

**The Board of Education of
Dorchester County**

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2022

The Board of Education of Dorchester County

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INDEPENDENT AUDITORS' REPORT

The Board of Education of Dorchester County
Cambridge, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended June 30, 2022, the Board adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 87, "Leases". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Dorchester County's 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, 2022, 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.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland
September 27, 2022

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, 2022, 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, 2022.

Report on 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 of Education of Dorchester County's internal control. Accordingly, we do not express an opinion on the effectiveness of The Board of Education of Dorchester County's internal control.

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

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

Report on 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.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Salisbury, Maryland
September 27, 2022

THE BOARD OF EDUCATION OF DORCHESTER COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022, and a comparison with the results of the fiscal year ended June 30, 2021. 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 \$24,759,554 a decrease of \$4,045,513 or 14%, from the prior year. This is primarily due to a decrease in long-term liabilities – Other Post-Employment Benefits and Pensions. See Note 6 for further details.
- Among major funds (see page 18), the General Fund had \$90,142,092 in revenues and \$89,579,518 in expenditures. Additionally, \$680,000 of prior year fund balance was transferred from the General Fund to the School Construction Fund to cover critical HVAC projects. Along with proceeds from long-term leases, there was a resulting net increase in the General Fund fund balance of \$29,813.

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 15-16.

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 17-21.

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 22-47.

FINANCIAL ANALYSIS

The School System as a Whole

Table 1
Condensed Statement of Net Position

	<u>All Activities</u>		Increase (Decrease)
	<u>FY 2022</u>	<u>FY 2021(as restated)</u>	<u>From FY 2021</u>
Assets			
Current and Other Assets	\$18,386,958	\$15,757,904	\$2,629,054
Capital Assets	<u>111,070,327</u>	<u>114,258,125</u>	<u>(3,187,798)</u>
Total Assets	<u>129,457,285</u>	<u>130,016,029</u>	<u>(558,744)</u>
Deferred Outflows of Resources			
	<u>14,929,262</u>	<u>13,393,095</u>	<u>1,536,167</u>
Liabilities			
Long-Term Liabilities	86,965,755	91,584,572	(4,618,817)
Other Liabilities	<u>8,131,429</u>	<u>6,600,447</u>	<u>1,530,998</u>
Total Liabilities	<u>95,097,184</u>	<u>98,185,019</u>	<u>(3,087,835)</u>
Deferred Inflows of Resources			
	<u>24,529,809</u>	<u>16,028,301</u>	<u>8,501,508</u>
Net Position			
Invested in Capital Assets, Net of Debt	107,680,449	110,596,821	(2,916,372)
Restricted	513,386	551,833	(38,447)
Unrestricted	<u>(83,434,281)</u>	<u>(82,343,587)</u>	<u>(1,090,694)</u>
Total Net Position	<u>\$24,759,554</u>	<u>\$28,805,067</u>	<u>(\$4,045,513)</u>

Net Position Table 1 provides a comparison of the Board's net position for FY 2022 and FY 2021. For all activities in FY 2022, the Board's assets exceeded its liabilities by \$24,759,554. This is a decrease of \$4,045,513 from FY2021. The unrestricted deficit is due mainly to 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. Further details can be found in Notes 6, 7 & 9.

The largest portion of the Board's net position, \$107,680,449 reflects its investment in capital assets (e.g., buildings and improvements, furniture and equipment, and leased 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 \$513,386 and an unrestricted deficit balance of \$83,434,281.

Table 2
Statement of Activities

	<u>All Activities</u>		Increase (Decrease)
	<u>FY 2022</u>	<u>FY 2021</u>	<u>From FY 2021</u>
Revenues			
Program Revenues:			
Charges for Services	\$4,849,698	\$1,903,723	\$2,945,975
Operating Grants and Contributions	20,516,286	17,179,152	3,337,134
General Revenues:			
Dorchester County			
General Fund	20,812,142	20,289,816	522,326
School Construction	602,026	1,553,370	(951,344)
State of Maryland			
General Fund	47,359,399	46,445,042	914,357
School Construction	3,052,384	4,435,176	(1,382,792)
Interest	12,888	11,100	1,788
Other	542,572	534,919	7,653
	<u>97,747,395</u>	<u>92,352,298</u>	<u>5,395,097</u>
Governmental Activity Expenses			
Administration	1,835,572	1,551,407	284,165
School Management & Support	6,697,354	6,646,404	50,950
Instruction			
Salaries	29,325,509	26,601,347	2,724,162
Textbooks & Supplies	4,717,314	4,560,651	156,663
Other	9,041,811	8,227,352	814,459
Special Education	7,650,718	7,070,207	580,511
Student Personnel Services	2,869,746	2,276,974	592,772
Student Health Services	785,272	735,463	49,809
Student Transportation	4,813,966	3,592,224	1,221,742
Operation of Plant	4,707,202	3,270,526	1,436,676
Maintenance of Plant	2,122,579	1,995,628	126,951
Fixed Charges	18,675,895	19,370,575	(694,680)
School Activity Expenses	876,703	380,408	496,295
State Retirement Contributions	3,868,502	3,688,275	180,227
Capital Outlay	690,989	1,256,029	(565,040)
Business-Type Activities			
Food Services Expenses	3,113,776	1,364,463	1,749,313
Total Expenses	<u>101,792,908</u>	<u>92,587,933</u>	<u>9,204,975</u>
Change in Net Position	<u>(\$4,045,513)</u>	<u>(\$235,635)</u>	<u>(\$3,809,878)</u>

Changes in Net Position Table 2 (page 9) shows the key elements for the decrease of the Board’s net position for the year ended June 30, 2022. The results of fiscal year 2021 are shown as a comparison. Total Revenues were \$97,747,395 an increase of \$5,395,097 over FY 2021. Total expenses were \$101,792,908 an increase of \$9,204,975 over FY 2021. Revenues increased in Operating Grants, and Charges for Services. Expenses increased mainly in instructional salaries, and student transportation. Both income and expenses were impacted by the return of students and staff to in-person instruction.

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 \$43,084,634 an increase of \$3,695,284 over FY 2021. Special Education costs total \$7,650,718, an increase of \$580,511 over FY 2021. Student Transportation costs total \$4,813,966, an increase of \$1,221,742 from FY 2021. Operation and Maintenance of Plant costs total \$6,829,781 an increase of \$1,563,627 from FY 2021.

The Board’s Funds

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

	<u>Total Cost</u>		Increase (Decrease)
	<u>FY 2022</u>	<u>FY 2021</u>	<u>From FY 2021</u>
Administration	\$1,865,861	\$1,759,159	\$106,702
School Management & Support	6,697,354	6,646,404	50,950
Instruction:			
Salaries & Wages	29,227,933	26,491,429	2,736,504
Textbooks & Supplies	4,717,314	4,625,151	92,163
Other	2,898,666	2,729,765	168,901
Special Education	7,650,718	7,070,207	580,511
Pupil Personnel Services	2,869,746	2,276,974	592,772
Health Services	785,272	735,463	49,809
Pupil Transportation	4,705,254	3,498,817	1,206,437
Operation of Plant	4,707,202	3,943,702	763,500
Maintenance of Plant	2,082,531	1,955,580	126,951
Fixed Charges	20,362,599	19,912,181	450,418
School Activity Expenditures	876,703	380,408	496,295
Capital Outlay	<u>4,156,958</u>	<u>6,833,373</u>	<u>(2,676,415)</u>
Total Cost of Services	<u>\$93,604,111</u>	<u>\$88,858,613</u>	<u>\$4,745,498</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 10) 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 18 the Statement of Revenues, Expenditures and Changes in Fund Balances reflects a total fund balance of \$6,615,554 at the end of fiscal year 2022. The total fund balance on June 30, 2021 was \$6,585,741. The increase of \$29,813 is a result of savings due to unfilled staff vacancies, offset by the interfund transfer to the Capital Fund to address critical capital maintenance projects, and the payment of retention bonuses to all active staff at year end.

