



Every Child a Success

W. David Bromwell
Superintendent of Schools

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

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October 12, 2021

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House Office Building, Room 121
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Annapolis, MD 21401

Re: Dorchester County Public Schools Annual Audit Report required by ED §5-109 (c)(1) and SB 358/Ch. 452, 2011 (MSRA 12420)

Ladies and Gentlemen:

Attached is the electronic version of the Annual Audit Report for Dorchester County Public Schools. Should you have questions or concerns, feel free to contact Mr. Tim Brooke, Comptroller.

Sincerely,

W. David Bromwell, Superintendent

cc: Ms. Sarah Albert, Department of Legislative Services
Mr. Mohammed Choudhury, Maryland State Superintendent
Mr. Michael Spears, Dorchester County Director of Finance

THE BOARD OF EDUCATION OF
DORCHESTER COUNTY

FINANCIAL REPORT

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Education of Dorchester County
Cambridge, Maryland

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of The Board of Education of Dorchester County, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of The Board of Education of Dorchester County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Board of Education of Dorchester County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Board of Education of Dorchester County's internal control over financial reporting and compliance.



Salisbury, Maryland
September 27, 2021

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

The Board of Education of Dorchester County
Cambridge, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of The Board of Education of Dorchester County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The Board of Education of Dorchester County's basic financial statements, and have issued our report thereon dated September 27, 2021.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
September 27, 2021

THE BOARD OF EDUCATION OF DORCHESTER COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The discussion and analysis of The Board of Education of Dorchester County's (the "Board") financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2021, and a comparison with the results of the fiscal year ended June 30, 2020. Please read this in conjunction with the Board's financial statements, notes to financial statements, and supplemental information, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Board's net position is \$29,385,741 a decrease of \$236,635 or .8%, from the prior year. This is primarily due to an increase in long-term liabilities – Other Post Employment Benefits and Pensions, offset by an increase in capital assets – new construction.
- Among major funds (see page 22), the General Fund had \$84,417,696 in revenues and \$81,699,580 in expenditures. Additionally, \$500,000 of prior year fund balance was transferred from the General Fund to the School Construction Fund to cover critical projects related to additional classroom space, and building access controls. There was a resulting net increase in the General Fund fund balance of \$2,218,116.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

A review of the Budgetary Comparison Schedule, which is a required supplemental report, is also included in this MD&A.

Government-wide Financial Statements The government-wide financial statements are designed to provide a broad overview of the Board's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the assets and liabilities of the Board, with the difference between the two reported as net position. 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.

The Statement of Activities presents information showing how the net position of the Board changed during the most recent fiscal year. All changes in net position are reported utilizing the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position, and the Statement of Activities, the Board has two kinds of activities:

- Governmental Activities – basic services of a school system are reported such as instructional costs, special education, transportation, operation and maintenance of plant, and administration.
- Business-type Activities – our Food Services department, which charges a fee to its customers, is reported here.

The government-wide financial statements can be found on pages 19-20.

Fund Financial Statements A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The Board's two types of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the Board's basic operations are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the Board's general operations. The Board maintains three governmental funds – General Fund (which includes both unrestricted and restricted funding sources), School Construction, and School Activities.
- Proprietary Funds- When the Board charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, but provide more detail and additional information, such as a Statement of Cash Flows. The Board's only proprietary fund is Food Services.

The fund financial statements can be found on pages 21-25.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 26-47.

FINANCIAL ANALYSIS

The School System as a Whole

Table 1
Condensed Statement of Net Position

	<u>All Activities</u>		Increase (Decrease)
	<u>FY 2021</u>	<u>FY 2020</u>	<u>From FY 2020</u>
Assets			
Current and Other Assets	\$15,757,904	\$14,216,846	\$1,541,058
Capital Assets	<u>111,177,495</u>	<u>110,522,729</u>	<u>654,766</u>
Total Assets	<u>126,935,399</u>	<u>124,739,575</u>	<u>2,195,824</u>
Deferred Outflows of Resources	<u>13,393,095</u>	<u>4,609,922</u>	<u>8,783,173</u>
Liabilities			
Long-Term Liabilities	88,314,005	74,098,328	14,215,677
Other Liabilities	<u>6,600,447</u>	<u>7,191,701</u>	<u>(591,254)</u>
Total Liabilities	<u>94,914,452</u>	<u>81,290,029</u>	<u>13,624,423</u>
Deferred Inflows of Resources	<u>16,028,301</u>	<u>18,438,092</u>	<u>(2,409,791)</u>
Net Position			
Invested in Capital Assets, Net of Debt	111,177,495	110,522,729	654,766
Restricted	551,833	484,164	67,669
Unrestricted	<u>(82,343,587)</u>	<u>(81,385,517)</u>	<u>(958,070)</u>
Total Net Position	<u>\$29,385,741</u>	<u>\$29,621,376</u>	<u>(\$235,635)</u>

Net Position Table 1 provides a comparison of the Board's net position for FY 2021 and FY 2020. For all activities in FY 2021, the Board's assets exceeded its liabilities by \$29,385,741. This is a decrease of \$235,635 from FY2020. This was due mainly to the increase in liabilities related to the recognition and reporting of Other Post-Employment Benefits (OPEB) as required by the Governmental Accounting Standards Board (GASB) pronouncement #75, and GASB 68 which requires the estimation of the long-term liability of future pension obligations. This was offset by a favorable increase in net construction projects.

The largest portion of the Board's net position, \$111,177,495 reflects its investment in capital assets (e.g. buildings and improvements, and furniture and equipment). The Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The remaining net position consists of restricted school activity funds totaling \$551,833 and an unrestricted deficit balance of \$82,343,587.

Table 2
Statement of Activities

	<u>All Activities</u>		Increase (Decrease) From FY 2020
	<u>FY 2021</u>	<u>FY 2020</u>	
Revenues			
Program Revenues:			
Charges for Services	\$1,903,723	\$3,894,414	(\$1,990,691)
Operating Grants and Contributions	17,179,152	12,995,624	4,183,528
General Revenues:			
Dorchester County			
General Fund	20,289,816	20,077,482	212,334
School Construction	1,553,370	2,391,871	(838,501)
State of Maryland			
General Fund	46,445,042	45,851,946	593,096
School Construction	4,435,176	2,952,142	1,483,034
Interest	11,100	133,934	(122,834)
Other	534,919	729,455	(194,536)
Total Revenues	<u>92,352,298</u>	<u>89,026,868</u>	<u>3,325,430</u>
Governmental Activity Expenses			
Administration	1,551,407	1,605,728	(54,321)
School Management & Support	6,646,404	5,774,590	871,814
Instruction:			
Salaries	26,601,347	26,548,581	52,766
Textbooks & Supplies	4,560,651	1,912,116	2,648,535
Other	8,227,352	7,540,946	686,406
Special Education	7,070,207	6,959,899	110,308
Student Personnel Services	2,276,974	1,279,693	997,281
Student Health Services	735,463	734,543	920
Student Transportation	3,592,224	3,663,949	(71,725)
Operation of Plant	3,270,526	3,450,184	(179,658)
Maintenance of Plant	1,995,628	1,920,905	74,723
Fixed Charges	19,370,575	18,504,076	866,499
School Activity Expenses	380,408	774,664	(394,256)
State Retirement Contributions	3,688,275	3,872,850	(184,575)
Capital Outlay	1,256,029	53,498	1,202,531
Business-Type Activities			
Food Services Expenses	1,364,463	3,079,793	(1,715,330)
Total Expenses	<u>92,587,933</u>	<u>87,676,015</u>	<u>4,911,918</u>
Change in Net Position	<u>(\$235,635)</u>	<u>\$1,350,853</u>	<u>(\$1,586,488)</u>

Changes in Net Position Table 2 (page 11) shows the key elements for the decrease of the Board’s net position for the year ended June 30, 2021. The results of fiscal year 2020 are shown as a comparison. Total Revenues were \$92,352,298 an increase of \$3,325,430 over FY 2020. Total expenses were \$92,587,933 an increase of \$4,911,918 over FY 2020. Revenues increased in Operating Grants, and School Construction. Expenses were impacted by the increased purchase of supplies, and additional positions, utilized to offset the negative impact of COVID-19 restrictions on educational activities.

The Board’s expenses are primarily related to instructing, caring for (food and health), and transporting students. As shown in Table 2, regular education instructional salaries, textbooks & supplies, and other instructional charges total \$39,389,350 an increase of \$3,387,707 over FY 2020. Special Education costs total \$7,070,207, an increase of \$110,308 over FY 2020. Transportation costs total \$3,592,224, a decrease of \$71,725 from FY 2020. Operation and Maintenance of Plant costs total \$5,266,154 a decrease of \$104,935 from FY 2020.

