
Fund Balances - Beginning of Year	60,446,232	11,031,136	6,944,415	94,034	78,515,817
FUND BALANCES - END OF YEAR	<u>\$ 54,057,971</u>	<u>\$ -</u>	<u>\$ 8,599,321</u>	<u>\$ (153,992)</u>	<u>\$ 62,503,300</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

General Fund Budgetary Highlights — Non-GAAP

The Board's final budget for General Fund requires total revenues to be equal to total expenditures.

Over the course of the year, the Board may revise the annual operating budget. These budget amendments fall into three categories:

- Intra-category transfers to align budgets within the expenditure category. These changes require county government notification and are generally done as needed throughout the year.
- Inter-category transfers to fund categories over budget. According to state law, no expenditure category can exceed approved budget amounts. Inter-category budget transfers require Board and county government approval, and are generally done once per year.
- Revenue budget changes require approval; when they provide a source of funding for expenditure categories, or a transfer from fund balance.

Budget Adjustments

Funds were redirected in various times during fiscal year 2023. The most significant adjustment was made in May 2023 to support various initiatives explained in greater detail below. Funds were used to support the increased cost and use of paper by the school system. Funds were used to support instructional supply purchases and to support an increase to student transportation due to the purchase of additional buses for the CCPS fleet. Lastly, funds were redirected to accommodate rising fuel costs and the need for additional custodial supplies in addition funds were redirected to accommodate increased health care costs incurred by the system.

REVENUES

Total revenues were \$2,401,402 more than the anticipated budgetary levels primarily due to interest income being more than budgeted.

EXPENDITURES

The expenditure savings of \$19.1 million, in addition to the positive revenue variance, contributed to the overall positive variance of \$21.5 million. Savings included 10.3 million in contracted services, \$3.7 million in equipment, \$1.9 million in supplies and \$1.8 million in unfilled positions. The remaining variance was spread among other charges, fixed charges and transfers.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Fund Balance — Unassigned

At the Board's direction, the use of unassigned fund balance has been used to fund major projects for technology and deferred maintenance. The unassigned fund balance changed for the General Fund as follows:

	<u>2022</u>	<u>2023</u>	<u>Change</u>
Health Insurance Reserve (Self-Insurance 7.5% of Claims)	\$ 4,604,680	\$ 4,885,752	\$ 281,072
Contingency Reserve (1% of Annual Operating Budget)	4,390,141	4,392,538	2,397
Capital Maintenance/Technology Reserve	<u>17,824,315</u>	<u>15,774,840</u>	<u>(2,049,475)</u>
Total Unassigned Fund Balance at June 30	<u>\$ 26,819,136</u>	<u>\$ 25,053,130</u>	<u>\$ (1,766,006)</u>

Food Service Budget to Actual — Non-GAAP

Budget and actual — Non-GAAP Budgetary Basis statement can be found in the Other Supplementary Information section on page 87.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

General Fund Budget and Actual - Non-GAAP Budgetary Basis

	2023			Variances Positive (Negative)	2022
	Original Budget	As amended Budget	Actual		Actual
REVENUES					
State of Maryland	\$ 220,652,162	\$ 220,652,162	\$ 220,920,465	\$ 268,303	\$ 201,496,272
Federal Government	970,000	970,000	846,149	(123,851)	829,902
Other Sources	1,361,080	1,361,080	3,618,030	2,256,950	1,007,754
Local Sources	212,686,400	212,833,320	212,833,320	-	200,796,657
Total Revenues	<u>435,669,642</u>	<u>435,816,562</u>	<u>438,217,964</u>	<u>2,401,402</u>	<u>404,130,585</u>
EXPENDITURES					
Administration	14,465,811	18,920,268	14,603,431	4,316,837	12,650,604
Mid-Level Administration	29,927,536	27,739,200	27,395,214	343,986	25,674,630
Instructional Salaries	160,850,760	152,328,463	151,344,685	983,778	143,885,258
Materials of Instruction	5,244,779	6,024,206	4,724,771	1,299,435	5,924,017
Other Costs of Instruction	3,872,491	4,597,406	3,934,447	662,959	1,597,898
Special Education	42,835,853	41,636,253	39,707,359	1,928,894	38,358,272
Student Personnel Services	5,183,866	5,183,866	4,972,502	211,364	4,114,462
Health Service	4,869,004	3,489,004	3,155,841	333,163	3,921,533
Transportation	38,605,267	39,805,267	37,527,048	2,278,219	33,759,582
Operations	33,052,826	34,819,642	32,862,480	1,957,162	31,800,776
Maintenance	9,301,025	9,991,025	9,205,632	785,393	9,258,246
Community Service	680,118	700,118	675,931	24,187	559,906
Capital Outlay	2,399,232	6,533,737	2,904,491	3,629,246	12,455,457
Fixed Charges	87,965,215	91,800,035	91,477,500	322,535	81,210,083
Total Expenditures	<u>439,253,783</u>	<u>443,568,490</u>	<u>424,491,332</u>	<u>19,077,158</u>	<u>405,170,724</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,584,141)	(7,751,928)	13,726,632	21,478,560	(1,040,139)
OTHER FINANCING SOURCES					
Transfers In	239,706	239,706	376,745	137,039	297,625
Transfers Out	-	(332,213)	(331,765)	448	-
Use of Prior Year Fund Balance	3,344,435	7,844,435	-	(7,844,435)	-
Total Other Financing Sources	<u>3,584,141</u>	<u>7,751,928</u>	<u>44,980</u>	<u>(7,706,948)</u>	<u>297,625</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	13,771,612	<u>\$ 13,771,612</u>	<u>\$ (742,514)</u>
Use of Budgetary Fund Balance			-		
Fund Balance - Beginning of Year			<u>30,318,330</u>		
FUND BALANCE - END OF YEAR			<u>\$ 44,089,942</u>		

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Capital Asset and Long-Term Debt

Capital Assets

During the year, the Board completed several building projects. The projects were:

	Cost (in Millions)
Additions to building (security upgrades, portables HVAC ventilation replacement, fire alarm systems, door replacements, portable improvements, miscellaneous renovation costs, flooring repairs, RTU replacements, UST removal/replacement, and miscellaneous building improvements).	\$ 4.4
John Hanson Middle	3.3
Stoddert Middle - renovation	1.0
La Plata High - building improvements	10.5
Central Office - building improvements	1.5
Total	\$ 20.7

During fiscal year 2023, capital assets and amortizable lease assets increased \$53.4 million, which was an increase of 12.3% from fiscal year 2022. Some of the changes were as follows:

- Land increased due to the donation of land for the new elementary school.
- Land Improvements increased due to concrete work, paving projects, tennis court refurbishment, turf field replacement, playground equipment improvements, portable relocations, and fencing.
- Construction in progress included Full Day Kindergarten Projects at three schools (\$9.0 million), New Elementary School #23 (\$2.4 million), Roof Replacements (\$1.3 million), Benjamin Stoddert Renovation (\$49.9 million), McDonough Renovation (\$11.1 million), Various Additional Improvements (\$3.7 million), Piccowaxen Open Space Enclosure (\$0.6 million), T.C. Martin Study/Renovation (\$16.6 million), LaPlata Renovations, Security Enhancements, and Circulation Upgrades (\$0.6 million).
- Equipment increased due to the purchase of school buses.
- Right-to-use assets increased by \$5.4 million due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Capital Assets (Continued)

Capital Assets (in Millions of Dollars)

	Governmental Activities		Change
	2022	2023	2022-2023
Land	\$ 19.4	\$ 20.7	\$ 1
Construction in Progress	52.8	95.2	42.5
Land Improvements	28.5	31.0	2.5
Buildings	698.0	717.5	19.5
Equipment and Furniture	31.6	33.8	2.1
Accumulated Depreciation	(398.7)	(418.7)	(20.0)
Total	<u>\$ 431.6</u>	<u>\$ 479.5</u>	<u>\$ 47.9</u>
Right-to-Use Assets:			
Equipment	\$ 1	\$ 1.45	\$ (0.01)
Software	-	\$ 7.62	7.62
Accumulated Amortization	(1)	(2.74)	(2.16)
Total	<u>\$ 1</u>	<u>\$ 6.3</u>	<u>\$ 5.4</u>
Total Capital Assets and Right-to-Use Assets	<u>\$ 432.5</u>	<u>\$ 485.8</u>	<u>\$ 53.4</u>

The Board's fiscal year 2023 capital improvement program budget includes spending another \$68.7 million for capital projects, principally in 9 areas:

- \$14.3 million for T.C. Martin modernization/addition.
- \$26.5 million for New Elementary School #23
- \$1.7 million for various maintenance projects, portable classrooms, boiler replacement, and HVAC replacement.
- \$1.0 million for roof replacements.
- \$5.3 million for La Plata High renovation/security enhancements.
- \$11.5 million for Piccowaxen open space enclosure renovation.
- \$4.5 million for Indian Head open space enclosure renovation.
- \$2.8 million for Middle School #10
- \$1.1 million for a school-based health center

Over the next five years, the Board anticipates opening a new elementary school, completing four full day kindergarten additions, open space enclosure projects at several schools, renovations and additions at T.C. Martin Elementary, safety/security upgrades and renovations at McDonough and La Plata High, and various boiler/chiller/roof replacements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Long-Term Debt

At year-end, the Board had \$550.2 million in long-term liabilities. Compensated absences including accumulated vacation and sick leave for the Board's employees available upon termination accounted for \$11.6 million. The Board also has an obligation of \$524.3 million for postemployment benefits other than pensions (OPEB) liability. The Board has a net pension liability of \$12.4 million, a lease liability balance of \$364 thousand and a subscription liability of \$1.6 million.

Factors Expected to Have an Effect on Future Operations

Enrollment in the county increased in FY 2023 by 651 students and has surpassed the pre-pandemic enrollment. The projection for FY 2024 enrollment is a similar increase with continued growth for future years. Free and reduced student population for lunches has been increasing and has resulted in 12 Community Eligibility schools for FY 2024 which provides breakfast and lunch for all students at those schools with federal funds. This may lead to fewer applications in the future and could have a negative impact on State Compensatory Education funding. Anticipated enhanced funding from the Maryland General Assembly and Charles County Government due to the Blueprint is a positive step for Education with the hope that it will offset the additional costs for salaries, programs and pre-k that is mandated by the legislation.

The system is current with the employee salary scale progression. The Blueprint for Maryland's Future will require a new salary scale and career ladder for teachers and will increase the salaries for teachers over the next 3 years. The Blueprint for Maryland also mandates all day pre-k for certain income levels and ages which will put a strain on our current facilities to meet this requirement. This state mandate will significantly raise the operating costs of Charles County Public Schools. Funding other post-retirement benefits (OPEB) in accordance with GASB 75 remains a concern, but a low budget priority. The tradeoff between funding OPEB (including health care costs) and staff salaries in the future will be complicated during union negotiations. The national teacher shortage has resulted in an extremely competitive market both in terms of salary and affordable housing.

Future initiatives to replace older mainframe software for human resources, and accounting systems with Oracle, along with initiatives related to replacing our Learning Management System will be expensive. The desire of the school system to increase internal student transportation levels will require an investment in infrastructure. While fund balance has been used to fund many maintenance projects, a backlog of projects remains.

Charles County Public Schools continues to do an excellent job managing and allocating resources. Careful forecasting and management of funds produced no budget deficits or over expenditures in any category. At Board direction, the fund balance will be used over time to support the general fund and capital maintenance projects. With the possibility of increased costs to comply with the Blueprint for Maryland's Future initiative, it would be prudent for management to ensure that the fund balance reserves not be used to pay for recurring costs in the operating budget.

