

BOARD OF EDUCATION OF GARRETT COUNTY

FINANCIAL REPORT

JUNE 30, 2021

BOARD OF EDUCATION OF GARRETT COUNTY

INDEX TO FINANCIAL REPORT

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 14
BASIC FINANCIAL STATEMENTS	
Government Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis) :	
Current Expense Fund - Unrestricted	21
Current Expense Fund - Restricted	22
Current Expense Fund - School Activity	23
Food Service Fund	24
Statement of Fiduciary Net Position – Other Post Employment Benefits Trust Fund	25
Statement of Changes in Fiduciary Net Position – Other Post Employment Benefits Trust Fund	26
Notes to Financial Statements	27 - 54
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Board's Net OPEB Liability and Related Ratios	55
Notes to Required Supplementary Information	55
Schedule of the Board's Proportionate Share of the Net Pension Liability- Maryland State Retirement and Pension System	56
Schedule of the Board's Contributions-Maryland State Retirement and Pension System	57
Notes to Required Supplementary Information	57

INDEPENDENT AUDITORS' REPORT

Board of Education of Garrett County
Oakland, Maryland

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Garrett County as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the current expense funds and food service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Board's Net OPEB Liability and Related Ratios, Schedule of the Board's Proportionate Share of the Net Pension Liability-Maryland State Retirement and Pension System, and Schedule of the Board's Contributions-Maryland State Retirement and Pension System, listed in the index to the financial report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the Board of Education of Garrett County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Garrett County's internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
September 30, 2021

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

This section of the Board of Education of Garrett County School System's Financial Report represents our discussion and analysis of the school system's operations during the fiscal year (FY) ended June 30, 2021. Please read it in conjunction with the financial statements and notes to the basic financial statements which immediately follow this section to enhance the understanding of the School System's financial performance.

Government Accounting Standards require that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities. The goal of the MD&A is for the School System's financial managers to present an objective and easily readable analysis of the Board's financial activities based on currently known facts.

Financial Highlights

The Current Expense Fund unassigned fund balance as of June 30, 2021, was \$500,000. Through policy of the Board of Garrett County Commissioners, the Board of Education maintains an unassigned fund balance at the end of each year of \$500,000. In FY2019, the Garrett County Commissioners agreed that the Board is entitled to maintain all of its carryover funds as undesignated/unreserved.

On a system-wide basis, the Board of Education of Garrett County closed the fiscal year ended June 30, 2021, with combined net position of \$10.43 million up from \$8.18 million in FY 2020 for an increase of \$2.25 million in relation to the prior year net position. The Current Expense Fund actual revenues were up \$2.6 million from FY2020's \$59.3 million to FY2021's \$61.9 million as a result of the steep increase of restricted federal funding for COVID-19 recovery and relief. The Current Expense Fund actual expenditures were up \$1.7 million from FY2020's \$59.4 million to FY2021's \$61.1 million. Restricted federal COVID-19 funding was spent to stand-up a virtual learning environment, achieve a 1:1 technology device to student ratio, and increased support for in-person and virtual learning during the 2020-2021 school year.

The Unrestricted Current Expense actual revenues, \$51,543,245, were within \$36,191, or 0.07% of the final budget. The Unrestricted Current Expense Fund actual expenditures of \$52,945,087 were \$1,164,743, or 2.25% over the final budget. The large variance is due to State Capital Grant revenue that will be collected after year-end and unavailable soon enough to pay for the current period's expenditures, therefore must be reported as deferred inflows in the fund. The COVID-19 pandemic forced deviation from the approved FY2021 unrestricted budget. Students received instruction through a hybrid model during the first quarter of the school year, from November 12, 2020 through March 1, 2021, the school system operating entirely on a virtual model. By March 15, 2021 the system brought all willing students back to in-person instruction. The school system capitalized on that virtual time to focus on operations and maintenance projects in the buildings.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021

Major budget initiatives included:

- Navigate the COVID-19 pandemic with the best interest of our students, staff and stakeholders as the priority;
- Dedicate resources to address student behavior issues at all grade levels;
- Invest in school system employees to attract and retain high quality professional in all facets of the school system;
- Implement ESSA standards with excellence and fidelity;
- Manage healthcare expenses;
- Continue to strategically plan with each department.

Overview of the Financial Statements

The Financial Report is comprised of three parts: Management’s Discussion and Analysis or MD&A (this section), the basic financial statements and required supplementary information. The basic financial statements include two separate sets of statements that present different views of the school system; (1) the two statements in the first set are the district-wide statements that provide both short and long-term information about the school system’s overall financial condition, (2) the other set of statements contain fund financial statements that focus on individual parts of the school system, reporting its operations in more detail than the District-wide statements.

District-wide Financial Statements

The district-wide financial statements report information about the School System as a whole using accounting methods similar to a private sector business. It is designed to provide readers with a complete financial view of the entity known as the Board of Education of Garrett County.

The *Statement of Net Position*, page 15, includes all of the School System’s assets and liabilities with the difference between the two reported as net position. The *Statement of Activities*, page 16, presents information showing how the district’s net position changed during the most recent fiscal year.

In the district-wide financial statements, the School System’s activities are reported under the single category of governmental activities. All of the School System’s basic services are included in governmental activities, such as regular and special education, transportation, and administration. County appropriations funded by property taxes and other fees, as well as state formula aid, finance most of these activities.

Although the school system charges premiums to employees to help defray the costs of the health and dental care benefits programs, the bulk of the cost of these programs is financed by appropriations in the unrestricted Current Expense Fund budget. All insurance costs along with social security, retirement, and worker’s compensation are reported under fixed charges.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021

The district-wide perspective is unrelated to the budget and, accordingly, budget comparisons are not provided in this view. The OPEB Benefits Trust Fund is a fiduciary fund and as such are not included in the district-wide financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the Garrett County Public Schools’ funds, focusing on its most significant or “major” funds - not the School System as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School System’s funds are in two categories, governmental funds and fiduciary funds. The Board of Education of Garrett County does not operate any enterprise activities that are reported as proprietary funds.

Budgetary presentation of individual fund financial information utilizing the current financial resources measurement focus and the budgetary basis of accounting is presented as part of the fund financial statements on pages 21 through 24.

Governmental Funds

Most of the school system’s basic services are included in the governmental funds, page 17 and 19, which generally focus on (1) current financial resources and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the end of the year that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the school system’s programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information, page 18 and 20, explains the relationship (or differences) between them.

Fiduciary Funds

During FY2020, the board implemented the provisions of GASB 84, *Fiduciary Activities*. The requirements of Statement 84 are intended to enhance consistency and comparability for reported information in order to assess government accountability and stewardship. The statement establishes criteria for identifying fiduciary activities for all state and local governments. Under this new criteria it has been determined that student activity account funds, health reimbursement arrangement (HRA) funds for post 65 retirees and flexible spending arrangement (FSA) funds for active employees will be reported in the Unrestricted Current Expense Fund.

The Other Post-Employment Benefits Trust Fund is a fiduciary fund used to accumulate resources for retirement benefits payments to qualified former board employees. The OPEB Fund is reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 25 and 26, respectively.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

The activities reported in the fiduciary funds are excluded from the Board of Education of Garrett County's basic financial statements because the assets cannot be used to finance the board's activities. Management is responsible for ensuring that the assets reported in these funds are used for the intended purpose.

Financial Analysis of the School System as a Whole

The school system's combined net position increased nearly \$2.25 million or 27.54% in relation to the net position for June 30, 2020. This increase resulted from a combination of the increase in assets of accounts receivable from the State and capital assets while liabilities decreased, see *Long-Term Debt and Other Long-Term Obligations* section below.

The charts below summarize year over year comparison of Net Position and Changes in Net Position with revenues by major source and program expenses by major function.

<u>Changes In Condensed Statement of Net Position</u>			
	2021	2020	Percentage Change
Current and other assets	\$ 14,723,597	\$ 14,933,006	(1.40%)
Capital assets	47,219,607	44,433,921	6.27%
Total assets	<u>\$ 61,943,204</u>	<u>\$ 59,366,927</u>	4.34%
Deferred outflows of resources	\$ 8,404,843	\$ 9,978,489	(15.77%)
Total assets and deferred outflows	<u>\$ 70,348,047</u>	<u>\$ 69,345,416</u>	1.45%
Current and other liabilities	\$ 7,989,079	\$ 9,198,488	(13.15%)
Long-term liabilities	48,610,636	50,236,103	(3.24%)
Total liabilities	<u>\$ 56,599,715</u>	<u>\$ 59,434,591</u>	(4.77%)
Deferred inflows of resources	\$ 3,313,683	\$ 1,729,619	91.58%
Total liabilities and deferred outflows	<u>\$ 59,913,398</u>	<u>\$ 61,164,210</u>	(2.05%)
Net investment in capital assets	\$ 43,234,015	\$ 40,005,099	8.07%
Restricted	2,883,256	2,063,616	39.72%
Unrestricted	(35,682,622)	(33,887,509)	5.30%
Total net position	<u>\$ 10,434,649</u>	<u>\$ 8,181,206</u>	27.54%

<u>Changes in Net Position from Operating Results</u>			
	2021	2020	Percentage Change
<i>Program revenues:</i>			
Charges for services	\$ 546,545	\$ 1,422,280	(61.57%)
Operating grants and contributions	16,754,721	11,001,981	52.29%
Capital grants and contributions	2,970,278	2,107,610	40.93%
<i>General revenues:</i>			
County government	28,170,094	27,738,738	1.56%
State (unrestricted)	21,806,775	20,655,534	5.57%
Federal	0	0	
Other	22,766	214,746	(89.40%)
Total Revenues	<u>\$ 70,271,179</u>	<u>\$ 63,140,889</u>	11.29%

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Changes in Net Position from Operating Results

	2021	2020	Percentage Change
<i>Program Expenses:</i>			
Administration (central and school)	\$ 4,677,903	\$ 4,587,878	1.96%
Instruction			
(regular & special education)	31,541,186	29,311,040	7.61%
Student services and health	1,559,945	1,337,718	16.61%
Transportation	3,919,757	4,100,717	(4.41%)
Maintenance and operations	5,788,222	5,232,218	10.63%
Fixed charges	16,646,938	18,644,407	(10.71%)
Food services	3,199,454	2,946,933	8.57%
Other	684,331	392,405	74.39%
Total Expenses	<u>\$ 68,017,736</u>	<u>\$ 66,553,316</u>	2.20%
 Change in Net Position	 <u>\$ 2,253,443</u>	 <u>\$ (3,412,427)</u>	166.04%

Results of operations for the school system as a whole are presented on page 16, in the Statement of Activities. The majority of revenue received by the Board of Education of Garrett County is from the county and the State of Maryland. The state uses multiple formulas to calculate the allocation of aid to Maryland public school systems. Grant revenues can be derived by formula or awarded on a competitive basis. The Food Services program is primarily self-funded by children's payments and federal and state food and nutrition subsidies.

