

**BOARD OF EDUCATION OF GARRETT COUNTY**

**FINANCIAL REPORT**

**JUNE 30, 2023**

**BOARD OF EDUCATION OF GARRETT COUNTY**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Education of Garrett County  
Oakland, Maryland

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Garrett County, a component unit of Garrett County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the 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, 2023, 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.

#### ***Emphasis of Matter***

##### ***Change in Accounting Principle***

As discussed in Note 9 to the financial statements, in 2023 the Board adopted new accounting guidance, GASBS No. 96, *Subscription-Based Technology Information Arrangements*. Our opinions are 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.

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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, 2023, 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, 2023

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

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, 2023. 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, 2023, 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, 2023, with combined net position of \$17.9 million up from \$12.8 million in FY2022 for an increase of \$5.1 million in relation to the prior year net position. The Current Expense Fund actual revenues were up \$2.8 million from FY2022's \$65.9 million to FY2023's \$68.7 million as a result of the increase of restricted federal funding for COVID-19 recovery and relief combined with the increased revenue from Earnings on Investments. The Current Expense Fund actual expenditures were up \$3.7 million from FY2022's \$65.6 million to FY2023's \$69.3 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, and provide enhanced sanitizing methods and PPE.

The Unrestricted Current Expense actual revenues, \$53,634,472, were within \$520,154, or 0.98% of the final budget. The Unrestricted Current Expense Fund actual expenditures of \$51,643,003 were \$1,471,315, or 2.77% under the final budget. Effects of steep inflation, employee shortages and mid-year separations, and utilization of federal COVID-19 relief funding forced deviation from the approved FY2023 unrestricted budget.

Major budget initiatives for fiscal year 2023 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 subscription-based information technology arrangements (SBITAs), GASB 96. The intent of this Statement is to increase the usefulness of governments' financial statements by allowing users to understand the scale and important aspects of a government's SBITA activities. This statement required recognition of certain right-to-use subscription assets and corresponding subscription liability. Details related to the right-to-use SBITA assets and the SBITA liability, including impact of this adoption, are outlined in Note 4 and Note 10.

### **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 funded by

BOARD OF EDUCATION OF GARRETT COUNTY  
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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. 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 22 through 25.

### ***Governmental Funds***

Most of the school system's basic services are included in the governmental funds, pages 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, pages 18, 20, and 21, explains the relationship (or differences) between them.

Upon implementation of GASB 84, *Fiduciary Activities*, in 2020, it was determined that student activity account funds, health reimbursement arrangement (HRA) funds for post 65 retirees and flexible spending arrangement (FSA) funds for active employees would be reported in the Unrestricted Current Expense Fund.

### ***Fiduciary Funds***

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 26 and 27, 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.

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**Financial Analysis of the School System as a Whole**

The school system's combined net position increased over \$5.1 million or 39.83% in relation to the net position for June 30, 2022. This increase resulted from an overall increase in assets of \$7.4 million while liabilities increased by only \$2.3 million. \$1.7 million of the increase is attributed to the implementation of the new accounting standard to recognize subscription-based assets. However, Local, State and Federal accounts receivable along with depreciable capital assets all increased year over year.

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.

<b><u>Changes In Condensed Statement of Net Position</u></b>			
	<b>2023</b>	<b>2022</b>	<b>Percentage Change</b>
Current and other assets	\$ 19,293,357	\$ 15,795,295	22.15%
Capital and right to use assets	54,479,397	49,248,392	10.62%
<b>Total assets</b>	<b>\$ 73,772,754</b>	<b>\$ 65,043,687</b>	<b>13.42%</b>
Deferred outflows of resources	\$ 5,954,573	\$ 7,282,064	(18.23%)
<b>Total assets and deferred outflows</b>	<b>\$ 79,727,327</b>	<b>\$ 72,325,751</b>	<b>10.23%</b>
Current and other liabilities	\$ 10,560,092	\$ 8,177,750	29.13%
Long-term liabilities	41,585,509	42,093,740	(1.21%)
<b>Total liabilities</b>	<b>\$ 52,145,601</b>	<b>\$ 50,271,490</b>	<b>3.73%</b>
Deferred inflows of resources	\$ 9,649,195	\$ 9,229,421	4.55%
<b>Total liabilities and deferred outflows</b>	<b>\$ 61,794,796</b>	<b>\$ 59,500,911</b>	<b>3.86%</b>
Net investment in capital assets	\$ 49,655,783	\$ 45,652,986	8.77%
Restricted	2,719,167	2,381,647	14.17%
Unrestricted	(34,442,419)	(35,209,793)	(2.18%)
<b>Total net position</b>	<b>\$ 17,932,531</b>	<b>\$ 12,824,840</b>	<b>39.83%</b>

<b><u>Changes in Net Position from Operating Results</u></b>			
	<b>2023</b>	<b>2022</b>	<b>Percentage Change</b>
<i>Program revenues:</i>			
Charges for services	\$ 1,593,853	\$ 1,230,774	29.5%
Operating grants and contributions	19,612,425	16,721,944	17.29%
Capital grants and contributions	6,949,856	4,532,451	53.34%
<i>General revenues:</i>			
County government	28,817,097	28,705,313	0.39%
State (unrestricted)	21,763,660	21,886,270	(0.56%)
Other	406,177	186,567	117.71%
<b>Total Revenues</b>	<b>\$ 79,143,068</b>	<b>\$ 73,263,319</b>	<b>8.03%</b>

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

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<b><u>Changes in Net Position from Operating Results</u></b>			
	<b>2023</b>	<b>2022</b>	<b>Percentage Change</b>
<i>Program Expenses:</i>			
Administration (central and school)	\$ 5,180,985	\$ 5,095,472	1.68%
Instruction			
(regular and special education)	34,886,399	32,413,960	7.63%
Student services and health	1,557,980	1,606,976	(3.05%)
Transportation	5,163,422	4,663,566	10.72%
Maintenance and operations	5,839,363	5,899,708	(1.02%)
Fixed charges	16,398,565	16,935,825	(3.17%)
Food services	3,704,708	3,239,430	14.36%
Other	1,303,955	1,018,191	28.07%
<b>Total Expenses</b>	<b><u>\$ 74,035,377</u></b>	<b><u>\$ 70,873,128</u></b>	4.46%
 <b>Change in Net Position</b>	 <b><u>\$ 5,107,691</u></b>	 <b><u>\$ 2,390,191</u></b>	 113.69%

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 increased \$5.9 million or 8.03%. This increase is primarily due to a \$2.9 million increase in Operating grants and contributions from the planned spending of federal COVID-19 recovery funding. Additionally, there is a \$2.4 million increase of Capital grants and contributions year due to the large capital projects at Grantsville Elementary School, see Note 4 Capital Assets.

Approximately \$74 million in expenses are reported with an increase of 4.46%, or \$3.2 million over the prior year. COVID-19 recovery efforts drove spending for Instruction up \$2.5 million or 7.63%. Record-high fuel rates resulted in \$0.5 million or 10.72% increase year over year for Student Transportation. The award of additional state Judy Center funds increased Other expenses by \$0.3 million or 28.07% year over year. Fixed charges decreased \$0.5 million or 3.07% year over year largely due to the decrease in Net OPEB Liability. Food Service increased 14.36% or \$0.5 million due to increases in salary.