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, investors, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Charles County Public Schools, and P.O. Box 2770, La Plata, Maryland 20646.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 102,573,549
Accounts Receivable:	
Federal	3,406,332
State of Maryland	10,524,427
Other Sources	11,850,831
Leases Receivable	2,406,177
Inventories	422,529
Capital Assets:	
Land and Construction in Progress	115,939,897
Other Capital Assets, Net of Depreciation and Amortization	369,899,559
Total Assets	617,023,301
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pension	5,011,136
Deferred Outflows of Resources Related to OPEB	235,414,863
Total Deferred Outflows of Resources	240,425,999
Total Assets and Deferred Outflows of Resources	857,449,300
LIABILITIES	
Accounts Payable	21,766,341
Accrued Salaries and Fringe Benefits	32,275,397
Other Liabilities	94,857
Payable for Health Insurance	3,822,000
Unearned Revenue	8,400,879
Noncurrent Liabilities:	
Due Within One Year - Leases, Subscriptions, Compensated Absences	2,116,930
Due in More Than One Year - Leases, Subscriptions, Compensated Absences	11,456,007
Net Pension Liability	12,372,800
Net OPEB Liability	524,264,727
Total Liabilities	616,569,938
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Leases	2,321,071
Deferred Inflows of Resources Related to Pension	2,040,393
Deferred Inflows of Resources Related to OPEB	330,296,614
Total Deferred Inflows of Resources	334,658,078
Total Liabilities and Deferred Inflows of Resources	951,228,016
NET POSITION	
Net Investment in Capital Assets	477,826,070
Unrestricted	(571,604,786)
Total Net Position	\$ (93,778,716)

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
INSTRUCTION					
Regular Education	269,268,889	437,150	84,269,053	-	(184,562,686)
Special Education	56,894,282	207,985	21,297,522	-	(35,388,775)
Total Instruction	326,163,170	645,135	105,566,575	-	(219,951,460)
SUPPORT SERVICES					
Pupil Services	10,753,203	-	563,526	-	(10,189,677)
Administration	20,988,670	-	1,260,551	-	(19,728,119)
Instructional Support	35,777,701	-	1,629,772	-	(34,147,929)
Operation and Maintenance	59,382,292	65,694	920,326	-	(58,396,272)
Transportation	39,425,525	-	14,366,370	-	(25,059,155)
Community Services	4,043,200	278,587	1,576,242	-	(2,188,371)
School Lunch Services	15,130,896	4,393,460	13,774,648	-	3,037,212
Planning and Construction	5,841,006	-	802,419	51,011,132	45,972,545
Student Activities	5,320,498	-	-	-	(5,320,498)
Unallocated Depreciation Expense	13,835,841	-	-	-	(13,835,841)
Total Support Services	210,498,832	4,737,741	34,893,854	51,011,132	(119,856,105)
Total Governmental Activities	536,662,002	5,382,876	140,460,429	51,011,132	(339,807,565)
GENERAL REVENUES					
County Appropriations					212,833,320
State Aid Not Restricted to Specific Purposes					141,148,386
Earnings on Investment					2,414,763
Miscellaneous					5,806,677
Total General Revenues					362,203,146
CHANGE IN NET POSITION					
Net Position - Beginning of Year					(116,174,297)
NET POSITION - END OF YEAR					
					(93,778,716)

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Short-Term Investments	\$ 99,639,176	\$ -	\$ 2,911,165	\$ 23,208	\$ 102,573,549
Accounts Receivable:					
Federal	79,145	3,020,050	307,137	-	3,406,332
State of Maryland	2,718,318	2,146,692	294,486	5,364,931	10,524,427
Other Sources	2,617,720	145,290	39,180	9,048,641	11,850,831
Leases Receivable	-	2,406,177	-	-	2,406,177
Due from Other Funds	-	-	5,870,096	-	5,870,096
Inventories	148,137	-	274,392	-	422,529
Total Assets	\$ 105,202,496	\$ 7,718,209	\$ 9,696,456	\$ 14,436,780	\$ 137,053,941
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 16,190,455	\$ 887,636	\$ 204,867	\$ 4,483,383	\$ 21,766,341
Accrued Salaries and Fringe Benefits	30,629,313	909,539	736,545	-	32,275,397
Due to Other Governments	-	71,188	-	-	71,188
Due to Other Funds	479,088	113,178	-	5,277,830	5,870,096
Due to Fiduciary Funds	23,669	-	-	-	23,669
Payable for Health Insurance	3,822,000	-	-	-	3,822,000
Unearned Revenue	-	3,415,597	155,723	4,829,559	8,400,879
Total Liabilities	51,144,525	5,397,138	1,097,135	14,590,772	72,229,570
DEFERRED INFLOWS OF RESOURCES					
Lease related	-	2,321,071	-	-	2,321,071
Total Deferred Inflows of Resources	-	2,321,071	-	-	2,321,071
FUND BALANCE (DEFICIT)					
Nonspendable - Inventory	148,137	-	274,392	-	422,529
Restricted	-	-	-	-	-
Committed	3,144,674	-	-	-	3,144,674
Assigned	25,712,030	-	8,324,929	28,837	34,065,796
Unassigned	25,053,130	-	-	(182,829)	24,870,301
Total Fund Balance (Deficit)	54,057,971	-	8,599,321	(153,992)	62,503,300
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 105,202,496	\$ 7,718,209	\$ 9,696,456	\$ 14,436,780	\$ 137,053,941

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances - Governmental Funds \$ 62,503,300

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported assets in governmental funds:

The Cost of Capital Assets	907,261,969
Accumulated Depreciation	<u>(421,422,513)</u>
Total	<u>485,839,456</u>

Deferred outflows and inflows at year-end consisted of:

Deferred Outflows of Resources Related to Pensions	5,011,136
Deferred Inflows Related to Pensions	(2,040,393)
Deferred Outflows of Resources Related to OPEB	235,414,863
Deferred Inflows of Resources Related to OPEB	<u>(330,296,614)</u>
Total	<u>(91,911,008)</u>

Long-term liabilities, including notes payable, net other postemployment obligations and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consisted of:

Net Pension Liability	(12,372,800)
Net OPEB Liability	(524,264,727)
Lease Liability	(364,068)
Subscription Liability	(1,615,262)
Compensated Absences	<u>(11,593,607)</u>
Total	<u>(550,210,464)</u>

Net Position of Governmental Activities as Reported on the Statement of Net Position	<u>\$ (93,778,716)</u>
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BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects	Total Governmental Funds
REVENUES					
State of Maryland	\$ 241,134,459	\$ 4,062,196	\$ 818,689	\$ 30,023,558	\$ 276,038,902
Federal Government	846,149	20,632,712	12,372,672	-	33,851,533
Other Sources	9,176,028	883,926	4,865,574	854	14,926,382
Local Sources	213,955,302	486,081	-	19,814,993	234,256,376
Total Revenues	<u>465,111,938</u>	<u>26,064,915</u>	<u>18,056,935</u>	<u>49,839,405</u>	<u>559,073,193</u>
EXPENDITURES					
Current:					
Administration	16,675,893	1,158,568	-	-	17,834,461
Mid-Level Administration	27,820,029	1,298,790	-	-	29,118,819
Instruction:					
Instructional Salaries	151,344,685	5,570,955	-	-	156,915,640
Materials of Instruction	6,400,687	3,279,286	-	-	9,679,973
Other Costs of Instruction	3,934,453	3,020,070	-	-	6,954,523
Special Education	40,597,949	6,316,719	-	-	46,914,668
Student Personnel Services	5,057,656	39,831	-	-	5,097,487
Health Service	4,384,906	32,686	-	-	4,417,592
Transportation	38,326,888	1,182,314	-	-	39,509,202
Operations	36,013,470	669,084	-	-	36,682,554
Maintenance	10,352,269	20,789	-	-	10,373,058
Food Service	-	113,229	14,980,439	-	15,093,668
Community Service	675,931	1,340,724	-	-	2,016,655
Fixed Charges	111,691,494	2,495,274	1,753,355	-	115,940,123
Student Activities	5,320,498	-	-	-	5,320,498
Capital Outlay	11,670,058	9,998,170	-	50,087,431	71,755,659
Debt Service:					
Principal	2,581,689	326,036	-	-	2,907,725
Interest	3,337	91	-	-	3,428
Total Expenditures	<u>472,851,892</u>	<u>36,862,616</u>	<u>16,733,794</u>	<u>50,087,431</u>	<u>576,535,733</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,739,954)	(10,797,701)	1,323,141	(248,026)	(17,462,540)
OTHER FINANCING SOURCES (USES)					
Transfer In	376,745	-	331,765	-	708,510
Transfer Out	(331,765)	(376,745)	-	-	(708,510)
Lease Proceeds	65,694	-	-	-	65,694
Subscription Proceeds	1,241,019	143,310	-	-	1,384,329
Total Other Financing Sources (Uses)	<u>1,351,693</u>	<u>(233,435)</u>	<u>331,765</u>	<u>-</u>	<u>1,450,023</u>
NET CHANGE IN FUND BALANCE	(6,388,261)	(11,031,136)	1,654,906	(248,026)	(16,012,517)
Fund Balances - Beginning of Year	<u>60,446,232</u>	<u>11,031,136</u>	<u>6,944,415</u>	<u>94,034</u>	<u>78,515,817</u>
FUND BALANCES - END OF YEAR	<u>\$ 54,057,971</u>	<u>\$ -</u>	<u>\$ 8,599,321</u>	<u>\$ (153,992)</u>	<u>\$ 62,503,300</u>

See accompanying Notes to Financial Statements.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds \$ (16,012,517)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Assets Capitalized During the Year	78,352,269
Depreciation/Amortization Expense for the Year	(24,288,436)
Net Book Value of Assets Disposed of During the Year	(699,331)
Total	53,364,502

Governmental funds report Board pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.

(2,014,060)

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

(11,473,945)

In the statement of activities, certain operating expenses, such as compensated absences, are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended.

(375,996)

Lease proceeds provide current financial resources to governmental funds but issuing leases increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.

522,859

Subscription proceeds provide current financial resources to governmental funds but issuing subscriptions increases long-term liabilities in the statement of net position. Repayment of subscription principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.

(1,615,262)

Change in Net Position of Governmental Activities as Reported on the Statement of Activities

\$ 22,395,581

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Pension and Retiree Health Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 6,132,570
Investments	224,849,428
Contribution Receivable	3,000,000
Due from General Fund	23,669
Total Assets	234,005,667
 NET POSITION	
Held in Trust for Retiree Health/Pension Benefits	\$ 234,005,667

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

	<u>Pension and Retiree Health Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 25,026,886
Plan Members	<u>1,608,158</u>
Total Contributions	26,635,044
Investment Earnings:	
Interest and Dividends	3,483,759
Net Decrease in Fair Value of Investments	<u>18,704,028</u>
Total Investment Earnings	22,187,787
Less Investment Expense	<u>277,150</u>
Net Investment Gain (Loss)	<u>21,910,637</u>
Total Additions	48,545,681
DEDUCTIONS	
Benefits Paid to Members	21,497,168
Administrative Expenses	<u>270,708</u>
Total Deductions	<u>21,767,876</u>
CHANGE IN NET POSITION	26,777,805
Net Position - Beginning of Year	<u>207,227,862</u>
NET POSITION - END OF YEAR	<u><u>\$ 234,005,667</u></u>

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education of Charles County, Maryland (the Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Board of Education of Charles County, Maryland is a component unit of the County Commissioners of Charles County, Maryland (the County). The Board's financial statements are an integral part of the financial statements of The County Commissioners of Charles County, Maryland. This conclusion has been reached based on the following criteria: (1) The County Commissioners are responsible for approving the Board's budget and establishing spending limitations; (2) The County Commissioners are responsible for levying taxes and collecting and distributing the funds to the Board; (3) The Board cannot issue bonded debt, but the County can and does issue bonds to finance Board capital projects.

All amounts appearing in the basic financial statements and the tabular presentations within the notes to the financial statements are stated in U.S. dollars.

The following is a summary of the more significant accounting policies of the Board.

Reporting Entity

The main criterion used in determining the entity for financial reporting purposes is whether the Board is financially accountable for any governmental department, agency, institution, commission, public authority, or other organization. As part of that criterion, the following factors were considered:

- Financial benefit or burden
- Appoints a voting majority of the component unit board
- Designation of management
- Ability to impose its will
- Fiscally dependent

Based on these factors, no other organizations exist that should have been included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Board.

The Statement of Activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct *expenses* are those that are clearly identifiable with a specific program. *Program revenues* include: 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Revenues and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues are recognized in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus but use accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Federal and state reimbursement-type grant revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. The Board considers all nonreimbursement-type revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and workers’ compensation. Liabilities for compensated absences and workers’ compensation are recognized as fund liabilities and expenditures when amounts are due and payable. State aid is recorded at the time of receipt or earlier, if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Special revenue (food services) fund revenue includes the value of commodities donated by the United States Department of Agriculture which were received during the fiscal year. Expenditures include the value of commodities consumed during the fiscal year.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Board reports the following funds:

General Fund

The General Fund is the Board's primary operating fund. It accounts for all financial resources of the Board, except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific purposes. The Board has the following Special Revenue Fund: the Restricted Programs Fund which consists of individual funds for state, local, and federal grants restricted for specific purposes and the Food Service Fund.

Capital Projects Funds

The Capital Improvement Program Fund and the School Construction Fund are used to account for the acquisition or construction of major capital facilities, significant repairs and maintenance, and the acquisition of equipment. These funds are considered to be sub-funds established for capital projects and are considered as one major fund for purposes of presentation in the fund financial statements.

Fiduciary Fund

This represents trust funds which are used to account for assets held by the Board in a trust or agency capacity. These include:

- a. Pension Trust Fund – The Pension Trust Fund is used to account for activities of the Board's administered retirement system.
- b. Retiree Health Trust Fund – This fund was established to record other postemployment benefits (OPEB) that the Board provides to retirees and their dependents of Charles County Public Schools.