The Board’s Funds

Table 3
Statement of Expenditures – Governmental Funds
(General, School Construction, & School Activities)

	<u>Total Cost</u>		Increase (Decrease)
	<u>FY 2021</u>	<u>FY 2020</u>	<u>From FY 2020</u>
Administration	\$1,759,159	\$1,806,026	(\$46,867)
School Management & Support	6,646,404	5,774,590	871,814
Instruction:			
Salaries & Wages	26,491,429	26,521,238	(29,809)
Textbooks & Supplies	4,625,151	1,976,616	2,648,535
Other	2,729,765	2,277,703	452,062
Special Education	7,070,207	6,959,899	110,308
Pupil Personnel Services	2,276,974	1,279,693	997,281
Health Services	735,463	734,543	920
Pupil Transportation	3,498,817	3,577,033	(78,216)
Operation of Plant	3,943,702	4,123,360	(179,658)
Maintenance of Plant	1,955,580	1,903,664	51,916
Fixed Charges	19,912,181	19,820,300	91,881
School Activity Expenditures	380,408	774,664	(394,256)
Capital Outlay	<u>6,833,373</u>	<u>5,481,859</u>	<u>1,351,514</u>
Total Cost of Services	<u>\$88,858,613</u>	<u>\$83,011,188</u>	<u>\$5,847,425</u>

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. Fund balance in the Governmental Funds is divided between assigned balances and unassigned balances. Unassigned balances in the general fund are required by state law to be appropriated in the following year's budget. Assigned balances of capital projects, school activities, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the Board's discretion.

The Board's three Governmental Funds are the General Fund, the School Construction Fund, and the School Activities Fund. Table 3 (see page 12) presents the cost of 14 major school system functions within these Governmental Funds: Administration, School Management & Support, Instruction (comprised of Salaries, Textbooks and Supplies, and Other Costs), Special Education, Pupil Personnel Services, Health Services, Pupil Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, School Activity Expenditures, and Capital Outlay.

The *General Fund* is the chief operating fund of the Board. It includes both unrestricted and restricted funding sources. Restricted funding sources are generally in the form of federal and state grants. On page 22 the Statement of Revenues, Expenditures and Changes in Fund Balances reflects a total fund balance of \$6,585,741 at the end of fiscal year 2021. The total fund balance at June 30, 2020 was \$4,367,625. The increase of \$2,218,116 is attributed mainly to grants covering salary and fixed costs typically covered by the General Fund. Additional savings were experienced with the virtual school environment, and unfilled staff vacancies.

Of the \$6,585,741 fund balance, \$182,208 is assigned for FY2021 encumbrances, \$290,014 is assigned for accrued leave and severance reserve, \$1,048,062 for the FY 2022 operating budget, \$1,048,000 for the FY 2023 operating budget, \$680,000 for capital construction/maintenance projects, \$1,537,457 for extraordinary costs related to COVID-19, and \$1,800,000 for projected security costs.

General Fund salaries totaled \$42,220,326 while the associated fringe benefits of retirement, social security, unemployment, industrial insurance, and health and accident insurance added \$19,912,181 to arrive at 76.0% of total General Fund expenditures.

Proprietary Funds Proprietary funds focus on the determination of changes in net position and cash flows. The Board's sole proprietary fund is the Food Service Fund. The Food Service net position balance at June 30, 2020 was \$707,921. It increased by \$116,183 to \$824,104 at June 30, 2021. This increase is attributed mainly to a decrease in labor and related benefit costs. Though school buildings were closed, food preparation and delivery activities continued throughout the year.

Table 4
Original Budget, Final Budget, and Actual Results
General Fund
FY 2021

	<u>Budgeted Amounts</u>		<u>Actual Results</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
County Appropriations	\$20,289,808	\$20,289,808	\$20,289,816	\$8
State of Maryland	46,445,042	46,445,042	46,445,042	0
Other Sources	495,000	495,000	503,686	8,686
Restricted Revenues	7,188,171	7,188,171	13,490,877	6,302,706
Fund Balance Appropriated	533,086	533,086	(500,000)	(1,033,086)
Total Revenues	<u>74,951,107</u>	<u>74,951,107</u>	<u>80,229,421</u>	<u>5,278,314</u>
Governmental Activity Expenses				
Administration	1,747,657	1,797,657	1,756,626	41,031
School Management & Support	5,895,396	5,845,396	5,786,311	59,085
Instruction				
Salaries	25,283,062	25,283,062	23,893,686	1,389,376
Textbooks & Supplies	1,019,188	1,019,188	973,181	46,007
Other	1,081,458	1,081,458	1,029,100	52,358
Special Education	5,422,136	5,422,136	5,379,598	42,538
Student Personnel Services	779,602	779,602	697,015	82,587
Health Services	778,443	778,443	735,463	42,980
Student Transportation	3,817,372	3,817,372	3,371,700	445,672
Operation of Plant	3,892,231	3,632,231	3,448,384	183,847
Maintenance of Plant	1,775,395	2,035,395	1,963,597	71,798
Fixed Charges	16,212,095	16,212,095	14,772,113	1,439,982
Capital Outlay	58,901	58,901	54,748	4,153
Restricted Expenditures	7,188,171	7,188,171	13,490,877	(6,302,706)
Total Expenses	<u>74,951,107</u>	<u>74,951,107</u>	<u>77,352,399</u>	<u>(2,401,292)</u>
Net Change in Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$2,877,022</u>	<u>\$2,877,022</u>

General Fund Budgetary Highlights

The General Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures including Administration, School Management & Support, Instructional Salaries, Instructional Supplies and Textbooks, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, and Capital Outlay. The legal level of budgetary control is at the category level. The Board may approve amendments to the budget recommended by the Board's administration by transferring funds within categories, but transfers between categories must also be approved by the County Council.

For fiscal year 2021 the Board presented, and the County Council approved, one budget amendment/transfer requests.

This budget amendment transferred funds from the Mid-Level Administration, and Operation of Plant categories to the Administration, and Maintenance of Plant categories. Savings in unused testing supplies, and unfilled Operation of Plant positions, were used to cover additional clerical substitutes, and school building maintenance activities.

As shown in Table 4, during the fiscal year actual revenues and actual expenses resulted in an increase in fund balance of \$2,877,022.

Capital Assets

The School Construction Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the County.

At the end of fiscal year 2021, the Board had \$111,177,495 invested in land, buildings, furniture and equipment, and vehicles, net of accumulated depreciation. Table 5 gives the breakdown by asset type.

Table 5
Capital Assets
(Net of Depreciation)
FY 2021

Construction in Progress	\$	821,943
Buildings and Improvements		107,899,350
Furniture and Equipment		2,018,159
Vehicles		<u>438,043</u>
Total Capital Assets	\$	<u>111,177,495</u>

The Capital Improvement Budget for FY 2022 will utilize State funding, County funding, prior year fund balance, and specialized grants to complete the following capital projects:

- Replacement High School roof
- Security cameras, and facility access controls
- Fire/Emergency System upgrade
- Various capital maintenance projects

FACTORS BEARING ON THE BOARD'S FUTURE

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

- The COVID-19 pandemic forced the closure of school buildings for the entire 2020-2021 school year. Reacting to the pandemic has forced a change in the way we operate, and how we provide a public education. Local effects of these changes are continually being reviewed and projected. The economic effects to our funding authorities are also being projected and could cause a significant change in future revenues. Expenses are being affected in both negative and positive ways. The uncertainty of the effects of the pandemic will continue into fiscal year 2022.
- The Maryland Commission on Innovation and Excellence in Education, known as the Kirwan Commission, was tasked with updating the State's school funding formula. Based on Commission recommendations, Senate Bill 1030 established The Blueprint for Maryland's Future as current State education policy. Funding has been mandated for FY 2022 however, due to the economic effects of COVID-19, funding in FY 2023 is uncertain. Without the continuation of this funding, our revenues will be impacted in a significantly negative way.
- Funding other post-retirement benefits (OPEB) in accordance with GASB 75 remains a concern. GASB 75 is an accounting standard for all governmental agencies which addresses post-employment benefits, other than pensions, such as health care. Under GASB 75 the District must recognize the present cost and liability of future health care that has been earned by current and retired employees. There is no requirement to fund this obligation, however, it does become a liability against the Board's assets as reported in the Government-wide Statement of Net Position. Currently, health care expenses for retirees and active employees are expensed when paid. This practice is expected to continue especially with the economic conditions our funding entities face at this time. Whether or not this liability is funded in the future may affect our budget, and the bond rating of county and state governments. See Notes 2-K, 6, and 9 for detailed information on the impact of implementing GASB 75.
- During FY 2015 the Board implemented provisions of GASB 68, Accounting and Financial Reporting for Pensions. GASB 68 requires the Board to report their proportionate share of the Maryland State Retirement and Pension System's net pension liability. The Board's proportionate share is calculated by the System's actuary and is reported as a liability on the Board's Government-wide Statement of Net Position. Currently, pension costs for retirees and active employees are expensed when paid. See Notes 2-K, 6, and 7 for detailed information on the impact of implementing GASB 68.