Revenues increase \$7.1 million or 11.29%. Operating grants and contributions increased \$5.75 million, or 52.29%, over the prior year due to the federal COVID-19 recovery funding and Capital grants and contributions increased \$0.9 million, or 40.93%, over the prior year, due to the completion several large capital projects, see Note 4 Capital Assets. Charges for services was down year over year by nearly \$0.9 million, or 61.57%, due to Food Service and Student Activities receiving very few students payments due to USDA waivers and COVID-19 restrictions.

Approximately \$68 million in expenses are reported with an increase of 2.2%, or \$1.5 million over the prior year. The changing models for instruction delivery drove spending for Instruction up \$2.23 million or 7.61% and Student and Health Services up \$0.2 million or 16.61% over the prior year. The school system implemented a virtual learning management system, operated summer instructional programming, and hired additional school nurses. Fixed charges spending was down \$2 million or 10.71% year over year due to reduced spending on substitutes, an increased number of mid-year separation of employees and no solvency payment required for the Garrett County Employees Healthcare Plan as in prior years.

Food Services received no transfers from the Current Expense Fund. While expense increased \$0.25 million or 8.57%, nearly all meals served were reimbursed at full USDA rates. Food

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2021

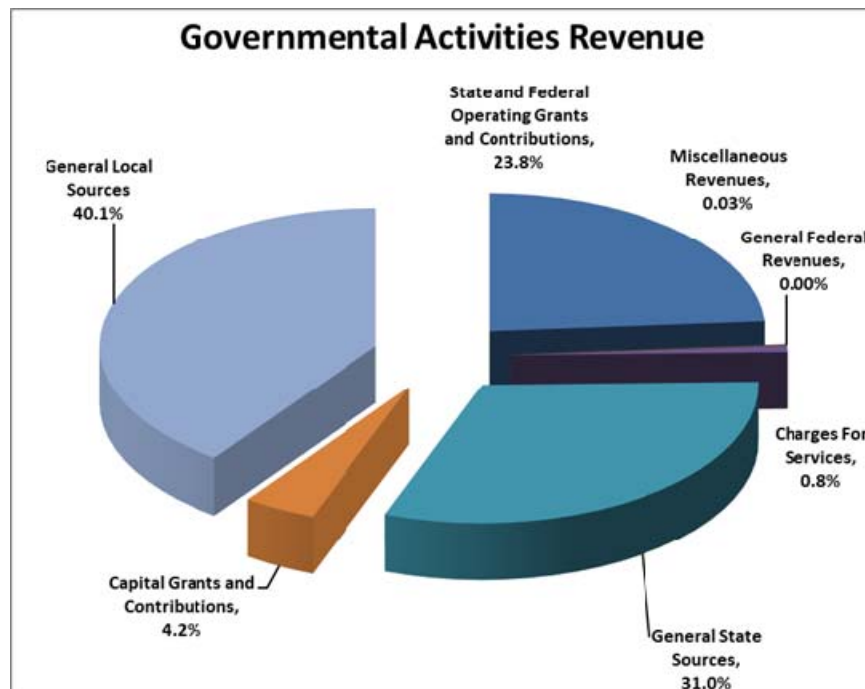
Services operated under the summer feeding model the entire fiscal year. There was a net increase in fund balance of \$914,473 or 540.03% increase.

The table below presents the total cost of the major school system functions. It details each function’s net cost (total cost less fees generated by the functions and intergovernmental aid provided for specific programs).

	Total Cost of Services			Net Cost of Services		
	2021	2020	Percentage Change	2021	2020	Percentage Change
Administration (County & School Level)	\$ 4,677,903	\$ 4,587,878	1.96%	\$ 4,354,749	\$ 4,376,939	(0.51%)
Instruction and Special Education	31,541,186	29,311,040	7.61%	21,393,198	22,243,841	(3.82%)
Student Personnel Services	739,802	672,526	10.00%	652,278	587,409	11.04%
Student Health Services	820,143	665,192	23.29%	580,658	547,595	6.04%
Student Transportation	3,919,757	4,100,717	(4.41%)	614,455	850,043	(27.71%)
Operation of Plant and Maintenance of Plant	5,788,222	5,232,218	10.63%	5,022,567	4,746,650	5.81%
Fixed Charges	16,646,938	18,644,407	(10.71%)	15,753,167	17,864,369	(11.82%)
Food Services	3,199,454	2,946,933	8.57%	(840,054)	661,132	(227.06%)
All Others	684,331	392,405	74.39%	215,174	143,467	49.98%
Total	\$ 68,017,736	\$ 66,553,316	2.20%	\$ 47,746,192	\$ 52,021,445	(8.22%)

The cost of all governmental activities was \$68,017,736. Some of this cost is financed by users of the school system’s programs through tuition, user fees and student activities funds of \$546,545. Operating and capital grants and contributions from the federal and state governments for certain programs were \$16,754,721. The net cost of services, \$47,746,192, is the financial burden placed on county and state taxpayers by these functions.

Most of the School System’s total revenue of \$70,271,179 was provided through Garrett County and State of Maryland taxpayers. The chart below details the governmental sources of revenue.



BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Financial Analysis of the School System's Funds

The School System's financial performance is reflected in its governmental funds. At the completion of the current year, the combined fund balances for all governmental funds totaled \$5,715,759, down 7.48% or \$461,988 from the FY2020 ending balance of \$6,177,747.

The Current Expense Fund balance decreased \$1,376,461 ending the year at \$4,631,949, down from \$6,008,410 at the end of FY2020. The large variance is due to State Capital Grant revenue that will be collected after year-end and unavailable soon enough to pay for the current period's expenditures, therefore must be reported as deferred inflows in the fund. Funds assigned for subsequent years' budgets decreased to \$2,181,059 from \$3,462,687 in FY2020. Funds restricted for Medical Assistance (MA) ended the year at \$255,452, up \$46,547 from FY2020 ending balance of \$208,903. Balances restricted for school activities were down \$21,166 from \$712,080 to \$690,914 at June 30, 2021. Funds restricted for FY2022 operating budget increased to \$853,080 from \$485,000 restricted for FY2021. All funds restricted for capital expenditures have been expended, exhausting the entire \$485,000 balance from June 30, 2020. Assigned for capital lease payments of \$151,444 and \$500,000 unassigned carryover balance remain the same. The Food Services fund balance increased considerably from \$169,337 at June 30, 2020 to \$1,083,810 at June 30, 2021, of which \$158,094 is nonspendable food inventory and \$925,716 is restricted for the Food Service Fund.

Local appropriations, general state sources, and state and federal funding revenues account for about 99.1% of the total Unrestricted Current Expense Fund revenues. All are stable and highly predictable.

General (Current Expense) Budgetary Highlights

The Unrestricted Current Expense Fund operates under a legally adopted annual budget. The budget is subdivided into state mandated categories of expenditures including Administration, Mid-level Administration, Instructional Salaries, Textbooks and Instructional Supplies, Other Instructional Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Food Services, Capital Outlays, and Community Services. The legal level of budgetary control is at the category level. Unexpended and encumbered appropriations terminate at the end of the fiscal year.

The variance of actual to final budget and original to final budget for Unrestricted Current Expense fund is detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) on page 21. The overall variation between the original unrestricted budget and final budget represents several changes. Budget transfers were made throughout the third and fourth quarters to accommodate the Schools Systems' capital outlay needs, purchase the third phase of the Elementary Reading Series, and accommodate unusual spending due to operating both in-person and virtually for a period of the school year. Unlike in prior years, it was not necessary to contribute a solvency amount to maintain a positive balance in the Garrett County Employees Health Care Plan.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

When comparing final budget to actuals, actual revenues were slightly above final budget by 0.7% or \$36,191. Actual expenditures were \$1,164,743 or 2.25% above final budget. Mid-level administration actual expenditures were below budget due to transition within the school level administration. Actual Instructional salary expenses was below budget due to a lower than anticipated use of substitute teachers. Actual Fixed Charges expenses was below budget due to a higher than anticipated number of mid-year retirements/separation. Food Services actual expense was \$0 as the Food Service Fund was able to add to its fund balance. Student personnel services and operation of plant were both categories in which expenses were higher than budgets amounts. These negative variances were as a result of the costs associated with in-person instruction during the COVID-19 pandemic. Capital outlay expenses were over final budget as a result of the adjustment made due to reporting State Capital Grant revenue as deferred inflows in the fund.

The Restricted Current Expense Fund variance between final budget and actual represents the remaining funds available to be spent from restricted grants, all of which are budgeted upon award.

School Activity Accounts are now presented along with the Unrestricted and Restricted Current Expense fund on page 23 as a result of the board adopting a new accounting standard related to accounting for fiduciary activities in FY2020. The School Activity Accounts operate at the school level abiding by the Board's policies and procedures.

The variances between final budget to actual for the Food Service Fund were driven by the changing models of instruction coupled with the execution of summer feeding program the entire fiscal year. Due to USDA waivers, no student payments were required for meals and food served as federal reimbursements were collected. The variance reported for salaries and wages were due to the additional costs incurred with operating the summer feeding model.

Capital and Debt Administration

By the end of FY2021, the school system had \$111.3 million invested in a broad range of capital assets including land, buildings and improvements, furniture, vehicles, and other equipment. This amount represents an increase of \$5.8 million or 5.47%. Depreciation was \$2.99 million in FY2021, therefore investment in Capital Improvement Program (CIP) outpaced depreciation.