Budgets and Budgetary Accounting

The following procedures are used by the Board in establishing the budgetary data reflected in the financial statements:

1. Subsequent to March, the Board submits to Charles County Commissioners a proposed operating budget for the fiscal year starting the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The approved budget is returned to the Board by the County Commissioners prior to June 30.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

3. Legal budgetary control is employed for the General Fund only. The Capital Projects budget and the Special Revenue — Restricted Program are prepared on a project length basis and program basis, respectively, and accordingly, annual budgetary comparisons are not presented in the financial statements. The Special Revenue — Food Service Fund budget is adopted by the Board for management purposes only, and is not subject to and under the control of the Charles County Commissioners. Accordingly, budgetary comparisons are not presented as required supplementary information, but are shown as other supplementary information.
4. Budgets are prepared and adopted on a budgetary basis which differs from GAAP due to the inclusion of encumbrances as expenditures and the usage of budget surplus as a revenue source to balance the budget.
5. The Board may transfer funds between major categories with approval by the County Commissioners. The Board has the authority to transfer funds between objects (i.e., salaries and wages, contracted services, supplies and materials) within the major categories, but must notify the County of such action. In accordance with Education Article 5-105 of the Annotated Code of Maryland, the Board may not exceed the appropriation by category without transfer and approval by the County.
6. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

The budgeted amounts reflected in the accompanying financial statements reflects budget transfers made within budget categories during the year, all of which were properly reported and/or approved, as applicable.

Inventories

Inventories are valued at the lower of cost or market. Cost for supplies inventory is determined using the weighted average method, while cost for food service inventory is determined using the first-in, first-out method. Inventory in the General and Special Revenue Funds consist of expendable supplies held for consumption and certain school equipment not placed in service as of year-end. The cost is recorded as an expenditure item at the time the individual inventory items are used rather than when purchased (consumption method). In the fund financial statements, these inventories are classified as nonspendable which indicates that they do not constitute available expendable resources.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to/from Other Funds

Interfund balances result from transactions that constitute reimbursements to a fund, typically the General Fund, for expenditures initially made from it that are applicable to another fund. These amounts are eliminated in the government-wide statement of net position.

Compensated Absence

Employees earn annual leave at the rate of 16 to 25 days per year, depending upon the length of service and the position held by the employee. There is no requirement that annual leave be taken, but the maximum permissible accumulation is 76 days. Upon retirement, classified employees are paid for any accumulated annual leave not to exceed 60 days at the employee's current wage rate. Upon termination for any reason other than retirement, classified employees are paid for any accumulated annual leave not to exceed 30 days at the employee's current wage rate. Upon termination, professional employees, other than 10- and 11-month employees such as teachers, librarians, counselors, and speech therapists, are paid for all accrued, but unused annual leave.

Employees earn sick leave at the rate of one day per month of employment, for ten- and eleven-month professional employees. There is no limit on the accumulation of sick leave. At termination, employees are not paid for accumulated sick leave unless they retire with 10 years of service in Charles County. The rate of sick leave reimbursement is a maximum of \$100 per day, for no more than 100 days of sick leave for certificated and \$100 per day, for no more than 100 days of sick leave for noncertificated employees.

The entire compensated absence liability is reported on the government-wide financial statements. For the governmental fund financial statements, the amount of accumulated vacation and sick leave is only recorded if the amounts are payable due to resignations or retirements.

Unearned Revenue

Revenues received before being earned are recorded as unearned revenue. The unearned revenue in the General Fund consists of tuition payments received in advance of summer school. The unearned revenues recorded in the Special Revenue Funds represent funds and commodities received in excess of expenditures incurred in connection with the federal financial assistance programs.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Equity

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Unrestricted Net Position – This category presents the net position of the Board, not restricted for any purpose.

Governmental fund balance amounts are reported within one of the fund balance categories listed below.

Nonspendable – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid expenses.

Restricted – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action (Board resolution) of the Board of Education Directors (the Board's highest level of decision-making authority). Similar action of the Board is required to modify or rescind such commitments.

Assigned – Includes fund balance amounts that are intended to be used by the Board for specific purposes as determined by the Chief Financial Officer. The authority to assign funds has been granted to the Chief Financial Officer by the Board of Education Directors. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.

Unassigned – Represents the residual classification for the Board's general fund and includes all spendable amounts not contained in the four classifications described above.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Order of Net position/Fund Balance Spending Policy

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Deposits and Investments

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, including investments in the Maryland Local Government Investment Pool (MLGIP).

Investments are reported at fair value with the exception of MLGIP. Changes in the fair value of investments are recorded in investment income. The MLGIP's value is reported at amortized cost.

Capital Assets

Capital assets, which include land, land improvements, building, and furniture and equipment, are reported in the government-wide financial statements. The Board defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, land improvements, and furniture and equipment of the Board are depreciated using the straight-line method over the following estimated lives:

Buildings and Improvements	30 Years
Land Improvements	10 Years
Furniture and Equipment	5 to 10 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. The Board's long-term obligations include compensated absences, lease liabilities, subscription liabilities and other postemployment benefits obligations.

Pensions

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

Postemployment Benefits Other Than Pensions (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 Charles County and additions to/deductions from Trust's fiduciary net position have been determined on the same basis as they are reported by the Board. For this purpose, the Board recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

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

Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Board adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 CASH AND INVESTMENTS

Various cash accounts and short-term investments are held by the Board. The Board has engaged an independent third party as custodian for securities collateralizing repurchase agreements.

Deposits

At year-end, the carrying amount of the Board's combined deposits was \$28,477,268 and the bank balance was \$32,147,259. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

Investments

The Board of Education is required to comply with the investment policy of Charles County Government. This policy authorizes the Board to invest in short-term United States Government securities, repurchase agreements, the Maryland Local Government Investment Pool, and certificate of deposits.

The Pension and Retiree Health Trust Funds are authorized to invest in repurchase agreements, domestic and foreign equities, obligations of the United States and its agencies, securities issued or guaranteed by a foreign government or corporation, marketable corporate bonds, collateralized obligations, commercial paper, bankers' acceptances, certificates of deposit, commercial paper, money market funds, mutual funds, guaranteed insurance contracts, limited partnerships, venture-capital investments, and real estate investments.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Retiree Health Trust investments are invested in the Maryland Association of Board of Education Pooled OPEB Trust (MABE Trust). The MABE Trust is administered by the Maryland Association of Board of Education and is a wholly owned instrumentality of its members. The nine members who are the sole contributors to the MABE Trust are the boards of education of the following counties in Maryland: Allegany (including Fiduciary Fund), Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

The assets of the MABE Trust are managed by GYL Financial Synergies, LLC and consist of money market funds, U.S. government securities, fixed income securities, mortgage-backed securities, equity securities, mutual funds, and certificates of deposits. At June 30, 2023, the pooled assets of the MABE Trust were valued at \$616,542,806 in total, of which the Board's share was \$97,087,270.

The Board is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP as part of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Institutional Investments. The pool is a 2a7 like pool, which is not registered with the Securities & Exchange Commission (SEC), but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). The pool has an AAAM rating from Standards and Poors and maintains a \$1.00 per share value. The pool is designed to give local government units of the state an investment vehicle for short-term investments of funds. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The amortized cost of the pool is the same as the value of the pool shares.

A summary of cash and investments at June 30, 2023 is as follows:

	Total Governmental Funds	Total Fiduciary Funds	Total	Weighted Average Maturity in Years
Cash on Hand	\$ 2,205	\$ 995,802	\$ 998,007	N/A
Deposits	28,477,271	-	28,477,271	N/A
Money Market Mutual Funds	8,684,180	5,136,767	13,820,947	N/A
MLGIP	65,409,893	-	65,409,893	N/A
MABE Trust	-	97,087,267	97,087,267	5.27 %
U.S. Government and Agencies	-	12,012,799	12,012,799	8.59 %
Corporate Bonds	-	17,752,310	17,752,310	8.42 %
Equity Mutual Funds	-	47,441,024	47,441,024	N/A
Fixed Income Mutual Funds	-	15,719,410	15,719,410	N/A
Common Stocks	-	25,381,100	25,381,100	N/A
Fixed Income Nonprofit	-	94,067	94,067	4.18 %
Partnerships	-	3,973,424	3,973,424	N/A
Foreign Bonds	-	1,602,513	1,602,513	6.21 %
Mortgage-Backed Securities	-	3,477,707	3,477,707	24.83 %
Municipal Obligations	-	307,808	307,808	7.01 %
Total	<u>\$ 102,573,549</u>	<u>\$ 230,981,998</u>	<u>\$ 333,555,547</u>	

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The following tables summarize the ratings and maturity for fixed income investments held at June 30, 2023:

	S&P Ratings											
	AAA	AA+	AA	AA-	A+	A	A-	BB+	BBB+	BBB	BBB-	Unrated
U.S. Government and Agencies	\$ -	\$ 12,012,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	636,664	368,653	27,345	407,059	1,838,907	3,690,787	169,899	4,568,743	3,679,978	2,145,718	218,557
Fixed Income - Nonprofit	-	-	-	-	-	94,067	-	-	-	-	-	-
Foreign Bonds	-	-	-	-	213,504	19,128	145,990	-	288,087	616,620	319,184	-
Mortgage-Backed Securities	442,903	-	-	-	-	-	-	-	-	35,013	-	2,999,791
Municipal Obligations	-	-	169,496	138,312	-	-	-	-	-	-	-	-
Grand Total	<u>\$ 442,903</u>	<u>\$ 12,649,463</u>	<u>\$ 538,149</u>	<u>\$ 165,657</u>	<u>\$ 620,563</u>	<u>\$ 1,952,102</u>	<u>\$ 3,836,777</u>	<u>\$ 169,899</u>	<u>\$ 4,856,830</u>	<u>\$ 4,331,611</u>	<u>\$ 2,464,902</u>	<u>\$ 3,218,348</u>

	FMV	Less than 1	1-5 Years	6-10 Years	11-15 Years	16-20 Years	20+ Years
U.S. Government and Agencies	\$ 12,012,799	\$ -	\$ 1,983,355	\$ 3,822,686	\$ -	\$ 48,750	\$ 6,158,008
Corporate Bonds	17,752,310	2,086,539	2,052,132	2,957,526	1,179,051	1,067,123	8,409,939
Fixed Income - Nonprofit	94,067	-	94,067	-	-	-	-
Foreign Bonds	1,602,513	293,224	-	415,172	-	171,917	722,200
Mortgage-Backed Securities	3,477,707	149,334	54,576	-	259,707	469,704	2,544,386
Municipal Obligations	307,808	169,496	-	-	-	-	138,312
Grand Total	<u>\$ 35,247,204</u>	<u>\$ 2,698,593</u>	<u>\$ 4,184,130</u>	<u>\$ 7,195,384</u>	<u>\$ 1,438,758</u>	<u>\$ 1,757,494</u>	<u>\$ 17,972,845</u>

Interest Rate Risk

Fair value fluctuates with interest rates and increasing rates could cause fair value to decline below original cost. To limit the Board's exposure to fair value losses arising from increasing interest rates, the Board's investment policy limits the term of investment maturities, other than the Fiduciary Funds' investments, to overnight repurchase agreements and requires that collateral securities underlying the repurchase agreements have a market value equal to the cost of the agreement.

Interest income is reported as general revenue in the Statement of Activities.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. In this regard, the Board limits its investments, other than Fiduciary Funds' investments, to overnight deposits that are insured or collateralized with securities held by a custodial in the Board's name and investments in the MLGIP. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized and authorize the Board to invest in obligations of the United States government, federal agency obligations, and repurchase agreements secured by direct government or agency obligations. For fiduciary funds, investment policy requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentrations of Credit Risk

The investment policy of the Pension Plan limits the exposure of debt securities of any one private corporation to no more than 5% of the cost value of assets within the portfolio. There were no debt security investments in any one private corporation over this limit as of June 30, 2023.

Foreign Credit Risk

The Board, the Board of Education of Charles County Defined Benefit Pension Plan, and the Retiree Health Trust (The Plans)'s investment policies do not allow for investments denominated in foreign currencies. The Board and the Plans do not hold such investments.