Contacting the Board's Financial Management

This financial report is designed to provide a general overview of the finances of the Board of Education of Dorchester County, and to demonstrate the Board's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact the Superintendent's Office, Dorchester County Public Schools, 700 Glasgow Street, Cambridge, MD 21613.

FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF NET POSITION

June 30, 2021

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 12,091,458	\$ 6,224	\$ 12,097,682
Accounts receivable:			
Federal funds from State of Maryland	2,013,651	81,709	2,095,360
State of Maryland	971,242	-	971,242
Other	557,616	-	557,616
Internal balances	(742,053)	742,053	-
Inventory	-	36,004	36,004
Construction in progress	821,943	-	821,943
Other capital assets, net	110,330,122	25,430	110,355,552
TOTAL ASSETS	126,043,979	891,420	126,935,399
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	707,481	-	707,481
Other post-employment benefits (OPEB)	12,685,614	-	12,685,614
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,393,095	-	13,393,095
LIABILITIES			
Accounts payable:			
Vendors	675,972	32,220	708,192
Accrued payroll and other employee withholdings	3,122,192	-	3,122,192
Unearned revenue - federal and state	895,408	-	895,408
Unearned revenue - other	143,212	22,464	165,676
Scholarships	29,750	-	29,750
Other accrued expenses	1,679,229	-	1,679,229
Long-term liabilities:			
Due within one year	115,884	-	115,884
Due in more than one year	88,185,489	12,632	88,198,121
TOTAL LIABILITIES	94,847,136	67,316	94,914,452
DEFERRED INFLOWS OF RESOURCES			
Pensions	214,371	-	214,371
Other post-employment benefits (OPEB)	15,813,930	-	15,813,930
TOTAL DEFERRED INFLOWS OF RESOURCES	16,028,301	-	16,028,301
NET POSITION			
Net investment in capital assets	111,152,065	25,430	111,177,495
Restricted for:			
Other purposes (school activity funds)	551,833	-	551,833
Unrestricted (deficit)	(83,142,261)	798,674	(82,343,587)
TOTAL NET POSITION	\$ 28,561,637	\$ 824,104	\$ 29,385,741

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

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Current:				
Administration	\$ 1,551,407	\$ -	\$ -	\$ -
School management and support	6,646,404	-	877,512	-
Instructional salaries and wages	26,601,347	-	2,597,743	-
Textbooks and instructional supplies	4,560,651	-	3,422,498	-
Other instructional costs	8,227,352	-	1,326,226	-
Special education	7,070,207	-	1,690,610	-
Pupil personnel services	2,276,974	-	1,575,655	-
Health services	735,463	-	-	-
Pupil transportation	3,592,224	-	29,752	-
Operation of plant	3,270,526	-	519,088	-
Maintenance of plant	1,995,628	-	-	-
Fixed charges	19,370,575	-	1,451,793	-
School activity expenditures	380,408	448,077	-	-
On-behalf State Retirement contributions	3,688,275	-	3,688,275	-
Capital outlay	1,256,029	-	-	5,988,546
Total Governmental Activities	91,223,470	448,077	17,179,152	5,988,546
Business-Type Activities				
Food Services	1,364,463	1,455,646	-	-
Total Business-Type Activities	1,364,463	1,455,646	-	-
Totals	\$ 92,587,933	\$ 1,903,723	\$ 17,179,152	\$ 5,988,546

General Revenues

Dorchester County

State of Maryland

Investment earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Expenses) Revenue
and changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,551,407)	\$ -	\$ (1,551,407)
(5,768,892)	-	(5,768,892)
(24,003,604)	-	(24,003,604)
(1,138,153)	-	(1,138,153)
(6,901,126)	-	(6,901,126)
(5,379,597)	-	(5,379,597)
(701,319)	-	(701,319)
(735,463)	-	(735,463)
(3,562,472)	-	(3,562,472)
(2,751,438)	-	(2,751,438)
(1,995,628)	-	(1,995,628)
(17,918,782)	-	(17,918,782)
67,669	-	67,669
-	-	-
4,732,517	-	4,732,517
<hr/>		
(67,607,695)	-	(67,607,695)
<hr/>		
-	91,183	91,183
<hr/>		
-	91,183	91,183
<hr/>		
(67,607,695)	91,183	(67,516,512)
<hr/>		
20,289,816	-	20,289,816
46,445,042	-	46,445,042
11,100	-	11,100
509,919	25,000	534,919
<hr/>		
67,255,877	25,000	67,280,877
<hr/>		
(351,818)	116,183	(235,635)
<hr/>		
28,913,455	707,921	29,621,376
<hr/>		
\$ 28,561,637	\$ 824,104	\$ 29,385,741

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES	Total Governmental Funds
ASSETS				
Cash and investments	\$ 11,539,625	\$ -	\$ 551,833	\$ 12,091,458
Accounts receivable:				
Federal funds from State of Maryland	2,013,651	-	-	2,013,651
State of Maryland	971,242	-	-	971,242
Other	406,002	151,614	-	557,616
Due from other Board of Education funds	-	1,056,963	-	1,056,963
TOTAL ASSETS	\$ 14,930,520	\$ 1,208,577	\$ 551,833	\$ 16,690,930
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Vendors	\$ 675,972	\$ -	\$ -	\$ 675,972
Due to other Board of Education funds	1,799,016	-	-	1,799,016
Accrued payroll and other employee withholdings	3,122,192	-	-	3,122,192
Unearned federal and state funds	895,408	-	-	895,408
Other unearned revenues	143,212	-	-	143,212
Scholarships	29,750	-	-	29,750
Other accrued expenses	1,679,229	-	-	1,679,229
TOTAL LIABILITIES	8,344,779	-	-	8,344,779
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Assigned to:				
Accrued leave reserve	240,014	-	-	240,014
Accrued severance	50,000	-	-	50,000
School construction and capital maintenance projects	180,000	1,208,577	-	1,388,577
School activities	-	-	551,833	551,833
Subsequent year's budget	1,048,062	-	-	1,048,062
Future security costs	1,800,000	-	-	1,800,000
Future capital maintenance	500,000	-	-	500,000
Future costs	1,537,457	-	-	1,537,457
Other purposes (encumbrances)	182,208	-	-	182,208
Unassigned	1,048,000	-	-	1,048,000
Total fund balances	6,585,741	1,208,577	551,833	8,346,151
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,930,520	\$ 1,208,577	\$ 551,833	\$ 16,690,930

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

Total Governmental Funds Balances \$ 8,346,151

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements 111,152,065

Deferred outflows of resources not reported in the fund financial statements

Pension	707,481	
Other post-employment benefits	<u>12,685,614</u>	13,393,095

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Accrued leave	(1,229,963)	
Accrued severance	(100,000)	
Pension liability, net	(4,574,093)	
Other post-employment benefits, net	<u>(82,397,317)</u>	(88,301,373)

Deferred inflows of resources not reported in the fund financial statements

Pension	(214,371)	
Other post-employment benefits	<u>(15,813,930)</u>	(16,028,301)

Net Position of Governmental Activities \$ 28,561,637

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES
REVENUES			
County Appropriation	\$ 20,289,816	\$ 1,553,370	\$ -
State of Maryland	46,445,042	365,093	-
On behalf State of Maryland	-	4,070,083	-
Restricted Federal revenues	9,917,744	-	-
Restricted State revenues	3,538,375	-	-
Restricted County, Agency and Local revenues	34,758	-	-
On-behalf State Retirement contributions	3,688,275	-	-
Other sources	503,686	17,333	-
School activity revenues	-	-	448,077
TOTAL REVENUES	<u>84,417,696</u>	<u>6,005,879</u>	<u>448,077</u>
EXPENDITURES			
Current:			
Administration	1,759,159	-	-
School management and support	6,646,404	-	-
Instructional salaries and wages	26,491,429	-	-
Textbooks and instructional supplies	4,625,151	-	-
Other instructional costs	2,729,765	-	-
Special education	7,070,207	-	-
Pupil personnel services	2,276,974	-	-
Health services	735,463	-	-
Pupil transportation	3,498,817	-	-
Operation of plant	3,943,702	-	-
Maintenance of plant	1,955,580	-	-
Fixed charges	16,223,906	-	-
School activity expenditures	-	-	380,408
On-behalf State Retirement contributions	3,688,275	-	-
Capital outlay	54,748	6,778,625	-
TOTAL EXPENDITURES	<u>81,699,580</u>	<u>6,778,625</u>	<u>380,408</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)			
	2,718,116	(772,746)	67,669
OTHER FINANCING SOURCES (USES)			
Interfund transfers - school construction fund	(500,000)	500,000	-
Net change in fund balances	2,218,116	(272,746)	67,669
Fund balances, beginning	4,367,625	1,481,323	484,164
Fund balances, ending	<u>\$ 6,585,741</u>	<u>\$ 1,208,577</u>	<u>\$ 551,833</u>