Of the \$6,615,554 fund balance, \$11,083 is assigned for FY2022 encumbrances, \$198,947 is assigned for accrued leave, \$1,593,879 for the FY 2023 operating budget, \$1,500,000 for the future operating budgets, \$1,107,200 for FY 2023 capital construction/maintenance projects, and \$2,204,445 for future capital construction/maintenance projects.

General Fund salaries totaled \$46,040,555 while the associated fringe benefits of retirement, social security, unemployment, commercial insurance, and health and accident insurance added \$20,362,599 to arrive at 75% 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 on June 30, 2021 was \$824,104. It increased by \$897,666 to \$1,721,770 on June 30, 2022. This increase is attributed mainly to the use of new grant funds to cover expenses. FY 2022 saw the return of students to in-person instruction, with the related increase in revenues and expenses.

Table 4
Original Budget, Final Budget, and Actual Results
General Fund
FY 2022

	<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	\$20,812,142	\$20,812,142	\$20,812,142	\$0
State of Maryland	46,986,227	47,359,398	47,359,399	1
Other Sources	501,076	501,076	555,461	54,385
Restricted Revenues	26,302,364	26,302,364	17,546,588	(8,755,776)
Fund Balance Appropriated	1,048,063	1,048,063	(680,000)	(1,728,063)
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Total Revenues	95,649,872	96,023,043	85,593,590	(10,429,453)
Governmental Activity Expenses				
Administration	1,831,073	1,896,073	1,865,861	30,212
School Management & Support	6,297,636	6,297,636	6,221,707	75,929
Instruction				
Salaries	25,779,221	25,779,221	25,184,390	594,831
Textbooks & Supplies	1,338,662	1,338,662	1,299,990	38,672
Other	1,105,917	1,105,917	1,066,137	39,780
Special Education	5,991,930	6,365,101	5,900,590	464,511
Student Personnel Services	910,986	910,986	903,998	6,988
Health Services	778,443	788,443	785,272	3,171
Student Transportation	3,809,197	4,294,197	4,291,549	2,648
Operation of Plant	3,930,571	3,680,571	3,637,869	42,702
Maintenance of Plant	1,768,822	2,018,822	1,975,330	43,492
Fixed Charges	15,688,633	15,128,633	14,603,108	525,525
Capital Outlay	116,417	116,417	110,262	6,155
Restricted Expenditures	26,302,364	26,302,364	17,546,588	8,755,776
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	95,649,872	96,023,043	85,392,651	10,630,392
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Net Change in Fund Balance	\$0	\$0	\$200,939	\$200,939

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 2022 the Board presented, and the County Council approved, two budget amendment/transfer requests.

The first budget amendment was to recognize Special Education revenues that were coming into the General Fund. In previous years, these funds came in as a grant.

The second budget amendment transferred funds from the Operation of Plant, and Fixed Charges categories to the Administration, Student Health, Student Transportation, and Maintenance of Plant categories. Savings in unfilled vacancies were used to cover the payment of retention bonuses to all active employees at year end.

As shown in Table 4, during the fiscal year actual revenues and actual expenses resulted in an increase in fund balance of \$200,939.

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 2022, the Board had \$111,070,327 invested in land, buildings, furniture and equipment, vehicles, and leased equipment. Table 5 gives the breakdown by asset type, net of accumulated depreciation and amortization.

Table 5
Capital Assets
(Net of Depreciation and Amortization)
FY 2022

Construction in Progress	\$	588,933
Buildings and Improvements		105,313,794
Furniture and Equipment		4,371,053
Vehicles		426,819
Leased Equipment		267,784
Food Services Equipment and Vehicles		<u>101,944</u>
Total Capital Assets	\$	<u>111,070,327</u>

The Capital Improvement Budget for FY 2023 will utilize State funding, County funding, prior year fund balance, and specialized grants to complete the following capital projects:

- Replacement roofs, and new HVAC Equipment at several schools
- Fleet vehicle replacements
- Capital maintenance equipment replacements and facility repairs
- Upgrade of student transportation security cameras

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. The 2021-2022 school year has seen a complete return to in-person instruction. However, effects of the pandemic are still being felt in the way of significant staff vacancies, and supply chain shortages. Expenses are being affected in both negative and positive ways. The uncertainty of the effects of the pandemic will continue into the foreseeable future.
- 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. The effects on the use of education funding are in constant flux as the law is being interpreted and implemented. It is unclear if the funding will be adequate to cover the change in mandated delivery of public education.
- 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, 2022

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 13,436,631	\$ 6,720	\$ 13,443,351
Accounts receivable:			
Federal funds from State of Maryland	1,904,257	1,243,405	3,147,662
State of Maryland	824,847	-	824,847
Other	935,606	-	935,606
Internal balances	(435,100)	435,100	-
Inventory	-	35,492	35,492
Construction in progress	588,933	-	588,933
Other capital assets, net	110,379,450	101,944	110,481,394
TOTAL ASSETS	127,634,624	1,822,661	129,457,285
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,178,377	-	1,178,377
Other post-employment benefits (OPEB)	13,750,885	-	13,750,885
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,929,262	-	14,929,262
LIABILITIES			
Accounts payable:			
Vendors	1,459,451	69,661	1,529,112
Accrued payroll and other employee withholdings	3,329,795	-	3,329,795
Unearned revenue - federal and state	1,387,615	-	1,387,615
Unearned revenue - other	44,497	20,759	65,256
Other accrued expenses	1,819,651	-	1,819,651
Long-term liabilities:			
Due within one year	525,109	-	525,109
Due in more than one year	86,430,175	10,471	86,440,646
TOTAL LIABILITIES	94,996,293	100,891	95,097,184
DEFERRED INFLOWS OF RESOURCES			
Pensions	1,742,086	-	1,742,086
Other post-employment benefits (OPEB)	22,787,723	-	22,787,723
TOTAL DEFERRED INFLOWS OF RESOURCES	24,529,809	-	24,529,809
NET POSITION			
Net investment in capital assets	107,578,505	101,944	107,680,449
Restricted for:			
Other purposes (school activity funds)	513,386	-	513,386
Unrestricted (deficit)	(85,054,107)	1,619,826	(83,434,281)
TOTAL NET POSITION	\$ 23,037,784	\$ 1,721,770	\$ 24,759,554