Investments and Valuation

The Board, the Board of Education of Charles County Defined Benefit Pension Plan, and the Retiree Health Trust (The Plans) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

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

Interest in MABE Trust – the MABE Trust is a Common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. Underlying assets in these funds include money market funds, U.S. government securities, fixed income securities, asset backed securities, equity securities, mutual funds and exchange traded funds and are valued at fair value based on quoted prices for similar assets in active markets. The Board may terminate its membership in the Trust and withdraw its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments and Valuation (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Board and the Plan had the following recurring fair value measurements as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance June 30, 2023</u>
Investments by Fair Value Level:				
Debt Securities:				
Corporate Bonds	\$ -	\$ 17,752,310	\$ -	\$ 17,752,310
Mortgage-Backed Obligations	-	3,477,707	-	3,477,707
Municipal Bonds	-	307,808	-	307,808
Foreign Bonds	-	1,602,513	-	1,602,513
U.S. Government and Agencies	-	12,012,799	-	12,012,799
Total Debt Securities	<u>-</u>	<u>35,153,137</u>	<u>-</u>	<u>35,153,137</u>
Equity Securities:				
Common Stocks	25,381,100	-	-	25,381,100
Fixed Mutual Funds	15,719,410	-	-	15,719,410
Fixed Income - Nonprofit	94,067	-	-	94,067
Partnerships	3,973,424	-	-	3,973,424
Equity Mutual Funds	47,441,024	-	-	47,441,024
Total Equity Securities	<u>92,609,025</u>	<u>-</u>	<u>-</u>	<u>92,609,025</u>
MABE OPEB Trust	-	97,087,267	-	97,087,267
Total	<u>\$ 92,609,025</u>	<u>\$ 132,240,404</u>	<u>\$ -</u>	<u>224,849,429</u>
Cash and Investments carried at NAV or Amortized Cost:				
Cash on Hand				998,007
Deposits				28,477,271
Money Market Mutual Funds				13,820,947
MLGIP				65,409,893
Total Cash and Investments at Amortized Cost				<u>108,706,118</u>
Total Cash and Investments				<u>\$ 333,555,547</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CAPITAL ASSETS

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

	Balance at June 30, 2022	Increases	Decreases	Balance at June 30, 2023
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 19,414,134	\$ 1,276,600	\$ -	\$ 20,690,734
Construction-in-Progress	52,761,690	47,595,465	(5,107,992)	95,249,163
Total Capital Assets, Not Being Depreciated	72,175,824	48,872,065	(5,107,992)	115,939,897
Capital Assets Being Depreciated:				
Buildings and Improvements	698,005,529	20,684,161	(1,226,260)	717,463,430
Land Improvements	28,495,928	2,593,229	(62,000)	31,027,157
Furniture and Equipment	31,617,486	3,647,614	(1,509,806)	33,755,294
Total Capital Assets Being Depreciated	758,118,943	26,925,004	(2,798,066)	782,245,881
Less: Accumulated Depreciation:				
Buildings and Improvements	(354,068,904)	(18,680,597)	569,971	(372,179,530)
Land Improvements	(17,692,393)	(2,011,197)	62,000	(19,641,590)
Furniture and Equipment	(26,944,671)	(1,383,345)	1,466,764	(26,861,252)
Total Accumulated Depreciation	(398,705,968)	(22,075,139)	2,098,735	(418,682,372)
Total Capital Assets, Being Depreciated, Net	359,412,975	4,849,865	(699,331)	363,563,509
Right-to-Use Assets:				
Equipment	1,464,272	41,864	(51,274)	1,454,862
Total Amortized Lease Right-to-Use Assets	1,464,272	41,864	(51,274)	1,454,862
Less: Lease Asset Accumulated Amortization:				
Equipment	(578,118)	(565,579)	51,274	(1,092,423)
Total Lease Asset Accumulated Amortization	(578,118)	(565,579)	51,274	(1,092,423)
Total Lease Assets, Being Amortized, Net	886,154	(523,715)	-	362,439
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	-	7,621,329	-	7,621,329
Less Accumulated Amortization: Subscription Based Information Technology Arrangements				
	-	(1,647,718)	-	(1,647,718)
Total Subscription Based Information Technology Arrangement Assets, Net	-	5,973,611	-	5,973,611
Capital Assets, Net	<u>\$ 432,474,953</u>	<u>\$ 59,171,826</u>	<u>\$ (5,807,323)</u>	<u>\$ 485,839,456</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation/ Amortization expense was charged to functions of the Board as follows:

Governmental Activities:	
Regular Education	\$ 99,043
Special Education	6,186
Supporting Services:	
Pupil Services	-
Administration	214,916
Instructional Support	7,112
Operation and Maintenance of Facilities	3,652,860
Transportation	307,121
Community Services	1,942
School Lunch Services	43,301
Planning and Construction	1,778,698
Unallocated	<u>18,177,257</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 24,288,436</u></u>

The Board has active school construction projects at June 30, 2023 as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Benjamin Stoddert Middle Renovation/Feasibility Study	\$ 49,835,859	\$ 3,378,669
T.C. Martin E.S. Reno & Study	\$ 16,636,382	\$ 8,551,195
Other Projects	<u>28,776,922</u>	<u>48,146,189</u>
Total	<u><u>\$ 95,249,163</u></u>	<u><u>\$ 60,076,053</u></u>

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION

Plan Description

Certain Board employees are covered by the Teachers Retirement System of the State of Maryland, the Teachers' Pension System of the State of Maryland. These systems are part of the Maryland State Retirement and Pension System (the State System) and is a cost-sharing multiple-employer public employee retirement system. The State System provides pension, death, and disability benefits to Plan members and beneficiaries. The state of Maryland pays a substantial portion of employer contributions on behalf of the Board. The Plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a 15-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, or by calling 410-625-5555. The System also issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

Benefits Provided

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

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

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

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

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

Contributions

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

Beginning in FY2017, the Board pays 100% of the normal cost for their teachers in the Teachers' Retirement and Pension System while the state contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System. For the year ended June 30, 2023, the Board's contribution was \$10,402,956. The state's contributions on behalf of the Board for the year ended June 30, 2023 was \$20,213,994. The fiscal 2023 contribution made by the state on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying statement of revenues, expenditures, and changes in fund balances and are also included as revenues and expenses in the statement of activities.

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

At June 30, 2023, the Board did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The state of Maryland pays the unfunded liability for the Board; therefore, the Board is not required to record its share of the unfunded pension liability, but instead, that liability is recorded by the state of Maryland. The amount recognized by 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:

State's Proportionate Share of the Net Pension Liability	\$ 196,732,828
Board's Proportionate Share of the Net Pension Liability	-
Total	\$ 196,732,828

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.

For the year ended June 30, 2023, the Board recognized pension expense of \$20,213,994 and revenue of \$30,978,250 in the General Fund for support provided by the state and Board. In the statement of activities, the Board recognized pension expense of \$28,136,195 and revenue of \$28,136,195 for support provided by the state and Board. Due to the special funding situation noted above related to the Teachers' Retirement and Pension Systems, the Board did not report deferred outflows of resources and deferred inflows of resources related to the Teachers' Retirement and Pension Systems.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

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:

Inflation	2.25% General, 2.75% Wage
Salary Increases	2.75% to 11.25%
Investment Rate of Return	6.8%

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

The economic and demographic actuarial assumptions used in the June 30, 2022 valuation were adopted by the System’s Board of Trustees based upon review of the System’s experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.75% were used in the June 30, 2022 valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	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>	

The above was the System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2022.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 RETIREMENT SYSTEM — STATE OF MARYLAND DESCRIPTION (CONTINUED)

Actuarial Assumptions (Continued)

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was -2.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The single discount rate used to measure the total pension liability was 6.80%. This 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 plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

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

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The Board of Education of Charles County Defined Benefit Pension Plan (the Plan) is a single employer public employee retirement system which was established for the benefit of employees not covered by the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland (the Systems). The Plan was created under authorization of the Board effective July 1, 1969. The Plan provides pension income based on average pay and years of service.

The statement of plan assets and statement of changes in plan net position are prepared on the accrual basis of accounting, with contributions recognized when due. Benefits and expenses are recognized when due and payable. Investments are reported at fair value.

Securities traded on a national or international exchange are valued at the latest reported sales price at current exchange rates.

The Plan is administered by Reliance Trust. Investments are managed by various market fund managers and an internal investment committee which includes an outside investment consultant.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Plan Administration

Management of the Plan is overseen by a Pension Committee under Section XI of the Plan Document. Per the Plan Document, The Pension Committee is composed of not less than three individuals appointed by the Superintendent of Schools to serve for such time as determined by the Superintendent. The Pension Committee has the discretion and authority to interpret the Plan and to determine the eligibility and benefits of Participants and beneficiaries pursuant to the provisions of the Plan. On all such matters, the decision of a majority of the then members of the Pension Committee shall govern and be binding upon the Employer, Participants, and beneficiaries. The Pension Committee need not call or hold any meeting for the purpose of rendering decisions, but such decisions may be evidenced by a written document signed by the members.

Investment Policy

The Pension Committee is responsible for administering the investment policies of the Plan and providing oversight for the management of the Plan's assets. The investment strategy of the Plan is to emphasize total return (defined as the aggregate return from capital appreciation and dividend and interest income). The investment policy requires that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price. The following was the Plan's adopted asset allocation policy as of June 30, 2023:

Asset Class	Minimum	Maximum	Target
Equities	30 %	70 %	56 %
Fixed Income	30	80	41
Cash and Equivalents	-	15	3

Concentrations

The Pension plan held the following investments as of June 30, 2023 that exceeded 5% of the pension plan's fiduciary net position:

Investment	Percentage of Pension Fiduciary Net Position	Fair Market Value
Vanguard developed markets index fund	14.28 %	\$ 19,121,031
Invesco Developing Markets R6	7.76	10,392,477
ishares core S&P mid-cap etf	5.96	7,975,359

Rate of Return on Investments

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, for fiscal year 2023 was 11.73 %. The money-weighted rate of return expresses investment performance, net of expenses, adjusted for the changing amounts actually invested.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided

All employees not covered by the State System who work at least four hours per day and at least 10 months per year must join the Plan as a condition of employment. Participants are required to contribute 5% of their gross earnings to the Plan. Participants are eligible for full benefits upon retirement at age 60, the normal retirement date or age 55, the early retirement date. Full benefits in the Plan are defined as 1.5% of the Average Monthly Earnings multiplied by the years of continuous service through July 1, 1998, plus 2.0% of the Average Monthly Earnings multiplied by the years of continuous service after July 1, 1998 prior to the normal retirement date.

Employees Covered by Benefit Terms

At July 1, 2022, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Receiving Benefits	358
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	416
Active Plan Members	573
Total	<u><u>1,347</u></u>

Contributions

Per Section VII of the Plan agreement, the Board establishes contribution amounts based on an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount necessary to pay all of the Plan cost (in excess of Participant contributions) that the actuary determines to be necessary to maintain the Plan as a qualified plan under the Internal Revenue Code and Regulations. For the year ended June 30, 2023, the average active employee contribution rate was 5.0% of annual pay. For fiscal year 2023, the Board contributed \$3,441,425 to the Plan while participants contributed \$1,608,158. These contributions amounted to approximately 19.50% of covered payroll.

Net Pension Liability

The net pension asset of the Plan was measured as of June 30, 2023, and the net pension asset was determined by an actuarial valuation as of that date.

Total Pension Liability	\$ 146,267,531
Plan Fiduciary net Position	<u>(133,894,731)</u>
Net Pension Liability	<u><u>\$ 12,372,800</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.54 %
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**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Actuarial Assumptions

Method and assumptions used to determine Net Pension Liability were as follows:

Valuation Date	July 1, 2022, rolled forward to June 30, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Period	20 Years
Asset Valuation Method	Market Value of Assets
Investment Rate of Return	6.50% per year compounded annual, net of investment expenses
Projected Salary Increases	Years of service based 0.50-7.00%
Cost-of-Living Adjustments	2.50% limited to 150% of original benefit
General Inflation	2.40% per year
Retirement	Experience-based table of rates
Mortality Rate	Pub-2010(B) Public Retirement Plans Below Median Income Amount-Weighted Mortality Tables (for General Employees) projected to valuation date with Scale MP-2021
Experience Studies	The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features, such as full eligibility for full and early retirement, where applicable, and input from the plan sponsor. A full actuarial experience study was done in 2016 using data from 2004-2016.

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 arithmetic real rate of return for each major asset class included in the pension plan's target asset allocation of June 30, 2023.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	18.00 %	5.70 %
U.S. Mid Cap	6.00	6.36
U.S. Small Cap	6.00	7.02
Non-U.S. Developed Large Cap Equity	14.50	6.85
Emerging Markets Equity	8.00	8.89
Real Estate - REITS	3.50	6.03
MLPs	3.50	6.73
Diversified Hedge Funds	3.00	3.90
U.S. Aggregate Fixed Income	27.50	1.91
Multi-Asset Credit	5.00	4.12
U.S. High Yield Fixed Income	4.00	4.37
U.S. Cash	1.00	0.74

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flow to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from the Board will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances - June 30, 2022	\$ 140,591,984	\$ 121,592,129	\$ 18,999,855
Changes for the Year:			
Service Cost	3,884,003	-	3,884,003
Interest	9,169,845	-	9,169,845
Differences Between Expected and Actual Experience	(466,596)	-	(466,596)
Changes of Assumptions	-	-	-
Contributions - Employer	-	3,441,425	(3,441,425)
Contributions - Member	-	1,608,158	(1,608,158)
Net Investment Income	-	14,164,724	(14,164,724)
Benefit Payments, Including Refunds of Members Contributions	(6,911,705)	(6,911,705)	-
Net Changes	<u>5,675,547</u>	<u>12,302,602</u>	<u>(6,627,055)</u>
Balances - June 30, 2023	<u>\$ 146,267,531</u>	<u>\$ 133,894,731</u>	<u>\$ 12,372,800</u>

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Board calculated using the discount rate of 5.50%, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%), or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 30,024,892	\$ 12,372,800	\$ (2,413,711)

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN — DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended June 30, 2023, the Board recognized pension expense of \$5,455,485. As of June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,956,778
Changes in Assumptions	-	83,615
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,011,136	-
Total	\$ 5,011,136	\$ 2,040,393

Amounts reported as deferred outflows of resources and deferred inflows of resources relates to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 1,056,658
2025	91,648
2026	3,974,833
2027	(1,570,449)
2028	(306,287)
Thereafter	(275,660)
Total	\$ 2,970,743

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Board provides medical, dental, and life insurance benefits to eligible employees who retire from employment with the Charles County Public Board. The employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget. Details of the postemployment benefits provided are as follows:

Plan Administration

Charles County Public Schools administers the Charles County Public Schools Post-Employment Medical and Life Insurance Benefits Plan a single- employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees with at least 10 years of service with Charles County Public Schools.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Plan Administration (Continued)

The School System administers the Charles County Public Schools Post-Employment Medical and Life Insurance Benefits Plan (the Plan), a single-employer defined benefit health care plan. In May 2008, the School System created the Retiree Benefit Trust of the Board of Education of Charles County (the Trust Fund) in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. Management of the Trust is vested in the School System Board. The Trust Fund was amended in July 2016.