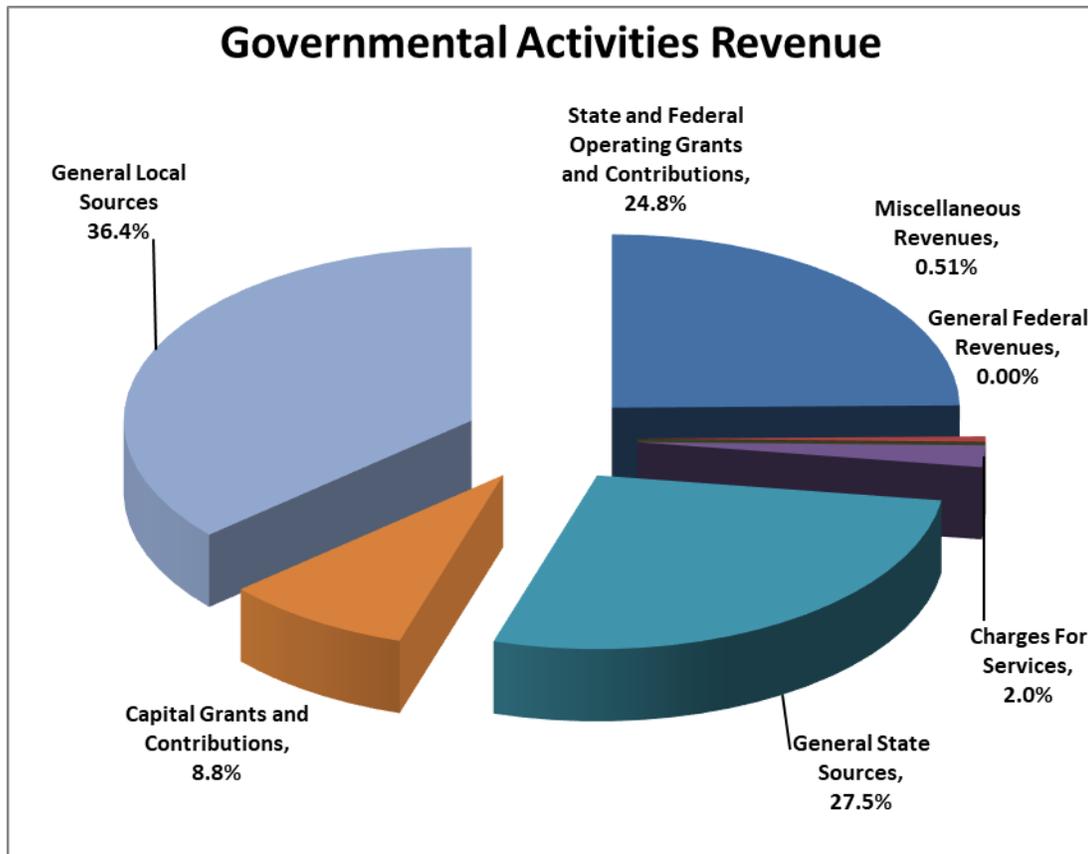
BOARD OF EDUCATION OF GARRETT COUNTY  
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The table below presents the total cost of the major school system functions. It details each function’s net cost (total cost less fees generated by the functions and intergovernmental aid provided for specific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

	Total Cost of Services			Net Cost of Services		
	2023	2022	Percentage Change	2023	2022	Percentage Change
Administration (County & School Level)	\$ 5,180,985	\$ 5,095,472	1.68%	\$ 4,411,404	\$ 4,381,631	0.68%
Instruction and Special Education	34,886,399	32,413,960	7.63%	17,917,765	20,783,059	(13.79%)
Student Personnel Services	804,399	786,327	2.30%	547,658	638,832	(14.27%)
Student Health Services	753,581	820,649	(8.17%)	633,762	586,698	8.02%
Student Transportation	5,163,422	4,663,566	10.72%	1,522,544	1,300,970	17.03%
Operation of Plant and Maintenance of Plant	5,839,363	5,899,708	(1.02%)	5,463,541	5,196,272	5.14%
Fixed Charges	16,398,565	16,935,825	(3.17%)	14,742,626	15,657,792	(5.84%)
Food Services	3,704,708	3,239,430	14.36%	463,593	(296,130)	(256.55%)
All Others	1,303,955	1,018,191	28.07%	176,350	138,835	27.02%
<b>Total</b>	<b>\$ 74,035,377</b>	<b>\$ 70,873,128</b>	<b>4.46%</b>	<b>\$ 45,879,243</b>	<b>\$ 48,387,959</b>	<b>(5.18%)</b>

The cost of all governmental activities was \$74,035,377. Some of this cost is financed by users of the school system’s programs through tuition, user fees and student activities funds of \$1,593,853. Operating and capital grants and contributions from the federal and state governments for certain programs were \$26,562,281. The net cost of services, \$45,879,243, is the financial burden placed on county and state taxpayers by these functions. Most of the School System’s total revenue of \$79,143,068 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  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 \$7,947,450. A prior period adjustment was necessary to correct a timing error for revenue recognition for the year ending June 30, 2022. The restatement resulted in the Current Expense Fund Balance as of June 30, 2022 to be reduced by \$2,997,100 from \$6,800,176 to \$3,803,076. The funds were collected during fiscal year 2023 and are reflected in the current statements.

The Current Expense Fund balance increased \$3,288,551 from the restated amount of \$3,803,076 FY2022 to the new balance of \$7,091,627. The large variance is due to State Capital Grant revenue that was collected in 2023 but reported as deferred inflows in the fund for 2022. Funds assigned for subsequent years' budgets increased to \$4,432,276 from \$2,087,196 restated in FY2022. Funds restricted for Medical Assistance (MA) ended the year at \$308,307, up \$118,997 from FY2022 ending balance of \$189,310. Balances assigned for school activities are down \$35,601 from \$875,126 to \$839,525 at June 30, 2023. There are funds restricted for the FY2024 capital and operating budgets of \$860,075. 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 decreased from \$1,317,211 at June 30, 2022 to \$855,823 at June 30, 2023, of which \$144,563 is nonspendable food inventory and \$711,260 is restricted for the Food Service Fund.

Local appropriations, general state sources, and state and federal funding revenues account for about 97.60% 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 22. 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.

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The Unrestricted Current Expense actual revenues were slightly over final budget by 0.98% or \$520,154. There was an increase in Earnings on Investments and State Special Education allocation. Actual expenditures were \$1,471,315 or 2.77% below final budget. Capital Outlay was over budget as a result of Maintenance projects being classified as capital, resulting in positive budget variance in Maintenance. Actual Instructional salary expense was below budget due to a higher than anticipated shift of academic intervention and staff development stipends to federal restricted sources and higher than anticipated number of mid-year separation of employees. Special education expense and Student health services were below budget as a result of open positions, use of federal funding, and, in the case of Special education, MA funding additional services.

In addition to the Unrestricted Fund, the Current Expense Fund is comprised of the Restricted Current Expense Fund and School Activity Accounts. 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 operate at the school level abiding by the Board's policies and procedures. The fund balance remaining is restricted for use at the school level. The Statement of Revenues, Expenditures, and Changes in Fund Balance for the Restricted Current Expense Fund and School Activity Accounts are presented on page 23 and 24, respectively.

The Food Service revenue was 2.4% higher than anticipated as a result of higher commodities allocated and increase in federal revenue. The business model was back to pre-pandemic operation with USDA waivers ended at the beginning of the year and student payments resuming. 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 FY2023, the school system had \$125.5 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 over \$9 million or 7.77%. \$2.3 million was reclassified to Right to use subscription-based assets as a result of the adoption of GASBS No. 96, *Subscription-based Information Technology Arrangements (SBITA)*. Depreciation was \$5.2 million in FY2023, 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 FY2023, most notably Grantsville Elementary Open Space Conversion and Roof Replacements, Northern High School Security Vestibule, and Southern Middle/Southern Elementary School Feasibility Study. As of June 30, 2023, there is \$1.7 million classified as construction in progress including Southern Middle/Southern Elementary Architecture and Engineering and HVAC installation projects and Northern High and Yough Glades Elementary Schools. More detailed information about the school system's capital assets can be found in Note 4 to the financial statements.

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June 30, 2023

**Long-Term Debt and Other Long-Term Obligations**

At year-end, the school system had \$42,775,418 in long-term obligations outstanding. \$1,405,018 or 3.28% of this represents obligations for accumulated unpaid leave for the system's staff, \$33,179 or 0.08% is classified as leases, \$1,792,294 or 4.19% represents obligations to use subscription-based assets, \$2,998,141 or 7.01% represents contractual financing obligations for capital equipment, \$68,378 or 0.16% represents accrued interest payable, \$33,232,378 or 77.69% represents the school system's net other post-employment benefit (OPEB) obligation, and the remainder represents the net pension liability of \$3,246,030 or 7.59%. Details of changes in balances are illustrated in Note 5.