The Board of Education of Dorchester County
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Current:							
Administration	\$ 1,835,572	\$ -	\$ -	\$ -	\$ (1,835,572)	\$ -	\$ (1,835,572)
School management and support	6,697,354	-	460,959	-	(6,236,395)	-	(6,236,395)
Instructional salaries and wages	29,325,509	-	4,043,543	-	(25,281,966)	-	(25,281,966)
Textbooks and instructional supplies	4,717,314	-	3,339,561	-	(1,377,753)	-	(1,377,753)
Other instructional costs	9,041,811	-	1,676,830	-	(7,364,981)	-	(7,364,981)
Special education	7,650,718	-	1,750,128	-	(5,900,590)	-	(5,900,590)
Pupil personnel services	2,869,746	-	1,965,747	-	(903,999)	-	(903,999)
Health services	785,272	-	-	-	(785,272)	-	(785,272)
Pupil transportation	4,813,966	-	413,705	-	(4,400,261)	-	(4,400,261)
Operation of plant	4,707,202	-	1,043,448	-	(3,663,754)	-	(3,663,754)
Maintenance of plant	2,122,579	-	62,871	-	(2,059,708)	-	(2,059,708)
Fixed charges	18,675,895	-	1,890,992	-	(16,784,903)	-	(16,784,903)
School activity expenditures	876,703	838,256	-	-	(38,447)	-	(38,447)
On-behalf State Retirement contributions	3,868,502	-	3,868,502	-	-	-	-
Capital outlay	690,989	-	-	3,654,410	2,963,421	-	2,963,421
Total Governmental Activities	98,679,132	838,256	20,516,286	3,654,410	(73,670,180)	-	(73,670,180)
Business-Type Activities							
Food Services	3,113,776	4,011,442	-	-	-	897,666	897,666
Total Business-Type Activities	3,113,776	4,011,442	-	-	-	897,666	897,666
Totals	\$ 101,792,908	\$ 4,849,698	\$ 20,516,286	\$ 3,654,410	(73,670,180)	897,666	(72,772,514)
General Revenues							
Dorchester County					20,812,142	-	20,812,142
State of Maryland					47,359,399	-	47,359,399
Investment earnings					12,888	-	12,888
Miscellaneous					542,572	-	542,572
Total General Revenues					68,727,001	-	68,727,001
Change in Net Position					(4,943,179)	897,666	(4,045,513)
Net Position Beginning of Year, as restated (see Note 13)					27,980,963	824,104	28,805,067
Net Position End of Year					\$ 23,037,784	\$ 1,721,770	\$ 24,759,554

The Board of Education of Dorchester County

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES	Total Governmental Funds
ASSETS				
Cash and investments	\$ 12,923,245	\$ -	\$ 513,386	\$ 13,436,631
Accounts receivable:				
Federal funds from State of Maryland	1,904,257	-	-	1,904,257
State of Maryland	738,339	86,508	-	824,847
Other	885,060	50,546	-	935,606
Due from other Board of Education funds	-	1,409,085	-	1,409,085
TOTAL ASSETS	<u>\$ 16,450,901</u>	<u>\$ 1,546,139</u>	<u>\$ 513,386</u>	<u>\$ 18,510,426</u>
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Vendors	\$ 1,409,604	\$ 49,847	\$ -	\$ 1,459,451
Due to other Board of Education funds	1,844,185	-	-	1,844,185
Accrued payroll and other employee withholdings	3,329,795	-	-	3,329,795
Unearned federal and state funds	1,387,615	-	-	1,387,615
Other unearned revenues	44,497	-	-	44,497
Other accrued expenses	1,819,651	-	-	1,819,651
TOTAL LIABILITIES	<u>9,835,347</u>	<u>49,847</u>	<u>-</u>	<u>9,885,194</u>
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Assigned to:				
Accrued leave reserve	198,947	-	-	198,947
School construction and capital maintenance projects	1,107,200	1,496,292	-	2,603,492
School activities	-	-	513,386	513,386
Subsequent year's budget	1,593,879	-	-	1,593,879
Future capital maintenance	2,204,445	-	-	2,204,445
Other purposes (encumbrances)	11,083	-	-	11,083
Unassigned	1,500,000	-	-	1,500,000
Total fund balances	<u>6,615,554</u>	<u>1,496,292</u>	<u>513,386</u>	<u>8,625,232</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,450,901</u>	<u>\$ 1,546,139</u>	<u>\$ 513,386</u>	<u>\$ 18,510,426</u>

Total Governmental Funds Balances		\$ 8,625,232
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		110,968,383
Deferred outflows of resources not reported in the fund financial statements		
Pension	1,178,377	
Other post-employment benefits	<u>13,750,885</u>	
		14,929,262
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Financed purchases	(3,113,274)	
Long-term leases	(276,604)	
Accrued leave	(1,327,539)	
Accrued severance	(50,000)	
Pension liability, net	(3,140,251)	
Other post-employment benefits, net	<u>(79,047,616)</u>	
		(86,955,284)
Deferred inflows of resources not reported in the fund financial statements		
Pension	(1,742,086)	
Other post-employment benefits	<u>(22,787,723)</u>	
		(24,529,809)
Net Position of Governmental Activities		<u>\$ 23,037,784</u>

The Board of Education of Dorchester County
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	GENERAL FUND	SCHOOL CONSTRUCTION	SCHOOL ACTIVITIES	Total Governmental Funds
REVENUES				
County Appropriation	\$ 20,812,142	\$ 602,026	\$ -	\$ 21,414,168
State of Maryland	47,359,399	468,362	-	47,827,761
On behalf State of Maryland	-	1,685,217	-	1,685,217
Restricted Federal revenues	13,566,908	-	-	13,566,908
Restricted State revenues	3,852,134	-	-	3,852,134
Restricted County, Agency and Local revenues	127,546	-	-	127,546
On-behalf State Retirement contributions	3,868,502	-	-	3,868,502
Other sources	555,461	-	-	555,461
School activity revenues	-	-	838,256	838,256
TOTAL REVENUES	90,142,092	2,755,605	838,256	93,735,953
EXPENDITURES				
Current:				
Administration	1,865,861	-	-	1,865,861
School management and support	6,697,354	-	-	6,697,354
Instructional salaries and wages	29,227,933	-	-	29,227,933
Textbooks and instructional supplies	4,717,314	-	-	4,717,314
Other instructional costs	2,898,666	-	-	2,898,666
Special education	7,650,718	-	-	7,650,718
Pupil personnel services	2,869,746	-	-	2,869,746
Health services	785,272	-	-	785,272
Pupil transportation	4,705,254	-	-	4,705,254
Operation of plant	4,707,202	-	-	4,707,202
Maintenance of plant	2,082,531	-	-	2,082,531
Fixed charges	16,494,097	-	-	16,494,097
School activity expenditures	-	-	876,703	876,703
On-behalf State Retirement contributions	3,868,502	-	-	3,868,502
Capital outlay	1,009,068	3,147,890	-	4,156,958
TOTAL EXPENDITURES	89,579,518	3,147,890	876,703	93,604,111
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	562,574	(392,285)	(38,447)	131,842
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term leases	147,239	-	-	147,239
Interfund transfers - school construction fund	(680,000)	680,000	-	-
Net change in fund balances	29,813	287,715	(38,447)	279,081
Fund balances, beginning	6,585,741	1,208,577	551,833	8,346,151
Fund balances, ending	\$ 6,615,554	\$ 1,496,292	\$ 513,386	\$ 8,625,232

Net change in fund balances-total Governmental Funds \$ 279,081

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	3,465,969	
Current year depreciation	<u>(6,730,281)</u>	
Total		(3,264,312)

Proceeds from long-term leases are revenues in the governmental funds but increases in liabilities in the statement of net position. (147,239)

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.