Plan Membership

At June 30, 2022, the Plan membership consisted of the following:

Enrolled In Medical/Drug Coverage	
Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	967
Inactive Plan Members Entitled to But Not Yet	
Receiving Benefit Payments	220
Active Plan Member	2,581
Total	3,768
Enrolled In Life Coverage	
Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	1,010
Inactive Plan Members Entitled to But Not Yet	
Receiving Benefit Payments	196
Active Plan Member	1,964
Total	3,170

Benefits Provided

The Plan provides health and welfare coverage for retirees who have satisfied certain age, service and other requirements set forth in the Plan. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Plan grants the Board the authority to establish and amend the benefit terms.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Funding Policy and Contribution

The contribution requirements of Plan members and the School System are established and may be amended by the School System. The required contribution is based on projected pay-as-you-go (PAYGO) financing requirements, with an additional amount to prefund benefits as determined annually by the School System. For fiscal year 2022, the School System contributed \$4.2 million to the OPEB Trust Fund. In addition, it paid \$13.1 million towards retiree health care costs, including administrative costs. Retirees contributed an additional \$3 million.

Medical and Dental Benefits – Retirees are eligible for continued membership in one of the Board’s group medical and dental plans provided that they have at least 10 years of service with the Charles County Public Schools. The Board pays 75% of the premiums for these Plans.

Life Insurance Benefits – The Board pays 75% of the life insurance premiums for retirees with at least 10 years of service. The amount of insurance coverage is based on the employees’ annual salary upon retirement.

Investment Policy

The Trust does not have a formal investment policy.

Concentration

The entire portfolio of investments of the Trust is invested in the MABE Pooled OPEB Trust.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (22.40)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The Board’s net OPEB Liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability of the Plan at June 30, 2022 were as follows:

Total OPEB Liability	\$ 609,900,459
Plan Fiduciary Net Position	<u>(85,635,732)</u>
Board's Net OPEB Liability	<u><u>\$ 524,264,727</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.04 %
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**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability is based on June 30, 2022 valuation. The methods, assumptions, and participant data used are detailed below:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of Assets
Inflation	2.5%
Salary Increases	Years of service based 5.00%-10.00%
Investment Rate of Return	7.5% per year compounded annually
Healthcare Cost Trend Rates:	
Medical	4.7% initial / 4.5% ultimate (not applicable to life insurance)
Dental	5.0% per year

Mortality rates were based on the Pub-2010 Teacher Headcount- Weighted Mortality, Projected with Fully Generational MP2019 Mortality Improvement Scale.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	19.00 %	7.44 %
U.S. Mid Cap	6.50 %	8.10 %
U.S. Small Cap	6.50 %	8.76 %
International Developed Equities	15.00 %	8.62 %
International Emerging Market Equities	8.00 %	10.71 %
U.S. Real Estate	5.00 %	7.90 %
U.S. Investment Grade Bonds	28.50 %	3.17 %
U.S. High Yield Bonds	5.00 %	5.19 %
Emerging Market Bonds	3.50 %	5.54 %
Cash	3.00 %	2.49 %

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.01%. This calculation assumes that the members and the Schools will contribute pay-go rather than the required actuarially determined contributions. Based on that assumption, the Plan's fiduciary net position is expected to run out of assets in the year 2048, therefore having insufficient assets available to make all future benefit payments of current Plan members. A blended discount rate is determined based on the fully funded rate of 7.50% when assets are available prior to 2048, and the unfunded rate of 1.92% for 2048 and beyond. The long-term nominal expected rate of return on OPEB Plan investments was determined using a building-block method where return expectations are established for each asset class.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances - June 30, 2021	\$ 763,147,130	\$ 93,986,427	\$ 669,160,703
Changes for the Year:			
Service Cost	36,015,892	-	36,015,892
Interest	19,964,531	-	19,964,531
Experience Losses (Gains)	6,238,539	-	6,238,539
Trust Contributions - Employer	-	17,304,523	(17,304,523)
Net Investment Loss	-	(12,281,455)	12,281,455
Changes in Assumptions	(202,091,870)	-	(202,091,870)
Benefit Payments	(13,373,763)	(13,373,763)	-
Net Changes	<u>(153,246,671)</u>	<u>(8,350,695)</u>	<u>(144,895,976)</u>
Balances - June 30, 2022	<u>\$ 609,900,459</u>	<u>\$ 85,635,732</u>	<u>\$ 524,264,727</u>

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.01%) or 1-percentage-point higher (5.01%) than the current discount rate:

	1% Decrease (3.01%)	Discount Rate (4.01%)	1% Increase (5.01%)
Net OPEB Liability	\$ 641,107,483	\$ 524,264,727	\$ 432,034,324

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.94%) or 1-percentage-point higher (4.94%) than the current healthcare cost trend rates:

	1% Decrease (2.94%)	Healthcare Cost Trend Rates (3.94%)	1% Increase (4.94%)
Net OPEB Liability	\$ 429,058,251	\$ 524,264,727	\$ 649,840,303

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

For the year ended June 30, 2023, the Board recognized OPEB expense of \$31,837,853. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience Changes in Assumptions	\$ 39,112,153	\$ 73,730,895
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	167,357,189	256,565,719
Employer Contributions Subsequent to Measurement Date	8,581,611	-
	20,363,910	-
Total	\$ 235,414,863	\$ 330,296,614

Employee contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (18,451,862)
2025	(18,508,074)
2026	(19,155,110)
2027	(16,755,267)
2028	(20,362,986)
Thereafter	(22,012,362)
Total	\$ (115,245,661)

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

GASB 74 Information

Plan Membership

At June 30, 2023, the Plan membership consisted of the following:

<u>Enrolled in Medical/Drug Coverage</u>	
Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	967
Inactive Plan Members Entitled to But Not Yet	
Receiving Benefit Payments	220
Active Plan Member	2,581
Total	3,768
<u>Enrolled in Life Coverage</u>	
Inactive Plan Members or Beneficiaries Currently	
Receiving Benefit Payments	1,010
Inactive Plan Members Entitled to But Not Yet	
Receiving Benefit Payments	196
Active Plan Member	1,964
Total	3,170

Funding Policy and Contribution

The contribution requirements of Plan members and the School System are established and may be amended by the School System. The required contribution is based on projected pay-as-you-go (PAYGO) financing requirements, with an additional amount to prefund benefits as determined annually by the School System. For fiscal year 2023, the School System contributed \$7 million to the OPEB Trust Fund. In addition, it paid \$14.6 million towards retiree health care costs, including administrative costs. Retirees contributed an additional \$3.1 million.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Net OPEB Liability of the Plan

The components of the net OPEB liability of the Plan at June 30, 2023 were as follows:

Total OPEB Liability	\$ 623,455,629
Plan Fiduciary Net Position	<u>(100,110,936)</u>
Board's Net OPEB Liability	<u>\$ 523,344,693</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	16.06 %
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Actuarial Methods and Assumptions

The total OPEB liability is based on June 30, 2023 valuation data. The methods, assumptions, and participant data used are detailed below:

Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	Market value of Assets
Inflation	2.5%
Salary Increases	3.0%
Investment Rate of Return	7.5% per year compounded annually
Healthcare Cost Trend Rates:	
Medical	Trend for 2022 is 6%/Ultimate trend is 3.94%
Dental	5.0% per year

Mortality rates were based on the Pub-2010 Teacher Headcount-Weighted Mortality, Projected with Fully Generational MP2019 Mortality Improvement Scale.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	16.50 %	7.41 %
U.S. Mid Cap	6.00	7.99
U.S. Small Cap	7.50	8.74
International Developed Equities	15.00	8.49
U.S. Real Estate	4.00	10.66
U.S. Investment Grade Bonds	35.00	7.78
U.S. High Yield Bonds	5.00	3.97
Emerging Market Bonds	8.00	6.28
Cash	3.00	2.83

Discount Rate

The discount rate used to measure the total OPEB liability was 4.19%. This calculation assumes that the members and the Schools will contribute pay-go rather than the required actuarially determined contributions. Based on that assumption, the Plan's fiduciary net position is expected to run out of assets in the year 2049, therefore having insufficient assets available to make all future benefit payments of current Plan members. A blended discount rate is determined based on the fully funded rate of 6.00% when assets are available prior to 2049, and the unfunded rate of 3.86% for 2049 and beyond. The long-term nominal expected rate of return on OPEB Plan investments was determined using a building-block method where return expectations are established for each asset class.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Discount Rate (Continued)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances - June 30, 2022	\$ 609,900,459	\$ 85,635,732	\$ 524,264,727
Changes for the Year:			
Service Cost	23,513,712	-	23,513,712
Interest	24,154,995	-	24,154,995
Experience Losses (Gains)	(206,841)	-	(206,841)
Trust Contributions - Employer	-	21,585,461	(21,585,461)
Net Investment Income (Loss)	-	7,745,914	(7,745,914)
Changes in Assumptions	(19,050,525)	-	(19,050,525)
Benefit Payments	(14,856,171)	(14,856,171)	-
Administrative Expense	-	-	-
Net Changes	<u>13,555,170</u>	<u>14,475,204</u>	<u>(920,034)</u>
Balances - June 30, 2023	<u>\$ 623,455,629</u>	<u>\$ 100,110,936</u>	<u>\$ 523,344,693</u>

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.19%) or 1-percentage-point higher (5.19%) than the current discount rate:

	1% Decrease (3.19%)	Discount Rate (4.19%)	1% Increase (5.19%)
Net OPEB Liability	<u>\$ 640,250,706</u>	<u>\$ 523,344,693</u>	<u>\$ 430,768,499</u>

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.94%) or 1-percentage-point higher (4.94%) than the current healthcare cost trend rates:

	1% Decrease (2.94%)	Healthcare Cost Trend Rates (3.94%)	1% Increase (4.94%)
Net OPEB Liability	<u>\$ 423,147,236</u>	<u>\$ 523,344,693</u>	<u>\$ 655,679,559</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 TRUST FUNDS

The condensed financial statements of the Board's trust funds are as follows:

	Condensed Statement of Net Position		
	Retiree Health Trust Fund	Pension Trust Fund	Total
Assets			
Investments, Including Cash and Cash Equivalents	\$ 97,087,267	\$ 133,894,731	\$ 230,981,998
Other Assets	3,023,669	-	3,023,669
Total Assets	100,110,936	133,894,731	234,005,667
 Net Position - Held in Trust for Retiree Health/Pension Benefits	 \$ 100,110,936	 \$ 133,894,731	 \$ 234,005,667

	Condensed Statement of Net Position		
	Retiree Health Trust Fund	Pension Trust Fund	Total
Additions			
Contributions	\$ 21,585,461	\$ 5,049,583	\$ 26,635,044
Net Investment Gain (Loss)	7,745,913	14,164,724	21,910,637
Total Additions	29,331,374	19,214,307	48,545,681
Deductions			
Benefits Paid	14,585,462	6,911,706	21,497,168
Administrative Expenses	270,708	-	270,708
Total Deductions	14,856,170	6,911,706	21,767,876
 Change in Net Position	 14,475,204	 12,302,601	 26,777,805
 Net Position - Beginning of Year	 85,635,732	 121,592,130	 207,227,862
 Net Position - End Of Year	 \$ 100,110,936	 \$ 133,894,731	 \$ 234,005,667

NOTE 8 DEBT SERVICE

School Construction Debt

The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the county and state governments. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt in statements prepared in accordance with GAAP.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 INTERFUND ACCOUNTS

At June 30, 2023 the amounts due to and from other funds were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ -	\$ 502,757
Special Revenue - Food Service	5,870,096	-
Special Revenue - Restricted Program	-	113,178
Fiduciary Fund - Other Post Employment Benefits	23,669	-
Capital Projects	-	5,277,830
Total	<u>\$ 5,893,765</u>	<u>\$ 5,893,765</u>

NOTE 10 LONG-TERM LIABILITIES

The following is an analysis of the changes in long-term liabilities for the year ended June 30, 2023:

	Beginning Balance	Net Increase (Decrease)	Ending Balance	Amount Due Within One Year
Compensated Absences	\$ 11,217,611	\$ 375,996	\$ 11,593,607	\$ 1,059,909
Leases Liability	886,927	(522,859)	364,068	316,059
Subscriptions Liability	-	1,615,262	1,615,262	740,962
Total Long-Term Liabilities	<u>\$ 12,104,538</u>	<u>\$ 1,468,399</u>	<u>\$ 13,572,937</u>	<u>\$ 2,116,930</u>

For the governmental activities, compensated absences, lease liabilities, and subscription liabilities are generally liquidated by the General Fund.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 LEASES

Lessee

The Board is a lessee for noncancellable leases of equipment. The Board recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Board leases equipment for various terms under long-term, non-cancelable lease agreements, with interest rates ranging from 0.165% through 1.977%. The leases expire at various dates through 2027 and provide for renewal options.

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 316,059	\$ 1,867	\$ 317,926
2025	15,804	1,055	16,859
2026	15,252	670	15,922
2027	14,318	276	14,594
2028	2,635	17	2,652
Total Minimum Lease Payments	<u>\$ 364,068</u>	<u>\$ 3,885</u>	<u>\$ 367,953</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	<u>Governmental Activities</u>
Equipment	\$ 1,454,862
Less: Accumulated Amortization	<u>(1,092,423)</u>
Total	<u>\$ 362,439</u>

Lessor

The Board, acting as lessor, leases land under long-term, non-cancelable lease agreements, with interest rates ranging from 0.165% through 1.555%. The Board recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. The leases expire at various dates through 2054 and provide for renewal options. During the year ended June 30, 2023, the Board recognized \$225,683 and \$28,548 in lease revenue and interest revenue, respectively, pursuant to these contracts.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 LEASES (CONTINUED)

Lessor (Continued)

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 232,840	\$ 26,463	\$ 259,303
2025	242,500	24,294	266,794
2026	247,160	22,028	269,188
2027	172,992	19,779	192,771
2028	180,447	17,791	198,238
2029 - 2033	903,691	56,497	960,188
2034 - 2038	230,083	18,801	248,884
2039 - 2043	54,440	13,281	67,721
2044 - 2048	61,557	8,720	70,277
2049 - 2053	66,530	3,747	70,277
2054 and Thereafter	13,938	118	14,055
Total Minimum Lease Payments	<u>\$ 2,406,177</u>	<u>\$ 211,520</u>	<u>\$ 2,617,696</u>

NOTE 12 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Entity has entered into subscription based-information technology arrangements (SBITAs) for The SBITA arrangements expire at various dates through 2027 and provide for renewal options. As of June 30, 2023, SBITA assets and the related accumulated amortization totaled \$7,621,329 and \$1,647,718 respectively. The future subscription payments under SBITA agreements are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 740,962	\$ 47,150	\$ 788,112
2025	720,722	25,463	746,185
2026	102,280	3,939	106,219
2027	51,298	1,441	52,739
Total	<u>\$ 1,615,262</u>	<u>\$ 77,993</u>	<u>\$ 1,693,254</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 COMMITMENTS AND CONTINGENCIES

Litigation

Various claims and lawsuits are pending against the Board. The Board’s attorneys estimate that potential claims against the Board not covered by insurance resulting from such litigation would not materially affect the financial statements of the Board.

Health Insurance

The Board entered into an agreement with BlueCross BlueShield of Maryland for health insurance under a claims made policy. The Board underwrites 75% of the cost of health insurance based on an estimate and the employees contribute 25%. Actual contribution rates by the Board may vary based on actual claims. The policy arrangement includes a stop-loss provision for claims in excess of \$250,000. A liability in the amount of \$3,822,000 has been recorded for the estimated claims incurred but not reported at the end of the year.

The liability for claims and judgments is reported in the General Fund and entity-wide Governmental Activities. Changes in the balances of claims liabilities are as follows:

	2023	2022
Accrued Health Claims:		
Unpaid Claims - Beginning of Year	\$ 3,914,000	\$ 3,551,061
Incurred Claims (Including IBNR)	46,896,521	45,180,171
Claim Payments	(46,988,521)	(44,817,232)
Unpaid Claims - End of Year	\$ 3,822,000	\$ 3,914,000

NOTE 14 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. The Board is a member of the Maryland Association of Boards of Education Group Liability Insurance Pool and the Workmen’s Compensation Self-Insurance Fund.

These pools are self-insurance funds for the various member Maryland Boards of Education. The pools were organized for the purpose of minimizing the cost of insurance and related administrative expenses. Coverage is provided up to specified limits and the Charles County Board of Education pays an annual premium for the coverage provided by those pools. In addition to general liability insurance, the Group Liability Insurance Pool also provides coverage for property liability and automobile liability. Coverage above these limits is provided by third-party insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 FUND BALANCE

Fund balance at June 30, 2023 consists of the following:

	General Fund	Restricted Programs Fund	Food Service Fund	Capital Projects
Nonspendable - Inventory	\$ 148,137	\$ -	\$ 274,392	\$ -
Committed for:				
Student Activities	3,144,674			
Assigned for:				
Food Service	-	-	8,324,929	-
Community Service	-			
Capital Outlay Subsequent Year	-	-	-	28,837
Expenditures	<u>25,712,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assigned	<u>25,712,030</u>	<u>-</u>	<u>8,324,929</u>	<u>28,837</u>
Unassigned	<u>25,053,130</u>	<u>-</u>	<u>-</u>	<u>(182,829)</u>
Total Fund Balance/ (Deficit)	<u><u>\$ 54,057,971</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,599,321</u></u>	<u><u>\$ (153,992)</u></u>

NOTE 16 FUND BALANCE DEFICIT

The Capital Projects Fund reflects a deficit unassigned fund balance for June 30, 2023 because revenues, provided by the state and county needed to liquidate encumbrances outstanding, are not received and recognized until invoices for goods and services rendered are received and approved by the Board. The deficit will be eliminated through future funding provided by local and state sources.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEM –
SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST EIGHT FISCAL YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Teachers' Retirement and Pension Systems:								
Board's Proportionate of the Net Pension Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Board's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability of The Board	<u>196,732,828</u>	<u>144,818,154</u>	<u>227,428,157</u>	<u>211,753,292</u>	<u>222,873,465</u>	<u>237,943,494</u>	<u>346,805,829</u>	<u>277,781,307</u>
Total	<u>\$ 196,732,828</u>	<u>\$ 144,818,154</u>	<u>\$ 227,428,157</u>	<u>\$ 211,753,292</u>	<u>\$ 222,873,465</u>	<u>\$ 237,943,494</u>	<u>\$ 346,805,829</u>	<u>\$ 277,781,307</u>
Board's Covered Payroll	\$ 197,787,264	\$ 195,708,208	\$ 193,190,625	\$ 181,942,944	\$ 176,205,034	\$ 174,077,168	\$ 171,333,118	\$ 166,561,146
Board's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.47%	85.40%	73.84%	75.43%	73.35%	71.41%	67.95%	68.78%

*The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the Board implemented GASB 68 during fiscal year 2015. As such, only eight years of information are available.

See accompanying Notes to Required Supplementary Information.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEM –
SCHEDULE OF BOARD’S CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Teachers Retirement and Pension System:										
Contractually Required Contribution	\$ 10,402,956	\$ 8,537,627	\$ 8,325,730	\$ 8,104,510	\$ 8,105,946	\$ 8,106,644	\$ 7,410,150	\$ 7,339,061	\$ 6,383,304	\$ 4,989,645
Contributions in Relation to the Contractually Required Contribution	(10,402,956)	(8,537,627)	(8,325,730)	(8,104,510)	(8,105,946)	(8,106,644)	(7,410,150)	(7,339,061)	(6,383,304)	(4,989,645)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Employee Payroll	\$ 207,051,105	\$ 197,787,964	\$ 195,708,208	\$ 193,190,625	\$ 181,942,944	\$ 176,205,034	\$ 174,077,168	\$ 171,333,118	\$ 166,442,075	\$ 166,442,075
Contributions as a Percentage of Covered Payroll	5.02%	4.32%	4.25%	4.20%	4.46%	4.60%	4.26%	4.28%	3.84%	3.00%

See accompanying Notes to Required Supplementary Information.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEM –
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2015 through 2022.

NOTE 2 CHANGES IN ASSUMPTIONS

- Inflation assumptions changed as follows:
 - 6/30/2022 2.25%
 - 6/30/2021 2.25%
 - 6/30/2020 2.60%
 - 6/30/2019 2.60%
 - 6/30/2018 2.60%
 - 6/30/2017 2.65%
 - 6/30/2016 2.70%
 - 6/30/2015 2.70%

- Investment return assumption changed as follows:
 - 6/30/2022 6.80%
 - 6/30/2021 6.80%
 - 6/30/2020 7.40%
 - 6/30/2019 7.40%
 - 6/30/2018 7.50%
 - 6/30/2017 7.50%
 - 6/30/2016 7.55%
 - 6/30/2015 7.65%

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN – DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE EMPLOYER’S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service Cost	\$ 3,884,003	\$ 3,936,504	\$ 3,703,417	\$ 3,584,475	\$ 3,420,344	\$ 3,243,842	\$ 3,146,977	\$ 3,005,742	\$ 2,890,137	\$ 2,140,866
Interest	9,169,845	8,963,875	8,552,054	8,237,391	7,985,447	7,530,473	7,673,388	7,478,300	6,954,089	6,585,023
Difference Between Actual and Expected if Any	(466,596)	(1,372,479)	322,700	1,003,408	(1,552,063)	1,798,691	(3,768,285)	(1,244,586)	(1,733,314)	-
Assumption Changes	-	3,487,997	(515,036)	(2,487,145)	(787,090)	(758,406)	(182,819)	(1,809,348)	3,773,150	-
Benefit Payments	(6,911,705)	(6,465,544)	(5,933,474)	(5,661,781)	(5,340,011)	(5,164,335)	(4,884,174)	(4,687,877)	(4,413,285)	(3,925,897)
Net Change in Total Pension Liability	5,675,547	8,550,353	6,129,661	4,676,348	3,726,627	6,650,265	1,985,087	2,742,231	7,470,777	4,799,992
Total Pension Liability - Beginning	140,591,984	132,041,631	125,911,970	121,235,622	117,508,995	110,858,730	108,873,643	106,131,412	98,660,635	93,860,643
Total Pension Liability - Ending (a)	146,267,531	140,591,984	132,041,631	125,911,970	121,235,622	117,508,995	110,858,730	108,873,643	106,131,412	98,660,635
Plan Fiduciary Net Position:										
Contribution - Employer	3,441,425	\$ 3,404,305	2,910,297	2,889,301	3,513,177	3,498,343	3,833,580	4,090,857	5,085,000	5,251,554
Contribution - Member	1,608,158	1,405,601	1,315,440	1,287,681	1,263,195	1,159,268	1,087,858	1,031,619	984,727	966,598
Net Investment Income (Loss)	14,164,724	(18,231,518)	27,189,099	1,769,778	7,449,004	4,071,156	10,317,975	1,197,164	797,427	9,567,475
Benefit Payments	(6,911,705)	(6,465,544)	(5,933,474)	(5,661,781)	(5,340,011)	(5,164,335)	(4,884,174)	(4,687,877)	(4,413,285)	(3,925,897)
Administrative Expense	-	-	-	-	(3,593)	(39,744)	-	-	-	-
Net Change in Plan Fiduciary Net Position	12,302,602	(19,887,156)	25,481,362	284,979	6,881,772	3,524,688	10,355,239	1,631,763	2,453,869	11,859,730
Plan Fiduciary Net Position - Beginning	121,592,129	141,479,285	115,997,923	115,712,944	108,831,172	105,306,484	94,951,245	93,319,482	90,865,613	79,005,883
Plan Fiduciary Net Position - Ending (b)	133,894,731	121,592,129	141,479,285	115,997,923	115,712,944	108,831,172	105,306,484	94,951,245	93,319,482	90,865,613
Net Pension on Liability (a-b)	\$ 12,372,800	\$ 18,999,855	\$ (9,437,654)	\$ 9,914,047	\$ 5,522,678	\$ 8,677,823	\$ 5,552,246	\$ 13,922,398	\$ 12,811,930	\$ 7,795,022
Plan Fiduciary Net Position as a Percentage of Total Liability	91.54 %	86.49 %	107.15 %	92.13 %	95.44 %	92.65 %	94.99 %	87.21 %	87.93 %	92.10 %
Covered Payroll	\$ 25,816,031	\$ 24,321,689	\$ 25,451,831	\$ 23,860,730	\$ 22,511,363	\$ 21,208,683	\$ 20,273,361	\$ 20,393,483	\$ 19,095,035	\$ 20,059,710
Net Pension Liability as a Percentage of Covered Payroll	47.93 %	78.12 %	(37.08)%	41.55 %	24.53 %	40.92 %	27.39 %	68.27 %	67.10 %	38.86 %

Notes to Schedule:

There were no significant plan changes since the last published version.

See accompanying Notes to Required Supplementary Information.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN –
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Year Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a Percent of Covered Payroll
2014	3,493,190	5,251,554	1,758,364	20,059,710	26.18
2015	3,517,634	5,085,000	1,567,366	19,095,035	26.63
2016	3,179,849	4,090,857	911,008	20,393,483	20.06
2017	2,833,580	3,833,580	1,000,000	20,273,361	18.91
2018	2,597,854	3,498,343	900,489	21,208,683	16.49
2019	2,785,369	3,513,177	727,808	22,511,363	15.61
2020	2,718,684	2,889,301	170,617	23,860,730	12.11
2021	2,747,660	2,910,297	162,637	25,451,831	11.43
2022	3,040,163	3,404,305	364,142	24,321,689	14.00
2023	3,043,565	3,441,425	397,860	25,816,031	13.33

**SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS***

<u>Year Ended June 30,</u>	<u>Actual Money Weighted Rate of Return, Net of Investment Expense</u>
2014	12.12 %
2015	0.88
2016	1.28
2017	10.93
2018	3.89
2019	6.87
2020	1.54
2021	23.59
2022	(12.96)
2023	11.73

See accompanying Notes to Required Supplementary Information.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
DEFINED BENEFIT PENSION PLAN –
SCHEDULE OF EMPLOYER’S NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

Year Ending June 30	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Plan Net Position as a Percent of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percent of Covered Payroll
2014	\$ 98,660,635	\$ 90,865,613	\$ 7,795,022	92.10 %	\$ 20,059,710	38.86 %
2015	106,131,412	93,319,482	12,811,930	87.93	19,095,035	67.10
2016	108,873,643	94,951,245	13,922,398	87.21	20,393,483	68.27
2017	110,858,730	105,306,484	5,552,246	94.99	20,273,361	27.39
2018	117,508,995	108,831,172	8,677,823	92.62	21,208,683	40.92
2019	121,235,622	115,712,944	5,522,678	95.44	22,511,363	24.53
2020	125,911,970	115,997,923	9,914,047	92.13	23,860,730	41.55
2021	132,041,631	141,445,539	(9,403,908)	107.15	25,451,831	(37.08)
2022	140,591,984	121,592,130	18,999,854	86.49	24,321,689	78.12
2023	146,267,531	133,894,731	12,372,800	91.54	25,816,031	47.93

See accompanying Notes to Required Supplementary Information.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 BOARD OF EDUCATION OF CHARLES COUNTY PENSION PLAN –
 DEFINED BENEFIT PENSION PLAN –
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2023**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

There were no changes in assumptions during the year.

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Period	20 Years
Asset Valuation Method	Market value of assets
Investment Rate of Return	6.50% per year compounded annually, net of investment expenses
Projected Salary Increases	Years of service based 0.50 - 7.00%
Cost of Living Adjustments	2.50% limited to 150% of original benefit
General Inflation	2.40% per year
Retirement	Experience- based table of rates
Mortality Rate	Pub-2010(B) Public Retirement Plans Below Median Amount-Weighted Mortality Tables (for General projected to valuation date with Scale MP-2021
Experience Studies	The actuarial assumptions used in the valuation were on standard tables modified for certain plan features as full eligibility for full and early retirement where and input from the plan sponsor. A full actuarial study was done in 2016 using data from 2004-2016.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RETIREE HEALTH PLAN TRUST –
SCHEDULE OF CHANGES IN EMPLOYER’S NET OPEB LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:							
Service Cost	\$ 23,513,712	\$ 36,015,892	\$ 29,684,153	\$ 19,247,815	\$ 14,223,238	\$ 22,733,151	\$ 21,900,915
Interest Cost	24,154,995	19,964,531	20,473,698	20,347,672	19,813,133	22,516,259	21,179,314
Experience Losses (Gains)	(206,841)	6,238,539	(1,915,090)	47,945,774	7,450	(132,364,513)	-
Changes of Assumptions	(19,050,525)	(202,091,870)	71,630,771	91,425,614	72,371,581	(73,079,536)	(81,547,251)
Benefit Payments	<u>(14,856,171)</u>	<u>(13,373,763)</u>	<u>(11,171,543)</u>	<u>(9,768,691)</u>	<u>(10,280,327)</u>	<u>(9,422,528)</u>	<u>(9,454,874)</u>
Net Change in Total OPEB Liability	13,555,170	(153,246,671)	108,701,989	169,198,184	96,135,075	(169,617,167)	(47,921,896)
Total OPEB Liability - Beginning of Year	<u>609,900,459</u>	<u>763,147,130</u>	<u>654,445,141</u>	<u>485,246,957</u>	<u>389,111,882</u>	<u>558,729,049</u>	<u>606,650,945</u>
Total OPEB Liability - End of Year	623,455,629	609,900,459	763,147,130	654,445,141	485,246,957	389,111,882	558,729,049
Plan Fiduciary Net Position:							
Contributions - Employer	21,585,461	17,304,523	14,432,282	15,768,692	16,780,327	15,722,529	13,884,981
Net Investment Income (loss)	7,745,913	(12,281,455)	17,605,490	1,882,635	3,792,589	3,304,778	3,950,292
Benefit Payments	<u>(14,856,170)</u>	<u>(13,373,763)</u>	<u>(11,171,543)</u>	<u>(9,768,691)</u>	<u>(10,280,327)</u>	<u>(9,422,528)</u>	<u>(9,084,981)</u>
Net Change in Fiduciary Net Position	14,475,204	(8,350,695)	20,866,229	7,882,636	10,292,589	9,604,779	8,750,292
Fiduciary Net Position - Beginning of Year	<u>85,635,732</u>	<u>93,986,427</u>	<u>73,120,198</u>	<u>65,237,562</u>	<u>54,944,973</u>	<u>45,340,194</u>	<u>36,589,902</u>
Fiduciary Net Position - End of Year	<u>100,110,936</u>	<u>85,635,732</u>	<u>93,986,427</u>	<u>73,120,198</u>	<u>65,237,562</u>	<u>54,944,973</u>	<u>45,340,194</u>
Net OPEB Liability	<u>\$ 523,344,693</u>	<u>\$ 524,264,727</u>	<u>\$ 669,160,703</u>	<u>\$ 581,324,943</u>	<u>\$ 420,009,395</u>	<u>\$ 334,166,909</u>	<u>\$ 513,388,855</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	16.06%	14.04%	12.32%	11.17 %	13.44 %	14.12 %	8.11 %
Covered Employee Payroll	\$ 240,370,364	\$ 229,530,105	\$ 213,011,227	\$ 221,357,164	\$ 200,372,230	\$ 200,372,230	\$ 195,000,000
Net OPEB Liability as a Percentage of Payroll	2.18 %	2.28 %	3.14 %	2.63 %	2.10 %	1.67 %	2.63 %

* Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying Notes to Required Supplementary Information.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
RETIREE HEALTH PLAN TRUST –
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST SEVEN FISCAL YEARS***

RETIREE HEALTH PLAN TRUST

<u>Year Ended June 30,</u>	<u>Actual Money Weighted Rate of Return, Net of Investment Expense</u>
2017	10.10 %
2018	6.80 %
2019	6.52 %
2020	2.88 %
2021	23.81%
2022	-22.40%
2023	8.63%

See accompanying Notes to Required Supplementary Information.

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 RETIREE HEALTH PLAN TRUST –
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2023**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

<u>Discount Rate</u>	
6/30/2017	4.07 %
6/30/2018	5.16
6/30/2019	4.24
6/30/2020	3.16
6/30/2021	2.64
6/30/2022	4.01
6/30/2023	4.19

NOTE 3 METHODS AND ASSUMPTIONS

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value of Assets
Inflation	2.5%
Healthcare Cost Trend Rates	6.0% initial/ 4.64% ultimate (not applicable to life insurance)
Salary Increases	Years of service based 5.00%-10.00%
Investment Rate of Return	7.5% per year compounded annually
Retirement Age	In the 2021 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experiences
Mortality	In the 2021 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the Pub-2010 Teachers Headcount-Weighted Mortality table.

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
REVENUES				
State of Maryland	\$ 220,652,162	\$ 220,652,162	\$ 220,920,465	\$ 268,303
Federal Government	970,000	970,000	846,149	(123,851)
Other Sources	1,361,080	1,361,080	3,618,030	2,256,950
Local Sources	212,686,400	212,833,320	212,833,320	-
Total Revenues	<u>435,669,642</u>	<u>435,816,562</u>	<u>438,217,964</u>	<u>2,401,402</u>
EXPENDITURES				
Administration	14,465,811	18,920,268	14,603,431	4,316,837
Mid-Level Administration	29,927,536	27,739,200	27,395,214	343,986
Instructional Salaries	160,850,760	152,328,463	151,344,685	983,778
Materials of Instruction	5,244,779	6,024,206	4,724,771	1,299,435
Other Costs of Instruction	3,872,491	4,597,406	3,934,447	662,959
Special Education	42,835,853	41,636,253	39,707,359	1,928,894
Student Personnel Services	5,183,866	5,183,866	4,972,502	211,364
Health Service	4,869,004	3,489,004	3,155,841	333,163
Transportation	38,605,267	39,805,267	37,527,048	2,278,219
Operations	33,052,826	34,819,642	32,862,480	1,957,162
Maintenance	9,301,025	9,991,025	9,205,632	785,393
Community Service	680,118	700,118	675,931	24,187
Capital Outlay	2,399,232	6,533,737	2,904,491	3,629,246
Food Service	-	-	-	-
Fixed Charges	87,965,215	91,800,035	91,477,500	322,535
Total Expenditures	<u>439,253,783</u>	<u>443,568,490</u>	<u>424,491,332</u>	<u>19,077,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,584,141)	(7,751,928)	13,726,632	21,478,560
OTHER FINANCING SOURCES (USES)				
Transfers in	239,706	239,706	376,745	137,039
Transfers out	-	(332,213)	(331,765)	448
Use of Prior Year Fund Balance (Uses)	3,344,435	7,844,435	-	(7,844,435)
Total Other Financing Sources	<u>3,584,141</u>	<u>7,751,928</u>	<u>44,980</u>	<u>(7,706,948)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	13,771,612	<u>\$ 13,771,612</u>
Fund Balance - Beginning of Year			30,318,330	
Prior Year Encumbrances Cancelled			<u>6,824,753</u>	
FUND BALANCE - END OF YEAR			<u>\$ 50,914,695</u>	

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
GENERAL FUND – RECONCILIATION OF REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2023**

General Fund - Reconciliation of Revenues and Expenditures

Actual Revenues (Non-GAAP Budgetary Basis)	\$ 438,217,964
Pension Contribution by the State of Maryland on Behalf of the Board	20,213,994
Student Activities Revenue	5,557,998
Retainage Payable Adjustment	<u>1,121,982</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 465,111,938</u>
Actual Expenditures (Non-GAAP Budgetary Basis)	\$ 424,491,332
Encumbrance Adjustment, Net	20,397,373
Pension Contribution by the State of Maryland on Behalf of the Board	20,213,994
Student Activities Expense	5,320,498
Lease Adjustment	65,694
Subscription Adjustment	1,241,019
Retainage Payable Adjustment	<u>1,121,982</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 472,851,892</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
State of Maryland:				
State - Foundation	\$ 131,905,913	\$ 131,905,913	\$ 131,905,913	\$ -
Compensatory Aid	39,368,144	39,368,144	39,368,144	-
Transportation	13,184,502	13,184,502	13,184,502	-
Handicapped Children	11,481,756	11,481,756	11,660,986	179,230
Tuition - Handicapped	1,194,373	1,194,373	1,333,135	138,762
Other (LEP Grant)	5,310,430	5,310,430	5,310,430	-
Out of County Living	-	-	59,088	59,088
Guaranteed Tax Base	2,864,668	2,864,668	2,864,668	-
CGEI	4,119,541	4,119,541	4,119,541	-
Medicaid Revenues	890,000	890,000	815,563	(74,437)
Net Taxable Income	2,258,264	2,258,264	2,258,264	-
Kiwan Career College Readiness	650,278	650,278	650,278	-
TSI	1,635,311	1,635,311	1,635,311	-
Concentration of Poverty	519,662	519,662	519,662	-
Kirwan Career Ladder	205,359	205,359	171,019	(34,340)
Kirwan Pre-Kindergarten	5,063,961	5,063,961	5,063,961	-
Total	<u>220,652,162</u>	<u>220,652,162</u>	<u>220,920,465</u>	<u>268,303</u>
Federal Government:				
Impact Aid	476,000	476,000	218,399	(257,601)
ROTC	430,000	430,000	541,509	111,509
Impact Aid Special Education	64,000	64,000	86,241	22,241
Total	<u>970,000</u>	<u>970,000</u>	<u>846,149</u>	<u>(123,851)</u>
Other Sources:				
Damaged Goods	-	-	65,694	65,694
Tuition - Summer School	92,296	92,296	-	(92,296)
Tuition - Nonresident	313,904	313,904	563,100	249,196
Tuition - Novel	15,269	15,269	-	(15,269)
Tuition - Parents Payments	89,100	89,100	25,758	(63,342)
Summer Youth Camp	25,000	25,000	59,326	34,326
Rent from School Facilities	191,200	191,200	219,261	28,061
Sale of Property	6,000	6,000	950	(5,050)
Interest Income	436,680	436,680	2,414,763	1,978,083
Restitution	10,000	10,000	-	(10,000)
Vending Commissions	42,000	42,000	56,277	14,277
Payroll Transfers	73,000	73,000	4,577	(68,423)
Other	12,200	12,200	133,912	121,712
Rebates	54,431	54,431	74,412	19,981
Total	<u>1,361,080</u>	<u>1,361,080</u>	<u>3,618,030</u>	<u>2,256,950</u>
Local Sources:				
Operational Budget	<u>212,686,400</u>	<u>212,833,320</u>	<u>212,833,320</u>	<u>-</u>
Total Revenues	<u>\$ 435,669,642</u>	<u>\$ 435,816,562</u>	<u>\$ 438,217,964</u>	<u>\$ 2,401,402</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
Administration:				
Salaries and Wages	\$ 9,148,365	\$ 9,263,365	\$ 9,186,030	\$ 77,335
Contracted Services	4,347,214	8,714,221	4,527,307	4,186,914
Supplies and Materials	589,030	590,050	559,840	30,210
Other Charges	311,132	344,632	330,254	14,378
Equipment	70,070	8,000	-	8,000
Total	<u>14,465,811</u>	<u>18,920,268</u>	<u>14,603,431</u>	<u>4,316,837</u>
Mid-Level Administration:				
Salaries and Wages	26,924,557	25,834,094	25,830,231	3,863
Contracted Services	1,659,684	527,112	301,063	226,049
Supplies and Materials	1,058,959	1,006,925	969,875	37,050
Other Charges	284,336	232,836	166,135	66,701
Equipment	-	138,233	127,910	10,323
Total	<u>29,927,536</u>	<u>27,739,200</u>	<u>27,395,214</u>	<u>343,986</u>
Instruction Salaries:				
Salaries and Wages	160,850,760	152,328,463	151,344,685	983,778
Materials of Instruction				
Supplies and Materials	5,244,779	6,024,206	4,724,771	1,299,435
Other Costs of Instruction:				
Contracted Services	3,199,741	3,779,836	3,302,898	476,938
Other Charges	552,750	418,440	232,420	186,020
Equipment	20,000	339,965	339,965	-
Outgoing Transfers	100,000	59,165	59,164	1
Total	<u>3,872,491</u>	<u>4,597,406</u>	<u>3,934,447</u>	<u>662,959</u>
Special Education:				
Salaries and Wages	35,463,307	33,416,658	33,031,626	385,032
Contracted Services	3,511,972	4,311,972	3,128,761	1,183,211
Supplies and Materials	91,944	138,993	68,728	70,265
Other Charges	68,330	68,330	72,929	(4,599)
Outgoing Transfers	3,700,300	3,700,300	3,405,315	294,985
Total	<u>42,835,853</u>	<u>41,636,253</u>	<u>39,707,359</u>	<u>1,928,894</u>
Student Personnel Services:				
Salaries and Wages	4,951,815	4,951,815	4,839,094	112,721
Contracted Services	214,543	189,543	56,809	132,734
Supplies and Materials	10,908	30,908	34,137	(3,229)
Other Charges	6,600	11,600	42,462	(30,862)
Total	<u>5,183,866</u>	<u>5,183,866</u>	<u>4,972,502</u>	<u>211,364</u>

BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL — NON-GAAP BUDGETARY BASIS (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
Health Service:				
Contracted Services	\$ 4,841,304	\$ 3,461,304	\$ 3,140,247	\$ 321,057
Supplies and Materials	27,700	27,700	15,594	12,106
Total	<u>4,869,004</u>	<u>3,489,004</u>	<u>3,155,841</u>	<u>333,163</u>
Transportation:				
Salaries and Wages	2,153,008	3,638,808	3,425,897	212,911
Contracted Services	35,532,564	34,624,764	32,804,244	1,820,520
Supplies and Materials	246,525	259,525	57,988	201,537
Other Charges	2,170	7,170	6,532	638
Equipment	671,000	1,275,000	1,232,387	42,613
Total	<u>38,605,267</u>	<u>39,805,267</u>	<u>37,527,048</u>	<u>2,278,219</u>
Operations:				
Salaries and Wages	15,941,858	16,401,858	16,391,256	10,602
Contracted Services	3,081,306	3,948,858	3,071,852	877,006
Supplies and Materials	2,377,508	3,058,555	2,555,815	502,740
Other Charges	11,453,534	11,069,914	10,632,711	437,203
Equipment	198,620	340,457	210,846	129,611
Total	<u>33,052,826</u>	<u>34,819,642</u>	<u>32,862,480</u>	<u>1,957,162</u>
Maintenance:				
Salaries and Wages	4,946,643	5,096,643	5,035,044	61,599
Contracted Services	2,415,282	2,099,458	1,509,122	590,336
Supplies and Materials	1,649,904	1,736,804	1,975,554	(238,750)
Other Charges	3,320	3,320	1,224	2,096
Equipment	285,876	1,054,800	684,688	370,112
Total	<u>9,301,025</u>	<u>9,991,025</u>	<u>9,205,632</u>	<u>785,393</u>
Community Service:				
Salaries and Wages	355,408	375,408	361,086	14,322
Contracted Services	318,120	318,120	311,487	6,633
Supplies and Materials	6,590	6,590	3,358	3,232
Total	<u>680,118</u>	<u>700,118</u>	<u>675,931</u>	<u>24,187</u>
Capital Outlay:				
Salaries and Wages	723,232	743,232	779,866	(36,634)
Contracted Services	1,548,692	948,692	421,617	527,075
Supplies and Materials	3,508	3,508	5,866	(2,358)
Other Charges	4,800	4,800	8,401	(3,601)
Equipment	119,000	4,833,505	1,688,741	3,144,764
Total	<u>2,399,232</u>	<u>6,533,737</u>	<u>2,904,491</u>	<u>3,629,246</u>
Fixed Charges:				
Other Charges	87,965,215	91,800,035	91,477,500	322,535
Total Expenditures	<u>\$ 439,253,783</u>	<u>\$ 443,568,490</u>	<u>\$ 424,491,332</u>	<u>\$ 19,077,158</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS SUB-FUNDS
 JUNE 30, 2023**

	<u>Capital Improvement Programs</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and Short-Term Investments	\$ -	\$ 23,208	\$ 23,208
Accounts Receivable:			
State	-	5,364,931	5,364,931
Other Sources	<u>9,048,544</u>	<u>97</u>	<u>9,048,641</u>
Total Assets	<u>\$ 9,048,544</u>	<u>\$ 5,388,236</u>	<u>\$ 14,436,780</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 3,980,461	\$ 502,922	\$ 4,483,383
Due to Other Funds	5,250,912	26,918	5,277,830
Unearned Revenue	<u>-</u>	<u>4,829,559</u>	<u>4,829,559</u>
Total Liabilities	<u>9,231,373</u>	<u>5,359,399</u>	<u>14,590,772</u>
FUND BALANCE (DEFICIT)			
Assigned	-	28,837	28,837
Unassigned	<u>(182,829)</u>	<u>-</u>	<u>(182,829)</u>
Total Fund Balance (Deficit)	<u>(182,829)</u>	<u>28,837</u>	<u>(153,992)</u>
Total Liabilities and Fund Balance	<u>\$ 9,048,544</u>	<u>\$ 5,388,236</u>	<u>\$ 14,436,780</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS SUB-FUNDS
 YEAR ENDED JUNE 30, 2023**

	Capital Improvement Programs	School Construction	Total
REVENUES			
State of Maryland	\$ -	\$ 30,023,558	\$ 30,023,558
Local Sources	19,345,123	469,870	19,814,993
Other Sources	-	854	854
Total Revenues	19,345,123	30,494,282	49,839,405
EXPENDITURES			
Capital Outlay:			
Contracted Services	21,247,353	27,838,840	49,086,193
Materials	612,856	97,229	710,085
Computers and Equipment	291,153	-	291,153
Total Expenditures	22,151,362	27,936,069	50,087,431
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,806,239)	2,558,213	(248,026)
OTHER FINANCING SOURCES			
Transfers In (Out)	2,806,239	(2,806,239)	-
NET CHANGE IN FUND BALANCE	-	(248,026)	(248,026)
Fund Balance (Deficit) - Beginning of Year	(182,829)	276,863	94,034
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (182,829)	\$ 28,837	\$ (153,992)

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES —
NON-GAAP BASIS
SPECIAL REVENUE — RESTRICTED PROGRAMS FUND
YEAR ENDED JUNE 30, 2023**

	<u>Restricted Programs Fund</u>
REVENUES	
State of Maryland	\$ 4,062,196
Federal Government	29,707,638
Other Sources	883,926
Local Government	<u>436,336</u>
Total Revenues	<u>35,090,096</u>
EXPENDITURES	
Administration	1,031,078
Mid-Level Administration	1,292,229
Instructional Salaries	5,570,955
Materials of Instruction	3,060,438
Other Costs of Instruction	3,020,070
Special Education	6,276,913
Student Personnel Service	39,831
Transportation	1,182,314
Operations	984,605
Maintenance	20,789
Food Service	110,729
Community Service	1,519,448
Capital Outlay	8,060,841
Fixed Charges	<u>2,495,274</u>
Total Expenditures	<u>34,665,514</u>
OTHER FINANCING SOURCES	
Transfer Out	<u>376,745</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 47,837</u></u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS
SPECIAL REVENUE FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	As Amended Budget	Actual	Variances Positive (Negative)
REVENUES				
State of Maryland	\$ 410,000	\$ 410,000	\$ 818,689	\$ 408,689
Federal Government	7,677,904	7,677,904	12,372,672	4,694,768
Local Sources	5,277,356	8,157,311	4,865,574	(3,291,737)
Total Revenues	<u>13,365,260</u>	<u>16,245,215</u>	<u>18,056,935</u>	<u>1,811,720</u>
EXPENDITURES				
Food Service:				
Salaries and Wages	6,024,050	6,024,050	5,767,301	256,749
Contracted Services	194,000	194,000	103,426	90,574
Supplies and Materials	7,970,365	9,970,365	8,698,287	1,272,078
Other Charges	43,500	43,500	354,009	(310,509)
Equipment	70,000	70,000	5,203	64,797
Total Food Service	<u>14,301,915</u>	<u>16,301,915</u>	<u>14,928,226</u>	<u>1,373,689</u>
Fixed Charges	1,943,300	1,943,300	1,753,355	189,945
Total Expenditures	<u>16,245,215</u>	<u>18,245,215</u>	<u>16,681,581</u>	<u>1,563,634</u>
EXCESS OF REVENUES OVER EXPENDITURES	(2,879,955)	(2,000,000)	1,375,354	3,375,354
OTHER FINANCING SOURCES				
Transfer in	-	-	331,765	331,765
Use of Prior Year Fund Balance	4,200,000	4,200,000	-	(4,200,000)
Total Other Financing Sources	<u>4,200,000</u>	<u>4,200,000</u>	<u>331,765</u>	<u>(3,868,235)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,320,045</u>	<u>\$ 2,200,000</u>	<u>\$ 1,707,119</u>	<u>\$ (492,881)</u>

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION —
 RETIREE HEALTH AND PENSION TRUST FUNDS
 JUNE 30, 2023**

	Retiree Health Trust Fund	Pension Trust Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 6,132,570	\$ 6,132,570
Investments	97,087,267	127,762,161	224,849,428
Contribution Receivable	3,000,000	-	3,000,000
Due from General Fund	23,669	-	23,669
Total Assets	100,110,936	133,894,731	234,005,667
NET POSITION			
Held in Trust for Retiree Health/Pension Benefits	\$ 100,110,936	\$ 133,894,731	\$ 234,005,667

**BOARD OF EDUCATION OF CHARLES COUNTY, MARYLAND
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION —
RETIREE HEALTH AND PENSION TRUST FUNDS
YEAR ENDED JUNE 30, 2023**

	<u>Retiree Health Trust Fund</u>	<u>Pension Trust Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$ 21,585,461	\$ 3,441,425	\$ 25,026,886
Plan Members	-	1,608,158	1,608,158
Total Contributions	<u>21,585,461</u>	<u>5,049,583</u>	<u>26,635,044</u>
Investment Earnings:			
Interest and Dividends	-	3,483,759	3,483,759
Net Decrease in Fair Value of Investments	<u>7,745,913</u>	<u>10,958,115</u>	<u>18,704,028</u>
Total Investment Earnings	<u>7,745,913</u>	<u>14,441,874</u>	<u>22,187,787</u>
Less: Investment Expense	-	277,150	277,150
Net Investment Gain (Loss)	<u>7,745,913</u>	<u>14,164,724</u>	<u>21,910,637</u>
Total Additions	29,331,374	19,214,307	48,545,681
DEDUCTIONS			
Benefits Paid to Members	14,585,462	6,911,706	21,497,168
Administrative Expenses	<u>270,708</u>	-	<u>270,708</u>
Total Deductions	<u>14,856,170</u>	<u>6,911,706</u>	<u>21,767,876</u>
CHANGE IN NET POSITION	14,475,204	12,302,601	26,777,805
Net Position - Beginning of Year	<u>85,635,732</u>	<u>121,592,130</u>	<u>207,227,862</u>
NET POSITION - END OF YEAR	<u><u>\$ 100,110,936</u></u>	<u><u>\$ 133,894,731</u></u>	<u><u>\$ 234,005,667</u></u>