**Factors Impacting the School System**

The Kirwan Commission (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. The work of the Commission influenced broad sweeping legislative changes known as the Blueprint for Maryland's Future (the Blueprint). Chapter 771 of 2019, Senate Bill 1030, established the Blueprint policy framework and provided start-up funding to begin implementation. Chapter 36 of House Bill 1300 of 2020, encompassed the final policy and funding recommendations of the Kirwan Commission. Chapter 55 of 2021, House Bill 1372, refined language with revisions and addressed impacts of the COVID-19 pandemic on technology needs, enrollment counts, student learning loss, and behavioral/mental health issues. Subsequently, House Bill's 1450, 1219, and 770 have passed with additional updates to this comprehensive legislation. Legislation also created a new independent unit of the Maryland State government called the Accountability and Implementation Board (AIB). The AIB is charged with holding State and local governments accountable for implementing the Blueprint with fidelity and evaluates whether the Blueprint's outcomes are being achieved.

The Blueprint outlines new and revised requirements in five major 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 that will be phased in through 2032. Detailed implementation plans are required by both the AIB and local education agencies periodically. GCPS submitted and received approval on its first plan in fiscal year 2023. The Blueprint has changed the funding formulas for revenue and allowable costs of those funds thereby resulting in system-wide changes.

GCPS continued efforts on recovery from the COVID-19 pandemic. The Reopening and Recovery plan from 2021-2022 remained in effect with modifications periodically as required. Sizable funding from the American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) Fund will continue to be spent strategically through the first quarter of fiscal year 2025.

BOARD OF EDUCATION OF GARRETT COUNTY  
Oakland, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The Maryland State Department of Education has launched a new streamlined process related to the Local Consolidated Every Student Succeeds Act (ESSA) Program Application and Process which will impact the school system. The ESSA Plan, historically known as the Master Plan has provided a multi-year action plan to guide the school system in preparing students to reach high levels of academic achievement. Moving forward local education agencies will no longer need to submit the consolidated master plan section of the ESSA application. The portion of law requiring this was repealed under the Blueprint for Maryland's Future and local Blueprint Implementation Plans referenced above now meet that requirement. The ESSA plan will be submitted as one application that includes all federal Title funding programs along with other COMAR required programs. As a result of this change, the Blueprint Implementation Plan along with the ESSA plan will organize and align research-based practices, instructional services, professional development, and resource distribution to guide the Garrett County Public Schools budget initiatives including 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.

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. The change resulted in a favorable state vs. local funding split for all school construction funding programs. This has allowed the Board to move forward with its Five-Year Strategic Plan from 2020. The plan identified key projects for the fiscal years of 2022-2027. School system leadership has fostered a collaborative relationship with the Maryland Interagency Commission on School Construction (IAC) and the Garrett County Board of Commissioners to refine the GCPS Capital Improvement Plan.

Student enrollment decline continues to be a concern for the school system. 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 has averaged a decrease in student enrollment of approximately 1.15% per year. Unfortunately, GCPS experienced much higher decreases due to the COVID-19 pandemic in the 2020-21 (3.8%) and 2022-23 (4.12%) as was experienced by most public-school systems across the United States at that time. Each spring, school system leaders collaborate with the MDP to prepare enrollment projections to aid in strategic planning. The school system expects the rate of decline to at a minimum return to pre-pandemic rates.

#### *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.

BOARD OF EDUCATION OF GARRETT COUNTY  
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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 \$35,294,501 with a Plan Fiduciary Net Position of \$2,062,123, or 5.84%, leaving a Net OPEB Liability of \$33,232,378 at June 30, 2023. The actual OPEB contribution amount for the year ended June 30, 2023, was \$1,156,066, 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 FY2023. Under GASB Statement Number 75, there is no requirement to fund this obligation.

The Board's proportionate share of the Maryland State Retirement and Pension System's net pension liability, as calculated by the System's actuary, is \$3,246,030 as of June 30, 2023 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, 770 Dennett Road, Oakland, MD 21550.

## **BASIC FINANCIAL STATEMENTS**

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF NET POSITION**

**As of June 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,984,334
Accounts receivable	
County	1,373,214
State	3,987,992
Federal	2,572,337
Other	122,927
Inventory	144,563
Restricted cash	891,764
Restricted investments - certificates of deposit	216,226
Non-depreciable capital assets	5,145,504
Depreciable capital assets, net of accumulated depreciation	47,561,076
Right to use assets, net of accumulated amortization	1,772,817
<b>Total Assets</b>	<b>73,772,754</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,954,573</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>79,727,327</b>
<b>LIABILITIES</b>	
Accrued payroll and withholding	6,425,585
Accounts payable and accrued expenses	2,844,752
Unearned revenue	99,846
Long-term liabilities:	
Due within one year	1,189,909
Due in more than one year	41,585,509
<b>Total Liabilities</b>	<b>52,145,601</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>9,649,195</b>
<b>NET POSITION</b>	
Net investment in capital assets	49,655,783
Restricted for food service	711,260
Restricted for school activities	839,525
Restricted for capital expenditures	50,000
Restricted for medical assistance	308,307
Restricted for 2024 operating budget	810,075
Unrestricted	(34,442,419)
<b>Total Net Position</b>	<b>17,932,531</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 79,727,327</b>

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, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenues and Changes in Net Position</b>
					<b>Governmental Activities</b>
<b>Governmental activities:</b>					
Administration	\$ 2,055,834	\$ 2,565	\$ 458,011	\$ -	\$ (1,595,258)
Mid-level administration	3,125,151	-	309,005	-	(2,816,146)
Instruction - Salaries	22,695,536	27,532	4,210,298	-	(18,457,706)
- Textbooks and supplies	2,412,959	-	1,361,582	-	(1,051,377)
- Other	4,925,726	1,087,753	656,677	6,949,856	3,768,560
Special education	4,852,178	-	2,674,936	-	(2,177,242)
Student personnel services	804,399	-	256,741	-	(547,658)
Student health services	753,581	-	119,819	-	(633,762)
Student transportation	5,163,422	746	3,640,132	-	(1,522,544)
Operation of plant	4,520,163	44,205	318,895	-	(4,157,063)
Maintenance of plant	1,319,200	-	12,722	-	(1,306,478)
Community services	1,089,990	-	1,127,605	-	37,615
Food services	3,704,708	422,027	2,819,088	-	(463,593)
Fixed charges	16,398,565	9,025	1,646,914	-	(14,742,626)
Loss on disposal of equipment	40,064	-	-	-	(40,064)
Interest expense	173,901	-	-	-	(173,901)
<b>Total governmental activities</b>	<b>\$ 74,035,377</b>	<b>\$ 1,593,853</b>	<b>\$ 19,612,425</b>	<b>\$ 6,949,856</b>	<b>(45,879,243)</b>
<b>General revenues:</b>					
					28,817,097
Local appropriations					21,763,660
State appropriations					160,239
Miscellaneous					245,938
Unrestricted investment earnings					
Total general revenues					<u>50,986,934</u>
Change in net position					5,107,691
Net Position - beginning of year					<u>12,824,840</u>
Net Position - end of year					<u>\$17,932,531</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, 2023**

	<u>Current Expense Fund</u>	<u>Food Service Fund</u>	<u>School Construction Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,112,490	\$ 871,844	\$ -	\$ 9,984,334
Accounts receivable				
County	-	-	1,373,214	1,373,214
State	561,190	264,364	3,162,438	3,987,992
Federal	2,502,687	69,650	-	2,572,337
Other	110,117	12,810	-	122,927
Due from other funds	1,331,829	-	-	1,331,829
Inventory	-	144,563	-	144,563
Restricted cash	891,764	-	-	891,764
Restricted investments - certificates of deposit	216,226	-	-	216,226
<b>TOTAL ASSETS</b>	<u>14,726,303</u>	<u>1,363,231</u>	<u>4,535,652</u>	<u>20,625,186</u>
<b>LIABILITIES</b>				
Accrued payroll and withholdings	6,286,707	138,878	-	6,425,585
Accounts payable and accrued expenses	802,547	117,440	1,924,765	2,844,752
Unearned revenue	21,757	78,089	-	99,846
Compensated absences payable	111,453	-	-	111,453
Due to other funds	-	157,211	1,174,618	1,331,829
<b>Total Liabilities</b>	<u>7,222,464</u>	<u>491,618</u>	<u>3,099,383</u>	<u>10,813,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable grant revenue	412,212	15,790	1,436,269	1,864,271
<b>Total Deferred Inflow of Resources</b>	<u>412,212</u>	<u>15,790</u>	<u>1,436,269</u>	<u>1,864,271</u>
<b>FUND BALANCES</b>				
Nonspendable - inventories	-	144,563	-	144,563
Assigned for subsequent years' budget	4,432,276	-	-	4,432,276
Assigned for contractual financing obligations	151,444	-	-	151,444
Restricted for school activities	839,525	-	-	839,525
Restricted for capital expenditures	50,000	-	-	50,000
Restricted for food service	-	711,260	-	711,260
Restricted for 2024 operating budget	810,075	-	-	810,075
Restricted for medical assistance	308,307	-	-	308,307
Unassigned	500,000	-	-	500,000
<b>Total Fund Balances</b>	<u>7,091,627</u>	<u>855,823</u>	<u>-</u>	<u>7,947,450</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 14,726,303</u>	<u>\$ 1,363,231</u>	<u>\$ 4,535,652</u>	<u>\$ 20,625,186</u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
As of June 30, 2023**