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

	Net change in fund balances-total Governmental Funds	\$ 2,013,039
Total Governmental <u>Funds</u> \$ 21,843,186 46,810,135 4,070,083 9,917,744 3,538,375 34,758 3,688,275 521,019 448,077 <hr/> 90,871,652	Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Fixed asset additions 6,875,990 Current year depreciation <u>(6,218,346)</u> Total 657,644	
	Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
1,759,159 6,646,404 26,491,429 4,625,151 2,729,765 7,070,207 2,276,974 735,463 3,498,817 3,943,702 1,955,580 16,223,906 380,408 3,688,275 6,833,373 <hr/> 88,858,613	Accrued leave, net (109,918) Accrued severance, net 234,086 Change in pension expense due to deferred financing outflow 213,056 Change in pension expense due to net pension liability (572,632) Change in pension expense due to deferred financing inflows 58,614 Change in post-employment benefits expense due to deferred financing outflow 8,570,117 Change in post-employment benefits expense due to net OPEB liability (13,767,001) Change in post-employment benefits expense due to deferred financing inflow 2,351,177 Total <u>(3,022,501)</u>	
	Change in net position of Governmental Activities	<u>\$ (351,818)</u>
2,013,039 <hr/> - 2,013,039 <hr/> 6,333,112 <hr/> \$ 8,346,151		

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 June 30, 2021

	Business-Type Activities
	<u>Food Service</u>
ASSETS	
Current assets:	
Cash	\$ 6,224
Accounts receivable:	
Federal funds from State of Maryland	81,709
Inventory	36,004
Due from other Board of Education funds	<u>742,053</u>
Total current assets	<u>865,990</u>
Capital assets, net	<u>25,430</u>
TOTAL ASSETS	<u>891,420</u>
LIABILITIES	
Current liabilities:	
Accounts payable	32,220
Unearned revenue	22,464
Accrued leave	<u>12,632</u>
TOTAL LIABILITIES	<u>67,316</u>
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Net investment in capital assets	25,430
Unrestricted	<u>798,674</u>
TOTAL NET POSITION	<u><u>\$ 824,104</u></u>

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

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

PROPRIETARY FUND
Year Ended June 30, 2021

	Business-Type Activities
	<u>Food Service</u>
OPERATING REVENUES	
Sale of meals	\$ 17,979
Federal assistance	1,132,374
State assistance	86,376
USDA donated commodities	218,917
TOTAL OPERATING REVENUES	<u>1,455,646</u>
OPERATING EXPENSES	
Food	331,503
Salaries and wages	172,177
Fixed charges	537,449
Contracted services	53,508
Supplies and materials	31,305
Other charges	1,837
USDA donated commodities	218,917
Depreciation	2,878
Additional equipment	14,889
TOTAL OPERATING EXPENSES	<u>1,364,463</u>
OPERATING INCOME	91,183
NON-OPERATING INCOME	
Other	<u>25,000</u>
Change in net position	116,183
Net position beginning of year	<u>707,921</u>
Net position end of year	<u>\$ 824,104</u>

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

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF CASH FLOWS

FOOD SERVICE FUND

Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from students	\$ 18,212
Operating grants received	1,297,389
Payments to food and related suppliers	(341,313)
Payments to other suppliers	(93,897)
Payments to employees and employee related benefits	(709,413)
Net cash provided by operating activities	170,978
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Other receipts	25,000
Payments to other Board funds	(195,226)
Net cash used in noncapital financing activities	(170,226)
Net increase in cash	752
Cash, beginning of year	5,472
Cash, end of year	\$ 6,224
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 91,183
Adjustments:	
Depreciation	2,878
(Increase) decrease in assets:	
Inventory	(8,494)
Accounts receivable	78,639
(Decrease) increase in liabilities:	
Accounts payable	7,876
Unearned revenue	(1,316)
Accrued leave	212
Total adjustments	79,795
Net cash provided by operating activities	\$ 170,978
Noncash items:	
Donation of food commodities	\$ 218,917

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of The Board of Education of Dorchester County

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

Financial Reporting Entity

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

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

Note 2. Summary of Significant Accounting Policies

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

The most significant of the Board’s accounting policies are described below.

A. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the Board. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. Internal activity between funds is eliminated from the statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end, excluding fiduciary funds. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board’s governmental activities and for business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Board.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. In addition, the Board has presented the School Activities Fund as a major fund because the Board believes this fund is significant to the Board as a whole.

B. Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary (the Board has no fiduciary funds).

GOVERNMENTAL FUND TYPES

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

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

School Construction Fund - School Construction Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Board administers the construction and repair of public schools and uses the School Construction Fund to record the revenues from the County and other governmental units and the expenditures in connection therewith. The State of Maryland made payments to the Board or directly to contractors on-behalf of the Board amounting to \$4,435,176 for the year ended June 30, 2021.

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

PROPRIETARY FUNDS

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

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

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

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

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

E. Budgetary Data

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

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted. The amounts reported in the final budgeted amounts reflect amendments approved by the County government during the year between categories and those approved by the Board within categories.

F. Inventory

On government-wide financial statements and the fund financial statements of proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Food received from the USDA is included at values stated by the USDA and is offset by a deferred credit until consumed.

G. Capital Assets

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	10 – 50 years	N/A
Furniture and Equipment	5 – 20 years	15 years
Vehicles	8 – 10 years	N/A

H. Compensated Absences

ACCRUED LEAVE

Upon retirement, employees of the Board receive severance pay for unused sick leave accumulated for service while employed at the Board. This estimated liability is computed on the accumulated sick leave of Board employees who have 20 years of service with the Board at the rate of \$30 per day. In addition, employees are granted vacation benefits in varying amounts depending on tenure. Compensated absences are reported as accrued in the government wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees, which are included in other accrued expenses.

I. Accrued Liabilities and Long-Term Obligations

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

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

The Board entered into a Separation Agreement with one employee for which a liability is accrued as of June 30, 2021 on the government-wide statements. Settlement payments will be paid in annual installments through fiscal year 2023.

J. Net Position

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

J. Net Position (Continued)

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

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred outflow of resources related to its pension liability (Note 7) and OPEB liability (Note 9) for changes in assumptions, the net difference between projected and actual investment earnings on plan investments, and contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension liability (Note 7) and OPEB liability (Note 9) for changes in assumptions, the difference between actual and expected experience, and the net difference between projected and actual investment earnings on plan investments. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

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

L. Fund Balance

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

M. Operating Revenues and Expenses

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

N. Estimates

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

O. Cash and Cash Equivalents

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

P. Interfund Receivables and Payables and Transfers

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

Q. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. Encumbrances outstanding at June 30, 2021 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled \$182,208.

Note 3. Cash and Investments

Deposits:

At June 30, 2021, the Board had bank deposits with various commercial banks totaling \$2,917,597 (carrying value \$2,410,219). As required by law, each depository is to pledge securities at least equal to the amount on deposit at all times in addition to insurance provided by the Federal Deposit Insurance Corporation (FDIC). The depository banks pledge collateral for specific accounts which are held in the Board's name at The Bank of New York Mellon. As of June 30, 2021, the bank deposits were exposed to custodial credit risk as follows:

	Governmental Activities	Business-Type Activities
Insured	\$ 728,673	\$ 6,224
Uninsured and Collateral Held by Pledging		
Bank's Trust Department in the Board's Name	2,098,620	-
Uninsured and Undercollateralized	84,080	-
Total	\$ 2,911,373	\$ 6,224

Investments:

Investments consist of \$9,687,463 of U.S. Government Securities made through the State of Maryland Local Government Investment Pool (MLGIP) which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poors. The fair value of the pool is the same

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, bankers' acceptance or money market funds.

The Board's exposure to interest rate and credit risk is minimal, as all investments are in cash and MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities. Cash is invested pursuant to the Annotated Code of Maryland and County Code.

Reconciliation to Statement of Net Position:

Cash at carrying value	\$	2,410,219
Investments		9,687,463
Total cash and investments	\$	12,097,682

Note 4. Interfund Receivables and Payables

	Due From Other Funds	Due To Other Funds
GOVERNMENTAL ACTIVITIES		
General Fund		
Due to School Construction fund	\$ -	\$ 1,056,963
Due to Food Service Fund	-	742,053
School Construction Fund		
Due from General Fund	1,056,963	-
BUSINESS-TYPE ACTIVITIES		
Enterprise Fund		
Due from General Fund	742,053	-
TOTAL ALL FUNDS	\$ 1,799,016	\$ 1,799,016

Due to/from other funds represent advances of cash for operating needs. Transfers of \$500,000 from the General Fund to the School Construction Fund are for capital projects.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

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

	Balance June 30, 2020	Additions	Deductions	Transfers	Balance June 30, 2021
Governmental Activities					
Capital Assets, not being depreciated					
Construction in progress	\$ 1,056,596	\$ 6,778,625	\$ -	\$ (7,013,278)	\$ 821,943
Total capital assets, not being depreciated	1,056,596	6,778,625	-	(7,013,278)	821,943
Capital assets, being depreciated					
Buildings and improvements	185,646,110	-	-	6,064,545	191,710,655
Furniture and equipment	3,871,380	-	-	948,733	4,820,113
Vehicles	1,585,518	97,365	-	-	1,682,883
Total capital assets, being depreciated	191,103,008	97,365	-	7,013,278	198,213,651
Less accumulated depreciation:					
Buildings and improvements	(77,956,776)	(5,854,529)	-	-	(83,811,305)
Furniture and equipment	(2,581,932)	(245,452)	-	-	(2,827,384)
Vehicles	(1,126,475)	(118,365)	-	-	(1,244,840)
Total accumulated depreciation	(81,665,183)	(6,218,346)	-	-	(87,883,529)
Total capital assets, being depreciated, net	109,437,825	(6,120,981)	-	7,013,278	110,330,122
Governmental activities capital assets, net	\$ 110,494,421	\$ 657,644	\$ -	\$ -	\$ 111,152,065
Business-type activities					
Equipment	\$ 70,522	\$ -	\$ -	\$ -	\$ 70,522
Accumulated depreciation	(42,214)	(2,878)	-	-	(45,092)
Business-type activities capital assets, net	\$ 28,308	\$ (2,878)	\$ -	\$ -	\$ 25,430

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 26,334
Instructional costs	6,058,557
Pupil transportation	93,407
Maintenance of plant	40,048
Total governmental depreciation expense	<u>6,218,346</u>

Depreciation expense was charged to business-type functions as follows:

Food Service	<u>2,878</u>
Total business-type depreciation expense	<u>2,878</u>
Total depreciation expense	<u>\$ 6,221,224</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Liabilities

A summary of long-term liabilities for the year ended June 30, 2021 is as follows:

	Balance			Balance	
	June 30, 2020	Increases	Decreases	June 30, 2021	Due within one year
GOVERNMENTAL ACTIVITIES					
Accrued leave	\$ 1,120,045	\$ 625,599	\$ 515,681	\$ 1,229,963	\$ 65,884
Accrued severance	334,086	-	234,086	100,000	50,000
Net pension liability (Note 7)	4,001,461	572,632	-	4,574,093	-
Net OPEB liability (Note 9)	68,630,316	13,767,001	-	82,397,317	-
Total	<u>\$ 74,085,908</u>	<u>\$ 14,965,232</u>	<u>\$ 749,767</u>	<u>\$ 88,301,373</u>	<u>\$ 115,884</u>
BUSINESS-TYPE ACTIVITIES					
Accrued leave	<u>\$ 12,420</u>	<u>\$ 8,137</u>	<u>\$ 7,925</u>	<u>\$ 12,632</u>	<u>\$ -</u>

Long-term liabilities are normally paid from the General Fund.

Note 7. Pension Plans

Plan Description

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

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

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

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

General Plan Policies

The Teachers' Retirement System of the State of Maryland was established on August 1, 1927 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. In this regard,

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Until December 31, 2004, existing members of the Teachers' Retirement System had the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

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

Significant Plan Benefits and Policies

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

Teachers' and Employees' Retirement Systems

Retirement Benefits:

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

Vested Allowance:

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

Employee Contributions:

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

Teachers' and Employees' Pension Systems

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

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

Employee Contributions:

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

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

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

Employer Contributions:

For the year ended June 30, 2021 the Board's total payroll for all employees was \$42,329,186. Total covered payroll was \$38,610,542. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

During fiscal year 2021, the State of Maryland contributed \$3,688,275 to the Systems on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense in the General Fund.

Teachers' Retirement and Pension Systems:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, during fiscal year 2021, the Board contributed \$1,454,820 to the Teachers' Retirement and Pension System.

Employees' Retirement and Pension Systems:

During fiscal year 2021, the Board contributed \$461,238 to the Employees' Retirement and Pension System.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

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

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

At June 30, 2021, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. 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:

	2021
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 4,574,093
State's proportionate share of the net pension liability (Teachers' Systems)	40,825,142
	40,825,142
Total	\$ 45,399,235
	45,399,235

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Boards proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. At June 30, 2020, the Board's proportion was approximately .0202381%, which was substantially the same as its proportion measured as of June 30, 2019. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2019 to June 30, 2020 for the net pension liability, deferred financing outflows and deferred financing inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2021, the Board recognized pension expense of \$1,916,058 in the fund financial statements and \$2,217,020 in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (50,381)
Net difference between projected and actual investment earnings on pension plan investments	246,243	-
Difference between actual and expected experience	-	(163,990)
Board contributions subsequent to measurement date	461,238	-
Total	\$ 707,481	\$ (214,371)

The \$461,238 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.5047, 5.682, 5.722, 5.7789, and 5.8647 years for 2020, 2019, 2018, 2017, and 2016, respectively. The net difference in investment earnings for 2020, 2019, 2018, 2017, and 2016 is being amortized over a closed five year period for each period. The following table shows the amortization of these balances over the next five years:

2022	\$ (30,425)
2023	21,053
2024	61,163
2025	(19,240)
2026	(679)
	\$ 31,872

Actuarial Assumptions

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

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 11.6% including wage inflation
Investment Rate of Return	7.40%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	5.2%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.3%
Credit Opportunity	9%	2.8%
Real Assets	14%	4.3%
Absolute Return	8%	1.8%
Total	<u>100%</u>	

Discount rate

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

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

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

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	6.40%	\$ 6,511,952
Current discount rate	7.40%	\$ 4,574,093
1% increase	8.40%	\$ 2,960,026

NOTES TO FINANCIAL STATEMENTS

Note 8. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the Maryland Association of Boards of Education Group Insurance Pool (the "Pool") was formed when several Maryland boards of education joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in fiscal year 2000. The Board pays an annual premium to the Pool each year which is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participating boards on a pro rata basis.

The Board continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. The Board purchases health insurance from a provider through a modified retrospective rating arrangement agreement. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

In September 2001, the Board joined the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 5% of medical premiums and 8% of drug, dental, and vision premiums. Currently, ESMEC keeps on hand 7.5% and 12%, respectively, as a recommended conservative reserve. As of December 21, 2020, the Boards' funds held by ESMEC exceeded the recommended conservative reserve by \$1,187,985. All funds held by ESMEC are restricted to being used only for health care expenses.

Note 9. Post-Employment Health Care Benefits

Plan Description

The Board of Education of Dorchester County administers a single-employer defined benefit healthcare plan ("the Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the Board's group health insurance plan, which covers both active and retired members. The Plan does not issue a stand-alone report. Benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system described below:

For members hired before July 1, 2011, the earliest retirement eligibility is the earlier of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service,
- Age 65 with 2 years of service, or
- 30 years of service, regardless of age.

For members hired after July 1, 2011, the earliest retirement eligibility is the earlier of

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service,
- Age 60 with 15 years of service

As of January 1, 2020, the date of the last actuarial valuation, approximately 369 retirees were receiving benefits, and 673 active employees are potentially eligible to receive future benefits.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (Continued)

Funding Policy

The Board pays a portion of retiree healthcare premiums based on years-of-service ranging from 15 years of service to 30+ years of service until the retiree becomes Medicare-eligible. The retiree pays the remaining premium, including the cost of eligible dependents. Pre-Medicare retirees may choose between two medical plans (a PPN plan and an EPO plan). Both plans include medical and prescription benefits. Once a participant is Medicare eligible, the participant must switch to a Medicare supplement plan, which is also packaged with a prescription plan. Retirees have the option of electing dental and vision coverage in addition to medical coverage.

Commencing July 1, 2013, at the time of retirement, the employee must make an election to continue in the Board sponsored health care plan or to receive the Board subsidy as a payment towards the cost of a health insurance plan selected by the retiree. In order to receive the Board subsidy, the retiree must either enroll in the Board's health care program or, at least annually, provide proof of payments to a health insurance program where the amount paid by the retiree equals or exceeds the Board subsidy. The subsidy paid by the Board shall not exceed the total premium for the plan selected and paid for by the retiree. Retirees can opt out of the Board health care plan only at the time of retirement. Benefits continue for the lifetime of the retiree. Dependents and surviving spouses can stay in the plan but must pay the full cost of coverage.

Employer Contribution

The employer subsidy is a flat dollar amount based upon a participant's service. The subsidy amount is different for retirees before being eligible for Medicare than for participants who are eligible for Medicare. The subsidy requires a minimum of 15 years of service with the Board and retirement from the State of Maryland Pension System.

The chart below summarizes the annual employer subsidy for the most recent fiscal year:

Years of Service	EPO Plan Pre-Medicare Employer Subsidy	PPO Plan Pre-Medicare Employer Subsidy	Post-Medicare Employer Subsidy
15 - 19	\$4,259	\$4,270	\$3,613
20 - 29	\$4,760	\$4,793	\$3,820
30 or more	\$5,261	\$5,229	\$4,026

Net OPEB Liability

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees. For the fiscal year ended June 30, 2021, the Board recognized an OPEB expense of \$4,106,967.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (Continued)

The Board's total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board's total OPEB liability as of June 30, 2021:

Total OPEB liability	
Service cost	\$ 3,096,466
Interest cost	2,125,246
Experience losses/(gains)	(236,770)
Changes of assumptions	10,007,468
Benefit payments	<u>(1,225,409)</u>
Net change in total OPEB liability	13,767,001
Total OPEB liability, beginning of year	<u>68,630,316</u>
Total OPEB liability, end of year (a)	<u>\$ 82,397,317</u>

Payments have typically been liquidated from the General Fund in prior years.

Funding Status and Funding Progress

The Board has not established an irrevocable trust and funds benefits on a pay-as-you-go basis. Contributions to the plan are made as benefit payments and expenses become due. Benefit payments totaled \$1,225,409 for the year ended June 30, 2021. As of the most recent actuarial valuation, the plan was zero percent funded. The total OPEB liability for benefits was \$82,397,317, all of which was unfunded. The covered employee payroll was \$38,610,542, and the ratio of the net OPEB liability to the covered payroll was 213.41%.

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

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The Board selected a June 30, 2020 measurement date for fiscal year-end 2021. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.
- *Claims data* – Monthly paid claims, administrative expenses and enrollment for employees and retirees from February 1, 2017 through January 31, 2020 were supplied by the carrier.
- *Demographic data* – Data included current medical coverage for current employees and retirees as of January 1, 2020.
- *Discount rate assumption* - Benefits are discounted based on the Bond Buyer GO 20-year Bond Municipal Bond Index, an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (Continued)

- Health care trend** – The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in October 2010 and updated in September 2019. The following assumptions were used as input variables into this model:

Rate of Inflation	2.5%
Rate of growth in real income / GDP per year	1.5%
Extra trend due to technology and other factors	1.1%
Expected Health Share of GDP in 2029	20.0%
Health Share of GDP Resistance Point	25.0%
Year for limiting cost growth to GDP growth	2075

Due to the projected impact of the “Cadillac Tax”, the Pre-65 medical care trend was adjusted. Effective in 2022, the Cadillac Tax, a provision of the Affordable Care Act, applies to plans that cost \$10,200 or more for an individual or \$27,500 per family. Under the provision, there will be a 40% excise tax for expenditures over these thresholds. The cost thresholds are indexed by general inflation each year after 2018. Because medical trends are projected to be higher than general inflation, the percentage of the premium that is subject to the excise tax is expected to increase over time.

- Salary Scale** – Annual rates of salary increase include a 2.2% inflation rate and vary based on years of service and age:

Annual rates of Salary Increase for the first 10 years of service:

Years of Service	Rate
0	6.45%
1	4.95%
2	3.45%
3	3.45%
4	3.45%
5	3.45%
6	3.45%
7	3.45%
8	3.45%
9	3.45%

Annual rates of Salary Increase with 10 or more years of service:

Age	Rate
15	3.45%
20	3.45%
25	3.45%
30	3.20%
35	2.95%
40	2.70%
45	2.45%
50	1.95%
55	1.45%
60	0.95%
65	0.95%

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (Continued)

- *Decrement Assumptions* –

Healthy Pre-Retirement	Pub-2010 Teacher Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
Healthy Post-Employment	Pub-2010 Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale
Disabled	Pub-2010 Disabled Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale

Sensitivity of the Total and Net OPEB Liability

The following table presents the Board's total OPEB liability using the discount rate of 2.45%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Total OPEB Liability
1% decrease	1.45%	\$ 100,671,094
Current discount rate	2.45%	\$ 82,397,317
1% increase	3.45%	\$ 68,259,166

The following table presents the Board's total OPEB liability using the health care trend rate of 4.0%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Trend Rate	Board's Total OPEB Liability
1% decrease	3.00%	\$ 65,938,438
Current trend rate	4.00%	\$ 82,397,317
1% increase	5.00%	\$ 105,012,732

Deferred Inflows/Outflows of Resources related to OPEB

At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 11,424,354	\$ 5,997,952
Net difference between projected and actual investment earnings on OPEB plan investments	-	-
Difference between actual and expected experience	-	9,815,978
Board contributions subsequent to measurement date	1,261,260	-
Total	\$ 12,685,614	\$ 15,813,930

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (Continued)

The \$12,685,614 of deferred outflows of resources resulting from changes in assumptions and the Board's contributions to the OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Amounts reported as deferred inflows of resources related to changes in assumptions and the difference between actual and expected experience will be amortized and expensed over the expected average remaining service life of participants as follows:

Year End June 30,	
2022	\$ (1,114,745)
2023	(1,114,745)
2024	(1,114,745)
2025	(1,114,745)
2026	(1,114,745)
Thereafter	<u>1,184,149</u>
	<u>\$ (4,389,576)</u>

Changes in assumptions in the most recent actuarial valuation included adjusting the discount rate to the latest 20-year Municipal GO AA Index as June 30, 2020, adjusting the medical trend using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions, and updating the Medicare claims and total costs and mortality assumptions to the latest SOA public sector experience study rates.

Note 10. Operating Leases

The Board leases copy machines and internet access service for the majority of the educational system over three to five year terms.

During fiscal year 2017, the Board entered into a fifteen year equipment lease totaling \$4,188,274 for systemic replacements, repairs, restorations, modifications, and improvements across the school district. Payments are due annually with interest at 2.67% and final payment due December 21, 2031.

Approximate future minimum lease commitments are as follows:

Fiscal year ending June 30,	
2022	\$ 876,000
2023	892,000
2024	401,000
2025	400,000
2026	2,551,000

Expenses under these leases totaled approximately \$884,000 for the year ended June 30, 2021.

Note 11. Commitments and Contingencies

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments and Contingencies (Continued)

The Board is a defendant in various lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not have a material adverse effect on the financial position of the Board.

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

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL

GENERAL FUND
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
County appropriation	\$ 20,289,808	\$ 20,289,808	\$ 20,289,816	\$ 8
State of Maryland revenues:				
Current expense	21,446,449	21,446,449	21,446,449	-
Compensatory education	13,387,151	13,387,151	13,387,151	-
Limited English proficient	964,228	964,228	964,228	-
Special education	1,753,698	1,753,698	1,753,698	-
Guaranteed tax base	1,400,348	1,400,348	1,400,348	-
Supplemental grant	1,321,515	1,321,515	1,321,515	-
Transportation	2,741,709	2,741,709	2,741,709	-
Teacher Salary Incentive	525,025	525,025	525,025	-
Declining enrollment grant	407,230	407,230	407,230	-
PreKindergarten Supplemental	1,070,821	1,070,821	1,070,821	-
Hold Harmless Adjustment	264,358	264,358	264,358	-
Net Taxable Income Adjustment	1,162,510	1,162,510	1,162,510	-
Total State of Maryland revenues	46,445,042	46,445,042	46,445,042	-
Other sources:				
Tuition and transfers	85,500	85,500	88,805	3,305
Interest income	65,000	65,000	11,100	(53,900)
Miscellaneous	279,500	279,500	367,079	87,579
Rental income - building	40,000	40,000	31,577	(8,423)
Bus rental	25,000	25,000	5,125	(19,875)
Total other sources	495,000	495,000	503,686	8,686
Restricted revenues	7,188,171	7,188,171	13,490,877	6,302,706
TOTAL REVENUES	74,418,021	74,418,021	80,729,421	6,311,400
EXPENDITURES				
Administration:				
Salaries and wages	1,281,270	1,331,271	1,334,852	(3,581)
Contracted services	301,987	301,987	273,110	28,877
Supplies and materials	65,285	65,285	79,679	(14,394)
Other charges	99,115	99,114	68,985	30,129
Total administration	1,747,657	1,797,657	1,756,626	41,031

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL

GENERAL FUND
Year Ended June 30, 2021
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
School management and support:				
Salaries and wages	\$ 5,123,000	\$ 5,123,000	\$ 5,121,497	\$ 1,503
Contracted services	106,037	106,037	86,525	19,512
Supplies and materials	164,685	114,685	94,426	20,259
Other charges	501,674	501,674	483,863	17,811
Total school management and support	5,895,396	5,845,396	5,786,311	59,085
Instructional salaries and wages:				
Salaries and wages and contingency	25,283,062	25,283,062	23,893,686	1,389,376
Textbooks and instructional supplies:				
Supplies and materials and contingency	1,019,188	1,019,188	973,181	46,007
Other instructional costs:				
Contracted services	508,388	508,388	587,239	(78,851)
Other charges	498,070	498,070	430,177	67,893
Equipment	-	-	(11,126)	11,126
Transfers	75,000	75,000	22,810	52,190
Total other instructional costs	1,081,458	1,081,458	1,029,100	52,358
Special education:				
Salaries and wages	4,157,843	4,157,843	3,547,359	610,484
Contracted services	1,222,193	1,222,193	1,809,080	(586,887)
Supplies and materials	20,500	20,500	8,301	12,199
Other charges	21,600	21,600	14,858	6,742
Total special education	5,422,136	5,422,136	5,379,598	42,538
Pupil personnel services:				
Salaries and wages	752,202	752,202	676,594	75,608
Contracted services	5,000	5,000	3,550	1,450
Supplies and materials	10,000	10,000	8,436	1,564
Other charges	12,400	12,400	8,435	3,965
Total pupil personnel services	779,602	779,602	697,015	82,587

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL

GENERAL FUND
Year Ended June 30, 2021
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Health services contracted services:				
Contracted services	\$ 775,443	\$ 775,443	\$ 735,463	\$ 39,980
Supplies and materials	3,000	3,000	-	3,000
Total health services contracted services	778,443	778,443	735,463	42,980
Pupil transportation:				
Salaries and wages	571,527	571,527	408,225	163,302
Contracted services	3,016,716	3,016,716	2,701,084	315,632
Supplies and materials	175,434	175,434	102,544	72,890
Other charges	53,695	53,695	62,482	(8,787)
Equipment	-	-	97,365	(97,365)
Total pupil transportation	3,817,372	3,817,372	3,371,700	445,672
Operation of plant:				
Salaries and wages	1,924,912	1,664,912	1,572,309	92,603
Contracted services	170,064	170,064	161,147	8,917
Supplies and materials	158,200	158,200	186,242	(28,042)
Other charges	1,639,055	1,639,055	1,528,686	110,369
Equipment	-	-	-	-
Total operation of plant	3,892,231	3,632,231	3,448,384	183,847
Maintenance of plant:				
Salaries and wages	724,974	764,974	757,186	7,788
Contracted services	296,854	406,854	392,780	14,074
Supplies and materials	379,846	489,846	451,285	38,561
Other charges	354,221	354,221	343,668	10,553
Equipment	19,500	19,500	18,678	822
Total maintenance of plant	1,775,395	2,035,395	1,963,597	71,798
Fixed charges:				
Insurance and employee benefits	16,212,095	16,212,095	14,772,113	1,439,982
Total fixed charges	16,212,095	16,212,095	14,772,113	1,439,982

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2021
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Capital outlay:				
Salaries and wages	\$ 55,121	\$ 55,121	\$ 54,516	\$ 605
Supplies and materials	1,780	1,780	190	1,590
Other charges	2,000	2,000	42	1,958
Total capital outlay	58,901	58,901	54,748	4,153
Total unrestricted expenditures	67,762,936	67,762,936	63,861,522	3,901,414
Restricted expenditures	7,188,171	7,188,171	13,490,877	(6,302,706)
TOTAL EXPENDITURES	74,951,107	74,951,107	77,352,399	(2,401,292)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES	(533,086)	(533,086)	3,377,022	3,910,108
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	533,086	533,086	-	(533,086)
Appropriation to school construction fund	-	-	(500,000)	(500,000)
TOTAL OTHER FINANCING SOURCES (USES)	533,086	533,086	(500,000)	(1,033,086)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 2,877,022	\$ 2,877,022

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

Schedule of Proportionate Share of Net Pension Liability

	2015	2016	2017	2018	2019	2020	2021
Board's proportion of the net pension liability	0.0153290%	0.0169977%	0.0167681%	0.0168716%	0.0182841%	0.0194004%	0.0202381%
Board's proportionate share of the net pension liability	\$ 2,720,396	\$ 3,532,417	\$ 3,956,270	\$ 3,648,275	\$ 3,836,287	\$ 4,001,461	\$ 4,574,093
State's proportionate share of the net pension liability	27,301,668	36,226,287	43,481,273	40,229,165	39,277,026	37,124,469	40,825,142
Total	<u>\$ 30,022,064</u>	<u>\$ 39,758,704</u>	<u>\$ 47,437,543</u>	<u>\$ 43,877,440</u>	<u>\$ 43,113,313</u>	<u>\$ 41,125,930</u>	<u>\$ 45,399,235</u>
Board's covered payroll	\$ 31,967,186	\$ 33,689,148	\$ 34,546,250	\$ 35,613,901	\$ 35,699,566	\$ 37,297,818	\$ 38,610,542
Board's proportionate share of the net pension liability as a percentage of its covered payroll	8.51%	10.49%	11.45%	10.24%	10.75%	10.73%	11.85%
Total pension liability as a percentage of the plan fiduciary net position	0.07%	0.09%	0.10%	0.09%	0.08%	0.08%	0.08%

Schedules are intended to provide 10-year trend information. Additional years will be displayed as available.

GASB No. 68 was implemented in fiscal year 2015.

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS
Schedule of Board Contributions

	2015	2016	2017	2018	2019	2020	2021
Contractually required contributions	\$ 1,422,891	\$ 1,550,684	\$ 1,632,324	\$ 1,798,058	\$ 1,823,817	\$ 1,899,932	\$ 1,916,058
Contributions in relation to the							
contractually required contribution	1,422,891	1,550,684	1,632,324	1,798,058	1,823,817	1,899,932	1,916,058
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 31,967,186	\$ 34,546,250	\$ 35,613,901	\$ 35,699,566	\$ 37,297,818	\$ 37,297,818	\$ 38,610,542
Contributions as a percentage of covered payroll	4.45%	4.49%	4.58%	5.04%	4.89%	5.09%	4.96%

*Schedules are intended to provide 10-year trend information. Additional years will be displayed as available.
GASB No. 68 was implemented in fiscal year 2015.*

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY

Schedule of Total OPEB Liability and Related Ratios

	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 3,623,705	\$ 2,996,190	\$ 3,077,799	\$ 3,096,466
Interest cost	2,139,195	2,477,278	2,625,283	2,125,246
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	(106,766)	(12,258,435)	(236,770)
Changes of assumptions	(10,155,753)	(533,800)	3,251,349	10,007,468
Benefit payments	(1,349,324)	(1,481,721)	(1,408,823)	(1,225,409)
Net change in total OPEB liability	\$ (5,742,177)	\$ 3,351,181	\$ (4,712,827)	\$ 13,767,001
Total OPEB liability, beginning of year	75,734,139	69,991,962	73,343,143	68,630,316
Total OPEB liability, end of year (a)	<u>\$ 69,991,962</u>	<u>\$ 73,343,143</u>	<u>\$ 68,630,316</u>	<u>\$ 82,397,317</u>
Covered employee payroll	\$ 35,699,566	\$ 37,297,818	\$ 37,297,818	\$ 38,610,542
Total OPEB liability as of % of covered-employee payroll	196.06%	196.64%	184.01%	213.41%

*Schedules are intended to provide 10-year trend information. Additional years will be displayed as available.
GASB No. 75 was implemented in fiscal year 2018.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Comparison Schedule

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

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

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

June 30, 2021 GENERAL FUND			
	Revenues	Expenditures	Fund Balances
GAAP BASIS	\$ 84,417,696	\$ 81,699,580	\$ 6,585,741
Encumbrances at June 30, 2020	-	(841,114)	-
Encumbrances at June 30, 2021	-	182,208	(182,208)
Payments made on-behalf of the Board by State of Maryland to the Maryland State Retirement System	(3,688,275)	(3,688,275)	-
BUDGETARY BASIS	\$ 80,729,421	\$ 77,352,399	\$ 6,403,533

Note 2. Pension Plans

Changes in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

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

- Inflation assumption changed from 2.65% to 2.60% for general and from 3.15% to 3.10% for wage
- Salary increase assumption remained the same at 3.10% - 11.60%, including inflation
- Investment rate of return assumption remained the same at 7.40%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Pension Plans (Continued)

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% wage
Salary Increases	3.10% to 11.6% including wage inflation
Investment Rate of Return	7.40%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Note 3. Post-Employment Health Care Benefits

Changes in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

- Investment rate of return assumption changed from 3.13% to 2.45%

Method and Assumptions

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	2.20%
Salary Increases	Varies based on years of service and age
Investment Rate of Return	2.45%
Medical Trend	Based on the Society of Actuaries Long Term Medical Trend Model, the 2019 rate is 4.70% decreasing gradually to the ultimate rate of 4.00% and is reached in 2075.
Mortality	RP-2019 Mortality Tables with generational mortality projections using scale MP-2019 as utilized by MSRPS

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

SCHOOL ACTIVITIES FUND OPERATIONS

Year Ended June 30, 2021

<u>School Name</u>	June 30, 2020 Fund <u>Balance</u>	<u>Year Ended June 30, 2021</u>		
		<u>Additions - Revenues</u>	<u>Deductions - Expenditures</u>	<u>Fund Balance</u>
Hurlock Elementary School	\$ 25,986	\$ 10,831	\$ 20,022	\$ 16,795
Maple Elementary School	3,882	18,294	9,159	13,017
Choptank Elementary School	23,607	3,609	10,176	17,040
Sandy Hill Elementary School	14,616	8,560	6,450	16,726
South Dorchester K-8 School	58,917	29,520	13,728	74,709
Vienna Elementary School	32,912	5,168	7,644	30,436
Warwick Elementary School	12,923	15,372	16,473	11,822
Maces Lane Middle School	16,989	4,346	2,672	18,663
North Dorchester Middle School	18,014	1,980	7,020	12,974
Cambridge South Dorchester High School	137,193	155,979	133,903	159,269
North Dorchester High School	64,588	94,337	64,427	94,498
School of Technology	74,537	100,081	88,734	85,884
Total	\$ 484,164	\$ 448,077	\$ 380,408	\$ 551,833

THE BOARD OF EDUCATION OF DORCHESTER COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL

FOOD SERVICES FUND

Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
OPERATING REVENUES				
Sale of meals	\$ 150,000	\$ 150,000	\$ 17,979	\$ (132,021)
Federal assistance	2,822,844	2,822,844	1,132,374	(1,690,470)
State assistance	117,785	117,785	86,376	(31,409)
USDA donated commodities	225,000	225,000	218,917	(6,083)
TOTAL REVENUES	3,315,629	3,315,629	1,455,646	(1,859,983)
OPERATING EXPENSES				
Current:				
Food	1,225,000	1,225,000	331,503	893,497
Salaries and wages	1,068,732	1,068,732	172,177	896,555
Fixed charges	579,797	579,797	537,449	42,348
Contracted services	49,700	49,700	53,508	(3,808)
Supplies and materials	107,000	107,000	31,305	75,695
Other charges	16,500	16,500	1,837	14,663
Depreciation	-	-	2,878	(2,878)
USDA donated commodities	225,000	225,000	218,917	6,083
Capital outlay	68,900	68,900	14,889	54,011
TOTAL EXPENSES	3,340,629	3,340,629	1,364,463	1,976,166
OPERATING LOSS	(25,000)	(25,000)	91,183	116,183
NON-OPERATING REVENUE				
Other income	25,000	25,000	25,000	-
Change in net position	\$ -	\$ -	\$ 116,183	\$ 116,183

THE BOARD OF EDUCATION OF DORCHESTER COUNTY
 FOOD SERVICES FUND
 SCHEDULE OF CHANGES IN NET POSITION BY AREA OF RESPONSIBILITY
 Year Ended June 30, 2021

	<u>Total</u>	<u>Board Admin.</u>	<u>C.S.D.H.S.</u>	<u>N.D.H.S.</u>	<u>Maces Lane</u>	<u>N.D.M.S.</u>
Net position, beginning of year	\$ 707,921	\$ 707,921	\$ -	\$ -	\$ -	\$ -
Revenue:						
Food sales:						
A la carte	17,979	1,316	3,239	3,337	147	-
State revenue match	47,787	-	7,165	4,316	6,206	3,823
Summer school and migrant programs	14,526	14,526	-	-	-	-
Federal reimbursements	1,117,848	1,096,914	-	-	-	-
State reimbursements	36,056	-	3,602	-	3,606	3,606
USDA donated commodities	218,917	-	25,248	13,796	17,953	13,392
Other	27,533	27,533	-	-	-	-
Total revenue	<u>1,480,646</u>	<u>1,140,289</u>	<u>39,254</u>	<u>21,449</u>	<u>27,912</u>	<u>20,821</u>
Cost of food used:						
Beginning inventory	27,510	48	3,995	3,497	5,469	4,315
Purchased food	339,997	348,842	(2,683)	(1,451)	(3,077)	(2,317)
USDA donated commodities	218,917	-	25,248	13,796	17,953	13,392
Supplies	26,255	25,368	271	85	79	39
Salaries and wages	52,566	52,411	-	-	11	-
Food available for use	<u>665,245</u>	<u>426,669</u>	<u>26,831</u>	<u>15,927</u>	<u>20,435</u>	<u>15,429</u>
Less: Ending inventory	36,004	17,387	1,312	2,046	2,392	1,998
Total cost of food used	<u>629,241</u>	<u>409,282</u>	<u>25,519</u>	<u>13,881</u>	<u>18,043</u>	<u>13,431</u>
Net revenue (expense)	<u>851,405</u>	<u>731,007</u>	<u>13,735</u>	<u>7,568</u>	<u>9,869</u>	<u>7,390</u>
Expenses:						
Salaries and wages	119,611	119,611	-	-	-	-
Fixed charges	537,449	536,961	-	-	35	-
Contract services	53,508	-	4,480	2,019	4,833	7,532
Supplies/materials	5,050	3,027	161	250	250	-
Other charges	1,837	-	985	(15)	41	35
Depreciation	2,878	2,878	-	-	-	-
Equipment	14,889	13,834	78	26	144	-
Total expenditures	<u>735,222</u>	<u>676,311</u>	<u>5,704</u>	<u>2,280</u>	<u>5,303</u>	<u>7,567</u>
Change in net position	116,183	54,696	8,031	5,288	4,566	(177)
Transfers	-	61,487	(8,031)	(5,288)	(4,566)	177
Net position, end of year	<u>\$ 824,104</u>	<u>\$ 824,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Hurlock Elementary</u>	<u>Maple Elementary</u>	<u>Sandy Hill Elementary</u>	<u>South Dorchester K-8</u>	<u>Choptank Elementary</u>	<u>Vienna Elementary</u>	<u>Warwick Elementary</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,656	52	4,221	202	2,310	908	591
5,257	4,779	6,206	1,912	5,257	1,433	1,433
-	-	-	-	-	-	-
5,437	5,426	4,853	-	5,218	-	-
3,606	3,606	3,606	3,606	3,606	3,606	3,606
28,762	24,990	34,045	10,311	29,548	10,721	10,151
-	-	-	-	-	-	-
44,718	38,853	52,931	16,031	45,939	16,668	15,781
1,207	1,213	1,294	856	4,143	535	938
44	257	106	(16)	(2,706)	1,287	1,711
28,762	24,990	34,045	10,311	29,548	10,721	10,151
22	97	80	47	39	43	85
-	-	-	-	144	-	-
30,035	26,557	35,525	11,198	31,168	12,586	12,885
1,251	1,470	1,400	840	1,437	1,822	2,649
28,784	25,087	34,125	10,358	29,731	10,764	10,236
15,934	13,766	18,806	5,673	16,208	5,904	5,545
-	-	-	-	-	-	-
-	-	-	-	453	-	-
5,898	10,718	5,182	1,946	5,162	1,784	3,954
69	198	341	113	229	412	-
(26)	518	75	45	138	34	7
-	-	-	-	-	-	-
-	59	26	40	156	206	320
5,941	11,493	5,624	2,144	6,138	2,436	4,281
9,993	2,273	13,182	3,529	10,070	3,468	1,264
(9,993)	(2,273)	(13,182)	(3,529)	(10,070)	(3,468)	(1,264)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -