

BOARD OF EDUCATION OF GARRETT COUNTY

FINANCIAL REPORT

JUNE 30, 2022

BOARD OF EDUCATION OF GARRETT COUNTY

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INDEPENDENT AUDITORS' REPORT

Board of Education of Garrett County
Oakland, Maryland

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Garrett County, a component unit of Garrett County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the index to financial report.

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, 2022, and the respective changes in financial position, and the respective budgetary comparison for the current expense funds and food service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 9 to the financial statements, in 2022 the Board adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions our not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board of Education of Garrett County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of Garrett County's internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
September 29, 2022

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

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, 2022. 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, 2022, 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, 2022, with combined net position of \$12.8 million up from \$10.4 million in FY 2021 for an increase of \$2.4 million in relation to the prior year net position. The Current Expense Fund actual revenues were up \$4 million from FY2021's \$61.9 million to FY2022's \$65.9 million as a result of the increase of restricted federal funding for COVID-19 recovery and relief combined with the increased revenue from charges for services from School Activity Funds. The Current Expense Fund actual expenditures were up \$4.5 million from FY2021's \$61.1 million to FY2022's \$65.6 million. Restricted federal COVID-19 funding was spent to provide academic and behavioral recovery services including summer programming, maintain a 1:1 technology device to student ratio, deliver enhanced professional development for staff, upgrade mechanicals in facilities, and provide enhanced sanitizing methods and PPE.

The Unrestricted Current Expense actual revenues, \$52,111,954, were within \$104,784, or 0.2% of the final budget. The Unrestricted Current Expense Fund actual expenditures of \$51,796,730 were \$1,148,088, or 2.17% under the final budget. Effects of steep inflationary increases, employee shortages, and recovery from the COVID-19 pandemic forced deviation from the approved FY2022 unrestricted budget. Students received in-person instruction the entire 2021-2022 school year and much of student and staff operations returned to normal.

Major budget initiatives for fiscal year 2022 were in support of the defined Mission, Vision, and Goals of the Garrett County Board of Education as well as the Master Plan for Garrett County Public Schools. Unrestricted funds were braided with restricted federal and state funding. The goals of the budget included:

- Accelerating Academic Achievement – It is imperative to meet our students where they are and accelerate each student's academic achievement. This includes intervention and enrichment, credit recovery and summer programs.

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- Addressing Social and Emotional Wellbeing of Students and Staff – As the COVID-19 pandemic continued, the effect and recovery is widespread for both students and staff. The budget addressed mental health with increased behavioral support and an emphasis on professional development and support.
- Moving GCPS forward by continuing to build instructional excellence, addressing the capital improvements and needs, implementing the Board's strategic facilities plan, and continuously improving the efficiencies of central support.

The board adopted a new accounting standard related to accounting for leases, GASB 87. The intent of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provision of the contract. The impact of this adoption is outlined in Note 9 on page 44.

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.

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June 30, 2022

The district-wide perspective is unrelated to the budget and, accordingly, budget comparisons are not provided in this view. The Other Post-Employment 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 (OPEB) Trust Fund is a fiduciary fund used to accumulate resources for retirement benefits payments to qualified former board employees. The OPEB Trust Fund is reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 25 and 26, respectively.

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.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Financial Analysis of the School System as a Whole

The school system's combined net position increased nearly \$2.4 million or 22.91% in relation to the net position for June 30, 2021. This increase resulted from an overall increase in assets while liabilities in whole remained consistent. Federal accounts receivable and non-depreciable construction in progress projects attributed to the year over year increase in assets.

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>		Percentage Change
	2022	2021	
Current and other assets	\$ 15,795,295	\$ 14,723,597	7.28%
Capital and leased assets	49,248,392	47,219,607	4.30%
Total assets	<u>\$ 65,043,687</u>	<u>\$ 61,943,204</u>	5.01%
Deferred outflows of resources	\$ 7,282,064	\$ 8,404,843	(13.36%)
Total assets and deferred outflows	<u>\$ 72,325,751</u>	<u>\$ 70,348,047</u>	2.81%
Current and other liabilities	\$ 8,177,750	\$ 7,989,079	2.36%
Long-term liabilities	42,093,740	48,610,636	(13.41%)
Total liabilities	<u>\$ 50,271,490</u>	<u>\$ 56,599,715</u>	(11.18%)
Deferred inflows of resources	\$ 9,229,421	\$ 3,313,683	178.52%
Total liabilities and deferred outflows	<u>\$ 59,500,911</u>	<u>\$ 59,913,398</u>	(0.69%)
Net investment in capital assets	\$ 45,652,986	\$ 43,234,015	5.60%
Restricted	2,381,647	2,883,256	(17.40%)
Unrestricted	(35,209,793)	(35,682,622)	(1.33%)
Total net position	<u>\$ 12,824,840</u>	<u>\$ 10,434,649</u>	22.91%

	<u>Changes in Net Position from Operating Results</u>		Percentage Change
	2022	2021	
<i>Program revenues:</i>			
Charges for services	\$ 1,230,774	\$ 546,545	125.19%
Operating grants and contributions	16,721,944	16,754,721	(0.20%)
Capital grants and contributions	4,532,451	2,970,278	52.59%
<i>General revenues:</i>			
County government	28,705,313	28,170,094	1.90%
State (unrestricted)	21,886,270	21,806,775	0.36%
Other	186,567	22,766	719.50%
Total Revenues	<u>\$ 73,263,319</u>	<u>\$ 70,271,179</u>	4.26%

BOARD OF EDUCATION OF GARRETT COUNTY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Changes in Net Position from Operating Results

	2022	2021	Percentage Change
<i>Program Expenses:</i>			
Administration (central and school)	\$ 5,095,472	\$ 4,677,903	8.93%
Instruction			
(regular & special education)	32,413,960	31,541,186	2.77%
Student services and health	1,606,976	1,559,945	3.01%
Transportation	4,663,566	3,919,757	18.98%
Maintenance and operations	5,899,708	5,788,222	1.93%
Fixed charges	16,935,825	16,646,938	1.74%
Food services	3,239,430	3,199,454	1.25%
Other	1,018,191	684,331	48.79%
Total Expenses	<u>\$ 70,873,128</u>	<u>\$ 68,017,736</u>	4.20%
Change in Net Position	<u>\$ 2,390,191</u>	<u>\$ 2,253,443</u>	6.07%

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 \$3 million or 4.26%. Charges for services are revenues that run through School Activity Funds and Food Service. While Food Service continued to operate under COVID-19 waivers, schools returned to many pre-Covid normal operations that are classified as charges for services. Operating grants and contributions remained steady as a result of the planned spending of federal COVID-19 recovery funding. Capital grants and contributions increased \$1.6 million or 52.59%, over the prior year, due to the large capital project of Grantsville Elementary Open Space Conversion, see Note 4 Capital Assets.

Approximately \$70.9 million in expenses are reported with an increase of 4.2%, or \$2.9 million over the prior year. COVID-19 recovery efforts drove spending for Instruction up \$0.9 million or 2.77%. Record-high fuel rates resulted in \$0.7 million or 18.98% increase year over year for Student Transportation. The award of an additional state Judy Center grant increased Other expenses by \$0.3 million or 48.79% year over year. Administration was up \$0.4 million or 8.9% as a result of school-level administrators facilitating summer programming and enhanced professional development opportunities. Fixed charges increased only \$0.3 million or 1.74% year over year. While insurance expenses continue to increase there was a increased number of employees that chose to waive insurance. Other categories increased as a result of negotiated salary increases.

Food Services received no transfers from the Current Expense Fund. Expenses remained relatively steady with an increase of \$39,976 or 1.25%, nearly all meals served were reimbursed at full USDA rates. Food Services operated under the summer feeding model the entire fiscal year. There was a net increase in fund balance of \$233,401 or 21.54% increase.

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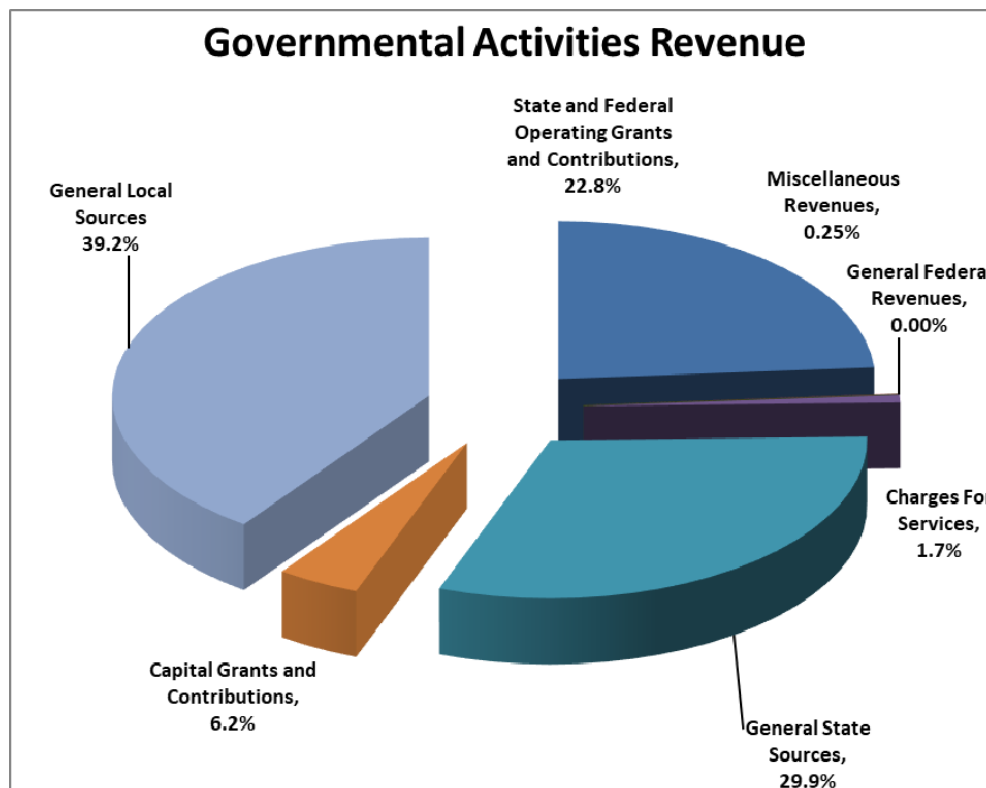
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2022

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		
	2022	2021	Percentage Change	2022	2021	Percentage Change
Administration (County & School Level)	\$ 5,095,472	\$ 4,677,903	8.93%	\$ 4,381,631	\$ 4,354,749	0.62%
Instruction and Special Education	32,413,960	31,541,186	2.77%	20,783,059	21,393,198	(2.85%)
Student Personnel Services	786,327	739,802	6.29%	638,832	652,278	1.04%
Student Health Services	820,649	820,143	0.06%	586,698	580,658	6.04%
Student Transportation	4,663,566	3,919,757	18.98%	1,300,970	614,455	111.73%
Operation of Plant and Maintenance of Plant	5,899,708	5,788,222	1.93%	5,196,272	5,022,567	3.46%
Fixed Charges	16,935,825	16,646,938	1.74%	15,657,792	15,753,167	(0.61%)
Food Services	3,239,430	3,199,454	1.25%	(296,130)	(840,054)	(64.75%)
All Others	1,018,191	684,331	48.79%	138,835	215,174	(35.48%)
Total	\$ 70,873,128	\$ 68,017,736	4.20%	\$ 48,387,959	\$ 47,746,192	1.34%

The cost of all governmental activities was \$70,873,128. Some of this cost is financed by users of the school system’s programs through tuition, user fees and student activities funds of \$1,230,774. Operating and capital grants and contributions from the federal and state governments for certain programs were \$16,721,944. The net cost of services, \$48,387,959, is the financial burden placed on county and state taxpayers by these functions.

Most of the School System’s total revenue of \$73,263,319 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, 2022

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 \$8,117,387, up 42.02% or \$2.4 million from the FY2021 ending balance of \$5,715,759.

The Current Expense Fund balance increased \$2,168,227 ending the year at \$6,800,176, up from \$4,800,176 at the end of FY2021. The large variance is due to State Capital Grant revenue that was collected in 2022 but reported as deferred inflows in the fund for 2021. Funds assigned for subsequent years' budgets increased to \$5,084,296 from \$2,181,059 in FY2021. Funds restricted for Medical Assistance (MA) ended the year at \$189,310, down \$66,142 from FY2021 ending balance of \$255,452. Balances assigned for school activities are up \$184,212 from \$690,914 to \$875,126 at June 30, 2022. Funds assigned for FY2023 operating budget increased to \$5,084,176 from \$853,080 assigned for FY2022. Assigned for payments of contractual financing obligations for capital equipment of \$151,444 and \$500,000 unassigned carryover balance remain the same. The Food Services fund balance increased from \$1,083,810 at June 30, 2021 to \$1,317,211 at June 30, 2022, of which \$215,264 is nonspendable food inventory and \$1,101,947 is restricted for the Food Service Fund.

Local appropriations, general state sources, and state and federal funding revenues account for about 99.86% of the total Unrestricted Current Expense Fund revenues. All sources 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 year to accommodate the Schools Systems' capital outlay needs and react to steep increases in fuel rates.

When comparing final budget to actuals, actual revenues were slightly below final budget by 0.2% or \$104,784. Actual expenditures were \$1,148,088 or 2.17% below final budget. Operation of plant was over budget due to inflationary increases cleaning supplies and utilities. Capital Outlay was over budget as a result of Maintenance projects being classified as capital, leaving Maintenance under budget. Actual Instructional salary expense was below budget due to

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a higher than anticipated shift of academic intervention and staff development stipends to federal restricted sources. Special education expense was below budget as a result of open positions, use of federal funding, and MA funding additional services. The budget variance for textbook & supplies and other are attributable to supply chain issues in which items were unavailable prior to year-end. Food Services actual expense was \$0 as the Food Service Fund was able to add to its fund balance.

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 FY2022, the school system had \$116.4 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 \$5.2 million or 4.65%. \$146,950 was reclassified to Right to use intangible leased assets-equipment as a result of the adoption of GASBS No. 87, *Leases*. Depreciation was \$3.15 million in FY2022, 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 FY2022, including air quality mechanical upgrades and flooring replacements at multiple schools, replacements of playgrounds at Accident and Crellin, security upgrades at Broad Ford, Friendsville and Northern Middle, Phase 1 of Northern High parking and lighting project, and track surfacing at both Northern and Southern athletic stadiums. As of June 30, 2022, there is \$3,388,769 classified as construction in progress including open space conversion and roof replacement at Grantsville Elementary School, PA system replacements at Grantsville and Northern Middle, security vestibule at Northern High and feasibility/educational specification for Southern Middle. More detailed information about the school system's capital assets can be found in Note 4 to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Long-Term Debt and Other Long-Term Obligations

At year-end, the school system had \$42,796,762 in long-term obligations outstanding. \$1,436,142 or 3.36% of this represents obligations for accumulated unpaid leave for the system's staff, \$91,056 or 0.002% is classified as leases, \$3,504,350 or 8.19% represents contractual financing obligations for capital equipment, \$34,965,291 or 81.7% represents the school system's net other post-employment benefit (OPEB) obligation, and the remainder represents the net pension liability of \$2,799,923 or 6.55%. Details of changes in balances are illustrated in Note 5.

Factors Impacting the School System

The 2021-2022 school year was devoted largely to the recovery effort from the COVID-19 pandemic. 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.

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 Schools budget initiatives that are now linked to Local ESSA Consolidated Strategic Plan strategies. Beginning in FY23 Plan should reflect alignment to the school system's Blueprint Implementation Plan.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Upon receiving and reviewing the final report from the Strategic Facilities Committee in December 2019, the Board approved the Five-Year Strategic Plan on August 11, 2020. The plan aims to identify the key projects that the Board has identified for the Fiscal Years of 2022-2027. During FY2022, the Superintendent continued to facilitate the plan on the Board's behalf including the Grantsville open space conversion and roof replacement, grade band alignment analysis, and feasibility/educational specification for a renovation of Southern Middle School. The Superintendent will continue following the plan in FY2023.

Enacted into law in 2020, the Built to Learn (BTL) Act became effective February 12, 2021. The BTL Act allows the Maryland Stadium Authority (MSA) to issue up to \$2.2 billion in revenue bonds to fund school construction projects. The most significant change of the BTL Act for the Garrett County is language that allows the state cost share percentage to equal that of our neighboring county to the east. School system leadership has fostered a collaborative relationship with the Maryland Interagency Commission on School Construction (IAC) to understand the funding programs and how the school system may maximize state participation in its capital plan.

Student enrollment decline continues to be a concern for the Board. Enrollment has a direct and significant impact on both state and local formula aid. Since 1974, when Maryland Department of Planning (MDP) began tracking kindergarten through twelfth grade enrollment, the system have averaged a decrease in student enrollment of 1.13% year over year. Since 2011, Garrett County Public Schools has lost 15.1% or 595 students. Each spring, school system leaders collaborate with the MDP to prepare enrollment projections to aid in strategic planning for the capital improvement plan.

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 \$36,870,917 with a Plan Fiduciary Net Position of \$1,905,626, or 5.17%, leaving a Net OPEB Liability of \$34,965,291 at June 30, 2022. The actual OPEB contribution amount for the year ended June 30, 2022, was \$1,098,995, 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 FY2022. Under GASB Statement Number 75, there is no requirement to fund this obligation.

BOARD OF EDUCATION OF GARRETT COUNTY
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

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 \$2,799,923 as of June 30, 2022 and is reported as a liability on the Board's government-wide statement of net position.

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, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,493,913
Accounts receivable	
County	10,245
State	1,758,787
Federal	4,169,775
Other	53,891
Inventory	215,264
Restricted cash	851,433
Restricted investments - certificates of deposit	241,987
Non-depreciable capital assets	6,846,745
Depreciable capital assets, net of accumulated depreciation	42,356,666
Leased assets, net of accumulated amortization	44,981
Total Assets	65,043,687
DEFERRED OUTFLOWS OF RESOURCES	7,282,064
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	72,325,751
LIABILITIES	
Accrued payroll and withholding	6,440,048
Accounts payable and accrued expenses	957,552
Unearned revenue	77,128
Long-term liabilities:	
Due within one year	703,022
Due in more than one year	42,093,740
Total Liabilities	50,271,490
DEFERRED INFLOWS OF RESOURCES	9,229,421
NET POSITION	
Net investment in capital assets	45,652,986
Restricted for food service	1,317,211
Restricted for medical assistance	189,310
Assigned for school activities	875,126
Unrestricted	(35,209,793)
Total Net Position	12,824,840
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 72,325,751

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, 2022**

		<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<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	\$ 1,953,330	\$ 3,326	\$ 316,452	\$ -	\$ (1,633,552)
Mid-level administration	3,142,142	-	394,063	-	(2,748,079)
Instruction - Salaries	22,018,357	-	2,836,258	-	(19,182,099)
- Textbooks and supplies	1,113,091	-	363,134	-	(749,957)
- Other	4,390,166	1,152,936	512,419	4,532,451	1,807,640
Special education	4,892,346	-	2,233,703	-	(2,658,643)
Student personnel services	786,327	-	147,495	-	(638,832)
Student health services	820,649	-	233,951	-	(586,698)
Student transportation	4,663,566	-	3,362,596	-	(1,300,970)
Operation of plant	4,992,735	45,525	646,361	-	(4,300,849)
Maintenance of plant	906,973	-	11,550	-	(895,423)
Community services	893,694	-	879,356	-	(14,338)
Food services	3,239,430	28,987	3,506,573	-	296,130
Fixed charges	16,935,825	-	1,278,033	-	(15,657,792)
Interest expense	124,497	-	-	-	(124,497)
Total governmental activities	<u>\$ 70,873,128</u>	<u>\$ 1,230,774</u>	<u>\$ 16,721,944</u>	<u>\$ 4,532,451</u>	<u>(48,387,959)</u>
General revenues:					
Local appropriations					28,705,313
State appropriations					21,886,270
Miscellaneous					182,994
Unrestricted investment earnings					<u>3,573</u>
Total general revenues					<u>50,778,150</u>
Change in net position					2,390,191
Net Position - beginning of year					<u>10,434,649</u>
Net Position - end of year					<u>\$ 12,824,840</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, 2022**

	<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	\$ 7,738,914	\$ 754,999	\$ -	\$ 8,493,913
Accounts receivable				
County	-	-	10,245	10,245
State	660,453	1,033,267	65,067	1,758,787
Federal	4,149,075	20,700	-	4,169,775
Other	48,049	5,842	-	53,891
Due from other funds	3,884,754	-	15,831	3,900,585
Inventory	-	215,264	-	215,264
Restricted cash	851,433	-	-	851,433
Restricted investments - certificates of deposit	241,987	-	-	241,987
TOTAL ASSETS	<u>17,574,665</u>	<u>2,030,072</u>	<u>91,143</u>	<u>19,695,880</u>
LIABILITIES				
Accrued payroll and withholdings	6,299,903	140,145	-	6,440,048
Accounts payable and accrued expenses	746,752	184,724	26,076	957,552
Unearned revenue	25,639	51,489	-	77,128
Compensated absences payable	138,113	-	-	138,113
Due to other funds	3,564,082	336,503	-	3,900,585
Total Liabilities	<u>10,774,489</u>	<u>712,861</u>	<u>26,076</u>	<u>11,513,426</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable state grant	-	-	65,067	65,067
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>65,067</u>	<u>65,067</u>
FUND BALANCES				
Nonspendable - inventories	-	215,264	-	215,264
Assigned for subsequent years' budget	5,084,296	-	-	5,084,296
Assigned for contractual financing obligations	151,444	-	-	151,444
Assigned for school activities	875,126	-	-	875,126
Restricted for food service	-	1,101,947	-	1,101,947
Restricted for medical assistance	189,310	-	-	189,310
Unassigned	500,000	-	-	500,000
Total Fund Balances	<u>6,800,176</u>	<u>1,317,211</u>	<u>-</u>	<u>8,117,387</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 17,574,665</u>	<u>\$ 2,030,072</u>	<u>\$ 91,143</u>	<u>\$ 19,695,880</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, 2022**

Total fund balances - Governmental funds	\$ 8,117,387
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 \$116,302,959, net of accumulated depreciation of \$67,099,548.	49,203,411
Leased assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$146,950, net of accumulated amortization of \$101,969.	44,981
Deferred outflows arising from changes in the net OPEB liability are not reported in the funds, see Note 1 (D).	5,914,014
Deferred outflows arising from changes in the net pension liability are not reported in the funds, see Note 1 (D).	1,368,050
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 (\$1,298,029), contracts payable (\$3,504,350), lease liability (\$91,056) net OPEB liability (\$34,965,291) and net pension liability (\$2,799,923).	(42,658,649)
Revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred inflows in the fund.	65,067
Deferred inflows arising from changes in the net OPEB liability are not reported in the funds.	(7,629,262)
Deferred inflows arising from changes in the net pension liability are not reported in the funds.	<u>(1,600,159)</u>
Total net position - Governmental activities	<u>\$ 12,824,840</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, 2022**

	Current Expense Fund	Food Services Fund	School Construction Fund	Total Governmental Funds
REVENUES				
Intergovernmental revenues				
Local sources	\$ 28,854,113	\$ -	\$ 400,582	\$ 29,254,695
State sources	27,520,623	79,609	4,797,101	32,397,333
Federal sources	8,087,800	3,445,410	-	11,533,210
Earnings on investments	3,159	414	-	3,573
Charges for services	1,209,017	28,987	-	1,238,004
Miscellaneous revenues	212,673	9,878	3,799	226,350
Total Revenues	65,887,385	3,564,298	5,201,482	74,653,165
EXPENDITURES				
Administration	1,889,529	-	-	1,889,529
Mid-level administration	3,069,607	-	-	3,069,607
Instruction - Salaries	22,015,968	-	-	22,015,968
- Textbooks and supplies	1,122,952	-	-	1,122,952
- Other	1,585,707	-	-	1,585,707
Special education	4,890,223	-	-	4,890,223
Student personnel services	786,327	-	-	786,327
Student health services	820,649	-	-	820,649
Student transportation	4,643,913	-	-	4,643,913
Operation of plant	4,943,581	-	-	4,943,581
Maintenance of plant	990,739	-	-	990,739
Community services	887,335	-	-	887,335
Food services	46,714	3,206,022	-	3,252,736
Fixed charges	15,944,523	-	-	15,944,523
Capital outlay	1,303,907	124,875	3,466,551	4,895,333
Debt service- principal	537,136	-	-	537,136
Debt service- interest	122,229	-	-	122,229
Total Expenditures	65,601,039	3,330,897	3,466,551	72,398,487
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	286,346	233,401	1,734,931	2,254,678
OTHER FINANCING SOURCES (USES)				
Other financing sources	146,950	-	-	146,950
Operating transfers in	1,734,931	-	-	1,734,931
Operating transfers out	-	-	(1,734,931)	(1,734,931)
NET CHANGE IN FUND BALANCES	2,168,227	233,401	-	2,401,628
Fund Balances - beginning of year	4,631,949	1,083,810	-	5,715,759
FUND BALANCES - end of year	\$ 6,800,176	\$ 1,317,211	\$ -	\$ 8,117,387

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, 2022**

Change in fund balances - Governmental funds \$ 2,401,628

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 \$5,008,406 exceeds depreciation expense of \$3,135,511 in the current year. 1,872,895

Governmental funds do not report donated assets, however, the fair market value of these assets are reported as a source of revenue in the statement of activities. 110,909

Governmental Funds report lease payments as expenses when paid. However in the Statement of Activities, the principal payments reduce the lease liability and amortization expense is recorded on the leased assets. This is the amount that amortization expense of \$101,969 exceeded principal payments of \$55,894. (46,075)

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. (56,133)

Payment of contracts payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 481,242

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. (1,434,933)

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. (1,136,641)

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. 197,299

Change in net position - Governmental activities \$ 2,390,191

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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental revenues				
Local sources	\$ 28,705,313	\$ 28,854,113	\$ 28,854,113	\$ -
State sources	22,989,496	22,942,958	22,924,259	(18,699)
Federal sources	120,000	81,055	81,052	(3)
Earnings on investments	15,000	2,150	2,788	638
Charges for services	45,000	57,850	56,081	(1,769)
Miscellaneous revenues	15,000	278,612	193,661	(84,951)
Total Revenues	<u>51,889,809</u>	<u>52,216,738</u>	<u>52,111,954</u>	<u>(104,784)</u>
EXPENDITURES				
Administration	1,668,388	1,675,923	1,601,274	74,649
Mid-level administration	2,877,791	2,868,445	2,842,843	25,602
Instruction - Salaries	19,729,474	19,558,441	19,295,952	262,489
- Textbooks and supplies	543,083	517,587	396,336	121,251
- Other	517,154	564,080	445,173	118,907
Special education	3,636,192	3,552,677	3,307,109	245,568
Student personnel services	669,916	669,916	638,832	31,084
Student health services	626,773	626,965	586,698	40,267
Student transportation	4,361,469	4,634,197	4,583,441	50,756
Operation of plant	4,097,186	4,979,333	5,044,375	(65,042)
Maintenance of plant	1,150,187	1,165,239	979,189	186,050
Fixed charges	11,799,782	11,804,003	11,656,296	147,707
Community services	-	-	7,979	(7,979)
Food services	348,000	78,000	-	78,000
Capital outlay	-	250,012	411,233	(161,221)
Total Expenditures	<u>52,025,395</u>	<u>52,944,818</u>	<u>51,796,730</u>	<u>1,148,088</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(135,586)	(728,080)	315,224	1,043,304
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	(1,734,931)	(1,734,931)
Fund Balance - beginning of year	-	-	3,685,585	3,685,585
FUND BALANCE - end of year	<u>\$ (135,586)</u>	<u>\$ (728,080)</u>	<u>\$ 5,735,740</u>	<u>\$ 2,993,958</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, 2022**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental revenues				
Federal sources	\$ 19,099,388	\$ 19,090,951	\$ 8,006,748	\$ (11,084,203)
State sources	1,829,460	1,959,460	1,586,170	(373,290)
Other sources	474,122	474,122	19,012	(455,110)
Total Revenues	21,402,970	21,524,533	9,611,930	(11,912,603)
EXPENDITURES				
Administration	706,970	718,804	297,440	421,364
Mid-level administration	444,089	449,914	271,040	178,874
Instruction - Salaries	8,400,993	8,147,746	2,720,016	5,427,730
- Textbooks and supplies	1,675,660	1,351,025	363,134	987,891
- Other	1,219,659	1,166,443	534,923	631,520
Special education	2,157,483	2,161,537	1,586,516	575,021
Student personnel services	831,547	687,063	147,495	539,568
Student health services	519,447	480,668	233,951	246,717
Student transportation	463,156	457,806	60,472	397,334
Operation of plant	890,985	979,351	499,099	480,252
Maintenance of plant	11,550	11,550	11,550	
Fixed charges	2,893,098	2,877,480	1,278,033	1,599,447
Food services	46,714	46,714	46,714	-
Community services	1,190,452	1,201,635	879,356	322,279
Capital outlay	967,541	786,797	748,333	38,464
Total Expenditures	22,419,344	21,524,533	9,678,072	11,846,461
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,016,374)	-	(66,142)	(66,142)
Fund Balance - beginning of year	-	-	255,452	255,452
FUND BALANCE - end of year	\$ (1,016,374)	\$ -	\$ 189,310	\$ 189,310

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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Earnings on investments	\$ -	\$ 350	\$ 371	\$ 21
Charges for services	-	940,650	1,152,936	212,286
Total Revenues	<u>-</u>	<u>941,000</u>	<u>1,153,307</u>	<u>212,307</u>
EXPENDITURES				
Instruction - Textbooks and supplies	-	351,000	363,482	(12,482)
- Other	-	590,000	605,613	(15,613)
Total Expenditures	<u>-</u>	<u>941,000</u>	<u>969,095</u>	<u>(28,095)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	184,212	184,212
Fund Balance - beginning of year	<u>-</u>	<u>-</u>	<u>690,914</u>	<u>690,914</u>
FUND BALANCE - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 875,126</u></u>	<u><u>\$ 875,126</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal	\$ 1,318,400	\$ 2,754,047	\$ 3,176,296	\$ 422,249
State of Maryland	123,000	80,000	79,609	(391)
Meals and food served	673,480	23,000	28,987	5,987
Interest earned	135	135	414	279
Federal donation of food	120,000	261,250	269,114	7,864
Other revenues	3,316	25,342	9,878	(15,464)
Total Revenues	<u>2,238,331</u>	<u>3,143,774</u>	<u>3,564,298</u>	<u>420,524</u>
EXPENDITURES				
Salaries and wages	1,496,599	1,541,599	1,475,459	66,140
Contracted services	44,700	89,566	69,874	19,692
Supplies and materials	1,013,332	1,696,342	1,652,678	43,664
Other charges	31,700	32,700	8,011	24,689
Capital outlay	-	131,567	124,875	6,692
Total Expenditures	<u>2,586,331</u>	<u>3,491,774</u>	<u>3,330,897</u>	<u>160,877</u>
EXCESS (DEFICIENCY) OF REVENUES REVENUES OVER EXPENDITURES	(348,000)	(348,000)	233,401	581,401
OTHER FINANCING SOURCES				
Operating transfers in	348,000	348,000	-	(348,000)
NET CHANGE IN FUND BALANCE	-	-	233,401	233,401
Fund Balance - beginning of year	-	-	1,083,810	1,083,810
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,317,211</u>	<u>\$ 1,317,211</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, 2022

	Other Post Employment Benefits Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 71,908
Investments:	
Certificates of Deposit	35,197
U.S. Government Obligations	24,648
Fixed Income Securities	350,210
Mutual Funds	603,267
Equity Securities	814,496
Total Investments	1,827,818
Interest Receivable	5,900
TOTAL ASSETS	1,905,626
LIABILITIES	-
NET POSITION	
Held in Trust for Other Post Employment Benefits	\$ 1,905,626

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, 2022

	Other Post Employment Benefits Trust Fund
	<u> </u>
ADDITIONS	
Contributions:	
Employer	\$ -
Plan Members	-
Total Contributions	<u>-</u>
Investment Earnings:	
Realized Net Gains on Investments	43,614
Interest and Dividends	47,636
Net Increase in Fair Value of Investments	(326,011)
Less: Investment Manager/Advisor/Custody Fees	<u>(7,472)</u>
Total Net Investment Earnings	<u>(242,233)</u>
Total Additions	<u>(242,233)</u>
DEDUCTIONS	
Benefits	-
Administrative	-
Total Deductions	<u>-</u>
Net Increase In Net Position	(242,233)
Net Position - Beginning of Year	<u>2,147,859</u>
Net Position - End of Year	<u><u>\$ 1,905,626</u></u>

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 major 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 Heath 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 and food service items 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, 2022 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, 2023. 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>Statement of Net Position</u>
Differences between expected and actual experience	\$ 435,296	\$ -	\$ 435,296
Changes in assumptions	5,357,264	583,260	5,940,524
Changes in proportion and differences between employer contributions and share of contributions	-	414,526	414,526
Net difference between projected and actual earnings on investments	121,454	-	121,454
Board contributions to the Employees' Pension System subsequent to the measurement date	-	370,264	370,264
Total deferred outflows of resources	<u>\$ 5,914,014</u>	<u>\$ 1,368,050</u>	<u>\$ 7,282,064</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:

Description	OPEB Plan	ERS Plan	Statement of Net Position
Differences between expected and actual experience	\$ 1,522,872	\$ 142,986	\$ 1,665,858
Changes in assumptions	6,106,390	98,022	6,204,412
Net difference between projected and actual earnings on investments	-	1,359,151	1,359,151
Total deferred inflows of resources	<u>\$ 7,629,262</u>	<u>\$ 1,600,159</u>	<u>\$ 9,229,421</u>

On the fund financial statements, the School Construction Fund has a deferred inflow of resources of \$65,067 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, 2022.

Compensated Absences Payable – It’s the Board’s policy to allow employees accumulate annual and other compensatory leave under prescribed guidelines and limits. As of June 30, 2022, employees of the Board had accumulated approximately \$1,436,142 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 of \$138,113 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 (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. 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, leases, contracts payable, 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, which for the County is the five-member School Board. 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, 2022.

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.

I. Net Position

Net position is classified into three categories according to donor restrictions or availability of assets for satisfaction of Board obligations. The Board's net position is classified as follows:

- Investment in capital assets, net of related debt – This represents the Board's total investment in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding debt related to the capital assets.
- Restricted net position – This includes restricted resources in which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net position – These resources are used for transactions relating to the general operation of the Board, and may be used at the discretion of the board.

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, 2022:

	<u>Governmental Activities</u>	<u>Other Post Employment Benefits Trust Fund</u>
Cash and Cash Equivalents	8,493,913	\$ -
Restricted Cash	851,433	71,908
Restricted Investments	241,987	1,827,818
Total	<u>\$ 9,587,333</u>	<u>\$ 1,899,726</u>

Deposit and Investment Summary

	<u>Governmental Activities</u>	<u>Other Post Employment Benefits Trust Fund</u>
Deposits	\$ 9,345,228	\$ 71,908
Certificates of Deposit	241,987	35,197
U.S. Government Obligations	-	24,648
Fixed Income Securities	-	350,210
Mutual Funds	-	603,267
Equity Securities	-	814,496
Cash on Hand	118	-
Total	<u>\$ 9,587,333</u>	<u>\$ 1,899,726</u>

At year end, the carrying amount of the Board's combined deposits was \$9,587,215 and the bank balance was \$10,704,273. Of the bank balance \$1,133,739 was insured by the Federal Deposit Insurance Corporation (FDIC), \$9,570,535 was collateralized by securities held by the Board's agent 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, 2022.

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, 2022.

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 \$1,767,973 at June 30, 2022, 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, 2022:

Other Post Employment Benefits Trust Fund	
<u>Security Ratings</u>	<u>June 30, 2022</u>
A1	\$ 55,346
A2	30,345
A3	49,419
Aa1	15,331
Aa2	-
Aa3	12,662
Aaa	39,886
Baa1	96,335
Baaa2	45,183
Not Rated	30,351
Total Market Value	<u>\$ 374,858</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>June 30, 2022</u>
2023	0.00%	\$ -
2024	3.35%-3.55%	35,197
2025	3.50%-4.2%	34,895
2026	3.00%-3.875%	29,264
2027	3.25%-5.50%	50,372
2028-2032	3.30%-5.95%	121,009
2033-2037	1.00%-4.50%	72,482
2038-2042	3.08%-3.39%	50,272
2042-2047	3.25%	16,563
Total Market Value		<u>\$ 410,054</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, 2022	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Market Inputs (Level 2)
U.S. Government Obligations	\$ 24,648	\$ -	\$ 24,648
Fixed Income Securities	350,210	-	350,210
Mutual Funds	603,267	603,267	-
Equity Securities	814,496	814,496	-
Total	<u>\$ 1,792,621</u>	<u>\$ 1,417,763</u>	<u>\$ 374,858</u>

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Construction	Current Expense	<u>\$ 15,831</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 the current expense fund and construction fund consist of the amount of capital funding overages or shortages within the school construction fund. For the fiscal year ended June 30, 2022 the transfer amount is \$1,734,931.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

This schedule was restated from the preceding fiscal year to recognize the effects of GASB statement No. 87 (see Note 9 for additional details). Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

Governmental Activities	Balance June 30, 2021	Additions & Transfers	Dispositions & Transfers	Balance June 30, 2022
Capital assets not being depreciated				
Land and improvements	\$ 3,457,976	\$ -	\$ -	\$ 3,457,976
Construction in progress	433,286	3,361,609	(406,126)	3,388,769
Total capital assets, not being depreciated	<u>3,891,262</u>	<u>3,361,609</u>	<u>(406,126)</u>	<u>6,846,745</u>
Capital and intangible assets being depreciated/amortized				
Buildings and improvements	100,942,221	1,457,629	382,831	102,782,681
Equipment	5,434,582	275,082	(67,401)	5,642,263
Right to use intangible leased assets- equipment	146,950	-	-	146,950
Vehicles	1,006,275	24,995	-	1,031,270
Total capital assets being depreciated	<u>107,530,028</u>	<u>1,757,706</u>	<u>315,430</u>	<u>109,603,164</u>
Less accumulated depreciation/amortization				
Buildings and improvements depreciation	60,073,490	2,736,048	-	62,809,538
Equipment depreciation	3,346,596	314,365	(90,696)	3,570,265
Right to use leased assets-equipment amortization	-	101,969	-	101,969
Vehicles depreciation	634,647	85,098	-	719,745
Total accumulated depreciation/amortization	<u>64,054,733</u>	<u>3,237,480</u>	<u>(90,696)</u>	<u>67,201,517</u>
Capital & intangible assets being depreciated/amortized	<u>43,475,295</u>	<u>(1,479,774)</u>	<u>406,126</u>	<u>42,401,647</u>
Capital and intangible assets, net	<u>\$ 47,366,557</u>	<u>\$ 1,881,835</u>	<u>\$ -</u>	<u>\$ 49,248,392</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2022 was charged to governmental functions as follows:

Administration	\$	69,824
Instruction		2,848,070
Special Education		1,773
Student Transportation		19,653
Operation of Plant		69,103
Maintenance of Plant		69,997
Food Service		52,516
Community Services		4,575
Total depreciation expense - governmental activities	\$	<u>3,135,511</u>

Amortization expense for intangible leased assets for the year ended June 30, 2022 was charged to governmental functions as follows:

Administration	\$	14,734
Mid Level Administration		77,412
Special Education		5,894
Operation of Plant		3,929
Total amortization expense - governmental activities	\$	<u>101,969</u>

The Board had the following active construction projects as of June 30, 2022:

	<u>Spent-To-Date</u>	<u>Remaining Commitment</u>
Grantsville Open Space Reno	\$ 3,231,562	\$ 1,909,809
Grantsville Roof Replacement	10,162	1,759,838
Grantsville PA System	19,059	-
Southern Middle Feasibility & Education Specification	53,264	33,075
Northern Middle PA System	21,959	-
Northern High Security Vestibule	29,361	220,639
Swan Meadow HVAC	23,402	1,598
	\$ <u>3,388,769</u>	\$ <u>3,924,959</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions by type for the fiscal year ended June 30, 2022:

	Balance	GASB No. 87		Principal	Balance	Due Within
	June 30, 2021	Implementation	Additions	Repayments & Other Reductions	June 30, 2022	One Year
Compensated absences payable	\$ 1,391,282	\$ -	\$ 83,570	\$ (38,710)	\$ 1,436,142	\$ 138,113
Leases	3,985,592	(3,838,642)	-	(55,894)	91,056	58,700
Contracts payable	-	3,985,592	-	(481,242)	3,504,350	506,209
Net OPEB liability	40,152,502	-	-	(5,187,211)	34,965,291	-
Net pension liability	3,711,887	-	-	(911,964)	2,799,923	-
Total long-term liabilities	\$ 49,241,263	\$ 146,950	\$ 83,570	\$ (6,675,021)	\$ 42,796,762	\$ 703,022

The GASB No. 87 implementation related to *Leases* resulted in \$3,985,592 in capital leases from the prior year being reclassified to contracts payable since it was a finance purchase. Operating leases of \$146,950 were recognized as lease liabilities at the beginning of the year.

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 14, 2022, of their intent to retire from the Maryland State Retirement and Pension System on or before August 1, 2022. Employees were required to meet the Retirement and Pension System’s age and service requirements in order to be eligible for the stipend. Eight employees met the notification and qualification requirements and earned total stipends of \$8,000 for the year ended June 30, 2022.

NOTE 7 – CONTRACTS PAYABLE

The Board has entered into equipment agreements with the Bank of America and Key Equipment Finance to provide financing for the acquisition, construction and installation of energy efficiency improvements. In accordance with Governmental Accounting Standards Board (GASB) Statement Number 87, *Leases*, these agreements qualify as a financed purchase for accounting purposes and therefore, have been recorded at the present value of the future minimum contract payments at the inception date. The construction costs paid from these financing arrangements totaled \$6,807,404 and are reported as buildings and improvements in the accompanying government-wide financial statements. Depreciation expense related to assets totaled \$458,955 for the year ended June 30, 2022 and was charged to the instruction function for government wide reporting purposes. Accumulated depreciation of \$3,762,433 is reported as a component of accumulated depreciation on buildings and improvements as of June 30, 2022.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CONTRACTS PAYABLE (Continued)

Biannual contract payments are due in January and July of each year under the agreement with Bank of America and include principal and interest at 3.14%. The final 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 borrowing proceeds. Annual contract payments are due in February each year under the agreement with Key Equipment Finance and include principal and interest at 2.79%. The final payment is due on February 23, 2031. Both agreements contain events of default including the failure of the Board to make the required payment by the due date as set forth in the agreements; and the failure by the Board to observe and perform any covenant, condition, or agreement set forth in the debt agreements. Remedies of default authorize the lender to declare all rental payments to be due with or without terminating the agreement; or to retake possession of equipment.

The following are the future contract payments due under the agreements at June 30, 2022:

	Total	
	Principal	Interest
June 30, 2023	\$ 506,209	\$ 101,529
June 30, 2024	548,599	85,920
June 30, 2025	593,613	68,995
June 30, 2026	641,403	50,671
June 30, 2027	441,271	30,862
Thereafter	773,255	50,647
Total	\$ 3,504,350	\$ 388,624

NOTE 8 – LEASES

The Board of Education have entered into two agreements for the acquisition of copier and mailing equipment that qualify as leases under GASB Statement No. 87, *Leases*. The total amount of the right to use leased assets recognized upon implementation of GASB Statement No. 87 was \$146,950 (see Note 4 for leased asset detail). Lease payments made during the current fiscal year totaled \$61,870 which was comprised of \$55,894 in principal and \$5,976 in interest. The copier lease had an initial period of 3 years with monthly payments of \$4,939 and the mailing equipment lease had an initial period of 5 years with quarterly payments of \$652. Both lease were discounted using an imputed interest rate 4.91%. The following are the future minimum principal and interest lease payments at June 30, 2022:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 58,700	\$ 3,171	\$ 61,871
2024	31,711	528	32,239
2025	645	8	653
Total	\$ 91,056	\$ 3,707	\$ 94,763

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – ADOPTION OF AN ACCOUNTING PRINCIPLE

The Board of Education has adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* in the current fiscal year. This statement requires the recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting and the Board of Education, as lessee, is now required to recognize a lease liability and an intangible right-to-use lease asset. Upon implementation at July 1, 2021, the board recognized a lease liability of \$146,950 along with an intangible right-to-use lease asset \$146,950 at the government-wide level. Details related to the lease liability and the right-to-use lease assets are outlined in Note 8 and Note 4 respectively.

NOTE 10 - 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:

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 10 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

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, 2022, 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.

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, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation utilizing the employee data as of January 1, 2021 with asset information and plan provisions in effect as of June 30, 2022.

The total OPEB liability in the June 30, 2022 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	3.54 percent
Investment rate of return	6.0 percent
Healthcare cost trend rates	6.0 percent for 2022, 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-2021.

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.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

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, 2022, the yield to maturity of 20-year high-grade bonds was 3.54% according to the Buyer Bond 20-Year GO Index. The discount rate at June 30, 2021 was 2.16%.

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was a negative 10.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB</u>	<u>Plan Fiduciary</u>	<u>Net OPEB</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
Balances as of July 1, 2021	\$ 42,300,361	\$ 2,147,859	\$ 40,152,502
Changes for the year:			
Service cost	1,312,111	-	1,312,111
Interest	901,882	-	901,882
Differences between expected and actual experience	-	-	-
Assumption and method changes	(6,544,442)	-	(6,544,442)
Contributions - employer	-	1,098,995	(1,098,995)
Net investment income	-	(234,761)	234,761
Benefit payments	(1,098,995)	(1,098,995)	-
Administrative expense and other changes	-	(7,472)	7,472
Net Changes	<u>(5,429,444)</u>	<u>(242,233)</u>	<u>(5,187,211)</u>
Balances as of June 30, 2022	<u>\$ 36,870,917</u>	<u>\$ 1,905,626</u>	<u>\$ 34,965,291</u>

The assumption change affecting the decrease in the net OPEB liability was the change in the discount rate from 2.16% to 3.54%.

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 (2.54 percent) or 1-percentage point higher (4.54 percent) than the current discount rate:

	1% decrease (2.54%)	Current rate (3.54%)	1% increase (4.54%)
Net OPEB liability	<u>\$ 39,521,657</u>	<u>\$ 34,965,291</u>	<u>\$ 31,134,316</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

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 (5.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (7 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% decrease (5.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (6.0% decreasing to 4.5%)	1% increase (7.0% decreasing to 5.5%)
Net OPEB liability	<u>\$ 30,237,621</u>	<u>\$ 34,965,291</u>	<u>\$ 40,730,880</u>

For the year ended June 30, 2022, the Board recognized OPEB expense of \$2,235,635. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 435,296	\$ (1,522,872)
Change of assumptions	5,357,264	(6,106,390)
Net difference between projected and actual investment earnings	121,454	-
	<u>\$ 5,914,014</u>	<u>\$ (7,629,262)</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:	
2023	\$ 145,595
2024	145,525
2025	167,039
2026	(1,091,770)
2027	(1,081,637)
Thereafter	-

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - 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, 2021 (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 11 - 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 11 - 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, 2022 were \$3,010,194 which were equal to the State's required contributions for that year. The Board's contributions for the year ended June 30, 2022 were \$1,523,108 and \$370,264 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 \$30,864,188 as of June 30, 2022. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's 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, 2021, actuarially determined. At June 30, 2021, the Board's proportion was 0.206 percent.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - 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, 2022, the Board reported a liability of \$2,799,923 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was 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, 2021, actuarially determined. At June 30, 2021, the Board's proportion was 0.1867 percent.

Pension expense for the ERS plan for the year ended June 30, 2022 was \$172,965.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 583,260	\$ (98,022)
Net difference between projected and actual earnings on pension plan investments	-	(1,359,151)
Difference between actual and expected experience	-	(142,986)
Changes in proportion and differences between employer contributions and share of contributions	414,526	-
Board contributions to the Employees' Pension System subsequent to the measurement date	370,264	-
Total	\$ 1,368,050	\$ (1,600,159)

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - STATE RETIREMENT PLANS (Continued)

The \$370,264 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, 2023. 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:	
2023	\$ (198,595)
2024	(149,640)
2025	(145,611)
2026	(203,388)
2027	94,862

The total pension liability in the June 30, 2022 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	2.25% general, 2.75% wage
Salary increases	2.75% to 9.25%, including inflation
Discount rate	6.80%
Investment rate of return	6.80%
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, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37.00%	4.70%
Private Equity	13.00%	6.50%
Rate Sensitive	19.00%	-0.40%
Credit Opportunity	9.00%	2.60%
Real Assets	14.00%	4.20%
Absolute Return	8.00%	2.00%
Total	100.00%	

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - STATE RETIREMENT PLANS (Continued)

The discount rate used to measure the total pension liability was 6.8 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 6.8 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 (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Board's proportionate share of the net pension liability	\$ 4,768,662	\$ 2,799,923	\$ 1,166,868

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

NOTE 12 - 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 is one of nineteen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The School System pays an annual premium to the Pool for its property, liability and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole based on student enrollment, number and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$3 million per School System per year.

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - RISK MANAGEMENT (Continued)

Additionally, the Board is one of seventeen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). The Fund was established as a public entity risk pool organized to provide worker's compensation indemnity and medical benefits coverage for participating school boards. The fund is operated under regulations promulgated by the State Worker's Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll, according to standard classification, with an experience modification applied. Premiums billed to the Fund members are determined on an actuarial basis. The fund carries an excess insurance policy providing specific excess and employer liability protection coverage, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation claim.

Settled claims from these risks have not exceeded insurance plan coverage during any of the past three years.

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	\$ 56,422,405	\$ 55,922,969
Restricted	9,611,930	9,678,072
	<u>66,034,335</u>	<u>65,601,041</u>
On-behalf payments for employer contributions to the Teachers Retirement and Pension Systems by the State of Maryland	(3,010,194)	(3,010,194)
Other financing sources and lease expenditures at inception are not reported as revenue and expenditures for budgetary purposes	<u>(146,950)</u>	<u>(146,950)</u>
	<u>\$ 62,877,191</u>	<u>\$ 62,443,897</u>
Total per Current Expense Fund Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)		
Unrestricted	\$ 52,111,954	\$ 51,796,730
Restricted	9,611,930	9,678,072
School Activities	1,153,307	969,095
	<u>\$ 62,877,191</u>	<u>\$ 62,443,897</u>

BOARD OF EDUCATION OF GARRETT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - 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 15 - 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, 2022 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

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Total OPEB liability						
Service Cost	\$ 1,312,111	\$ 1,309,059	\$ 882,210	\$ 790,272	\$ 834,100	\$ 1,020,893
Interest	901,882	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	(6,544,442)	250,273	9,603,519	742,738	(2,290,779)	-
Benefit payments	(1,098,995)	(1,133,885)	(1,083,732)	(1,016,851)	(956,707)	(1,486,183)
Net changes in total OPEB liability	(5,429,444)	(918,102)	10,527,383	2,415,405	(833,933)	470,630
Total OPEB liability - beginning	42,300,361	43,218,463	32,691,080	30,275,675	31,109,608	30,638,978
Total OPEB liability - ending (a)	\$ 36,870,917	\$ 42,300,361	\$ 43,218,463	\$ 32,691,080	\$ 30,275,675	\$ 31,109,608
Plan fiduciary net position						
Contributions - employer	\$ 1,098,995	\$ 1,133,885	\$ 1,083,732	\$ 1,391,851	\$ 956,707	\$ 1,486,183
Net investment income	(234,761)	381,431	94,235	83,695	82,176	96,723
Benefit payments	(1,098,995)	(1,133,885)	(1,083,732)	(1,016,851)	(956,707)	(1,486,183)
Administrative expense	(7,472)	-	(362)	(4,303)	(4,836)	(5,077)
Net changes in plan fiduciary net position	(242,233)	381,431	93,873	454,392	77,340	91,646
Plan fiduciary net position - beginning	2,147,859	1,766,428	1,672,555	1,218,163	1,140,823	1,049,177
Plan fiduciary net position - ending (b)	\$ 1,905,626	\$ 2,147,859	\$ 1,766,428	\$ 1,672,555	\$ 1,218,163	\$ 1,140,823
Board's net OPEB liability - ending (a) - (b)	\$ 34,965,291	\$ 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	5.17%	5.08%	4.09%	5.12%	4.02%	3.67%
Covered employee payroll	\$ 26,485,298	\$ 24,978,756	\$ 24,516,317	\$ 24,516,317	\$ 23,950,813	\$ 25,234,000
Net liability as a percentage of covered payroll	132.02%	160.75%	169%	127%	121%	119%
Annual money-weighted rate of return	-10.95%	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 decrease in the net OPEB liability was the change in the discount rate from 2.16% to 3.54%.

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 2022</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
Board's percentage share of the ERS net pension liability	0.016%	0.016%	0.017%	0.016%	0.015%	0.016%	0.016%	0.014%
Board's proportionate share of the ERS net pension liability	\$ 2,799,923	\$ 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>30,864,188</u>	<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>\$33,664,111</u></u>	<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	\$31,423,174	\$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	8.91%	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	81.84%	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**

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contributions - ERS	\$ 370,264	\$ 411,250	\$ 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>(370,264)</u>	<u>(411,250)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$33,287,351	\$ 31,423,174	\$ 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	1.11%	1.31%	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, 2014 is not available.

Notes to Required Supplementary Information:

The following assumptions were changed from the prior valuation. The investment rate of return was reduced from 7.40% to 6.80%, the inflation assumption from 2.60% to 3.10%, the wage inflation from 2.60% to 2.25% and the assumed COLA increases from 2.19% to 1.96%. In addition to these assumptions being changed, the plans also recognized 40% of the investment gain in the determination of the actuarial asset valuation in FY 2021 rather than the 20% normally recognized.