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

<b>Total fund balances - Governmental funds</b>	\$ 7,947,450
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$123,086,437, net of accumulated depreciation of \$70,379,857. (Note 4)	52,706,580
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 \$146,606. (Note 4)	344
Subscription assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$2,263,031, net of accumulated amortization of \$490,558. (Note 4)	1,772,473
Deferred outflows arising from changes in the net OPEB liability are not reported in the funds. (Note 1 (D))	3,927,593
Deferred outflows arising from changes in the net pension liability are not reported in the funds. (Note 1 (D))	2,026,980
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 interest payable (\$68,378), compensated absences payable (\$1,293,565), finance purchase payable (\$2,998,141), lease liability (\$33,179), SBITA liability (\$1,792,294), net OPEB liability (\$33,232,378) and net pension liability (\$3,246,030). (Note 5)	(42,663,965)
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. (Note 1 (D))	1,864,271
Deferred inflows arising from changes in the net OPEB liability are not reported in the funds. (Note 1 (D))	(8,056,187)
Deferred inflows arising from changes in the net pension liability are not reported in the funds. (Note 1 (D))	<u>(1,593,008)</u>
<b>Total net position - Governmental activities</b>	<u><u>\$ 17,932,531</u></u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2023**

	<b>Current Expense Fund</b>	<b>Food Services Fund</b>	<b>School Construction Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Local sources	\$ 28,965,897	\$ -	\$ 1,442,995	\$ 30,408,892
State sources	28,435,445	123,312	6,955,798	35,514,555
Federal sources	9,611,713	2,523,650	-	12,135,363
Earnings on investments	232,245	13,693	-	245,938
Charges for services	1,177,259	523,593	-	1,700,852
Miscellaneous revenues	234,404	19,016	81,942	335,362
<b>Total Revenues</b>	<b>68,656,963</b>	<b>3,203,264</b>	<b>8,480,735</b>	<b>80,340,962</b>
<b>EXPENDITURES</b>				
Administration	1,908,387	-	-	1,908,387
Mid-level administration	3,087,249	-	-	3,087,249
Instruction - Salaries	22,695,536	-	-	22,695,536
- Textbooks and supplies	2,419,291	-	-	2,419,291
- Other	1,662,781	-	-	1,662,781
Special education	4,837,240	-	-	4,837,240
Student personnel services	776,100	-	-	776,100
Student health services	753,581	-	-	753,581
Student transportation	4,995,984	-	150,435	5,146,419
Operation of plant	4,266,591	-	-	4,266,591
Maintenance of plant	1,081,932	-	-	1,081,932
Community services	1,096,234	-	-	1,096,234
Food services	42,771	3,600,803	-	3,643,574
Fixed charges	15,945,346	-	-	15,945,346
Capital outlay	2,547,974	63,849	6,704,401	9,316,224
Debt service - principal	1,034,823	-	-	1,034,823
Debt service - interest	105,523	-	-	105,523
<b>Total Expenditures</b>	<b>69,257,343</b>	<b>3,664,652</b>	<b>6,854,836</b>	<b>79,776,831</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(600,380)</b>	<b>(461,388)</b>	<b>1,625,899</b>	<b>564,131</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	2,263,031	-	-	2,263,031
Operating transfers in	1,625,899	-	-	1,625,899
Operating transfers out	-	-	(1,625,899)	(1,625,899)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,888,930</b>	<b>-</b>	<b>(1,625,899)</b>	<b>2,263,031</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,288,550</b>	<b>(461,388)</b>	<b>-</b>	<b>2,827,162</b>
Fund Balances - beginning of year (as restated, see Note 11)	3,803,077	1,317,211	-	5,120,288
<b>FUND BALANCES - end of year</b>	<b>\$ 7,091,627</b>	<b>\$ 855,823</b>	<b>\$ -</b>	<b>\$ 7,947,450</b>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023**

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

<b>Change in fund balances - Governmental funds</b>		<b>\$ 2,827,162</b>
Outlays for capital assets, subscription-based information technology arrangements (SBITA) assets, and leased assets are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of these types of assets that were purchased during the fiscal year. (Note 4)		9,216,645
Outlays for capital assets, SBITA assets, and leased assets are reported as an expenditure in the governmental funds. In the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount of depreciation and amortization expense charged during the year. (Note 4)		(3,945,576)
Leases and SBITAs that are recognized in the current year are recognized as revenue in the fund level statements but not in the statement of activities. This is the amount of revenue recognized in the current fiscal year.		(2,263,031)
Some revenues do not provide current financial resources and are, therefore, deferred in the fund level statements. This is the increase (decrease) of deferred revenues from the prior year. (Note 1 (D))		
Prior year unavailable revenue	(3,062,165)	
Current year unavailable revenue	<u>1,864,271</u>	(1,197,894)
In the fund level statements, proceeds from the sale of capital assets are recorded as revenues. In the statements of activities, a loss is recorded if the book value of the assets sold are greater than the sales proceeds. This is the loss related to the sale of capital assets. (Note 4)		(40,064)

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023**

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

Fund level financial statements report payments related to right to use intangible assets and other long-term debt as expenditures. In the statement of activities these payments are recorded as a reduction of the liability and interest expense as follows: (Note 5 and Note 10)

Lease payments recorded as outlays in the fund level statements	57,877	
Contract payments recorded as outlays in the fund level statements	506,209	
SBITA payments recorded as outlays in the fund level statements	470,737	
Long-term interest expense	(68,378)	966,445

Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences) and, therefore, are not reported as expenditures in governmental funds. This is the decrease in compensated absences payable.

Prior year compensated absences	1,298,030	
Current year compensated absences	(1,293,565)	4,465

Certain pension and OPEB expenses in the statement of activities are recognized on the full accrual basis of accounting. Changes in the deferred outflows, deferred inflow, net pension liability and OPEB liability impact pension and OPEB expense as follows: (Note 12 and Note 13)

Pension contributions made after the measurement date	417,382	
Amount of pension expenses recognized in the statement of activities	(197,409)	219,973
Amount of additional OPEB expenses recognized in the statement of activities (Note 12)		(680,434)

<b>Change in net position - Governmental activities</b>		<b>\$ 5,107,691</b>
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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 BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
CURRENT EXPENSE FUND - UNRESTRICTED  
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental revenues				
Local sources	\$ 28,817,097	\$ 28,965,897	\$ 28,965,897	\$ -
State sources	23,708,291	23,786,573	24,049,649	263,076
Federal sources	120,000	90,000	89,692	(308)
Earnings on investments	14,650	14,650	231,985	217,335
Charges for services	45,350	48,685	89,505	40,820
Miscellaneous revenues	15,000	208,513	207,744	(769)
<b>Total Revenues</b>	<u>52,720,388</u>	<u>53,114,318</u>	<u>53,634,472</u>	<u>520,154</u>
<b>EXPENDITURES</b>				
Administration	1,724,174	1,785,125	1,612,794	172,331
Mid-level administration	2,953,883	2,948,824	2,868,929	79,895
Instruction - Salaries	19,803,163	19,278,821	18,838,671	440,150
- Textbooks and supplies	676,124	665,875	562,319	103,556
- Other	502,751	599,501	597,223	2,278
Special education	3,500,817	3,310,756	3,171,356	139,400
Student personnel services	624,392	600,732	547,604	53,128
Student health services	722,586	719,177	636,212	82,965
Student transportation	4,674,484	4,938,388	4,927,506	10,882
Operation of plant	4,815,626	5,028,229	4,930,985	97,244
Maintenance of plant	1,007,135	1,252,000	1,069,210	182,790
Fixed charges	11,495,253	11,759,016	11,587,277	171,739
Community services	-	-	7,884	(7,884)
Food services	220,000	-	-	-
Capital outlay	-	227,874	285,033	(57,159)
<b>Total Expenditures</b>	<u>52,720,388</u>	<u>53,114,318</u>	<u>51,643,003</u>	<u>1,471,315</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	1,991,469	1,991,469
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	1,625,899	1,625,899
Fund Balance - beginning of year (as restated, see Note 11)	-	-	2,738,640	2,738,640
<b>FUND BALANCE - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,356,008</u>	<u>\$ 6,356,008</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 BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
CURRENT EXPENSE FUND - RESTRICTED  
For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Federal sources	\$ 16,790,955	\$ 18,196,456	\$ 9,857,439	\$ (8,339,017)
State sources	1,774,970	1,913,485	1,731,437	(182,048)
Other sources	15,653	15,653	26,660	11,007
<b>Total Revenues</b>	<b>18,581,578</b>	<b>20,125,594</b>	<b>11,615,536</b>	<b>(8,510,058)</b>
<b>EXPENDITURES</b>				
Administration	754,088	749,681	358,564	391,117
Mid-level administration	286,552	459,530	265,484	194,046
Instruction - Salaries	8,960,181	10,077,796	3,856,865	6,220,931
- Textbooks and supplies	1,771,299	1,597,947	1,341,582	256,365
- Other	1,202,213	1,226,452	648,042	578,410
Special education	2,301,210	2,193,119	1,679,368	513,751
Student personnel services	841,363	803,648	255,651	547,997
Student health services	374,417	399,027	117,369	281,658
Student transportation	412,077	295,027	68,478	226,549
Operation of plant	678,646	671,148	131,860	539,288
Maintenance of plant	8,193	22,708	12,722	9,986
Fixed charges	70,718	200,896	1,626,914	(1,426,018)
Food services	(1,697)	53,541	42,771	10,770
Community services	1,145,914	1,336,610	1,088,350	248,260
Capital outlay	38,464	38,464	2,519	35,945
<b>Total Expenditures</b>	<b>18,843,638</b>	<b>20,125,594</b>	<b>11,496,539</b>	<b>8,629,055</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(262,060)</b>	<b>-</b>	<b>118,997</b>	<b>118,997</b>
Fund Balance - beginning of year	-	-	189,310	189,310
<b>FUND BALANCE - end of year</b>	<b>\$ (262,060)</b>	<b>\$ -</b>	<b>\$ 308,307</b>	<b>\$ 308,307</b>

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 BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
CURRENT EXPENSE FUND - SCHOOL ACTIVITY  
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Earnings on investments	\$ 350	\$ 350	\$ 260	\$ (90)
Charges for services	<u>940,650</u>	<u>1,095,650</u>	<u>1,087,754</u>	<u>(7,896)</u>
<b>Total Revenues</b>	<u>941,000</u>	<u>1,096,000</u>	<u>1,088,014</u>	<u>(7,986)</u>
<b>EXPENDITURES</b>				
Instruction - Textbooks and supplies	351,000	481,000	515,390	(34,390)
- Other	<u>590,000</u>	<u>615,000</u>	<u>608,225</u>	<u>6,775</u>
<b>Total Expenditures</b>	<u>941,000</u>	<u>1,096,000</u>	<u>1,123,615</u>	<u>(27,615)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	(35,601)	(35,601)
Fund Balance - beginning of year	<u>-</u>	<u>-</u>	<u>875,126</u>	<u>875,126</u>
<b>FUND BALANCE - end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 839,525</u></u>	<u><u>\$ 839,525</u></u>

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

**BOARD OF EDUCATION OF GARRETT COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOOD SERVICE FUND  
For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Federal	\$ 1,986,400	\$ 2,174,921	\$ 2,295,220	\$ 120,299
State of Maryland	123,000	85,000	123,312	38,312
Meals and food served	214,780	487,780	523,593	35,813
Interest earned	135	135	13,693	13,558
Federal donation of food	140,000	140,000	244,220	104,220
Other revenues	3,316	254,101	19,016	(235,085)
<b>Total Revenues</b>	<u>2,467,631</u>	<u>3,141,937</u>	<u>3,219,054</u>	<u>77,117</u>
<b>EXPENDITURES</b>				
Salaries and wages	1,436,131	1,449,331	1,685,275	(235,944)
Contracted services	71,500	76,988	78,588	(1,600)
Supplies and materials	1,193,100	1,515,813	1,655,100	(139,287)
Other charges	14,900	327,330	181,840	145,490
Capital outlay	-	20,475	63,849	(43,374)
<b>Total Expenditures</b>	<u>2,715,631</u>	<u>3,389,937</u>	<u>3,664,652</u>	<u>(274,715)</u>
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(248,000)	(248,000)	(445,598)	(197,598)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	248,000	248,000	-	(248,000)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(445,598)	(445,598)
Fund Balance - beginning of year	-	-	1,317,211	1,317,211
<b>FUND BALANCE - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871,613</u>	<u>\$ 871,613</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, 2023**

	<b>Other Post Employment Benefits Trust Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 55,814
Investments:	
Certificates of Deposit	84,376
U.S. Government Obligations	155,834
Fixed Income Securities	323,673
Mutual Funds	939,873
Equity Securities	492,982
Total Investments	1,996,738
Interest Receivable	9,571
<b>TOTAL ASSETS</b>	<b>2,062,123</b>
<b>LIABILITIES</b>	<b>-</b>
<b>NET POSITION</b>	
<b>Restricted for Other Post Employment Benefits</b>	<b>\$ 2,062,123</b>

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, 2023**

	<b>Other Post Employment Benefits Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ -
Plan Members	-
Total Contributions	<u>-</u>
Investment Earnings:	
Realized Net (Loss) on Investments	(4,559)
Interest and Dividends	67,744
Net Increase in Fair Value of Investments	100,126
Less: Investment Manager/Advisor/Custody Fees	<u>(6,814)</u>
Total Net Investment Earnings	<u>156,497</u>
<b>Total Additions</b>	<u>156,497</u>
<b>DEDUCTIONS</b>	
Benefits	-
Administrative	<u>-</u>
<b>Total Deductions</b>	<u>-</u>
<b>Net Increase In Net Position</b>	156,497
<b>Net Position - Beginning of Year</b>	<u>1,905,626</u>
<b>Net Position - End of Year</b>	<u><u>\$ 2,062,123</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

The accounting policies of the Board of Education of Garrett County conform to generally accepted accounting principles applicable to governmental units. The following is a 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.

#### 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 as well as budgetary restrictions imposed by outside providers 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:

Assets	Years
Buildings	40
Improvements	15
Equipment	5-12
Vehicles	8

Subscription-Based Information Technology Arrangements and Leases – The Board reports and accounts for subscription-based information technology arrangements and leases in accordance with generally accepted accounting principles. At the commencement of an agreement, the board initially recognizes a right to use asset and a liability based on the discounted present value of payments expected to be made over the expected term of the agreement. Assets are amortized utilizing the straight line basis over the term of the agreement, or for leases, the life of the asset, whichever is shorter. Key estimates made by management include (a) the discount rate it uses to discount the expected payments, (2) the term of the agreement, and (c) the payments over the expected term of the agreement.

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, 2023 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, 2024. 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:

Description	OPEB Plan	ERS Plan	Statement of Net Position
Differences between expected and actual experience	\$ 224,372	\$ -	\$ 224,372
Changes in assumptions	3,637,435	443,980	4,081,415
Changes in proportion and differences between employer contributions and share of contributions	-	1,165,618	1,165,618
Net difference between projected and actual earnings on investments	65,786	-	65,786
Board contributions to the Employees' Pension System subsequent to the measurement date	-	417,382	417,382
Total deferred outflows of resources	\$ 3,927,593	\$ 2,026,980	\$ 5,954,573

**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	\$ (1,426,054)	\$ (231,587)	\$ (1,657,641)
Changes in assumptions	(6,630,133)	(42,660)	(6,672,793)
Changes in proportion and differences between employer contributions and share of contributions	-	(299,421)	(299,421)
Net difference between projected and actual earnings on investments	-	(1,019,340)	(1,019,340)
Total deferred inflows of resources	<u>\$ (8,056,187)</u>	<u>\$ (1,593,008)</u>	<u>\$ (9,649,195)</u>

On the fund financial statements, the Current Expense Fund, Food Service Fund, and the School Construction Fund have deferred inflow of resources related to revenue from state sources that is unavailable soon enough after year end to pay for current period's expenditures of \$412,212, \$15,790, and \$1,436,269, respectively.

Unearned Revenues - Unearned revenues represent amounts received from grantors in advance of incurrence of eligible expenditures for reimbursable-type grants at June 30, 2023.

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, 2023, employees of the Board had accumulated approximately \$1,405,018 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 \$111,453 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 26 and 27 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, subscription-based information technology arrangements, finance purchase payable, accrued interest 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, 2023.

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 the adjustments as outlined in Note 17.

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:

- Net investment in capital assets – 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, 2023:

	Governmental Activities	Other Post Employment Benefits Trust Fund
Cash and Cash Equivalents	\$ 9,984,334	\$ -
Restricted Cash	891,764	55,814
Restricted Investments	216,226	1,996,738
Total	<u>\$ 11,092,324</u>	<u>\$ 2,052,552</u>

**Deposit and Investment Summary**

	Governmental Activities	Other Post Employment Benefits Trust Fund
Deposits	\$ 10,875,980	\$ 55,814
Certificates of Deposit	216,226	84,376
U.S. Government Obligations	-	155,834
Fixed Income Securities	-	323,673
Mutual Funds	-	939,873
Equity Securities	-	492,982
Cash on Hand	118	-
Total	<u>\$ 11,092,324</u>	<u>\$ 2,052,552</u>

At year end, the carrying amount of the Board's combined deposits was \$11,092,206 and the bank balance was \$12,029,840. Of the bank balance \$1,167,703 was insured by the Federal Deposit Insurance Corporation (FDIC), \$10,870,792 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, 2023.

**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, 2023.

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 \$1,756,528 at June 30, 2023, 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, 2023:

Other Post Employment Benefits Trust Fund	
Security Ratings	June 30, 2023
A1	\$ 54,885
A2	38,677
A3	82,934
Aa1	14,287
Aa2	-
Aa3	-
Aaa	170,155
Baa1	74,794
Baa2	29,710
Baa3	14,065
Not Rated	84,376
<b>Total Market Value</b>	<b>\$ 563,883</b>

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		
Maturity Date	Interest Rates	June 30, 2023
2024	3.35-5.00%	\$ 74,642
2025	3.50-4.50%	48,920
2026	3.00-5.13%	92,244
2027	3.25-5.50%	86,629
2028	3.50-6.20%	97,340
2028-2033	3.10-6.00%	154,676
2033-2038	4.50%	9,432
<b>Total Market Value</b>		<b>\$ 563,883</b>

**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			
	June 30, 2023	Fair Value Measurement Using	
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Market Inputs (Level 2)
U.S. Government Obligations	\$ 155,834	\$ -	\$ 155,834
Fixed Income Securities	323,673	-	323,673
Certificates of Deposit	84,376	-	84,376
Mutual Funds	939,873	939,873	-
Equity Securities	492,982	492,982	-
Total	<u>\$ 1,996,738</u>	<u>\$ 1,432,855</u>	<u>\$ 563,883</u>

**NOTE 3 - INTERFUND BALANCES AND TRANSFERS**

The composition of interfund balances at June 30, 2023 is as follows:

Purpose	Due From Other Funds	Due to Other Funds	
	Current Expense Fund	School Construction Fund	Food Service Fund
Funding provided for capital projects	\$ 1,174,618	\$ (1,174,618)	\$ -
Accrued payroll at year end	157,211	-	(157,211)
	<u>\$ 1,331,829</u>	<u>\$ (1,174,618)</u>	<u>\$ (157,211)</u>

For the fiscal year ended June 30, 2023, a \$1,174,618 transfer was made from the school construction fund to the current expense fund. Transfers are made at the end of the year for any capital overages or shortages within the school construction fund.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Balance June 30, 2022</b>	<b>Additions &amp; Transfers</b>	<b>Dispositions &amp; Transfers</b>	<b>Balance June 30, 2023</b>
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 3,457,976	\$ -	\$ (12,896)	\$ 3,445,080
Construction in progress	3,388,769	5,416,883	(7,105,228)	1,700,424
Total capital assets, not being depreciated	<u>6,846,745</u>	<u>5,416,883</u>	<u>(7,118,124)</u>	<u>5,145,504</u>
<b>Capital and intangible assets being depreciated/amortized</b>				
Buildings and improvements	102,782,681	1,244,636	6,963,712	110,991,029
Equipment	5,642,263	164,950	108,449	5,915,662
Right to use intangible leased assets- equipment	146,950	-	-	146,950
Right to use subscription based assets	-	2,263,031	-	2,263,031
Vehicles	1,031,270	127,145	(124,173)	1,034,242
Total capital assets being depreciated	<u>109,603,164</u>	<u>3,799,762</u>	<u>6,947,988</u>	<u>120,350,914</u>
<b>Less accumulated depreciation/amortization</b>				
Buildings and improvements depreciation	62,809,538	2,991,513	-	65,801,051
Equipment depreciation	3,570,265	335,636	(26,729)	3,879,172
Right to use leased assets-equipment amortization	101,969	44,637	-	146,606
Right to use subscription based assets amortization	-	490,558	-	490,558
Vehicles depreciation	719,745	83,232	(103,343)	699,634
Total accumulated depreciation/amortization	<u>67,201,517</u>	<u>3,945,576</u>	<u>(130,072)</u>	<u>71,017,021</u>
Capital and intangible assets being depreciated/amortized	<u>42,401,647</u>	<u>(145,814)</u>	<u>7,078,060</u>	<u>49,333,893</u>
Capital and intangible assets, net	<u>\$ 49,248,392</u>	<u>\$ 5,271,069</u>	<u>\$ (40,064)</u>	<u>\$ 54,479,397</u>

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended June 30, 2023 was charged to governmental functions as follows:

Administration	\$	84,702
Instruction		3,108,529
Special Education		1,758
Student Transportation		17,003
Operation of Plant		65,564
Maintenance of Plant		66,303
Food Service		61,134
Community Services		5,388
Total depreciation expense - governmental activities	\$	<u>3,410,381</u>

Amortization expense for right to use assets for the year ended June 30, 2023 was charged to governmental functions as follows:

	Right to Use Subscription Based Assets	Right to Use Leased Assets - Equipment	Total
Administration	\$ 56,050	\$ 6,695	\$ 62,745
Mid Level Administration	3,009	33,479	36,488
Instruction-Other	198,739	-	198,739
Special Education	10,507	2,678	13,185
Student Personnel	28,299	-	28,299
Operation of Plant	193,954	1,785	195,739
Total Amortization Expense - Governmental Activities	<u>\$ 490,558</u>	<u>\$ 44,637</u>	<u>\$ 535,195</u>

The Board had the following active construction projects as of June 30, 2023:

	Spent-To-Date	Remaining Commitment
Southern/Broadford Elementary (A&E Only)	\$ 85,122	\$ 1,912,917
Hickory Environmental Education Center Addition	6,879	29,337
Northern High School HVAC Installation	1,111,405	6,388,595
Yough Glades Elementary HVAC Installation	483,246	1,036,754
Northern High School Parking Lot Paving Phase II	13,772	236,228
	<u>\$ 1,700,424</u>	<u>\$ 9,603,831</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, 2023:

	Balance	GASB No. 96		Principal	Balance	Due Within
	June 30, 2022	Implementation	Additions	Repayments & Other Reductions	June 30, 2023	One Year
Compensated absences payable	\$ 1,436,142	\$ -	\$ 120,422	\$ (151,546)	\$ 1,405,018	\$ 111,453
Leases	91,056	-	-	(57,877)	33,179	31,681
SBITAs	-	2,263,031	-	(470,737)	1,792,294	429,798
Finance purchase payable	3,504,350	-	-	(506,209)	2,998,141	548,599
Accrued interest payable	-	-	68,378	-	68,378	68,378
Net OPEB liability	34,965,291	-	-	(1,732,913)	33,232,378	-
Net pension liability	2,799,923	-	446,107	-	3,246,030	-
<b>Total long-term liabilities</b>	<b>\$ 42,796,762</b>	<b>\$ 2,263,031</b>	<b>\$ 634,907</b>	<b>\$ (2,919,282)</b>	<b>\$ 42,775,418</b>	<b>\$ 1,189,909</b>

The GASB No. 96 implementation related to *Subscription-Based Information Technology Arrangements* (SBITAs) resulted in \$2,263,031 recognized as SBITA 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, 2023, of their intent to retire from the Maryland State Retirement and Pension System on or before August 1, 2023. Employees were required to meet the Retirement and Pension System’s age and service requirements in order to be eligible for the stipend. Twelve employees met the notification and qualification requirements and earned total stipends of \$12,000 for the year ended June 30, 2023.

**NOTE 7 - FINANCE PURCHASE 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 finance 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, 2023 and was charged to the instruction function for government wide reporting purposes. Accumulated depreciation of \$4,221,388 is reported as a component of accumulated depreciation on buildings and improvements as of June 30, 2023.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - FINANCE PURCHASE 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 finance purchase payments due under the agreements at June 30, 2023:

Fiscal Year Ending June 30,	Principal	Interest
2024	\$ 548,599	\$ 85,919
2025	593,614	68,994
2026	641,403	50,671
2027	441,272	30,862
2028	205,187	21,566
2029-2033	568,066	29,082
Total	<u>\$ 2,998,141</u>	<u>\$ 287,094</u>

**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 is \$146,950 (see Note 4 for right to use leased asset detail). 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. The total amount of lease liabilities at June 30, 2023 is \$33,179. Lease payments made during the current fiscal year totaled \$61,871 which was comprised of \$57,877 in principal and \$3,994 in interest. Both leases have been discounted using an imputed interest rate of 4.91%. The following are the future minimum principal and interest lease payments at June 30, 2023:

Fiscal Year Ending June 30,	Principal	Interest
2024	\$ 31,681	\$ 558
2025	1,498	24
Total	<u>\$ 33,179</u>	<u>\$ 582</u>

**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. 96, *Subscription-Based Information Technology Arrangements* in the current fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Upon implementation at July 1, 2022, the board recognized a SBITA liability of \$2,263,031 along with an intangible right-to-use SBITA asset of \$2,263,031 at the government-wide level. Details related to the right-to-use SBITA assets and the SBITA liability are outlined in Note 4 and Note 10, respectively.

**NOTE 10 - SUBSCRIPTION BASED INFORMATION AND TECHNOLOGY ARRANGEMENTS**

The Board of Education has entered into multiple agreements related to subscription-based information technology that are subject to the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The total amount of the right to use SBITA assets recognized at implementation was \$2,263,031. The total amount of SBITA liabilities recognized at implementation was \$2,263,031. SBITA principal payments made during the current fiscal year totaled \$470,737. The Board also recognized \$68,378 of interest expense which was accrued at year end. The subscription liability term assigned to the arrangements range from 1 to 6 years and is based on the agreements or the board’s expectations to cancel or continue the arrangements. The subscription liability was discounted using an imputed interest rate of 3.75%. The following are the future minimum principal and interest SBITA payments at June 30, 2023:

Fiscal Year Ending June 30,	Principal	Interest
2024	\$ 429,798	\$ 68,378
2025	335,375	51,981
2026	353,590	39,186
2027	345,159	25,696
2028	328,372	12,528
Total	<u>\$ 1,792,294</u>	<u>\$ 197,769</u>

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was necessary to correct an error for revenue recognition in the prior year. The School Construction Fund recognized \$2,997,100 in state revenue for a construction project that was not available to finance current obligations.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - PRIOR PERIOD ADJUSTMENT (Continued)**

As a result, the Current Expense Fund (which funds any deficits in the School Construction Fund) required restatement at the beginning of the year as follows:

	Current Expense Fund
Fund Balance, as previously stated	\$ 6,800,176
Effect of accounting error	(2,997,100)
Fund Balance, restated	\$ 3,803,076

This prior period adjustment had no effect on the government-wide financial statements since transactions are recorded on the full accrual basis of accounting.

**NOTE 12 - 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 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 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	308
Active employees	454
Total	762

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - 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, 2023, 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:

<u>Years of Service</u>	<u>Retiree</u>	
	<u>Individual Percentage</u>	<u>Employer Percentage</u>
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, 308 Board retirees participated in this program.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2023, 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, 2023 with asset information and plan provisions in effect as of June 30, 2023.

The total OPEB liability in the June 30, 2023 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	4.13 percent
Investment rate of return	6.0 percent
Healthcare cost trend rates	7.5 percent for 2023, decreasing linearly by .25 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.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)**

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2022 – December 31, 2023.

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, 2023, the yield to maturity of 20-year high-grade bonds was 4.13% according to the S&P Municipal Bond 20 Year Index Rate. The discount rate at June 30, 2022 was 3.54%.

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.59%. 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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2022	\$ 36,870,917	\$ 1,905,626	\$ 34,965,291
Changes for the year:			
Service cost	967,023	-	967,023
Interest	1,284,946	-	1,284,946
Differences between expected and actual experience	(341,598)	-	(341,598)
Assumption and method changes	(2,330,721)	-	(2,330,721)
Contributions - employer	-	1,156,066	(1,156,066)
Net investment income	-	163,311	(163,311)
Benefit payments	(1,156,066)	(1,156,066)	-
Administrative expense and other changes	-	(6,814)	6,814
Net Changes	(1,576,416)	156,497	(1,732,913)
Balances as of June 30, 2023	\$ 35,294,501	\$ 2,062,123	\$ 33,232,378

The assumption change affecting the decrease in the net OPEB liability was primarily due to the change in the discount rate from 3.54% to 4.13%.

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 (3.13 percent) or 1-percentage point higher (5.13 percent) than the current discount rate:

	1% decrease (3.13%)	Current rate (4.13%)	1% increase (5.13%)
Net OPEB liability	\$ 37,342,231	\$ 33,232,378	\$ 29,753,704

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - 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 (6.5 percent decreasing to 3.5 percent, 0.0% HRA) or 1-percentage-point higher (8.5 percent decreasing to 5.5 percent, 2.0% HRA) than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% decrease (6.5% decreasing to 3.5%, 0.0% HRA)	Current Rate (7.5% decreasing to 4.5%, 1.0% HRA)	1% increase (8.5% decreasing to 5.5%, 2.0% HRA)
Net OPEB liability	<u>\$ 29,262,315</u>	<u>\$ 33,232,378</u>	<u>\$ 38,017,805</u>

For the year ended June 30, 2023, the Board recognized OPEB expense (in the form of contributions) at the fund level of \$1,156,066. Additional OPEB expense of \$680,434 was recognized at the government-wide level for a total OPEB expense of \$1,836,500. At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 224,372	\$ (1,426,054)
Change of assumptions	3,637,435	(6,630,133)
Net difference between projected and actual investment earnings	65,786	-
	<u>\$ 3,927,593</u>	<u>\$ (8,056,187)</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:	
2024	\$ (308,217)
2025	(286,701)
2026	(1,545,514)
2027	(1,535,378)
2028	(443,907)
Thereafter	(8,877)

# BOARD OF EDUCATION OF GARRETT COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 13 - 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, 2022 (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-financial-reports](http://sra.maryland.gov/annual-financial-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 individuals 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 13 - 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 13 - 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% and 6.0% of earned compensation, respectively.

The State's contributions on behalf of the Board for the year ended June 30, 2023 were \$2,731,155 which were equal to the State's required contributions for that year. The Board's contributions for the year ended June 30, 2023 were \$1,833,602 and \$417,382 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. 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 \$40,018,388 as of June 30, 2023. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, actuarially determined. At June 30, 2022, the Board's proportion was 0.200 percent.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - 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, 2023, the Board reported a liability of \$3,246,030 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, actuarially determined. At June 30, 2022, the Board's proportion was 0.01622 percent.

Pension expense for the ERS plan for the year ended June 30, 2023 was \$197,409.

At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 443,980	\$ (42,660)
Net difference between projected and actual earnings on pension plan investments	-	(1,019,340)
Difference between actual and expected experience	-	(231,587)
Changes in proportion and differences between employer contributions and share of contributions	1,165,618	(299,421)
Board contributions to the Employees' Pension System subsequent to the measurement date	417,382	-
Total	\$ 2,026,980	\$ (1,593,008)

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - STATE RETIREMENT PLANS (Continued)**

The \$417,382 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ (73,111)
2025	(69,082)
2026	(126,859)
2027	171,391
2028	76,530
2029	37,721

The total pension liability in the June 30, 2023 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 11.25%, including inflation
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	PB-2010/MP2018 for males and females

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, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	34.00%	6.00%
Private Equity	16.00%	8.40%
Rate Sensitive	21.00%	1.20%
Credit Opportunity	8.00%	4.90%
Real Assets	15.00%	5.20%
Absolute Return	6.00%	3.50%
Total	<u>100.00%</u>	

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 - STATE RETIREMENT PLANS (Continued)**

The discount rate used to measure the total pension liability was 6.80 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 c0urrent 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 6.80 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 (5.80 percent) or 1-percentage-point higher (7.80 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	<u>\$ 4,980,444</u>	<u>\$ 3,246,030</u>	<u>\$ 1,806,870</u>

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

**NOTE 14 - 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 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 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 14 - 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 15 - RELATED PARTIES

The Board of Education is closely related to Board of Garrett County Commissioners and the Maryland State Department of Education 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 16 - 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, 2023 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.

**BOARD OF EDUCATION OF GARRETT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 17 - RECONCILIATION OF FINANCIAL REPORTING BASIS TO BUDGETARY BASIS**

	<u>Current Expense Fund</u>		<u>Food Service Fund</u>
	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>
Total per Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds (GAAP Basis)			
Unrestricted	\$ 60,254,557	\$ 56,637,189	\$ -
School Activity	1,088,014	1,123,615	-
Restricted	11,203,322	11,496,539	-
Food Service	-	-	3,203,264
	<u>72,545,893</u>	<u>69,257,343</u>	<u>3,203,264</u>
On-behalf payments for employer contributions to the Teachers Retirement and Pension Systems by the State of Maryland	(2,731,155)	(2,731,155)	-
Grant revenue that was deferred due to availability	412,214	-	15,790
Other financing sources and SBITA expenditures at inception are not reported as revenue and expenditures for budgetary purposes	<u>(2,263,031)</u>	<u>(2,263,031)</u>	<u>-</u>
Total after Budgetary Adjustments	<u>\$ 67,963,921</u>	<u>\$ 64,263,157</u>	<u>\$ 3,219,054</u>
Total per Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)			
Unrestricted	\$ 55,260,371	\$ 51,643,003	\$ -
Restricted	11,615,536	11,496,539	-
School Activities	1,088,014	1,123,615	-
Food Service	<u>-</u>	<u>-</u>	<u>3,219,054</u>
Total per Budgetary Statements	<u>\$ 67,963,921</u>	<u>\$ 64,263,157</u>	<u>\$ 3,219,054</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOARD OF EDUCATION OF GARRETT COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>Fiscal Year 2023</u>	<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>
<b>Total OPEB liability</b>							
Service Cost	\$ 967,023	\$ 1,312,111	\$ 1,309,059	\$ 882,210	\$ 790,272	\$ 834,100	\$ 1,020,893
Interest	1,284,946	901,882	942,667	1,125,386	1,152,179	958,874	935,920
Difference between expected and actual experience	(341,598)	-	(2,286,216)	-	747,067	620,579	-
Changes of assumptions	(2,330,721)	(6,544,442)	250,273	9,603,519	742,738	(2,290,779)	-
Benefit payments	<u>(1,156,066)</u>	<u>(1,098,995)</u>	<u>(1,133,885)</u>	<u>(1,083,732)</u>	<u>(1,016,851)</u>	<u>(956,707)</u>	<u>(1,486,183)</u>
<b>Net changes in total OPEB liability</b>	<u>(1,576,416)</u>	<u>(5,429,444)</u>	<u>(918,102)</u>	<u>10,527,383</u>	<u>2,415,405</u>	<u>(833,933)</u>	<u>470,630</u>
<b>Total OPEB liability - beginning</b>	<u>36,870,917</u>	<u>42,300,361</u>	<u>43,218,463</u>	<u>32,691,080</u>	<u>30,275,675</u>	<u>31,109,608</u>	<u>30,638,978</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 35,294,501</u></u>	<u><u>\$ 36,870,917</u></u>	<u><u>\$ 42,300,361</u></u>	<u><u>\$ 43,218,463</u></u>	<u><u>\$ 32,691,080</u></u>	<u><u>\$ 30,275,675</u></u>	<u><u>\$ 31,109,608</u></u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 1,156,066	\$ 1,098,995	\$ 1,133,885	\$ 1,083,732	\$ 1,391,851	\$ 956,707	\$ 1,486,183
Net investment income	163,311	(234,761)	381,431	94,235	83,695	82,176	96,723
Benefit payments	(1,156,066)	(1,098,995)	(1,133,885)	(1,083,732)	(1,016,851)	(956,707)	(1,486,183)
Administrative expense	<u>(6,814)</u>	<u>(7,472)</u>	<u>-</u>	<u>(362)</u>	<u>(4,303)</u>	<u>(4,836)</u>	<u>(5,077)</u>
<b>Net changes in plan fiduciary net position</b>	<u>156,497</u>	<u>(242,233)</u>	<u>381,431</u>	<u>93,873</u>	<u>454,392</u>	<u>77,340</u>	<u>91,646</u>
<b>Plan fiduciary net position - beginning</b>	<u>1,905,626</u>	<u>2,147,859</u>	<u>1,766,428</u>	<u>1,672,555</u>	<u>1,218,163</u>	<u>1,140,823</u>	<u>1,049,177</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 2,062,123</u></u>	<u><u>\$ 1,905,626</u></u>	<u><u>\$ 2,147,859</u></u>	<u><u>\$ 1,766,428</u></u>	<u><u>\$ 1,672,555</u></u>	<u><u>\$ 1,218,163</u></u>	<u><u>\$ 1,140,823</u></u>
<b>Board's net OPEB liability - ending (a) - (b)</b>	\$ 33,232,378	\$ 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	5.84%	5.17%	5.08%	4.09%	5.12%	4.02%	3.67%
Covered employee payroll	\$ 26,404,299	\$ 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	125.86%	132.02%	160.75%	169.08%	126.52%	121.32%	118.76%
Annual money-weighted rate of return	8.59%	-10.95%	22.02%	6.00%	6.88%	7.22%	8.37%

**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 3.54% to 4.13%.
- The source for the discount rate was switched from the GO Bond Buyer Index to the S&P Municipal Bond 20 Year Rate Index.
- The Healthcare cost trend assumption was updated to 7.5% for 2023 decreasing by .25% per year until it reaches 4.5%.
- The spousal utilization rate was updated from 80% to 10%.

**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 2023</u>	<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%	0.019%	0.016%	0.017%	0.016%	0.015%	0.016%	0.016%	0.014%
Board's proportionate share of the ERS net pension liability	\$ 3,246,030	\$ 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>40,018,388</u>	<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>
<b>TOTAL</b>	<u><u>\$ 43,264,418</u></u>	<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	\$ 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
Board's proportionate share of the net pension liability as a percentage of its covered payroll	9.75%	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 liability	76.27%	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 THE BOARD'S CONTRIBUTIONS  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	<u>Fiscal Year 2023</u>	<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>	<u>Fiscal Year 2014</u>
Contractually required contributions - ERS	\$ 417,382	\$ 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>(417,382)</u>	<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>									
Board's covered-employee payroll	\$34,405,253	\$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	1.21%	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:**

Actuarial Assumptions: An analysis of the System's economic assumptions was performed in 2021 and new assumptions were adopted effective for the June 30, 2021 valuation. The investment rate of return was reduced from 7.40% to 6.80%, the inflation assumption from 2.60% to 2.25%, the wage inflation from 3.10% to 2.75% and the assumed COLA increases from 2.19% to 1.96% (increase capped at 3%) and from 1.42% to 1.30% (reformed COLA). 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. The remaining 60% of the FY 2021 gain will be recognized equally over the next four valuations (15% each year). These assumptions were in place during the FY 2022 so there were no significant changes in assumptions from the prior year.