The CIP included funding for school construction and renovation for several projects placed into service in FY2021, including security vestibules at Accident and Yough Glades Elementary Schools, land improvement and turf surface at both Northern and Southern High School stadiums, and fire alarm, front façade and partial HVAC replacements at Southern High School. A roof replacement at Swan Meadow School and playground replacement at Grantsville Elementary were also completed at year end. As of June 30, 2021, only \$433,286 was classified as construction in progress including track surface at both high school stadiums, freezer installation for Food Service, and open space conversion and roof replacement at Grantsville

BOARD OF EDUCATION OF GARRETT COUNTY

Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Elementary School. More detailed information about the school system's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt and Other Long-Term Obligations

At year-end, the school system had \$49,241,263 in long-term obligations outstanding. \$1,391,282 or 2.83% of this represents obligations for accumulated unpaid leave for the system's staff, \$3,985,592 or 8.09% represents obligations for energy performance contracts, \$40,152,502 or 81.54% represents the school system's net other post-employment benefit (OPEB) obligation, and the remainder represents the net pension liability of \$3,711,887 or 7.54%. Details of changes in balances are illustrated in Note 5.

Factors Impacting the School System

The on-going response to COVID-19 pandemic has caused the school system to operate very differently than planned. The 2021-2022 school year opened under the Reopening and Recovery Plan with students and staff attending in-person five days per week. Additional federal funding has been allocated from the American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) Fund. The U.S. Department of Agriculture (USDA) extended flexibilities to allow free meals to continue to be available to all children throughout the both the 2020-2021 and 2021-2022 school years. Most elements of school operations have changed due the coronavirus pandemic and it remains to be seen when operations will resume to a "normal" level.

The Kirwan Commission on Innovation and Excellence in Education was a multi-year initiative to research and develop major funding and policy reforms to improve the quality of Maryland's public education system. House Bill 1300 of 2020, passed by the General Assembly in March 2020, implemented the Blueprint for Maryland's Future (BMF), which was first established by Chapter 771 of 2019, substantially altering State aid and State policy for public schools. The Governor vetoed the bill for policy reasons and the General Assembly overrode the veto during the 2021 legislative session. BMF outlines five policy and funding areas 1) early childhood education, 2) high-quality and diverse teachers and leaders; 3) college and career readiness pathways; 4) more resources to ensure all students are successful; and 5) governance and accountability. School systems must adhere to required deadlines of a 10 year timeline of implementation.

The Local Every Student Succeeds Act (ESSA) Consolidated Strategic Plan for Garrett County Public Schools, required by the Bridge to Excellence Act and Every Student Succeeds Act provides a multi-year action plan to guide the school system in preparing students to reach high levels of academic achievement and to be contributing members of a democratic society. This replaces the Master Plan. The plan directs the use of current and new state, federal, and local funds to eliminate achievement gaps among subgroups of students and to challenge each student to higher academic levels. The plan organizes and aligns research-based practices, instructional services, professional development, and resource distribution to guide the Garrett County Public

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Schools budget initiatives that are now linked to Local ESSA Consolidated Strategic Plan strategies.

The Board received the Strategic Facilities Committee final report at its December 2019 meeting which was facilitated and prepared by Dr. David Lever, Educational Facilities Planning, LLC. The Board has reviewed the recommendations. On August 11, 2020, the Board approved the Five Year Strategic Plan along with the FY2022 Capital Improvement Plan. The plan aims to identify the key projects that the Board has identified for the Fiscal Years of 2022-2027. The document outlines five planning initiatives, 1) Grantsville Elementary School Open Space Conversion, 2) Analysis of Grade Band Configurations, 3) Southern Middle/Broad Ford Elementary School Renovation, 4) Central Office Relocation, and 5) Friendsville Library. The Superintendent is charged with facilitating the plan on the Board's behalf.

Enrollment decline continues to be a concern for the Board. Enrollment has a direct and significant impact on both state and local formula aid. Maryland Department of Planning projections prepared prior to the coronavirus pandemic predicted enrollment to decline slightly and then level off in future years.

Post-Employment Benefits

Effective July 1, 2006, the Board of County Commissioners of Garrett County, the Board of Trustees of Garrett College, and the Board of Education entered into the Garrett County Employees Health Care Plan. Consequently, a Retiree Health Plan Trust Agreement was entered effective July 1, 2009. The County, College, and the Board of Education amended the Agreement effective June 30, 2018 to create three independent and separate Trust Agreements. Consequently, the Board of Education adopted its own Plan Provisions for Other Post-Employment Benefits and Trust independent and separate from the county and the college. The Board continues to be a member of a coalition between County government, Garrett College and the Board of Education to procure health insurance and wellness benefits for current and retired employees of these entities.

The Board's actuary has calculated Total OPEB Liability at \$42,300,361 with a Plan Fiduciary Net Position of \$2,147,859, or 5.08%, leaving a Net OPEB Liability of \$40,152,502 at June 30, 2021. The actual OPEB contribution amount for the year ended June 30, 2021 was \$1,133,885, all of which was pay-as-you-go premiums paid by the board for retirees. There was no additional funding toward the OPEB obligation in FY2021. Under GASB Statement Number 75, there is no requirement to fund this obligation.

The Board's proportionate share of the Maryland State Retirement and Pension System's net pension liability, as calculated by the System's actuary, is \$3,711,887 as of June 30, 2021 and is reported as a liability on the Board's government-wide statement of net position.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

Contacting the School System's Financial Management

This financial report is designed to provide the citizens of Garrett County, taxpayers, parents and students, with a general overview of the Board of Education of Garrett County's finances and to demonstrate the school system's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact Alison Sweitzer, CPA, Director of Finance at the Board of Education of Garrett County, 40 South Second Street, Oakland, MD 21550.

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF GARRETT COUNTY

STATEMENT OF NET POSITION

As of June 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,037,661
Accounts receivable	
County	594,706
State	2,517,897
Federal	1,277,593
Other	257,496
Inventory	158,094
Restricted cash	767,667
Restricted investments - certificates of deposit	112,483
Non-depreciable capital assets	3,891,262
Depreciable capital assets, net of accumulated depreciation	43,328,345
Total Assets	61,943,204
DEFERRED OUTFLOWS OF RESOURCES	8,404,843
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	70,348,047
LIABILITIES	
Accrued payroll and withholding	6,174,207
Accounts payable and accrued expenses	1,080,697
Unearned revenue	103,548
Long-term liabilities:	
Due within one year	630,627
Due in more than one year	48,610,636
Total Liabilities	56,599,715
DEFERRED INFLOWS OF RESOURCES	3,313,683
NET POSITION	
Net investment in capital assets	43,234,015
Restricted for food service	1,083,810
Restricted for medical assistance	255,452
Restricted for school activities	690,914
Restricted for subsequent years' budgets and capital	853,080
Unrestricted	(35,682,622)
Total Net Position	10,434,649
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 70,348,047

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

BOARD OF EDUCATION OF GARRETT COUNTY

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

		<u>Program Revenues</u>			Net (Expenses) Revenues and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Administration	\$ 1,892,646	\$ 1,584	\$ 93,936	\$ -	\$ (1,797,126)
Mid-level administration	2,785,257	-	227,634	-	(2,557,623)
Instructi - Salaries	20,057,085	-	2,707,945	-	(17,349,140)
- Textbooks and supplies	2,401,682	-	1,053,864	-	(1,347,818)
- Other	4,300,505	402,018	805,334	2,970,278	(122,875)
Special education	4,781,914	-	2,208,549	-	(2,573,365)
Student personnel services	739,802	-	87,524	-	(652,278)
Student health services	820,143	72,579	166,906	-	(580,658)
Student transportation	3,919,757	5,081	3,300,221	-	(614,455)
Operation of plant	4,853,871	47,313	666,501	-	(4,140,057)
Maintenance of plant	934,351	-	51,841	-	(882,510)
Community services	554,414	-	469,157	-	(85,257)
Food services	3,199,454	17,970	4,021,538	-	840,054
Fixed charges	16,646,938	-	893,771	-	(15,753,167)
Interest on capital lease obligation	129,917	-	-	-	(129,917)
Total governmental activities	\$ 68,017,736	\$ 546,545	\$ 16,754,721	\$ 2,970,278	(47,746,192)
General revenues:					
Local appropriations					28,170,094
State appropriations					21,806,775
Miscellaneous					52,900
Unrestricted investment earnings					8,354
Gain/(Loss) on sale of assets and disposals					(38,488)
Total general revenues					49,999,635
Change in net position					2,253,443
Net Position - beginning of year					8,181,206
Net Position - end of year					<u>\$ 10,434,649</u>

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

BOARD OF EDUCATION OF GARRETT COUNTY

**BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2021**

	<u>Current Expense Fund</u>	<u>Food Service Fund</u>	<u>School Construction Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 8,150,724	\$ 886,937	\$ -	\$ 9,037,661
Accounts receivable				
County	-	-	594,706	594,706
State	505,644	228,386	1,783,867	2,517,897
Federal	1,200,557	77,036	-	1,277,593
Other	246,765	10,731	-	257,496
Due from other funds	501,891	69	-	501,960
Inventory	-	158,094	-	158,094
Restricted cash	767,667	-	-	767,667
Restricted investments - certificates of deposit	112,483	-	-	112,483
TOTAL ASSETS	<u>11,485,731</u>	<u>1,361,253</u>	<u>2,378,573</u>	<u>15,225,557</u>
LIABILITIES				
Accrued payroll and withholdings	6,030,432	143,775	-	6,174,207
Accounts payable and accrued expenses	623,330	80,685	376,682	1,080,697
Unearned revenue	50,565	52,983	1,500,000	1,603,548
Compensated absences payable	149,386	-	-	149,386
Due to other funds	69	-	501,891	501,960
Total Liabilities	<u>6,853,782</u>	<u>277,443</u>	<u>2,378,573</u>	<u>9,509,798</u>
FUND BALANCES				
Nonspendable - inventories	-	158,094	-	158,094
Assigned for capital lease payments	151,444	-	-	151,444
Assigned for subsequent years' budgets	2,181,059	-	-	2,181,059
Restricted for food service	-	925,716	-	925,716
Restricted for medical assistance	255,452	-	-	255,452
Restricted for school activities	690,914	-	-	690,914
Restricted for 2022 operating budget	853,080	-	-	853,080
Unassigned	500,000	-	-	500,000
Total Fund Balances	<u>4,631,949</u>	<u>1,083,810</u>	<u>-</u>	<u>5,715,759</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,485,731</u>	<u>\$ 1,361,253</u>	<u>\$ 2,378,573</u>	<u>\$ 15,225,557</u>

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

BOARD OF EDUCATION OF GARRETT COUNTY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
As of June 30, 2021**

Total fund balances - Governmental funds	\$ 5,715,759
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$111,274,340, net of accumulated depreciation of \$64,054,733.	47,219,607
Deferred outflows arising from changes in the net OPEB liability are not reported in the funds.	7,723,313
Deferred outflows arising from changes in the net pension liability are not reported in the funds.	681,530
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences payable (\$1,241,896), capital leases payable (\$3,985,592), net OPEB liability (\$40,152,502) and net pension liability (\$3,711,887).	(49,091,877)
Revenue that is collected after year-end and unavailable soon enough to to pay for the current period's expenditures is reported as deferred inflows in the fund.	1,500,000
Deferred inflows arising from changes in the net OPEB liability are not reported in the funds.	(3,114,709)
Deferred inflows arising from changes in the net pension liability are not reported in the funds.	<u>(198,974)</u>
Total net position - Governmental activities	<u><u>\$ 10,434,649</u></u>

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

BOARD OF EDUCATION OF GARRETT COUNTY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021**

	Current Expense Fund	Food Services Fund	School Construction Fund	Total Governmental Funds
REVENUES				
Intergovernmental revenues				
Local sources	\$ 28,318,894	\$ -	\$ 1,790,215	\$ 30,109,109
State sources	26,685,855	101,143	1,035,163	27,822,161
Federal sources	6,035,629	3,774,491	-	9,810,120
Earnings on investments	7,841	515	-	8,356
Charges for services	528,589	17,970	-	546,559
Miscellaneous revenues	345,060	168,304	-	513,364
Total Revenues	61,921,868	4,062,423	2,825,378	68,809,669
EXPENDITURES				
Administration	1,824,440	-	-	1,824,440
Mid-level administration	2,765,642	-	-	2,765,642
Instruction - Salaries	19,798,679	-	-	19,798,679
- Textbooks and supplies	2,401,682	-	-	2,401,682
- Other	1,655,874	-	-	1,655,874
Special education	4,494,148	-	-	4,494,148
Student personnel services	712,911	-	-	712,911
Student health services	756,628	-	-	756,628
Student transportation	3,897,454	-	-	3,897,454
Operation of plant	5,060,443	-	-	5,060,443
Maintenance of plant	991,773	-	-	991,773
Community services	469,157	-	-	469,157
Food services	-	2,987,486	-	2,987,486
Fixed charges	15,394,090	-	-	15,394,090
Capital outlay	260,484	160,464	5,067,153	5,488,101
Debt service	573,147	-	-	573,147
Total Expenditures	61,056,552	3,147,950	5,067,153	69,271,655
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	865,316	914,473	(2,241,775)	(461,986)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	2,241,775	2,241,775
Operating transfers out	(2,241,775)	-	-	(2,241,775)
NET CHANGE IN FUND BALANCES	(1,376,459)	914,473	-	(461,986)
Fund Balances - beginning of year	6,008,408	169,337	-	6,177,745
FUND BALANCES - end of year	\$ 4,631,949	\$ 1,083,810	\$ -	\$ 5,715,759

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

BOARD OF EDUCATION OF GARRETT COUNTY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

Change in fund balances - Governmental funds	\$ (461,986)
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 the estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$5,818,102 exceeds depreciation expense of \$2,993,928 in the current year.	2,824,174
Governmental funds report only the proceeds from the sale of capital assets. In the statement of activities the net book value is written-off against the proceeds, if any, when assets are disposed of or sold.	(38,488)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used.	69,790
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	443,230
Revenues that do not provide current financial resources are reported as deferred revenue in the governmental funds. The amount of the change in deferred revenue is not reported in the statement of activities.	1,500,000
Changes to the net OPEB liability and related deferred outflow and inflow accounts are not reported in the governmental funds, These changes impact OPEB expense in the statement of activities.	(2,181,597)
Changes to the net pension liability and related deferred outflow and inflow accounts are not reported in the governmental funds, These changes impact pension expense in the statement of activities.	98,320
Change in net position - Governmental activities	<u><u>\$ 2,253,443</u></u>

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

BOARD OF EDUCATION OF GARRETT COUNTY

**CURRENT EXPENSE FUND - UNRESTRICTED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Intergovernmental revenues				
Local sources	\$ 28,170,094	\$ 28,318,894	\$ 28,318,894	\$ -
State sources	23,005,795	22,926,245	22,918,077	(8,168)
Federal sources	120,000	36,156	47,343	11,187
Earnings on investments	15,000	13,000	6,691	(6,309)
Charges for services	45,000	104,579	126,571	21,992
Miscellaneous revenues	15,000	108,180	125,669	17,489
Total Revenues	<u>51,370,889</u>	<u>51,507,054</u>	<u>51,543,245</u>	<u>36,191</u>
EXPENDITURES				
Administration	1,604,957	1,697,177	1,696,665	512
Mid-level administration	2,766,342	2,746,213	2,635,622	110,591
Instruction - Salaries	19,064,834	18,362,831	18,137,841	224,990
- Textbooks and supplies	800,899	1,219,691	1,133,316	86,375
- Other	483,076	688,674	640,708	47,966
Special education	3,595,140	3,385,487	3,292,519	92,968
Student personnel services	675,834	603,089	645,915	(42,826)
Student health services	597,457	637,492	589,722	47,770
Student transportation	4,351,014	3,914,610	3,875,989	38,621
Operation of plant	3,938,739	5,068,119	5,141,857	(73,738)
Maintenance of plant	1,079,406	940,151	939,932	219
Fixed charges	11,832,055	11,838,566	11,712,742	125,824
Food services	348,000	348,000	-	348,000
Capital outlay	144,990	330,244	2,502,259	(2,172,015)
Total Expenditures	<u>51,282,743</u>	<u>51,780,344</u>	<u>52,945,087</u>	<u>(1,164,743)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	88,146	(273,290)	(1,401,842)	(1,128,552)
Fund Balance - beginning of year	<u>(88,146)</u>	<u>273,290</u>	<u>5,087,427</u>	<u>4,814,137</u>
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,685,585</u>	<u>\$ 3,685,585</u>

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

BOARD OF EDUCATION OF GARRETT COUNTY

**CURRENT EXPENSE FUND - RESTRICTED
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Intergovernmental revenues				
Federal sources	\$ 7,136,297	\$ 7,220,287	\$ 5,988,286	\$ (1,232,001)
State sources	1,559,580	1,380,580	980,201	(400,379)
Other sources	(3,246)	335,209	219,391	(115,818)
Total Revenues	<u>8,692,631</u>	<u>8,936,076</u>	<u>7,187,878</u>	<u>(1,748,198)</u>
EXPENDITURES				
Administration	226,057	186,696	127,775	58,921
Mid-level administration	120,116	165,188	130,020	35,168
Instruction - Salaries	2,298,653	2,061,482	1,660,838	400,644
- Textbooks and supplies	1,375,603	1,064,608	1,053,864	10,744
- Other	1,058,114	903,596	805,334	98,262
Special education	1,766,453	1,759,319	1,201,629	557,690
Student personnel services	92,103	92,103	66,996	25,107
Student health services	174,734	174,734	166,906	7,828
Student transportation	105,296	42,863	21,465	21,398
Operation of plant	471,309	471,309	491,733	(20,424)
Maintenance of plant	60,000	60,000	51,841	8,159
Fixed charges	1,191,577	1,146,879	893,771	253,108
Community services	622,617	621,607	469,157	152,450
Total Expenditures	<u>9,562,632</u>	<u>8,750,384</u>	<u>7,141,329</u>	<u>1,609,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(870,001)	185,692	46,549	(139,143)
Fund Balance - beginning of year	<u>870,001</u>	<u>(185,692)</u>	<u>208,903</u>	<u>394,595</u>
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,452</u>	<u>\$ 255,452</u>

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

BOARD OF EDUCATION OF GARRETT COUNTY
CURRENT EXPENSE FUND - SCHOOL ACTIVITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Earnings on investments	\$ -	\$ 2,000	\$ 1,150	\$ (850)
Charges for services	-	426,000	402,018	(23,982)
Total Revenues	<u>-</u>	<u>428,000</u>	<u>403,168</u>	<u>(24,832)</u>
EXPENDITURES				
Instruction - Textbooks and supplies	-	215,000	214,502	498
- Other	-	213,000	209,832	3,168
Total Expenditures	<u>-</u>	<u>428,000</u>	<u>424,334</u>	<u>3,666</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(21,166)	(21,166)
Fund Balance - beginning of year	<u>-</u>	<u>-</u>	<u>712,080</u>	<u>712,080</u>
FUND BALANCE - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 690,914</u></u>	<u><u>\$ 690,914</u></u>

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

BOARD OF EDUCATION OF GARRETT COUNTY

**FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Federal	\$ 1,318,400	\$ 2,195,061	\$ 3,454,625	\$ 1,259,564
State of Maryland	123,000	123,000	101,143	(21,857)
Meals and food served	673,480	14,880	17,970	3,090
Interest earned	135	135	515	380
Federal donation of food	120,000	160,500	319,866	159,366
Other revenues	3,316	159,816	168,304	8,488
	<u>2,238,331</u>	<u>2,653,392</u>	<u>4,062,423</u>	<u>1,409,031</u>
EXPENDITURES				
Salaries and wages	1,496,599	1,222,012	1,337,324	(115,312)
Contracted services	44,700	77,326	80,418	(3,092)
Supplies and materials	1,013,332	1,417,058	1,559,708	(142,650)
Other charges	31,700	17,682	10,036	7,646
Capital outlay	-	267,314	160,464	106,850
	<u>2,586,331</u>	<u>3,001,392</u>	<u>3,147,950</u>	<u>(146,558)</u>
EXCESS (DEFICIENCY) OF REVENUES REVENUES OVER EXPENDITURES	(348,000)	(348,000)	914,473	1,262,473
OTHER FINANCING SOURCES				
Operating transfers in	348,000	348,000	-	(348,000)
NET CHANGE IN FUND BALANCE	-	-	914,473	914,473
Fund Balance - beginning of year	-	-	169,337	169,337
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,083,810</u>	<u>\$ 1,083,810</u>

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

BOARD OF EDUCATION OF GARRETT COUNTY

**STATEMENT OF FIDUCIARY NET POSITION -
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
As of June 30, 2021**

	Other Post Employment Benefits Trust Fund
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ 48,165
Investments:	
Certificates of Deposit	37,557
U.S. Government Obligations	29,915
Fixed Income Securities	416,014
Mutual Funds	758,993
Equity Securities	851,660
Total Investments	<hr/> 2,094,139
Interest Receivable	<hr/> 5,555
TOTAL ASSETS	<hr/> 2,147,859
LIABILITIES	<hr/> -
NET POSITION	
Held in Trust for Other Post Employment Benefits	<hr/> <hr/> \$ 2,147,859

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

BOARD OF EDUCATION OF GARRETT COUNTY

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
OTHER POST EMPLOYMENT BENEFITS TRUST FUND**

As of June 30, 2021

	Other Post Employment Benefits Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ -
Plan Members	-
Total Contributions	-
Investment Earnings:	
Realized Net Gains on Investments	139,896
Interest and Dividends	39,277
Net Increase in Fair Value of Investments	209,096
Less: Investment Manager/Advisor/Custody Fees	(6,838)
Total Net Investment Earnings	381,431
Total Additions	381,431
DEDUCTIONS	
Benefits	-
Administrative	-
Total Deductions	-
Net Increase In Net Position	381,431
Net Position - Beginning of Year	1,766,428
Net Position - End of Year	\$ 2,147,859

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

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Board of Education of Garrett County (the Board) as currently constituted was established under Title 3, Subtitles 103 and 114, Education, of the Annotated Code of Maryland. The Board is a five-member elected body responsible for the operation of the Garrett County public school system.

The Board of Education of Garrett County is a component unit of Garrett County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education. The financial statements of the Board are included in the financial statements of the County as required by generally accepted accounting principles.

The financial statements of the Board are prepared in conformity with U.S. generally accepted accounting principles (GAAP) applicable to governments.

B. Government-Wide and Fund Statements

The Government Accounting Standards Board (GASB) establishes reporting requirements and the reporting model for the annual financial reports of state and local governments. This model requires governments to report on the overall state of a government's financial health and not just individual funds. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. In addition, the model provides enhanced information regarding the costs of delivering specific services to citizens and includes:

Management's Discussion and Analysis – Government Accounting Standards require that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis many private sector entities provide in their annual reports.

District-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Fiduciary funds are not included in government-wide financial statements.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Statements (Continued)

District-Wide Financial Statements (Continued) – The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The Board does not engage in business-type activities and, as such, issues single column government-wide financial statements. In the government-wide statement of net position, both the governmental activities' assets and liabilities (a) are presented on a consolidated basis and (b) are reflected, on a full accrual, economic resource basis, which incorporates non-current assets and receivables as well as long-term obligations.

Statement of Net Position – The statement of net position is designed to display the financial position of the Board of Education. The Board reports all capital assets in the government-wide statement of net position and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net position of the Board is broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in the format that focuses on the cost of each educational function. The expenses of individual functions are compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants). These directly matched revenues are called program revenues. This format enables the government-wide statement of activities to reflect both the gross and net cost per functional category (regular instruction, special education, student transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function or activity. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Direct expenses are considered those that are clearly identifiable with a specific function or segment. The Board does not allocate indirect expenses.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All of the Board's funds are reported as major funds. In the fund financial statements, financial transactions and accounts of the Board are organized on the basis of funds.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Statements (Continued)

Fund Financial Statements (Continued) - The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. The Board and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments provide budgetary comparison information including the government's original budget and the final budget compared to actual results. These budgetary comparison schedules are presented as part of the basic financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Non-exchange transactions where the Board either gives or receives value without directly receiving or giving equal value in exchange include, for example, grants and contributions. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

It is the Board's policy to first use restricted-net position for expenses incurred for which both restricted-net position and unrestricted-net position are available unless a local match is required. Where a local match is required, the expense is allocated to restricted-net position and unrestricted-net position based on the required match percentages.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of, and changes in financial position. Generally, only current assets and current liabilities are included on the balance sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major revenue sources subject to the availability criterion are local, state, and federal revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other post employment benefits and pensions are recorded only when the obligations are expected to be liquidated with expendable available resources.

The following types of transactions are reported as program revenues. Tuition and fees paid directly by students and parents; and sales associated with the food service operations are identified as charges for services. State and federal support for each function is identified as operating grants and contributions. Grant-related revenue that is specifically restricted for use in a particular function to meet the operational and capital requirements of a particular program is separated in the statement of activities.

The Board reports the following governmental funds in the fund financial statements:

Current Expense Fund - The Current Expense Fund is the general operating fund of the Board and is used to account for the revenues and expenditures necessary for the day-to-day operation of the Board. This fund is used to account for all financial resources except those required to be accounted for in another fund. State and federal grant programs are included in the restricted portion of this fund. All school activity funds are also accounted for and included in the restricted portion of the current expense fund.

Food Service Fund - The Food Service Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures related to food service operations.

School Construction Fund - The School Construction Fund is used to account for the financial resources to be used for the acquisition, construction or renovation of the Board's major capital projects.

As a general rule, the effect of interfund and internal activity has been eliminated from the government-wide financial statements including the statement of activities. Interfund balances are not included in the government-wide statement of net position. The Board distinguishes overhead costs, which are eliminated in the preparation of the statement of activities from interfund services provided and used between functions which are not eliminated in the statement of activities in the financial statement closing process. The Board does not allocate indirect expenses to functions in the fund financial statements.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Board reports the following fiduciary fund in the accompanying financial statements:

Other Post Employment Benefits Trust Fund – The Other Post Employment Benefits Trust Fund is a fiduciary fund used to accumulate resources for retirement medical benefit payments to qualified former Board employees.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity

Cash and Cash Equivalents - For purposes of financial statement presentation, the Board considers all highly liquid investments (i.e. certificates of deposit and repurchase agreements) with a remaining maturity of three months or less when purchased to be cash equivalents. Cash belonging to student and faculty organizations and cash accumulated on behalf of employees and former employees under Health Reimbursement Arrangements and Flexible Spending Accounts is reported as restricted cash for governmental fund and government-wide reporting purposes.

Investments – Certificates of deposit belonging to student and faculty organizations having maturities greater than three months are reported as restricted investments for governmental fund and government-wide reporting purposes. Fiduciary fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Receivables and Payables - All interfund receivables and payables are displayed in the fund statements as “due to/due from other funds”. These amounts offset each other and are eliminated from the government-wide statement of net position, so as to not overstate the Board’s assets and liabilities. All other receivables are reported at net realizable value.

Inventories - Inventory balances reflected in the financial statements include food stuffs located in each school. Inventory is recorded in the financial statements using the consumption method. Under this method, expenditures are recognized when inventory is used. Inventories are valued on a first-in, first-out cost basis. Unit cost values of donated food are determined from USDA price lists.

Capital Assets - Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity
(Continued)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	15
Equipment	5-12
Vehicles	8

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thereby will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2021 deferred outflows consist of retirement plan contributions paid in the current fiscal year subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The statement of net position also has additional components related to the determination of the net OPEB liability and the net pension liability that are being amortized over periods ranging from five to seven years. Deferred outflows of resources present on the statement of net position are as follows:

<u>Description</u>	<u>OPEB Plan</u>	<u>ERS Plan</u>	<u>Total Statement of Net Position</u>
Differences between expected and actual experience	\$ 646,220	\$ -	\$ 646,220
Changes in assumptions	7,077,093	75,674	7,152,767
Net difference between projected and actual earnings on investments	-	194,606	194,606
Board contributions to the Employees' Pension System subsequent to the measurement date	-	411,250	411,250
Total deferred outflows of resources	<u>\$ 7,723,313</u>	<u>\$ 681,530</u>	<u>\$ 8,404,843</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The statement of net position has components related to the determination of the net OPEB liability and the net pension liability that are being amortized over periods ranging from five to seven years. Deferred inflows of resources present on the statement of net position are as follows:

<u>Description</u>	<u>OPEB Plan</u>	<u>ERS Plan</u>	<u>Total Statement of Net Position</u>
Differences between expected and actual experience	\$ 1,904,544	\$ 33,844	\$ 1,938,388
Changes in assumptions	981,763	165,130	1,146,893
Net difference between projected and actual earnings on investments	228,402	-	228,402
Total deferred inflows of resources	<u>\$ 3,114,709</u>	<u>\$ 198,974</u>	<u>\$ 3,313,683</u>

On the fund financial statements, the School Construction Fund has a deferred inflow of resources of \$1,500,000 related to revenue from state sources that is unavailable soon enough after year end to pay for current period's expenditures.

Unearned Revenues - Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for reimbursable-type grants at June 30, 2021.

Compensated Absences Payable - As of June 30, 2021, employees of the Board had accumulated approximately \$1,391,282 of vested annual leave and other compensatory leave benefits. These benefits include salaries and salary related payments. This liability is presented in the government-wide financial statements and the current portion is presented in the fund financial statements at fiscal year-end.

Other Post Employment Benefits - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board's Other Post Employment Benefits Trust Fund and additions to and subtractions from net position have been determined on the same basis as they are reported on pages 25 and 26 of these financial statements. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

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

Long-term Liabilities - In the government-wide financial statements compensated absences, capital leases, the Board's net OPEB liability and the Board's net pension liability are reported as long-term liabilities in the statement of net position.

School Construction Debt - The Board is not obligated to repay principal or interest on any debt incurred for school construction. Such bonds and loans are obligations of the county government. Accordingly, the Board does not record school construction debt service revenues, expenditures, or outstanding school construction debt in the accompanying financial statements.

Fund Equity - In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Board classifies governmental fund balances as follows:

Nonspendable Fund Balance – Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted Fund Balance – Amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation.

Committed Fund Balance – Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Actions to constrain resources occur prior to the end of the fiscal year, though the exact amount may be determined subsequently. The Board had no committed fund balance as of June 30, 2021.

Assigned Fund Balance – Amounts intended to be used for a specific purpose. This intent is expressed by a governing body or another body such as a budget/finance committee or other approved individual designee of the governing body. Assigned fund balance includes residual amounts for all governmental funds except the general fund not otherwise classified as nonspendable, restricted, or committed. Amounts reported as assigned should not result in a deficit in unassigned fund balance.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (Continued)

Unassigned Fund Balance – Amounts available for any purpose that are not otherwise reported as nonspendable, restricted, committed, or assigned. The current expense fund is the only fund which would report a positive amount in the unassigned fund balance. For all other governmental funds, amounts expended in excess of available resources that are nonspendable, restricted, committed, or assigned are categorized as unassigned funds with negative balances.

The Board is the governing body with the highest level of decision-making authority relative to fund balances. The Board through formal resolution is the only body that can commit fund balance. The elected Board, through its fund balance policy, has delegated to the Superintendent or Assistant Superintendent and Director of Finance, the authority to assign fund balance. It is the Board's policy to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. In the event that expenditures are made from multiple unrestricted fund balance classifications, the order of fund spending shall be as follows: Committed, Assigned, and Unassigned.

E. Budgets and Budgetary Accounting

The Board prepares its budget for the unrestricted component of the Current Expense Fund and Food Service Fund on a basis consistent with generally accepted accounting principles applicable to governmental entities except for retirement payments made on the Board's behalf to the State Retirement and Pension System of Maryland by the State of Maryland.

The budgetary basis does not reflect revenues and expenditures for such contributions as required by generally accepted accounting principles. In addition, certain reclassifications are made to the actual column in the budget presentation to facilitate comparison for financial reporting purposes.

A portion of a restricted component of the Current Expense Fund budget accounts for special federal and state grant programs. Expenditures incurred under these programs are limited to the amounts expended under the respective grants.

Another portion of a restricted component of the Current Expense Fund budget accounts for student activity accounts. The Board monitors compliance with activity account requirements and determines appropriateness of expenditures.

School Construction Fund activity is budgeted on the basis of total project costs and appropriations specifically allocated for capital outlay as approved by the Board of Public Works and Board of County Commissioners. Annual budgetary comparisons to actual expenditures are not presented in the accompanying financial statements for the School Construction Fund.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting (Continued)

The Superintendent submits the Current Expense Fund and Food Service Fund proposed budgets to the Board of Education. Upon approval by the Board, the proposed budgets are submitted to the County Commissioners for approval. A copy of the budget as approved by the County Commissioners is submitted to the State Superintendent within 30 days after approval. All budget appropriations lapse at year end.

F. Use of Estimates

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

G. Net Position Flow Assumptions

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

H. Fund Balance Flow Assumptions

Sometimes the Board will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS

The following is a reconciliation of cash and cash equivalents and investments of the Board of Education and accompanying fiduciary funds at June 30, 2021:

	<u>Governmental Activities</u>	<u>Other Post Employment Benefits Trust Fund</u>
Cash and Cash Equivalents	\$ 9,037,661	\$ -
Restricted Cash	767,667	48,165
Restricted Investments	112,483	2,094,139
Total	<u>\$ 9,917,811</u>	<u>\$ 2,142,304</u>

Deposit and Investment Summary

	<u>Governmental Activities</u>	<u>Other Post Employment Benefits Trust Fund</u>
Deposits	\$ 9,805,210	\$ 48,165
Certificates of Deposit	112,483	37,557
U.S. Government Obligations	-	29,915
Fixed Income Securities	-	416,014
Mutual Funds	-	758,993
Equity Securities	-	851,660
Cash on Hand	118	-
Total	<u>\$ 9,917,811</u>	<u>\$ 2,142,304</u>

At year end, the carrying amount of the Board's combined deposits was \$9,917,693 and the bank balance was \$11,243,721. Of the bank balance \$953,025 was insured by the Federal Deposit Insurance Corporation (FDIC), \$10,477,723 was collateralized by securities held by the Board's agent in the Board's name, \$2,209 was exposed to custodial credit risk as it was uninsured and collateralized with securities held by the Board's agent but not in the Board's name.

Statutes authorize the Board to invest unexpended or surplus monies in obligations of the U.S. Government, federal government agency obligations and repurchase agreements secured by direct government or agency obligations. In fiscal 2019, the Board approved an investment policy with respect to the portion of unexpended or surplus funds that may be concentrated at any one time in a specific type of investment instrument. This policy limits investments in U.S. Treasury obligations, federal government agency obligations, repurchase agreements, collateralized certificates of deposits and money market mutual funds to 100, 100, 100, 100, and 10 percent of the Board's overall deposit and investment portfolio, respectively.

The Board's investment policy requires that the majority of investments be short-term (having a term of less than one year). Investments in instruments having long-term maturities are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

Fiduciary fund assets at year-end consist of bank deposits held on behalf of the Other Post Employment Benefits Trust Fund. All deposits held are fully insured or collateralized at June 30, 2021.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fiduciary fund assets also consist of investments in certificates of deposits with maturity dates in excess of three months. All certificates of deposits are fully insured at June 30, 2021.

The fiduciary fund has employed professional investment managers to manage fund assets and to follow the Board’s investment policies which are designed to protect plan principal and to achieve a real rate of return over the long term. Fiduciary fund investments, having a market value of \$2,026,668 at June 30, 2021, were exposed to custodial credit risk as they were uninsured and held by the counterparty’s trust department but not in the name of the Board.

The Fiduciary funds have investment policies specifying that investments in corporate bonds be primarily investment grade securities rated by Moody’s or Standard and Poor’s. The Fiduciary fund investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer. Fiduciary fund investment policies do not place limits on investment managers with respect to the duration of their investments.

The investments of the fiduciary funds include debt securities having the following rates, as of June 30, 2021:

Other Post Employment Benefits Trust Fund	
<u>Security Ratings</u>	<u>6/30/21</u>
A1	\$ 20,064
A2	50,386
A3	80,921
Aa1	16,628
Aa2	15,355
Aa3	15,050
Aaa	40,602
Baa1	109,811
Baaa2	50,762
Not Rated	16,435
Total Market Value	<u>\$ 416,014</u>

Fiduciary fund investments include all fixed income securities with interest rates specifically identified as follows with respect to maturity dates:

Other Post Employment Benefits Trust Fund		
<u>Maturity Date</u>	<u>Interest Rates</u>	<u>6/30/21</u>
2022	3.00%-3.80%	\$ 35,767
2023	0.00%	-
2024	3.50%	21,660
2025	3.50%-4.20%	38,085
2026	3.00%-3.88%	58,288
2027-2031	3.25%-5.95%	160,916
2032-2036	3.10%-5.13%	94,516
2037-2041	3.08%-3.39%	36,697
Total Market Value		<u>\$ 445,929</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Fixed Income Securities are valued by the Board's pricing agent using either quotes from current buyers or by referencing similar transactions that occurred near the measurement date.

		Other Post Employment Benefits Trust Fund	
		Fair Value Measurement Using	
	June 30, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Market Inputs
U.S. Government Obligations	\$ 29,915	\$ -	\$ 29,915
Fixed Income Securities	416,014	-	416,014
Mutual Funds	758,993	758,993	-
Equity Securities	851,660	851,660	-
Total	<u>\$ 2,056,582</u>	<u>\$ 1,610,653</u>	<u>\$ 445,929</u>

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Current Expense	School Construction	<u>\$ 501,891</u>

This interfund balance results from the time lag between the dates that payments of expenses and cash collections by one fund on behalf of another are made.

Transfers between funds totaling \$2,241,775 consist of construction and other capital outlay costs paid by the Current Expense Fund on behalf of the School Construction Fund.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance June 30, 2020</u>	<u>Additions & Transfers</u>	<u>Dispositions & Transfers</u>	<u>Balance June 30, 2021</u>
Capital assets not being depreciated				
Land and improvements	\$ 1,314,267	\$ 41,492	\$ 2,102,217	\$ 3,457,976
Construction in progress	1,923,658	4,278,655	(5,769,027)	433,286
Total capital assets, not being depreciated	<u>3,237,925</u>	<u>4,320,147</u>	<u>(3,666,810)</u>	<u>3,891,262</u>
Capital assets being depreciated				
Buildings and improvements	96,987,887	326,012	3,628,322	100,942,221
Equipment	4,353,715	1,086,951	(6,084)	5,434,582
Vehicles	921,283	84,992	-	1,006,275
Total capital assets being depreciated	<u>102,262,885</u>	<u>1,497,955</u>	<u>3,622,238</u>	<u>107,383,078</u>
Less accumulated depreciation				
Buildings and improvements	57,430,564	2,642,926	-	60,073,490
Equipment	3,086,095	266,585	(6,084)	3,346,596
Vehicles	550,230	84,417	-	634,647
Total accumulated depreciation	<u>61,066,889</u>	<u>2,993,928</u>	<u>(6,084)</u>	<u>64,054,733</u>
Capital assets being depreciated - net	<u>41,195,996</u>	<u>(1,495,973)</u>	<u>3,628,322</u>	<u>43,328,345</u>
Capital assets, net	<u>\$ 44,433,921</u>	<u>\$ 2,824,174</u>	<u>\$ (38,488)</u>	<u>\$ 47,219,607</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2021 was charged to governmental functions as follows:

Administration	\$	68,206
Instruction		2,712,084
Special Education		1,542
Student Transportation		22,303
Operation of plant		66,925
Maintenance of plant		72,985
Food service		45,647
Community services		4,236
Total depreciation expense - governmental activities	\$	<u>2,993,928</u>

The Board had the following active construction projects as of June 30, 2021:

	<u>Spent-To-Date</u>	<u>Remaining Commitment</u>
Accident Playground	\$ -	\$ 75,000
Athletic Field Sign - Southern High	-	18,830
Athletic Field Track - Northern & Southern High	323,273	59,558
FNS Freezer (75% deposit)	15,971	5,324
Grantsville Open Space Reno	94,042	2,501,958
Grantsville Roof Replacement	-	1,770,000
Northern High Parking & Lighting Design	-	250,000
	<u>\$ 433,286</u>	<u>\$ 4,680,670</u>

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions by type for the fiscal year ended June 30, 2021:

	Balance		Principal	Balance	Due Within
	June 30, 2020	Additions	Repayments & Other Reductions	June 30, 2021	One Year
Compensated absences payable	\$ 1,409,665	\$ 131,477	\$ (149,860)	\$ 1,391,282	\$ 149,386
Capital leases	4,428,822	-	(443,230)	3,985,592	481,241
Net OPEB liability	41,452,035	-	(1,299,533)	40,152,502	-
Net pension liability	3,486,789	380,040	(154,942)	3,711,887	-
Total long-term liabilities	<u>\$ 50,777,311</u>	<u>\$ 511,517</u>	<u>\$ (2,047,565)</u>	<u>\$ 49,241,263</u>	<u>\$ 630,627</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - VOLUNTARY RETIREMENT INCENTIVE PLAN

The Board offered a \$1,000 early notification retirement stipend to those employees who notified human resources, prior to January 17, 2021, of their intent to retire from the Maryland State Retirement and Pension System on or before August 1, 2021. Employees were required to meet the Retirement and Pension System's age and service requirements in order to be eligible for the stipend. Thirteen employees met the notification and qualification requirements and earned total stipends of \$13,000 for the year ended June 30, 2021.

NOTE 7 - CAPITAL LEASES

The Board has entered into equipment lease purchase agreements with the Bank of America and Key Equipment Finance to provide financing for the acquisition, construction and installation of energy efficiency improvements. These agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments at the inception date. The construction costs paid from these capital leases totaled \$6,807,404 and are reported as buildings and improvements in the accompanying government-wide financial statements. Amortization expense related to capital lease assets totaled \$458,955 for the year ended June 30, 2021 and was charged to the instruction function for government wide reporting purposes. Accumulated amortization of \$3,303,478 is reported as a component of accumulated depreciation on buildings and improvements as of June 30, 2021.

Biannual capital lease payments are due in January and July of each year under the lease agreement with Bank of America and include principal and interest at 3.14%. The final lease payment is due on January 19, 2027. Bank of America has a first priority security lien interest in the energy efficiency improvements acquired with the capital lease proceeds. Annual capital lease payments are due in February each year under the lease agreement with Key Equipment Finance and include principal and interest at 2.79%. The final lease payment is due on February 23, 2031.

The following are the future minimum lease payments under the capital leases, and represent the present value of the minimum lease payments at June 30, 2021:

<u>Fiscal years ending June 30,</u>	<u>Total</u>
2022	597,494
2023	607,738
2024	634,519
2025	662,609
2026	692,074
2027-2031	<u>1,296,038</u>
Total Payment	4,490,472
Less Interest	504,880
Capital lease obligation	<u><u>\$ 3,985,592</u></u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The Board of Education’s defined benefit other post-employment benefit plan (the Plan) provides healthcare benefits to eligible retirees. The Plan is a single-employer defined benefit OPEB plan. The Board formed and administers an OPEB Trust Fund to allow for prefunding of future OPEB benefits. The Board and Plan Trustee at their discretion may establish, alter, amend, modify or terminate their practice of providing healthcare benefits to retirees in accordance with the terms outlined in the OPEB Trust Agreement. They may also require retirees to make greater contributions toward the funding of their benefits. The Board of Education makes the annual determination as to the amount that will be contributed to the OPEB Trust Fund. The OPEB Trust Fund does not issue a stand-alone financial report and is included as a fiduciary fund in this financial report.

Details of the post-employment benefits under the Plan are as follows:

The Board provides post-employment health care benefits based on age and years of service to all permanent full-time employees of the Board. Retirees must have a minimum of 10 years full-time equivalent service with The Board of Education of Garrett County, The Board of Garrett County Commissioners, Garrett College, or a combination thereof. After June 30, 2018, the County and College no longer offer retiree benefits to new hires. Therefore, new hires of the Board of Education after June 30, 2018 must serve all years solely to the Board for eligibility.

Retirees are given the option to maintain health insurance coverage after they retire and until they reach age 65. After age 65, the Board contributes a monthly amount to a Health Reimbursement Account (HRA) based on the retiree’s age and years of service.

For the employees hired on or after July 1, 2006, dependent insurance coverage may be purchased upon retirement at the retiree’s own cost. The component for retirees age 65 and over was made effective on January 1, 2017.

As of the most recent valuation date the employees covered by the benefit terms were as follows:

The OPEB Trust Fund is used to account for prefunding contributions made by the Board on behalf of the plan participants. For the year ended June 30, 2021, the Board made \$0 in prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the Board.

Inactive employees or beneficiaries currently receiving benefit payments	286
Active employees	464
	<hr/>
	750
	<hr/> <hr/>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

The following table outlines coverage percentages paid by the retiree and Board under the plan based on years of service at date of retirement:

Years of Service	Retiree	
	Individual Percentage	Employer Percentage
Less than 10 years	No coverage	No coverage
10 or less than 15 years	60%	40%
15 or less than 21 years	50%	50%
21 or less than 26 years	40%	60%
26 or less than 30 years	20%	80%
30 or more years	0%	100%

As of the most recent valuation date, 286 Board retirees participated in this program.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increase	4.0 percent
Discount rate	2.16 percent
Investment rate of return	6.0 percent
Healthcare cost trend rates	6.5 percent for 2021, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent

Mortality rates were based on the Pub-2010 Teachers Employees Headcount-weighted with fully generational scale MP-2020.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2020 – December 31, 2020.

The current level of plan assets is sufficient to cover a partial year of benefit payments. As such, all future years of expected payments were discounted using the average yield on 20-year high-grade municipal bonds per paragraph 36 of GASB statement 75. As of June 30, 2021, the yield to maturity of 20-year high-grade bonds was 2.16% according to the Buyer Bond 20-Year GO Index. The discount rate at June 30, 2020 was 2.21%.

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 22.02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2020	\$43,218,463	\$ 1,766,428	\$41,452,035
Changes for the year:			
Service cost	1,309,059	-	1,309,059
Interest	942,667	-	942,667
Differences between expected and actual experience	(2,286,216)	-	(2,286,216)
Assumption and method changes	250,273	-	250,273
Contributions - employer	-	1,133,885	(1,133,885)
Net investment income	-	388,270	(388,270)
Benefit payments	(1,133,885)	(1,133,885)	-
Administrative expense and other changes	-	(6,839)	6,839
Net Changes	<u>(918,102)</u>	<u>381,431</u>	<u>(1,299,533)</u>
Balances as of June 30, 2021	<u>\$42,300,361</u>	<u>\$ 2,147,859</u>	<u>\$40,152,502</u>

The assumption change affecting the increase in the net OPEB liability was the change in the discount rate from 2.21% to 2.16%.

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% decrease (1.16%)	Current rate (2.16%)	1% increase (3.16%)
Net OPEB liability	<u>\$ 46,019,160</u>	<u>\$ 40,152,502</u>	<u>\$ 35,292,280</u>

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (7.5 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% decrease (5.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (6.5% decreasing to 4.5%)	1% increase (7.5% decreasing to 5.5%)
Net OPEB liability	<u>\$ 34,548,521</u>	<u>\$ 40,152,502</u>	<u>\$ 47,068,723</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

For the year ended June 30, 2021, the Board recognized OPEB expense of \$3,315,482. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 646,220	\$ 1,904,544
Change of assumptions	7,077,093	981,763
Net difference between projected and actual investment earnings	-	228,402
	<u>\$7,723,313</u>	<u>\$ 3,114,709</u>

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

Year ending June 30:	
2022	\$1,162,701
2023	1,165,473
2024	1,165,403
2025	1,186,919
2026	(71,473)
Thereafter	(419)

NOTE 9 - OPERATING LEASES

The Board has entered into various non-cancellable operating leases primarily for instructional and operations equipment. Rent expense paid during the year ended June 30, 2021 was \$86,380

Future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2021 are as follows:

Fiscal years ending June 30,	
2022	\$ 109,691
2023	67,924
2024	32,240
2025	652
	<u>\$ 210,507</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - STATE RETIREMENT PLANS

General Information about the Pension Plan

The Board of Education of Garrett County participates in the Maryland State Retirement and Pension System, a cost sharing multiple-employer public employee retirement system. Substantially all employees of the Board are eligible to participate in the System, which provides retirement, disability and death benefits in accordance with State statutes. The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Teachers and Employees Retirement and Pension Systems. The annual report for the year ended June 30, 2020 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202, by calling 1-800-492-5909, or visit sra.maryland.gov/annual-financials-reports.

For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary has attained age and similar actuarial factors.

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

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

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - STATE RETIREMENT PLANS (Continued)

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011 the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - STATE RETIREMENT PLANS (Continued)

The State of Maryland, which is a non-employer contributor to the Teachers' Retirement System (TRS), makes non-employee contributions in amounts required by State statutes at a set cost-sharing amount. The Board pays all employer contributions for employees who participate in the Employees' Retirement System (ERS). Employees participating in the ERS include employees classified as custodial and cafeteria personnel. Employer contribution rates for custodial and cafeteria personnel are established by annual actuarial valuations, subject to the approval of the systems' Board of Trustees in accordance with the Annotated Code of Maryland.

Employees covered under the TRS and the ERS are required by State statute to contribute 7.0% of earned compensation.

The State's contributions on behalf of the Board for the year ended June 30, 2021 were \$2,787,577 which were equal to the State's required contributions for that year. The Board's contributions for the year ended June 30, 2021 were \$1,098,978 and \$411,250 to the TRS and ERS, respectively, which were equal to the Board's required contributions for that year.

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

Before discussion of the process used to calculate and allocate the net pension liability, it is important to understand Maryland's particular situation concerning the payment of employer pension costs for Maryland's teacher population under the 24 Boards of Education (BOE).

At the time the GASB's pension changes were under consideration, an initiative for pension cost sharing was before the 2012 session of the General Assembly. This legislation, which became law, required each BOE to begin paying the "normal cost" for their teachers starting in FY 2013. It was structured as a four-year phase-in to the full normal cost with 50% paid in FY 2013 and full normal cost to be paid in FY 2017 and each year thereafter.

Because the State of Maryland pays the unfunded liability and the local BOEs pay the normal cost for the teachers' pension, the local Boards of Education are not required under GASB 68 to record their share of the unfunded pension liability for the TRS but instead, that liability is recorded by the State of Maryland. The portion of the net pension liability recorded by the State of Maryland related to the Board's teachers' pensions was \$41,576,605 as of June 30, 2021. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's portion of the net pension liability recorded by the State was calculated based on pension contributions made for Board teacher pensions relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2020, actuarially determined. At June 30, 2020, the Board's proportion was 0.18 percent.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - STATE RETIREMENT PLANS (Continued)

Certain non-teacher Board personnel including custodial and cafeteria personnel participate in the ERS. The Board has responsibility for the funding of these employees contributions and therefore is required under GASB 68 to record their proportional share of the net pension liability of the Employees' Retirement and Pension System. The proportional share is based on the employer contributions for only those employees participating in the ERS and does not include contributions made for employees participating in the TRS.

At June 30, 2021, the Board reported a liability of \$3,711,887 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's contributions to the ERS relative to total contributions made by all participants to the Maryland State Retirement and Pension System for the year ended June 30, 2020, actuarially determined. At June 30, 2020, the Board's proportion was 0.016 percent.

Pension expense for the ERS plan for the year ended June 30, 2021 was \$312,928.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 75,674	\$ 165,130
Net difference between projected and actual earnings on pension plan investments	194,606	-
Difference between actual and expected experience	-	33,844
Board contributions to the Employees' Pension System subsequent to the measurement date	<u>411,250</u>	<u>-</u>
Total	<u>\$ 681,530</u>	<u>\$ 198,974</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - STATE RETIREMENT PLANS (Continued)

The \$411,250 reported as deferred outflows of resources related to pensions resulting from Board contributions to the ERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (40,726)
2023	3,721
2024	52,677
2025	56,705
2026	(1,070)

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 11.6%, including inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Public Sector 2010 Mortality Tables

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System 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 as of June 30, 2020, 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	37.00%	5.20%
Private Equity	13.00%	6.50%
Rate Sensitive	19.00%	-0.30%
Credit Opportunity	9.00%	2.80%
Real Assets	14.00%	4.30%
Absolute Return	8.00%	1.80%
Total	<u>100.00%</u>	

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - STATE RETIREMENT PLANS (Continued)

The discount rate used to measure the total pension liability was 7.4 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.4 percent) or 1-percentage-point higher (8.4 percent) than the current rate:

	1% Decrease 6.40%	Current Discount Rate 7.4%	1% Increase 8.40%
Board's proportionate share of the net pension liability	<u>\$ 5,284,475</u>	<u>\$ 3,711,887</u>	<u>\$ 2,402,073</u>

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

NOTE 11 - RISK MANAGEMENT

The Board of Education of Garrett County 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.

Effective July 1, 2009 the Garrett County Employees Health Care Plan became self-insured for hospitalization and medical benefits provided to its employees within specific limits. The Board of Education of Garrett County participates in the Plan with the Board of Garrett County Commissioners and Garrett College. The County's actuarial firm establishes premium rates for Plan participants based on claims history. The Board of Education of Garrett County submits its pro-rata portion of the actuarially prescribed premium to the Board of Garrett County Commissioners at the end of each pay period based on the number of employees covered and types of coverages in effect. Should actual claims exceed the projected claims used by the actuaries in establishing rates, the shortfall would be made up through future premium rate increases.

The Board carries commercial insurance for substantially all other risks of loss, including accident and workers' compensation. However, not all natural disasters are covered. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - RELATED PARTIES

The Board of Education is closely related to Garrett County and the State of Maryland and is dependent on these two sources for the major portion of its current expense funding. The amounts received during the year are disclosed within the financial statements. In addition, the Board offices are located in building space appropriated to them by the County. The annual fair market value of the space occupied is \$148,800. The fair market value of the appropriated space is recorded in the accompanying government-wide and fund financial statements as both revenue and expenditure.

NOTE 13 - RECONCILIATION OF FINANCIAL REPORTING BASIS TO BUDGETARY BASIS

	<u>Current Expense Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Total per Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds (GAAP Basis)		
Unrestricted	\$ 54,733,990	\$ 53,915,223
Restricted	7,187,878	7,141,329
	<u>61,921,868</u>	<u>61,056,552</u>
 On-behalf payments for employer contributions to the Teachers Retirement and Pension Systems by the State of Maryland	 (2,787,577)	 (2,787,577)
 Operating transfers reported as capital outlay expenditures on budget basis but as other financing uses on GAAP basis	 -	 2,241,775
	<u>\$ 59,134,291</u>	<u>\$ 60,510,750</u>
 Total per Current Expense Fund Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)		
Unrestricted	\$ 51,543,245	\$ 52,945,087
Restricted	7,187,878	7,141,329
School Activities	403,168	424,334
	<u>\$ 59,134,291</u>	<u>\$ 60,510,750</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Financial Assistance Program Compliance

The Board participates in numerous Federal and State grant/loan programs which are governed by various rules and regulations of the grantor agencies. 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 laws and regulations governing the grant/loan programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of the Board, the amount, if any, of contingent liabilities relating to non-compliance with the laws and regulations governing the respective grant/loan programs is not material; consequently, no provision has been recorded in the accompanying financial statements for such contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF GARRETT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB LIABILITY AND RELATED RATIOS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability					
Service Cost	\$ 1,309,059	\$ 882,210	\$ 790,272	\$ 834,100	\$ 1,020,893
Interest	942,667	1,125,386	1,152,179	958,874	935,920
Difference between expected and actual experience	(2,286,216)	-	747,067	620,579	-
Changes of assumptions	250,273	9,603,519	742,738	(2,290,779)	-
Benefit payments	<u>(1,133,885)</u>	<u>(1,083,732)</u>	<u>(1,016,851)</u>	<u>(956,707)</u>	<u>(1,486,183)</u>
Net changes in total OPEB liability	(918,102)	10,527,383	2,415,405	(833,933)	470,630
Total OPEB liability - beginning	<u>43,218,463</u>	<u>32,691,080</u>	<u>30,275,675</u>	<u>31,109,608</u>	<u>30,638,978</u>
Total OPEB liability - ending (a)	<u><u>\$ 42,300,361</u></u>	<u><u>\$ 43,218,463</u></u>	<u><u>\$ 32,691,080</u></u>	<u><u>\$ 30,275,675</u></u>	<u><u>\$ 31,109,608</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 1,133,885	\$ 1,083,732	\$ 1,391,851	\$ 956,707	\$ 1,486,183
Net investment income	381,431	94,235	83,695	82,176	96,723
Benefit payments	(1,133,885)	(1,083,732)	(1,016,851)	(956,707)	(1,486,183)
Administrative expense	-	(362)	(4,303)	(4,836)	(5,077)
Net changes in plan fiduciary net position	381,431	93,873	454,392	77,340	91,646
Plan fiduciary net position - beginning	<u>1,766,428</u>	<u>1,672,555</u>	<u>1,218,163</u>	<u>1,140,823</u>	<u>1,049,177</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,147,859</u></u>	<u><u>\$ 1,766,428</u></u>	<u><u>\$ 1,672,555</u></u>	<u><u>\$ 1,218,163</u></u>	<u><u>\$ 1,140,823</u></u>
Board's net OPEB liability - ending (a) - (b)	\$ 40,152,502	\$ 41,452,035	\$ 31,018,525	\$ 29,057,512	\$ 29,968,785
Plan fiduciary net position as a percentage of total OPEB liability	5.08%	4.09%	5.12%	4.02%	3.67%
Covered employee payroll	\$ 24,978,756	\$ 24,516,317	\$ 24,516,317	\$ 23,950,813	\$ 25,234,000
Net liability as a percentage of covered payroll	160.75%	169%	127%	121%	119%
Annual money-weighted rate of return	22.02%	6.00%	6.88%	7.22%	8.37%

This schedule is presented to illustrate the requirement to show the information for 10 years. Information prior to June 30, 2017 is not available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no benefit changes during the year.

Changes in Assumptions

The assumption change affecting the increase in the net OPEB liability was the change in the discount rate from 2.21% to 2.16%.

BOARD OF EDUCATION OF GARRETT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>
Board's percentage share of the ERS net pension liability	0.16%	0.017%	0.016%	0.015%	0.016%	0.016%	0.014%
Board's proportionate share of the ERS net pension liability	\$ 3,711,887	\$ 3,486,789	\$ 3,456,888	\$ 3,318,137	\$ 3,827,956	\$ 3,248,091	\$ 2,551,859
State's proportionate share of the TRS net pension liability	<u>41,576,605</u>	<u>40,729,036</u>	<u>43,957,397</u>	<u>46,727,480</u>	<u>50,860,342</u>	<u>41,722,945</u>	<u>32,876,591</u>
TOTAL	<u><u>\$ 45,288,492</u></u>	<u><u>\$ 44,215,825</u></u>	<u><u>\$ 47,414,285</u></u>	<u><u>\$ 50,045,617</u></u>	<u><u>\$ 54,688,298</u></u>	<u><u>\$ 44,971,036</u></u>	<u><u>\$ 35,428,450</u></u>
Board's covered employee payroll	\$ 30,832,302	\$ 28,304,250	\$ 27,807,284	\$ 28,198,755	\$ 28,668,571	\$ 28,356,891	\$ 28,126,622
Board's proportionate share of the net pension liability as a percentage of its covered payroll	12.04%	12.32%	12.43%	11.77%	13.35%	11.45%	9.07%
Plan fiduciary net position as a percentage of the total pension liability	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

This schedule is presented to illustrate the requirement to show the information for 10 years. Information prior to June 30, 2015 is not available.

BOARD OF EDUCATION OF GARRETT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF BOARD'S CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>
Contractually required contributions - ERS	\$ 352,125	\$ 347,147	\$ 328,541	\$ 312,320	\$ 316,062	\$ 329,429	\$ 335,089
Contributions in relation to the contractually required contribution - Employee Retirement System	<u>(352,125)</u>	<u>(347,147)</u>	<u>(328,541)</u>	<u>(312,320)</u>	<u>(316,062)</u>	<u>(329,429)</u>	<u>(335,089)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 30,832,302	\$ 28,304,250	\$ 27,807,284	\$ 28,198,755	\$ 28,668,571	\$ 28,356,891	\$ 28,126,622
Contributions as a percentage of covered-employee payroll - ERS	1.14%	1.23%	1.18%	1.11%	1.10%	1.16%	1.19%

This schedule is presented to illustrate the requirement to show the information for 10 years. Information prior to June 30, 2015 is not available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no benefit changes during the year.

Changes in Assumptions

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

- Rates of expected inflation changed from 2.65% general, 3.15% wage to 2.60% general, 3.10% wage