Accrued leave, net	(97,576)	
Accrued severance, net	50,000	
Change in pension expense due to deferred financing outflow	470,896	
Change in pension expense due to net pension liability	1,433,842	
Change in pension expense due to deferred financing inflows	(1,527,715)	
Change in post-employment benefits expense due to deferred financing outflow	1,065,271	
Change in post-employment benefits expense due to net OPEB liability	3,349,701	
Change in post-employment benefits expense due to deferred financing inflow	<u>(6,973,793)</u>	
Total		(2,229,374)

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

Financed purchases	249,214	
Long-term leases	<u>169,451</u>	
Total		<u>418,665</u>

Change in net position of Governmental Activities \$ (4,943,179)

The Board of Education of Dorchester County
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

	<u>Business-Type Activities</u>
	<u>Food Service</u>
ASSETS	
Current assets:	
Cash	\$ 6,720
Accounts receivable:	
Federal funds from State of Maryland	1,243,405
Inventory	35,492
Due from other Board of Education funds	<u>435,100</u>
Total current assets	<u>1,720,717</u>
Capital assets, net	<u>101,944</u>
TOTAL ASSETS	<u>1,822,661</u>
LIABILITIES	
Current liabilities:	
Accounts payable	69,661
Unearned revenue	20,759
Accrued leave	<u>10,471</u>
TOTAL LIABILITIES	<u>100,891</u>
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Net investment in capital assets	101,944
Unrestricted	<u>1,619,826</u>
TOTAL NET POSITION	<u><u>\$ 1,721,770</u></u>

The Board of Education of Dorchester County
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2022

	<u>Business-Type Activities</u>
	<u>Food Service</u>
OPERATING REVENUES	
Sale of meals	\$ 109,561
Federal assistance	3,530,098
State assistance	48,988
USDA donated commodities	322,795
TOTAL OPERATING REVENUES	<u>4,011,442</u>
OPERATING EXPENSES	
Food	1,014,445
Salaries and wages	1,075,598
Fixed charges	479,548
Contracted services	46,506
Supplies and materials	107,425
Other charges	5,263
USDA donated commodities	322,795
Depreciation	10,003
Additional equipment	52,193
TOTAL OPERATING EXPENSES	<u>3,113,776</u>
OPERATING INCOME	897,666
Change in net position	897,666
Net position beginning of year	<u>824,104</u>
Net position end of year	<u>\$ 1,721,770</u>

The Board of Education of Dorchester County
STATEMENT OF CASH FLOWS
FOOD SERVICE FUND
Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from students	\$ 109,424
Operating grants received	2,417,390
Payments to food and related suppliers	(1,015,638)
Payments to other suppliers	(173,809)
Payments to employees and employee related benefits	<u>(1,557,307)</u>
Net cash used by operating activities	<u>(219,940)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of vehicle and equipment	<u>(86,517)</u>
Net cash used by investing activities	<u>(86,517)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Payments from other Board funds	<u>306,953</u>
Net cash provided by noncapital financing activities	<u>306,953</u>

Net increase in cash	496
Cash, beginning of year	<u>6,224</u>
Cash, end of year	<u><u>\$ 6,720</u></u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Operating income	\$ 897,666
Adjustments:	
Depreciation	10,003
(Increase) decrease in assets:	
Inventory	512
Accounts receivable	(1,161,696)
(Decrease) increase in liabilities:	
Accounts payable	37,441
Unearned revenue	(1,705)
Accrued leave	<u>(2,161)</u>
Total adjustments	<u>(1,117,606)</u>
Net cash provided by operating activities	<u><u>\$ (219,940)</u></u>

Noncash items:

Donation of food commodities	\$ 322,795
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The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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.

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 \$2,153,579 for the year ended June 30, 2022.

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

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.

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

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

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.

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 Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

E. Budgetary Data (continued)

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.

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

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

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2022 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.

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2022 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 \$11,083.

Note 3. Cash and Investments

Deposits:

At June 30, 2022, the Board had bank deposits with various commercial banks totaling \$3,060,918 (carrying value \$2,401,876). 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, 2022, the bank deposits were exposed to custodial credit risk as follows:

	Governmental Activities	Business-Type Activities
Insured	\$ 742,602	\$ 6,720
Uninsured and Collateral Held by Pledging		
Bank's Trust Department in the Board's Name	2,198,534	-
Uninsured and Undercollateralized	113,062	-
<u>Total</u>	<u>\$ 3,054,198</u>	<u>\$ 6,720</u>

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 3. Cash and Investments (Continued)

Investments:

Investments consist of \$11,041,476 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 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	\$ 2,401,876
Investments	11,041,475
<u>Total cash and investments</u>	<u>\$ 13,443,351</u>

Note 4. Interfund Receivables and Payables

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
GOVERNMENTAL ACTIVITIES		
General Fund		
Due to School Construction fund	\$ -	\$ 1,409,085
Due to Food Service Fund	-	435,100
School Construction Fund		
Due from General Fund	1,409,085	-
BUSINESS-TYPE ACTIVITIES		
Enterprise Fund		
Due from General Fund	435,100	-
TOTAL ALL FUNDS	<u><u>\$ 1,844,185</u></u>	<u><u>\$ 1,844,185</u></u>

Due to/from other funds represent advances of cash for operating needs. Transfers of \$680,000 from the General Fund to the School Construction Fund are for capital projects.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance				Balance
	June 30, 2021	Additions	Deductions	Transfers	June 30, 2022
Governmental Activities					
Capital Assets, not being depreciated					
Construction in progress	\$ 821,943	\$ 3,109,599	\$ -	\$ (3,342,609)	\$ 588,933
Total capital assets, not being depreciated	821,943	3,109,599	-	(3,342,609)	588,933
Capital assets, being depreciated					
Buildings and improvements	191,710,655	-	-	3,342,609	195,053,264
Furniture and equipment	9,008,387	86,685	-	-	9,095,072
Vehicles	1,682,883	122,446	-	-	1,805,329
Total capital assets, being depreciated	202,401,925	209,131	-	3,342,609	205,953,665
Less accumulated depreciation:					
Buildings and improvements	(83,811,305)	(5,928,165)	-	-	(89,739,470)
Furniture and equipment	(4,223,475)	(500,544)	-	-	(4,724,019)
Vehicles	(1,244,840)	(133,670)	-	-	(1,378,510)
Total accumulated depreciation	(89,279,620)	(6,562,379)	-	-	(95,841,999)
Total capital assets, being depreciated, net	113,122,305	(6,353,248)	-	3,342,609	110,111,666
Intangible right-to-use assets:					
Leased equipment	692,272	147,239	-	-	839,511
Less accumulated amortization	(403,825)	(167,902)	-	-	(571,727)
Total intangible right-to-use assets, net	288,447	(20,663)	-	-	267,784
Governmental activities capital assets, net, as restated (see Note 13)	\$ 114,232,695	\$ (3,264,312)	\$ -	\$ -	\$ 110,968,383
Business-type activities					
Equipment	\$ 70,522	\$ 58,173	\$ -	\$ -	\$ 128,695
Vehicles	-	28,344	-	-	28,344
Accumulated depreciation	(45,092)	(10,003)	-	-	(55,095)
Business-type activities capital assets, net	\$ 25,430	\$ 76,514	\$ -	\$ -	\$ 101,944

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 19,711
Instructional costs	6,561,810
Pupil transportation	108,712
Maintenance of plant	40,048
Total governmental depreciation expense	<u>\$ 6,730,281</u>

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

Food Service	\$ 10,003
Total business-type depreciation expense	<u>\$ 10,003</u>
Total depreciation expense	<u>\$ 6,740,284</u>

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 6. Long-Term Liabilities

A summary of long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance			Balance		Due within
	June 30, 2021	Increases	Decreases	June 30, 2022		one year
GOVERNMENTAL ACTIVITIES						
Financed purchases	\$ 3,362,488	\$ -	\$ 249,214	\$ 3,113,274	\$	275,727
Intangible right-to-use leases	298,816	147,239	169,451	276,604		173,712
Accrued leave	1,229,963	694,158	596,582	1,327,539		25,670
Accrued severance	100,000	-	50,000	50,000		50,000
Net pension liability (Note 7)	4,574,093	-	1,433,842	3,140,251		-
Net OPEB liability (Note 9)	82,397,317	-	3,349,701	79,047,616		-
Total	\$ 91,962,677	\$ 841,397	\$ 5,848,790	\$ 86,955,284	\$	525,109
BUSINESS-TYPE ACTIVITIES						
Accrued leave	\$ 12,632	\$ 7,957	\$ 10,118	\$ 10,471	\$	-

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 7. Pension Plans (Continued)

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

General Plan Policies

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

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

Significant Plan Benefits and Policies

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

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 7. Pension Plans (Continued)

Teachers' and Employees' Retirement Systems (continued)

Employee Contributions:

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

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 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, 2022. 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%.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 7. Pension Plans (Continued)

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

Employer Contributions:

For the year ended June 30, 2022 the Board's total payroll for all employees was \$47,040,351. Total covered payroll was \$40,681,992. 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 2022, the State of Maryland contributed \$3,868,502 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 2022, the Board contributed \$1,482,064 to the Teachers' Retirement and Pension System.

Employees' Retirement and Pension Systems:

During fiscal year 2022, the Board contributed \$442,187 to the Employees' Retirement and Pension System.

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, 2022, 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:

	2022
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 3,140,251
State's proportionate share of the net pension liability (Teachers' Systems)	<u>25,110,971</u>
Total	<u><u>\$ 28,251,222</u></u>

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 7. Pension Plans (Continued)

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was 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, 2021, the Board's proportion was approximately .0209318%, which was substantially the same as its proportion measured as of June 30, 2020. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2020 to June 30, 2021 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, 2022, the Board recognized pension expense of \$1,942,251 in the fund financial statements and \$1,547,229 in the government-wide financial statements.

At June 30, 2022, 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	\$ 607,824	\$ 67,306
Net difference between projected and actual investment earnings on pension plan investments	-	1,434,097
Difference between actual and expected experience	-	240,683
Change in proportion and share of contributions	128,366	-
Board contributions subsequent to measurement date	442,187	-
	<hr/>	<hr/>
Total	<u>\$ 1,178,377</u>	<u>\$ 1,742,086</u>

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 7. Pension Plans (Continued)

The \$442,187 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.5183, 5.5047, 5.682, 5.722, and 5.7789 years for 2021, 2020, 2019, 2018, and 2017, respectively. The net difference in investment earnings for 2021, 2020, 2019, 2018, and 2017 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:

Year Ending June 30,	Amortization
2022	\$ (290,204)
2023	(241,809)
2024	(239,420)
2025	(302,250)
2026	67,787
	<u>\$ (1,005,896)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021 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	17 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.25% general, 2.75% wage
Salary Increases	Projected range from 0.00% to 8.50% per year
Investment Rate of Return	6.80%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	8%	2.0%
Total	<u>100%</u>	

Discount rate

A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>Discount Rate</u>	<u>Board's Net Pension</u>
1% decrease	5.80%	\$ 5,348,290
Current discount rate	6.80%	\$ 3,140,251
1% increase	7.80%	\$ 1,308,700

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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 8% of medical, drug, dental, and vision premiums. Currently, ESMEC keeps on hand 12% as a recommended conservative reserve. As of December 21, 2021, the Boards' funds held by ESMEC exceeded the recommended conservative reserve by \$353,906. 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

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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

As of March 1, 2022, the date of the last actuarial valuation, approximately 365 retirees were receiving benefits, and 695 active employees are potentially eligible to receive future benefits.

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	PPO Plan	Post-Medicare Employer Subsidy
	Pre-Medicare Employer Subsidy	Pre-Medicare Employer Subsidy	
15 - 19	\$4,509	\$4,517	\$3,618
20 - 29	\$5,040	\$5,070	\$3,825
30 or more	\$5,570	\$5,531	\$4,032

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, 2022, the Board recognized an OPEB expense of \$3,996,401.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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, 2022:

Total OPEB liability	
Service cost	\$ 3,988,626
Interest cost	2,000,409
Experience losses/(gains)	(10,756,958)
Changes of assumptions	2,855,961
Benefit payments	(1,437,739)
Net change in total OPEB liability	<u>(3,349,701)</u>
Total OPEB liability, beginning of year	<u>82,397,317</u>
Total OPEB liability, end of year (a)	<u><u>\$ 79,047,616</u></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 \$1,437,739 for the year ended June 30, 2022. As of the most recent actuarial valuation, the plan was zero percent funded. The total OPEB liability for benefits was \$79,047,616, all of which was unfunded. The covered employee payroll was \$40,681,992, and the ratio of the net OPEB liability to the covered payroll was 194.31%.

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, 2021 measurement date for fiscal year-end 2022. 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 January 1, 2019 through December 31, 2021 were supplied by the carrier.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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

- *Demographic data* – Data included current medical coverage for current employees and retirees as of March 1, 2022.
- *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.
- *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 October 2021. 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	1.4%
Extra trend due to technology and other factors	1.0%
Expected Health Share of GDP in 2029	19.0%
Health Share of GDP Resistance Point	20.0%
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 2.5% 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	9.25%
1	6.75%
2	5.75%
3	5.75%
4	5.75%
5	5.75%
6	5.75%
7	5.50%
8	5.50%
9	5.50%

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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

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

Years of Service	Rate	Years of Service	Rate
10	5.50%	20	3.75%
11	5.25%	21	3.75%
12	5.25%	22	3.75%
13	4.75%	23	3.25%
14	4.75%	24	3.25%
15	4.75%	25	3.25%
16	4.75%	26	3.25%
17	4.25%	27	3.25%
18	4.25%	28+	2.75%
19	3.75%		

- *Decrement Assumptions –*

Healthy Pre-Retirement	Pub-2010 Teacher Employees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
Healthy Post-Employment	Pub-2010 Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 Mortality Improvement Scale
Disabled	Pub-2010 Disabled Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2021 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 1.92%, 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:

	<u>Discount Rate</u>	<u>Board's Total OPEB Liability</u>
1% decrease	0.92%	\$ 96,011,999
Current discount rate	1.92%	\$ 79,047,616
1% increase	2.92%	\$ 65,853,183

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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

The following table presents the Board's total OPEB liability using the health care trend rate of 3.94%, 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:

	<u>Health Care Trend Rate</u>	<u>Board's Total OPEB Liability</u>
1% decrease	2.94%	\$ 64,458,515
Current trend rate	3.94%	\$ 79,047,616
1% increase	4.94%	\$ 98,762,988

Deferred Inflows/Outflows of Resources related to OPEB

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 12,489,784	\$ 4,810,224
Net difference between projected and actual investment earnings on OPEB plan investments	-	-
Difference between actual and expected experience	-	17,977,499
Board contributions subsequent to measurement date	1,261,101	-
Total	<u>\$ 13,750,885</u>	<u>\$ 22,787,723</u>

The \$1,261,101 of deferred outflows of resources resulting from the Board's contributions to the plan subsequent to the measurement date of June 30, 2021 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Amounts reported as differences between projected and actual earnings on OPEB plan investments will be amortized and expensed over a closed five-year period. Amounts reported as differences between expected and actual experience will be amortized and expensed over a period equal to the average remaining service lives of all employees that are provided with other post-employment benefits through the plan. Amounts reported as changes in assumptions will be amortized and expensed over a period equal to the average remaining service lives of all employees that are provided with other post-employment benefits through the plan. Amortization expense related to net deferred inflows and outflows of resources over the next five years is expected to be as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2023	\$ (1,992,634)
2024	(1,992,634)
2025	(1,992,634)
2026	(1,992,634)
2027	(864,217)
Thereafter	(1,463,186)
	<u>\$ (10,297,939)</u>

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

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

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, 2021, 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. Financed Purchases

The Board has entered into a non-cancelable contract that transfers ownership at the end of the contract term, thus the Board has recorded the related obligation and the related asset in the appropriate funds (see also Note 13).

Financed purchase obligations at June 30, 2022 consist of the following:

Energy equipment, Bank of America, interest at 2.67%; payable in annual installments of approximately \$358,851, including interest through December 2031	\$ 3,113,274
<hr/>	
	<u>\$ 3,113,274</u>

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

Fiscal year ending June 30,	
2023	\$ 358,851
2024	358,851
2025	358,851
2026	358,851
2027	358,851
Thereafter	1,794,252
Total	3,588,507
Less amounts representing interest	(475,233)
Present value of net minimumm purchased finance payments	<u>\$ 3,113,274</u>

Interest expense on the above financed purchases was approximately \$90,000 for the year ended June 30, 2022.

The cost of items acquired under these financed purchase arrangements, as included in capital assets, totaled \$4,188,274 and the related accumulated depreciation was \$1,675,310 at June 30, 2022.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 11. Intangible Right-to-Use Assets

The Board implemented the guidance of GASB No. 87, Leases, at July 1, 2021 for accounting and reporting leases that had previously been reported as operating leases and recognized the value of copiers leased under long-term contracts along with a related liability (see also Note 13).

As of July 1, 2021 the Board had a variety of lease agreements in place for copiers. Payments under these leases total approximately \$147,000 per year. The lease agreements in place for these copiers began during fiscal year 2019 and will expire during fiscal year 2024. For purposes of discounting future payments on these leases the Board used its incremental borrowing rate in place at the time of lease inception of 2.46%. During July 2021, the Board negotiated a new lease agreement for additional copiers which require payments of approximately \$32,000 per year. These leases will expire during fiscal year 2026. For purposes of discounting future payments on these leases, the Board used its incremental borrowing rate in place at the time of lease inception of 2.65%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 5.

Minimum lease payments over the next five years include:

Lease Payments to Maturity									
2019 Leases			2022 Leases			Total			
Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2023	\$145,044	\$ 2,241	\$147,285	\$ 28,668	\$ 3,162	\$ 31,830	\$ 173,712	\$ 5,403	\$ 179,115
2024	12,249	25	12,274	29,428	2,402	31,830	41,677	2,427	44,104
2025	-	-	-	30,208	1,622	31,830	30,208	1,622	31,830
2026	-	-	-	31,007	822	31,829	31,007	822	31,829
2027	-	-	-	-	-	-	-	-	-
Total	\$157,293	\$ 2,266	\$159,559	\$ 119,311	\$ 8,008	\$ 127,319	\$ 276,604	\$ 10,274	\$ 286,878

Interest expense on the above intangible right-to-use assets was approximately \$9,700 for the year ended June 30, 2022.

Note 12. 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, 2022 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.

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.

The Board of Education of Dorchester County
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2022

Note 13. Prior Period Restatement

The Board has determined to restate its Statement of Net Position – Governmental Activities and its Statement of Activities – Governmental Activities at June 30, 2021. The determination was made to restate these financial statements in connection with the fiscal year 2022 implementation of Government Accounting Standards Board’s Statement No. 87, Leases. This statement’s objective is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases. The Statement increases the usefulness of the financial statements by requiring the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

The following tables are a summary of the effects of this change on the statement of net position and the statement of activities at June 30, 2021.

Statement of Net Position - Governmental Activities

	As Previously Reported	GASB 87 Adjustment	As Restated
Construction in progress	\$ 821,943	\$ -	\$ 821,943
Other capital assets, net	110,330,122	3,080,630	113,410,752
Total	\$ 111,152,065	\$ 3,080,630	\$ 114,232,695
Long-term liabilities			
Due within one year	\$ (115,884)	\$ (390,737)	\$ (506,621)
Due in more than one year	(88,185,489)	(3,270,567)	(91,456,056)
Total	\$ (88,301,373)	\$ (3,661,304)	\$ (91,962,677)
Net position			
Net investment in capital assets	\$ 111,152,065	\$ (580,674)	\$ 110,571,391
Restricted for other purposes	551,833	-	551,833
Unrestricted	(83,142,261)	-	(83,142,261)
Total	\$ 28,561,637	\$ (580,674)	\$ 27,980,963

Statement of Activities - Governmental Activities

	As Previously Reported	GASB 87 Adjustment	As Restated
Net position	\$ 28,561,637	\$ (580,674)	\$ 27,980,963

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, 2022

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
County appropriation	\$20,812,142	\$20,812,142	\$20,812,142	\$ -
State of Maryland revenues:				
Current expense	22,159,958	22,533,129	22,533,130	1
Compensatory education	13,932,346	13,932,346	13,932,346	-
Limited English proficient	945,466	945,466	945,466	-
Special education	1,723,259	1,723,259	1,723,259	-
Guaranteed tax base	1,912,898	1,912,898	1,912,898	-
Supplemental grant	1,321,515	1,321,515	1,321,515	-
Transportation	2,680,834	2,680,834	2,680,834	-
Teacher Salary Incentive	525,025	525,025	525,025	-
PreKindergarten Supplemental	839,578	839,578	839,578	-
Hold Harmless Adjustment	94,000	94,000	94,000	-
Net Taxable Income Adjustment	851,348	851,348	851,348	-
Total State of Maryland revenues	46,986,227	47,359,398	47,359,399	1
Other sources:				
Tuition and transfers	75,000	75,000	132,890	57,890
Interest income	30,000	30,000	12,888	(17,112)
Miscellaneous	331,076	331,076	322,714	(8,362)
Rental income - building	40,000	40,000	44,924	4,924
Bus rental	25,000	25,000	42,045	17,045
Total other sources	501,076	501,076	555,461	54,385
Restricted revenues	26,302,364	26,302,364	17,546,588	(8,755,776)
TOTAL REVENUES	94,601,809	94,974,980	86,273,590	(8,701,390)
EXPENDITURES				
Administration:				
Salaries and wages	1,330,098	1,395,098	1,364,478	30,620
Contracted services	329,851	329,851	315,173	14,678
Supplies and materials	76,010	76,010	79,658	(3,648)
Other charges	95,114	95,114	106,552	(11,438)
Total administration	1,831,073	1,896,073	1,865,861	30,212

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, 2022
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
School management and support:				
Salaries and wages	\$ 5,613,777	\$ 5,613,777	\$ 5,619,665	\$ (5,888)
Contracted services	71,500	71,500	25,006	46,494
Supplies and materials	124,685	124,685	127,738	(3,053)
Other charges	487,674	487,674	449,298	38,376
Total school management and support	6,297,636	6,297,636	6,221,707	75,929
Instructional salaries and wages:				
Salaries and wages and contingency	25,779,221	25,779,221	25,184,390	594,831
Textbooks and instructional supplies:				
Supplies and materials and contingency	1,338,662	1,338,662	1,299,990	38,672
Other instructional costs:				
Contracted services	528,917	528,917	586,250	(57,333)
Other charges	502,000	502,000	411,171	90,829
Transfers	75,000	75,000	68,716	6,284
Total other instructional costs	1,105,917	1,105,917	1,066,137	39,780
Special education:				
Salaries and wages	4,698,652	4,718,652	3,671,960	1,046,692
Contracted services	1,251,178	1,497,586	2,145,807	(648,221)
Supplies and materials	20,500	127,263	65,275	61,988
Other charges	21,600	21,600	17,548	4,052
Total special education	5,991,930	6,365,101	5,900,590	464,511
Pupil personnel services:				
Salaries and wages	845,286	845,286	865,880	(20,594)
Contracted services	10,000	10,000	7,505	2,495
Supplies and materials	31,500	31,500	14,777	16,723
Other charges	24,200	24,200	15,836	8,364
Total pupil personnel services	910,986	910,986	903,998	6,988

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, 2022
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Health services contracted services:				
Salaries and wages	\$ -	\$ 10,000	\$ 9,829	\$ 171
Contracted services	775,443	775,443	775,443	-
Supplies and materials	3,000	3,000	-	3,000
Total health services contracted services	778,443	788,443	785,272	3,171
Pupil transportation:				
Salaries and wages	611,861	611,861	738,554	(126,693)
Contracted services	2,953,862	3,438,862	3,287,612	151,250
Supplies and materials	175,434	175,434	209,390	(33,956)
Other charges	68,040	68,040	55,993	12,047
Total pupil transportation	3,809,197	4,294,197	4,291,549	2,648
Operation of plant:				
Salaries and wages	1,936,970	1,686,970	1,580,552	106,418
Contracted services	170,064	170,064	175,177	(5,113)
Supplies and materials	158,200	158,200	171,637	(13,437)
Other charges	1,645,837	1,645,837	1,710,503	(64,666)
Land, buildings, and equipment	19,500	19,500	-	19,500
Total operation of plant	3,930,571	3,680,571	3,637,869	42,702
Maintenance of plant:				
Salaries and wages	738,479	988,479	832,651	155,828
Contracted services	296,854	296,854	357,322	(60,468)
Supplies and materials	379,846	379,846	439,804	(59,958)
Other charges	353,643	353,643	345,553	8,090
Total maintenance of plant	1,768,822	2,018,822	1,975,330	43,492
Fixed charges:				
Insurance and employee benefits	15,688,633	15,128,633	14,603,108	525,525
Total fixed charges	15,688,633	15,128,633	14,603,108	525,525

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, 2022
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Capital outlay:				
Salaries and wages	\$ 112,637	\$ 112,637	\$ 109,650	\$ 2,987
Supplies and materials	1,780	1,780	96	1,684
Other charges	2,000	2,000	516	1,484
Total capital outlay	116,417	116,417	110,262	6,155
Total unrestricted expenditures	69,347,508	69,720,679	67,846,063	1,874,616
Restricted expenditures	26,302,364	26,302,364	17,546,588	8,755,776
TOTAL EXPENDITURES	95,649,872	96,023,043	85,392,651	10,630,392
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES	(1,048,063)	(1,048,063)	880,939	1,929,002
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	1,048,063	1,048,063	-	(1,048,063)
Appropriation to school construction fund	-	-	(680,000)	(680,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,048,063	1,048,063	(680,000)	(1,728,063)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 200,939	\$ 200,939

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	2022
Board's proportion of the net pension liability	0.0153290%	0.0169977%	0.0167681%	0.0168716%	0.0182841%	0.0194004%	0.0202381%	0.0209318%
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	\$ 3,140,251
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	25,110,971
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>	<u>\$ 28,251,222</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	\$ 40,681,992
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%	7.72%
Total pension liability as a percentage of the plan fiduciary net	0.07%	0.09%	0.10%	0.09%	0.08%	0.08%	0.08%	0.04%

*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	2022
Contractually required contributions	\$ 1,422,891	\$ 1,550,684	\$ 1,632,324	\$ 1,798,058	\$ 1,823,817	\$ 1,899,932	\$ 1,916,058	\$ 1,924,251
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	1,924,251
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 40,681,992
Contributions as a percentage of covered payroll	4.45%	4.60%	4.73%	5.05%	5.11%	5.09%	4.96%	4.73%

*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	2022
Total OPEB liability					
Service cost	\$ 3,623,705	\$ 2,996,190	\$ 3,077,799	\$ 3,096,466	\$ 3,988,626
Interest cost	2,139,195	2,477,278	2,625,283	2,125,246	2,000,409
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(106,766)	(12,258,435)	(236,770)	(10,756,958)
Changes of assumptions	(10,155,753)	(533,800)	3,251,349	10,007,468	2,855,961
Benefit payments	(1,349,324)	(1,481,721)	(1,408,823)	(1,225,409)	(1,437,739)
Net change in total OPEB liability	\$ (5,742,177)	\$ 3,351,181	\$ (4,712,827)	\$ 13,767,001	\$ (3,349,701)
Total OPEB liability, beginning of year	75,734,139	69,991,962	73,343,143	68,630,316	82,397,317
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>	<u>\$ 79,047,616</u>
Covered employee payroll	\$ 35,613,901	\$ 35,699,566	\$ 37,297,818	\$ 38,610,542	\$ 40,681,992
Total OPEB liability as of % of covered-employee payroll	196.53%	205.45%	184.01%	213.41%	194.31%

*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.*

The Board of Education of Dorchester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2022

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, 2022		
				GENERAL FUND		
				Revenues	Expenditures	Fund Balances
GAAP BASIS	\$	90,289,331		\$ 89,579,518	\$	6,615,554
Encumbrances at June 30, 2021		-		(182,209)		-
Encumbrances at June 30, 2022		-		11,083		(11,083)
Proceeds from right-to-use assets		(147,239)		(147,239)		-
Payments made on-behalf of the Board by State of Maryland to the Maryland State Retirement System		(3,868,502)		(3,868,502)		-
BUDGETARY BASIS	\$	86,273,590		\$ 85,392,651	\$	6,604,471

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 2021 valuation:

- Inflation assumption changed from 2.60% to 2.25% for general and from 3.10% to 2.75% for wage

The Board of Education of Dorchester County
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2022

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	17 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.25% general, 2.75% wage
Salary Increases	Projected range from 0.00% to 8.50% per year
Investment Rate of Return	6.80%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

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 2.45% to 1.92%

Method and Assumptions

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increases	Varies based on years of service and
Investment Rate of Return	1.92%
Medical Trend	Based on the Society of Actuaries Long Term Medical Trend Model, the 2022 rate is 6.00% decreasing gradually to the ultimate rate of 3.94% and is reached in 2075.
Mortality	RP-2021 Mortality Tables with generational mortality projections using scale MP-2021 as utilized by MSRPS

ADDITIONAL SUPPLEMENTARY INFORMATION

The Board of Education of Dorchester County

SCHOOL ACTIVITIES FUND OPERATIONS

Year Ended June 30, 2022

<u>School Name</u>	June 30, 2021 Fund Balance	<u>Year Ended June 30, 2022</u>		
		<u>Additions - Revenues</u>	<u>Deductions - Expenditures</u>	<u>Fund Balance</u>
Hurlock Elementary School	\$ 16,795	\$ 30,108	\$ 29,537	\$ 17,366
Maple Elementary School	13,017	27,731	26,982	13,766
Choptank Elementary School	17,040	8,369	8,504	16,905
Sandy Hill Elementary School	16,726	14,365	15,093	15,998
South Dorchester K-8 School	74,709	37,509	57,512	54,706
Vienna Elementary School	30,436	19,920	18,794	31,562
Warwick Elementary School	11,822	36,336	35,185	12,973
Maces Lane Middle School	18,663	15,641	15,022	19,282
North Dorchester Middle School	12,974	27,961	12,489	28,446
Cambridge South Dorchester High School	159,269	277,357	315,385	121,241
North Dorchester High School	94,498	196,395	197,429	93,464
School of Technology	85,884	146,564	144,771	87,677
Total	\$ 551,833	\$ 838,256	\$ 876,703	\$ 513,386

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, 2022

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES				
Sale of meals	\$ 95,318	\$ 95,318	\$ 109,561	\$ 14,243
Federal assistance	2,822,844	2,822,844	3,530,098	707,254
State assistance	117,785	117,785	48,988	(68,797)
USDA donated commodities	225,000	225,000	322,795	97,795
TOTAL REVENUES	3,260,947	3,260,947	4,011,442	750,495
OPERATING EXPENSES				
Current:				
Food	1,225,000	1,225,000	1,014,445	210,555
Salaries and wages	1,052,343	1,052,343	1,075,598	(23,255)
Fixed charges	559,504	559,504	479,548	79,956
Contracted services	54,700	54,700	46,506	8,194
Supplies and materials	84,000	84,000	107,425	(23,425)
Other charges	16,500	16,500	5,263	11,237
Depreciation	-	-	10,003	(10,003)
USDA donated commodities	225,000	225,000	322,795	(97,795)
Capital outlay	68,900	68,900	52,193	16,707
TOTAL EXPENSES	3,285,947	3,285,947	3,113,776	172,171
OPERATING LOSS	(25,000)	(25,000)	897,666	922,666
NON-OPERATING REVENUE				
Other income	25,000	25,000	-	(25,000)
Change in net position	\$ -	\$ -	\$ 897,666	\$ 897,666

The Board of Education of Dorchester County
FOOD SERVICES FUND
SCHEDULE OF CHANGES IN NET POSITION BY AREA OF RESPONSIBILITY
Year Ended June 30, 2022

	<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>	<u>Hurlock Elementary</u>
Net position, beginning of year	\$ 824,104	\$ 824,104	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:							
Food sales:							
A la carte	109,561	1,706	20,154	13,974	8,411	20,228	9,462
State revenue match	47,822	-	7,171	4,318	6,211	3,826	5,261
Federal reimbursements	3,530,098	3,365,755	-	-	-	-	40,802
State reimbursements	-	-	-	-	-	-	-
USDA donated commodities	322,795	-	27,564	18,451	14,749	24,262	56,006
Other	1,166	1,166	-	-	-	-	-
Total revenue	4,011,442	3,368,627	54,889	36,743	29,371	48,316	111,531
Cost of food used:							
Beginning inventory	36,004	17,387	1,312	2,046	2,392	1,998	1,251
Purchased food	1,013,933	945,706	7,008	5,406	8,564	3,673	6,905
USDA donated commodities	322,795	-	27,564	18,451	14,749	24,262	56,006
Supplies	97,294	91,396	572	732	182	46	151
Salaries and wages	948,857	49,174	130,990	82,077	101,992	73,864	84,214
Food available for use	2,418,883	1,103,663	167,446	108,712	127,879	103,843	148,527
Less: Ending inventory	35,492	11,362	1,472	3,968	3,824	1,800	2,912
Total cost of food used	2,383,391	1,092,301	165,974	104,744	124,055	102,043	145,615
Net revenue (expense)	1,628,051	2,276,326	(111,085)	(68,001)	(94,684)	(53,727)	(34,084)
Expenses:							
Salaries and wages	126,741	126,741	-	-	-	-	-
Fixed charges	479,548	78,431	58,401	36,593	45,472	32,932	37,546
Contract services	46,506	-	4,531	3,852	3,667	3,674	4,767
Supplies/materials	10,131	9,940	-	-	2	-	-
Other charges	5,263	-	2,527	569	20	627	54
Depreciation	10,003	10,003	-	-	-	-	-
Equipment	52,193	25,943	604	419	357	48	15
Total expenditures	730,385	251,058	66,063	41,433	49,518	37,281	42,382
Change in net position	897,666	2,025,268	(177,148)	(109,434)	(144,202)	(91,008)	(76,466)
Transfers	-	(1,127,602)	177,148	109,434	144,202	91,008	76,466
Net position, end of year	\$ 1,721,770	\$ 1,721,770	\$ -	\$ -	\$ -	\$ -	\$ -

The Board of Education of Dorchester County
FOOD SERVICES FUND
SCHEDULE OF CHANGES IN NET POSITION BY AREA OF RESPONSIBILITY
Year Ended June 30, 2022
(Continued)

	Maple <u>Elementary</u>	Sandy Hill <u>Elementary</u>	South Dorchester <u>K-8</u>	Choptank <u>Elementary</u>	Vienna <u>Elementary</u>	Warwick <u>Elementary</u>
Net position, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:						
Food sales:						
A la carte	2,484	8,954	11,940	5,279	653	6,316
State revenue match	4,782	6,211	1,913	5,261	1,434	1,434
Federal reimbursements	43,549	39,993	-	39,999	-	-
State reimbursements	-	-	-	-	-	-
USDA donated commodities	51,255	55,636	13,973	50,977	2,105	7,817
Other	-	-	-	-	-	-
Total revenue	102,070	110,794	27,826	101,516	4,192	15,567
Cost of food used:						
Beginning inventory	1,470	1,400	840	1,437	1,822	2,649
Purchased food	8,682	11,244	3,129	6,998	3,025	3,593
USDA donated commodities	51,255	55,636	13,973	50,977	2,105	7,817
Supplies	380	1,837	-	1,898	60	40
Salaries and wages	92,781	102,997	62,209	74,420	40,470	53,669
Food available for use	154,568	173,114	80,151	135,730	47,482	67,768
Less: Ending inventory	1,565	3,084	1,427	1,058	1,604	1,416
Total cost of food used	153,003	170,030	78,724	134,672	45,878	66,352
Net revenue (expense)	(50,933)	(59,236)	(50,898)	(33,156)	(41,686)	(50,785)
Expenses:						
Salaries and wages	-	-	-	-	-	-
Fixed charges	41,366	45,921	27,735	33,180	18,043	23,928
Contract services	4,321	4,102	4,375	8,930	1,629	2,658
Supplies/materials	40	-	-	119	30	-
Other charges	1,234	43	128	41	1	19
Depreciation	-	-	-	-	-	-
Equipment	142	2,759	-	619	9,597	11,690
Total expenditures	47,103	52,825	32,238	42,889	29,300	38,295
Change in net position	(98,036)	(112,061)	(83,136)	(76,045)	(70,986)	(89,080)
Transfers	98,036	112,061	83,136	76,045	70,986	89,080
Net position, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -