

BOARD OF EDUCATION OF
KENT COUNTY, MARYLAND

FINANCIAL REPORT

JUNE 30, 2021

CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	3 - 5
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	6 - 7
MANAGEMENT'S DISCUSSION AND ANALYSIS	9 - 16
FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	18
Statement of Activities	19
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
STATEMENT OF FIDUCIARY NET POSITION	24
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	25
NOTES TO FINANCIAL STATEMENTS	26 - 51
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Encumbrances Budget and Actual - General Fund	53
Schedule of Changes in the Board's Net OPEB Liability and Related Ratios	54
Schedule of Investment Returns	55
Schedule of the Board's Proportionate Share of the Net Pension Liability	56
Schedule of Board Contributions - Pension	57
Notes to Required Supplementary Information	58 - 60
ADDITIONAL SUPPLEMENTARY INFORMATION	
Schedule of Revenues - General Fund	62
Combining Balance Sheet - Nonmajor Governmental Funds	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	64
Schedule of Revenues and Expenditures - Food Service Fund	65
Statement of Revenues, Expenditures and Fund Balance - School Activities Fund	66

INDEPENDENT AUDITORS' REPORT

Board of Education of Kent County, Maryland
Rock Hall, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of Kent County, Maryland (“the Board”), a component unit of Kent County, Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended June 30, 2021, the Board adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the Board of Education of Kent County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board of Education of Kent County, Maryland'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 Kent County, Maryland's internal control over financial reporting and compliance.



Salisbury, Maryland
September 30, 2021

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

INDEPENDENT AUDITORS' REPORT

Board of Education of Kent County, Maryland
Rock Hall, Maryland

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Education of Kent County, Maryland's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Salisbury, Maryland
September 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**THE BOARD OF EDUCATION OF KENT COUNTY
Rock Hall, Maryland**

**Management's Discussion and Analysis (MD&A)
June 30, 2021**

Our discussion and analysis of the Board of Education of Kent County's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the financial statements.

The goal of MD&A is for the Board's financial managers to present an objective and easily readable analysis of the Board's financial activities based on currently known facts, decisions, or conditions.

Financial Highlights

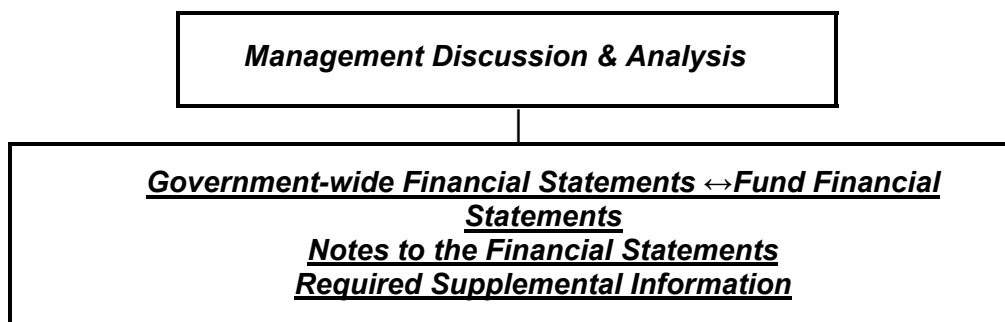
The General Fund unrestricted budget was increased by \$84,390, or 0.27%, during the year from the originally adopted budget. Amounts budgeted for unrestricted expense decreased \$84,390. The final budget for restricted revenues and expense is based on grant award amounts to be received in future years.

The General Fund fund balance increased by \$1,759,469 on a budgetary basis.

Excluding revenues and expenditures related to restricted federal and state grants, the General Fund budget revenues exceeded the actual revenues by \$83,748; expenditures and encumbrances were \$1,843,217, or approximately 6.5%, under the amended budget.

Details of the General Fund budget variances can be found on page 53 of the financial statements.

Basic Financial Statements



The illustration above represents the minimum requirements for the Board's external financial statements.

Government-wide Financial Statements

The government-wide perspective is designed to provide readers with a complete financial view of the entity known as The Board of Education of Kent County. The financial presentation of this perspective is similar to a private sector business.

The *statement of net position* presents information on all of the assets and liabilities of the Board with the difference between the two reported as *net position*. The *statement of activities* presents information showing how the Board's net position changed during the most recent fiscal year.

These statements measure the change in total economic resources during the period utilizing the accrual basis of accounting. This means any change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (like earned but unused employee leave), or for which cash has already been expended (depreciation of buildings and equipment already purchased).

The government-wide perspective is unrelated to budget and, accordingly, budget comparisons are not provided.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Education of Kent County uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Board's funds are presented in two categories, governmental funds and fiduciary funds. The Board of Education of Kent County does not operate any enterprise activities that are reported as proprietary funds.

The measurement focus of these statements is current financial resources; therefore the emphasis is placed on the cash flows of the organization within the reporting period or in the near future. Accordingly, the modified accrual basis of accounting that measures these cash flows is used. In the case of The Board of Education of Kent County, open encumbrances are excluded from expenditures. Additionally, the State of Maryland's contribution to the teachers' retirement system are added to revenue and expenditures.

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 Required Supplementary Information. In this presentation, available cash flows of the Board itself are measured, as well as the commitment to acquire goods or services with that cash. Open encumbrances at year-end are included in the expenditures.

This is the legal basis upon which the budget is adopted, so budget comparisons are provided. Governmental Accounting Standards (GASB) requires that we present the original adopted budget as well as the final budget, and discuss the changes between them.

	Government-wide Statements	Fund Statements	Budgetary Fund Statements
Measurement Focus	Economic Resources	Current Financial Resources	Current Financial Resources
Basis of Accounting	Accrual	Modified Accrual	Cash and Commitments
Budget	No	No	Yes

The table above presents the differences in the presentation of the basic financial statements.

Fiduciary Responsibility – Trust and Custodial Funds

Retiree Health Plan Trust

The Board is the trustee, or fiduciary, for its retiree health plan trust. We exclude the activity from Kent County Public Schools' other financial statements because the assets cannot be used to finance the Board's activities. We are responsible for ensuring the assets reported in this fund are used for their intended purposes.

The Board of Education of Kent County as a Whole

Table 1

	June 30, 2021	June 30, 2020	\$ Change	% Change
Current and other assets	\$ 7,353,299	\$ 5,906,045	\$ 1,447,254	24.50%
Capital assets	22,770,598	19,517,064	3,253,534	16.67%
Total Assets	30,123,897	25,423,109	4,700,788	18.49%
Deferred outflows of resources	6,907,713	4,412,166	2,495,547	56.56%
Current and other liabilities	3,855,228	3,521,091	334,137	9.49%
Long-term liabilities	33,351,329	28,941,814	4,409,515	15.24%
Total Liabilities	37,206,557	32,462,905	4,743,652	14.61%
Deferred inflows of resources	1,534,598	1,949,168	(414,570)	-21.27%
Net position:				
Invested in capital assets	21,942,511	18,673,754	3,268,757	17.50%
Restricted	16,261	15,860	401	2.53%
Unrestricted	(23,668,317)	(23,266,412)	(401,905)	1.73%
Total Net Position	\$ (1,709,545)	\$ (4,576,798)	\$ 2,867,253	-62.65%

➤ The amounts at June 30, 2020 have not been adjusted for the GASB Statement No. 84 implementation.

During the fiscal year ended June 30, 2021, the Board's net position increased by \$2,867,254. The increase is primarily attributable to capital grants in the government-wide statement of activities only.

Capital assets are insured with the Maryland Association of Boards of Education Group Insurance Pool. The capital assets are managed using Sungard Pentamation Fixed Asset software. Inventory is updated annually.

The unrestricted net deficit at June 30, 2021 is \$23,668,316. The Board has the cash flow available to meet all current obligations.

Table 2

	June 30, 2021	June 30, 2020	\$ Change	% Change
Revenues				
Program Revenues				
Charges for services	\$ 158,778	\$ 212,287	\$ (53,509)	-25.21%
Operating grants and contributions	6,772,783	6,507,878	264,905	4.07%
Capital grants and contributions	4,695,229	3,276,160	1,419,069	43.32%
General Revenues				
Kent County	18,559,623	18,044,079	515,544	2.86%
State of Maryland	9,380,621	9,537,527	(156,906)	-1.65%
Federal sources	34,610	9,562	25,048	261.95%
Other	203,035	208,228	(5,193)	-2.49%
Total Revenues	39,804,679	37,795,721	2,008,958	5.32%
Expenses				
Instruction and special education	18,270,181	17,312,719	957,462	5.53%
Administration	1,182,070	1,184,787	(2,717)	-0.23%
Support services	16,164,007	15,969,858	194,149	1.22%
Depreciation - unallocated	1,491,651	1,508,397	(16,746)	-1.11%
Total Expenses	37,107,909	35,975,761	1,132,148	3.15%
Change in Net Position	2,696,770	1,819,960	876,810	48.18%
Net Position Beginning	(4,406,315)	(6,396,758)	1,990,443	-31.12%
Net Position End of Year	\$ (1,709,545)	\$ (4,576,798)	\$ 2,867,253	-62.65%

➤ The amounts at June 30, 2020 have not been adjusted for the GASB Statement No. 84 implementation.

Fund Performance

Funds are self-balancing sets of accounts used by the Board to control and manage money for particular purposes. As pointed out earlier, fund information is presented in two ways to satisfy two specific purposes.

General Fund

The total unrestricted budget was expended at 93.54%. The variances in the end of year unexpended funds versus budgeted amounts are detailed by category on page 53 of the financial statements. Expenditure changes between major categories occurred to accommodate school system priorities during the fiscal year.

The Board and the County entered into a solar agreement which began in July 2012. The project is located on the school system's Worton campus and currently contains five properties. The

waterfall consists of Worton Elementary School, Kent County Community Center, Kent County Parks & Recreation, Transmitter Building, and Kent County High School. The school system then entered into another solar arrangement with the Town of Rock Hall in January 2013. The Board of Education and Rock Hall Elementary School are both participants in this venture. The school system has recognized savings from this project.

A schedule of changes between the original and final budgets for the year ended June 30, 2021 is presented below. The primary changes relate to funding for restricted federal and state grants.

	Original Budget	Final Budget	Total Change
Revenues			
Local	\$ 18,559,615	\$ 18,559,615	\$ -
State of Maryland	9,515,538	9,431,148	84,390
Federal	71,000	71,000	-
Other sources	264,991	264,991	-
Restricted federal, state and other	2,139,704	9,544,829	(7,405,125)
Prior year's fund balance	190,392	190,392	-
	<u>30,741,240</u>	<u>38,061,975</u>	<u>(7,320,735)</u>
Total Revenues	\$ 30,741,240	\$ 38,061,975	\$ (7,320,735)
Expenditures and Encumbrances			
Administration	\$ 1,201,939	\$ 1,201,939	\$ -
Mid-level administration	1,855,673	1,855,673	-
Instructional salaries	9,761,128	9,678,128	83,000
Instructional texts and supplies	199,154	234,154	(35,000)
Instructional other costs	707,492	707,492	-
Special education	3,273,538	3,189,148	84,390
Student personnel services	521,220	521,220	-
Student health services	420,000	468,000	(48,000)
Student transportation	1,762,488	1,762,488	-
Operation of plant	1,720,487	1,765,487	(45,000)
Maintenance of plant	601,981	556,981	45,000
Fixed charges	6,516,445	6,516,445	-
Capital outlay	59,991	59,991	-
Restricted programs	2,139,704	9,544,829	(7,405,125)
	<u>30,741,240</u>	<u>38,061,975</u>	<u>(7,320,735)</u>
Total Expenditures and Encumbrances	\$ 30,741,240	\$ 38,061,975	\$ (7,320,735)

It is critical for the reader to understand that local and state revenues account for nearly all of the general fund revenue. Both are stable and highly predictable. Additional revenues are neither stable nor predictable, and usually are not budgeted in full in the original budget, but handled as adjustments during the year.

Food Service

The Board's food service program is a special revenue fund. Increased staff costs and related expenses, along with the need to replace kitchen equipment, are ongoing trends of concern. In fiscal year 2021, expenditures exceeded revenues by \$19,471, resulting in a decrease in the program's fund balance. Expenditures exceeded budgeted amounts due to additional food costs related to the COVID-19 pandemic.

The use of technology in inventory control and basic operations has resulted in tremendous improvements in managing the program. The school system uses a number of best practices in its food service operations and uses certain performance measures to monitor the efficiency of its operations. The system takes advantage of available USDA commodities and maximizes its participation in the National School Meal Program.

The school system has a secure web-based software program that gives parents the convenience to pay for school meals and other activities online by using MySchoolBucks. This software integrates and updates to our current Meal Tracker program eTriton. This allows parents to track their child's meal balance online. This program enabled the school system to collect online parent payments; improving collections and reducing loss of cash. Plans are ongoing to improve the service to parents and improve system efficiency.

Other

School districts in Maryland are in the uncommon position, as they are fully fiscally dependent on the state and county governments, of owning assets but not the debt associated with those facilities. Accordingly, the Board carries no bond rating and does not have a debt policy.

Capital Assets and Debt Administration

Capital assets – By the end of fiscal year 2021, the Board had invested \$65.8 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, and furniture and equipment. Total depreciation expense for the year was approximately \$1.6 million. More detailed information about capital assets can be found in Note 5 to the financial statements.

Long-term liabilities – At year end, the Board had \$33,485,083 in long term liabilities of which \$133,754 is due in the next fiscal year. This amount consists of the following:

- \$29,642,302 in net OPEB obligation
- \$3,014,694 in net pension liability
- \$828,087 in capital leases

Factors Bearing on the Board's Future

The most significant factors influencing the Board's future are declining student enrollment trends and its impact on future funding.

The use of fund balance, a one-time funding source, to balance the Board's operating budget creates a long-term sustainability concern. Continuing to use fund balance in this manner presents a future burden for the Board to generate a similar level of funding in subsequent years.

Additional factors that present challenges for the operating budget are that surrounding school systems consistently provide their employees with annual step increases in conjunction with a cost of living adjustment (COLA), underscoring the importance of boosting salaries to remain competitive. Other factors include increases in fixed costs, health care premiums, fuel and utilities that are beyond the Board's control.

The COVID-19 pandemic continues to create challenges in operations and how education is provided. The economic impact to funding authorities remains unknown but could have significant impacts on future revenues. Expenses are impacted both negatively and positively. The uncertainty will continue into FY2022.

The Maryland Commission on Innovation and Excellence in Education, known as the Kirwan Commission, was tasked with updating the State's school financing formula. Based on Commission recommendations, Senate Bill 1030 established The Blueprint for Maryland's Future as current State education policy. Funding has been mandated for FY2022, however, due to the economic effects of COVID-19, funding in FY2023 is uncertain.

Funding other post-retirement benefits (OPEB) in accordance with GASB 75 remains a concern. GASB 75 is an accounting standard for all governmental agencies which addresses post-employment benefits, other than pensions, such as health care. Under GASB 75 the District must recognize the present cost and liability of future health care that has been earned by current and retired employees. There is no requirement to fund this obligation, however, it does become a liability against the Board's assets as reported in the Government-wide Statement of Net Position. Currently, health care expenses for retirees and active employees are expensed when paid. This practice is expected to continue especially with the economic conditions our funding entities face at this time. Whether or not this liability is funded in the future may affect our budget, and the bond rating of county and state governments.

During FY 2015 the Board implemented provisions of GASB 68, Accounting and Financial Reporting for Pensions. GASB 68 requires the Board to report their proportionate share of the Maryland State Retirement and Pension System's net pension liability. The Board's proportionate share is calculated by the System's actuary and is reported as a liability on the Board's Government-wide Statement of Net Position. Currently, pension costs for retirees and active employees are expensed when paid.

Contacting the Board of Education of Kent County's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, and students with a general overview of the Board's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Finance Office, (410) 778-7123, at The Board of Education of Kent County, Maryland.

FINANCIAL STATEMENTS

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,948,079
Accounts receivable:	
Federal funds from State of Maryland	909,837
State of Maryland	201,005
Local	84,330
Other	165,933
Inventories, at cost	44,115
Non depreciable capital assets	7,094,993
Depreciable capital assets, net	<u>15,675,605</u>
TOTAL ASSETS	<u>30,123,897</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions (see Note 7)	397,095
Other post-employment benefits (see Note 9)	<u>6,510,618</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,907,713</u>
LIABILITIES	
Accounts payable:	
Vendors	501,277
Accrued payroll	1,886,690
Accrued payroll deductions and withholdings	56,289
Other accrued expenses	210,838
Accrued leave	29,320
Unearned revenue	1,037,060
Long-term liabilities:	
Due within one year	133,754
Due in more than one year	<u>33,351,329</u>
TOTAL LIABILITIES	<u>37,206,557</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions (see Note 7)	175,894
Other post-employment benefits (see Note 9)	<u>1,358,704</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,534,598</u>
NET POSITION	
Net investment in capital assets	21,942,511
Restricted for:	
Smith Estate	3,154
Food service	13,107
Unrestricted	<u>(23,668,317)</u>
TOTAL NET POSITION	<u><u>\$ (1,709,545)</u></u>

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

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

		Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and changes in Net Position	
Governmental Activities						
Current:						
Administration	\$ 1,182,070	\$ -	\$ 76,198	\$ -	\$ (1,105,872)	
Mid-level administration	1,881,039	-	63,531	-	(1,817,508)	
Instructional salaries and wages	10,068,033	89,669	738,255	-	(9,240,109)	
Textbooks and instructional supplies	750,892	-	540,389	-	(210,503)	
Other instructional costs	1,880,876	-	992,863	-	(888,013)	
Special education	3,689,341	-	904,837	-	(2,784,504)	
Pupil personnel services	465,584	-	-	-	(465,584)	
Health services	589,767	-	93,475	-	(496,292)	
Pupil transportation	1,651,031	-	11,923	-	(1,639,108)	
Operation of plant	1,807,905	-	48,037	-	(1,759,868)	
Maintenance of plant	535,015	850	-	-	(534,165)	
Fixed charges	8,024,939	-	356,787	-	(7,668,152)	
Community services	84,236	-	84,236	-	-	
Capital outlay	32,444	-	-	4,695,229	4,662,785	
Food service	1,058,500	2,178	1,011,450	-	(44,872)	
School activity expenditures	63,784	66,081	-	-	2,297	
Unallocated depreciation	1,491,651	-	-	-	(1,491,651)	
On-behalf Kent County contributions	178,672	-	178,672	-	-	
On-behalf State Retirement contributions	1,672,130	-	1,672,130	-	-	
	\$ 37,107,909	\$ 158,778	\$ 6,772,783	\$ 4,695,229	(25,481,119)	
 General Revenues						
						18,559,623
Kent County Appropriations						9,380,621
State of Maryland - unrestricted						34,610
Federal sources - unrestricted						7
Investment earnings						203,028
Miscellaneous						28,177,889
Total General Revenues						28,177,889
Change in Net Position						2,696,770
Net Position Beginning of Year, as restated (see Note 13)						(4,406,315)
Net Position End of Year						\$ (1,709,545)

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

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	MAJOR FUNDS			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS				
Cash and investments	\$ 5,690,736	\$ -	\$ 257,343	\$ 5,948,079
Accounts receivable:				
Federal funds from State of Maryland	836,062	-	73,775	909,837
State of Maryland	200,664	-	341	201,005
Other Board of Education funds	125,106	-	25	125,131
Local	-	84,330	-	84,330
Other	165,933	-	-	165,933
Inventories, at cost	-	-	44,115	44,115
TOTAL ASSETS	\$ 7,018,501	\$ 84,330	\$ 375,599	\$ 7,478,430
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Vendors	\$ 412,686	\$ 80,038	\$ 8,553	\$ 501,277
Other Board of Education funds	-	4,292	120,839	125,131
Accrued payroll	1,874,669	-	12,021	1,886,690
Accrued payroll deductions and withholdings	56,289	-	-	56,289
Accrued leave	29,320	-	-	29,320
Other accrued expenses	210,838	-	-	210,838
Unearned revenue - Federal	867,438	-	-	867,438
Unearned revenue - State	40,605	-	-	40,605
Unearned revenue - USDA commodities	-	-	1,030	1,030
Unearned revenue - other	127,987	-	-	127,987
TOTAL LIABILITIES	3,619,832	84,330	142,443	3,846,605
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Nonspendable	-	-	44,115	44,115
Restricted	-	-	16,261	16,261
Committed	1,549,356	-	-	1,549,356
Assigned	24,866	-	172,780	197,646
Unassigned	1,824,447	-	-	1,824,447
TOTAL FUND BALANCES	3,398,669	-	233,156	3,631,825
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,018,501	\$ 84,330	\$ 375,599	\$ 7,478,430

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

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

Total Governmental Funds Balances \$ 3,631,825

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 22,770,598

Deferred outflows of resources not reported in the fund financial statements

Pension (see Note 7)	397,095	
Other post-employment benefits (see Note 9)	<u>6,510,618</u>	6,907,713

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

Capital leases	(828,087)	
Net pension liability	(3,014,694)	
Post-employment benefits	<u>(29,642,302)</u>	(33,485,083)

Deferred inflows of resources not reported in the fund financial statements

Pension (see Note 7)	(175,894)	
Other post-employment benefits (see Note 9)	<u>(1,358,704)</u>	<u>(1,534,598)</u>

Net Position of Governmental Activities \$ (1,709,545)

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

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	MAJOR FUNDS			
	General	Capital	Nonmajor	Total
	<u>Fund</u>	<u>Projects</u> <u>Fund</u>	<u>Governmental</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
REVENUES				
County Appropriation	\$18,559,623	\$ 2,148,169	\$ -	\$ 20,707,792
State of Maryland	9,380,621	-	45,077	9,425,698
Federal sources	34,610	-	944,765	979,375
Restricted Federal revenues	3,038,524	-	-	3,038,524
Restricted State and other revenues	893,615	2,547,060	-	3,440,675
On-behalf Kent County contributions	178,672	-	-	178,672
On-behalf State Retirement contributions	1,672,130	-	-	1,672,130
Other sources:				
Sales of food	-	-	2,178	2,178
School activity revenues	-	-	66,081	66,081
Other	268,152	-	25,402	293,554
TOTAL REVENUES	34,025,947	4,695,229	1,083,503	39,804,679
EXPENDITURES				
Current:				
Administration	1,182,070	-	-	1,182,070
Mid-level administration	1,881,039	-	-	1,881,039
Instructional salaries and wages	10,068,033	-	-	10,068,033
Instructional textbooks and supplies	750,892	-	-	750,892
Other instructional costs	1,899,766	-	-	1,899,766
Special education	3,689,341	-	-	3,689,341
Student personnel services	465,584	-	-	465,584
Student health services	589,767	-	-	589,767
Student transportation	1,770,499	-	-	1,770,499
Operation of plant	1,807,905	-	-	1,807,905
Maintenance of plant	547,847	-	-	547,847
Fixed charges	6,376,564	-	-	6,376,564
Community services	84,236	-	-	84,236
Capital outlay	53,154	4,695,229	-	4,748,383
Food services	21,608	-	1,036,892	1,058,500
School activity expenditures	-	-	63,784	63,784
On-behalf Kent County contributions	178,672	-	-	178,672
On-behalf State Retirement contributions	1,672,130	-	-	1,672,130
TOTAL EXPENDITURES	33,039,107	4,695,229	1,100,676	38,835,012
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	986,840	-	(17,173)	969,667
OTHER FINANCING SOURCES				
Proceeds from capital leases	106,721	-	-	106,721
TOTAL OTHER FINANCING SOURCES	106,721	-	-	106,721
Net change in fund balances	1,093,561	-	(17,173)	1,076,388
Fund balances, beginning as restated (see Note 13)	2,305,108	-	250,329	2,555,437
Fund balances, ending	\$ 3,398,669	\$ -	\$ 233,156	\$ 3,631,825

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

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

Net change in fund balances-total Governmental Funds \$ 1,076,388

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Fixed asset additions	4,885,627	
Current year depreciation	(1,618,543)	
Total		3,267,084

Proceeds from capital leases are revenues in the governmental funds but increases in liabilities in the statement of net position. (106,721)

In governmental fund financial statements, proceeds from a sale are shown as an increase in financial resources. In government wide financial statements, gain or loss is calculated and reported. (13,550)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in pension expense due to deferred financing outflow		(20,718)
Increase in pension expense due to net pension liability		(313,074)
Decrease in pension expense due to deferred financing inflows		106,052
Decrease in post-employment benefits expense due to deferred financing outflow		2,483,614
Increase in post-employment benefits expense due to net OPEB liability		(4,245,418)
Decrease in post-employment benefits expense due to deferred financing inflow		341,169

Repayment of capital lease obligations and long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 121,944

Change in net position of Governmental Activities \$ 2,696,770

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

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2021

	Retiree Benefit <u>Trust Fund</u>
ASSETS	
Investments	<u>\$ 1,455,234</u>
TOTAL ASSETS	<u><u>\$ 1,455,234</u></u>
NET POSITION	
Held in trust for other post-employment benefits	<u><u>\$ 1,455,234</u></u>

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

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIREE BENEFIT TRUST FUND
Year Ended June 30, 2021

	<u>Retiree Benefit Trust Fund</u>
ADDITIONS	
Contributions:	
Investment income	\$ 284,054
TOTAL ADDITIONS	<u>284,054</u>
DEDUCTIONS	
Administrative expenses	6,645
TOTAL DEDUCTIONS	<u>6,645</u>
Change in net position	277,409
Net position held in trust for other post-employment benefits beginning of year	<u>1,177,825</u>
Net position held in trust for other post-employment benefits end of year	<u><u>\$ 1,455,234</u></u>

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Board of Education of Kent County, Maryland

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

Financial Reporting Entity

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

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

Note 2. Summary of Significant Accounting Policies

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

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

A. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the Board. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities. The activities of the General Fund (Current Expense Fund), Special Revenue Fund (Food Service Fund), Capital Projects Fund (School Construction Fund), and permanent fund (Smith Estate Fund) have been presented as governmental activities in the government-wide financial statements. There were no business-type activities. Internal activity between funds is eliminated from the statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

During the year, the Board segregates transactions related to certain Board functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column and non-major governmental funds are reported combined in a separate column in the fund financial statements.

B. Fund Accounting

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

GOVERNMENTAL FUND TYPES

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

Major funds:

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

Capital Projects Fund (School Construction Fund) - School Construction Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Board administers the construction and repair of public schools and uses the School Construction Fund to record the revenues from the County and other governmental units and the expenditures in connection therewith.

Non-major funds:

Special Revenue Fund (Food Service Fund) - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Food Service Fund is used to account for and report all activities of the Board's nonprofit food service operation.

Smith Estate Fund - The Smith Estate fund is a permanent fund resulting from a bequest of funds that provides for payment of library expenses to the extent of investment income.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

FIDUCIARY FUND TYPES

Retiree Benefit Trust Fund – This fund consists of contributions of the Board to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the trust qualify as contributions and are reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Fiduciary funds are not reported in the government-wide financial statements.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

The fair value of donated commodities used during the year is reported as an expenditure with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

E. Budgetary Data

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

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

The expenditures under state and federal restricted programs may exceed budgeted amounts. The grants included in this category are not part of budget categories subject to the spending limitations of the operating budget. Expenditures under these programs are limited to the amounts of the respective grants.

Annual budgetary comparisons to actual expenditures are not presented in the financial statements for the capital projects fund. School construction is budgeted on a project basis with funds primarily provided by Kent County and State of Maryland. State funds are approved by the State's interagency committee.

F. Inventory

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

G. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (continued)

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of \$5,000. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Property, plant and equipment is depreciated using the straight-line method over estimated useful lives of 20 to 50 years for buildings and land improvements and 5-20 years for equipment.

Assets that have been acquired with funds received through federal grants must be used in accordance with the terms of the grant. Federal regulations require, in some cases, that the Board must reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

H. Compensated Absences

As of June 30, 2021, the value of accumulated unused sick leave has not been determined. It is not practical to estimate the portion of such values which will ultimately be paid because payment is contingent upon employees' future illnesses or retirement. The Board expects its commitment to provide sick leave to be met during the normal course of activities over the working lives of the present employees.

Any accumulated unused sick leave at retirement will ultimately be taken into consideration and paid through retirement benefits by the State of Maryland.

Twelve-month employees earn annual leave at varying rates dependent upon position and length of service. Annual leave generally must be taken by June 30 each year. For support staff, up to 15 days may be transferred to the next fiscal year. For administrative staff, up to three days may be transferred to the first week of July, and they can contribute 10 unused days to their 403(b) plans at the end of the fiscal year.

At June 30, 2021, a total of \$29,320 in unused annual leave is available, which has been recorded as accrued leave payable in the Statement of Net Position.

Expenditures in the Statement of Revenues and Expenditures for such items are the amounts accrued during the year that normally would be liquidated with expendable available financial resources. All accrued compensated absences are recorded in the government-wide financial statements.

I. Unearned Revenues

Unearned revenues consist of federal and state grants, USDA commodities and other refundable advances that have not been expended as of June 30, 2021 and consist of the following:

Restricted federal, state and other grant programs	\$	908,043
USDA commodities		1,030
Other unearned revenue		127,987
Total	\$	1,037,060

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements.

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

K. Net Position

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

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

L. Deferred Outflows and Inflows of Resources

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

M. Fund Balance

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

N. Estimates

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

O. Cash and Cash Equivalents

The Board considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

P. Interfund Receivables and Payables and Transfers

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

Q. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. General fund unrestricted encumbrances outstanding at June 30, 2021 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled \$24,866.

R. On-behalf Payments

The Board recognizes as revenue and expenditures amounts expended on its behalf during the fiscal year for amounts paid by third parties. During fiscal year 2021, the Board recognized \$1,672,130 for amounts expended on its behalf by the State of Maryland for retirement contributions and \$178,672 for amounts expended on its behalf by Kent County for school resource officers, information technology services, and ground maintenance.

Note 3. Cash and Investments

At June 30, 2021, the reported amount of the Board's deposits was \$5,948,079 and the bank balance was \$6,123,537. As required by law, each depository is to pledge securities at least equal to the amount on deposit at all times in addition to insurance provided by the Federal Deposit Insurance Corporation (FDIC). These collateralization requirements are established to reduce custodial risk which is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. As of June 30, 2021, the bank deposits were fully insured or collateralized.

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

The Board's exposure to investment rate and credit risk is minimal as all investments are in cash and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities.

Investment in External Investment Pool

The Board has funds designated for Other Postemployment Benefits (OPEB) that are held by the Maryland Association of the Boards of Education (MABE) in the MABE Pooled OPEB Investment Trust (MABE Trust). The MABE Trust is administered by MABE, and is a wholly-owned instrumentality of its members. The ten members who are the sole contributors to the MABE Trust are the Allegany Fiduciary Fund and the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's and Washington.

The investments of the MABE Trust are stated at fair value and are deposited with Fidelity at June 30, 2021. Investments consist of money market funds, U.S. government and agency fixed income and asset backed securities, equity securities, mutual funds and exchange traded funds, and corporate bonds and corporate asset backed securities. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. All investments of the MABE Trust are considered Level 1 or Level 2, the Board's membership investment in the MABE Trust are considered Level 2. For investments in mutual funds, there are no unfunded commitments and investments are able to be fully redeemed on a daily basis. At June 30, 2021, the pooled position of the MABE Trust was \$589,129,491 in total, of which the Board's allocated investment balance was \$1,455,234. The Board may terminate its membership interest in the MABE Trust and withdraw its allocated investment balance by providing written notice six months prior to the intended date of withdraw.

The MABE Trust is audited annually by an independent CPA firm and issues a publicly available audited report. The report may be obtained by sending a request to the Administrator of the MABE Pooled OPEB Investment Trust, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401-1112 or by calling (410) 841-5414.

Note 4. Interfund Receivables and Payables

	Due From Other Funds	Due To Other Funds
General Fund	\$ 125,106	\$ -
School Construction Fund	-	4,292
Food Services Fund	-	120,839
Smith Estate	25	-
	\$ 125,131	\$ 125,131

Due to/from other funds represent advances of cash for operating needs.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

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

	Balance June 30, 2020	Additions	Deductions	Transfers	Balance June 30, 2021
Governmental Activities					
Capital Assets, not being depreciated					
Construction in progress	\$ 2,284,755	\$ 4,707,939	\$ -	\$ (19,726)	\$ 6,972,968
Land	122,025	-	-	-	122,025
Total capital assets, not being depreciated	<u>2,406,780</u>	<u>4,707,939</u>	<u>-</u>	<u>(19,726)</u>	<u>7,094,993</u>
Capital assets, being depreciated					
Land improvements	726,079	-	-	-	726,079
Buildings, furniture, fixtures and equipment	56,198,540	30,390	(5,575)	19,726	56,243,081
Vehicles	1,671,250	147,298	(48,914)	-	1,769,634
Total capital assets, being depreciated	<u>58,595,869</u>	<u>177,688</u>	<u>(54,489)</u>	<u>19,726</u>	<u>58,738,794</u>
Less accumulated depreciation:					
Land improvements	(391,915)	(37,558)	-	-	(429,473)
Buildings, furniture, fixtures and equipment	(40,591,335)	(1,454,093)	5,575	-	(42,039,853)
Vehicles	(502,335)	(126,892)	35,364	-	(593,863)
Total accumulated depreciation	<u>(41,485,585)</u>	<u>(1,618,543)</u>	<u>40,939</u>	<u>-</u>	<u>(43,063,189)</u>
Total capital assets, being depreciated, net	<u>17,110,284</u>	<u>(1,440,855)</u>	<u>(13,550)</u>	<u>19,726</u>	<u>15,675,605</u>
Governmental activities capital assets, net	<u>\$ 19,517,064</u>	<u>\$ 3,267,084</u>	<u>\$ (13,550)</u>	<u>\$ -</u>	<u>\$ 22,770,598</u>

Depreciation expense was charged to governmental functions as follows:

Pupil transportation	\$ 126,892
Unallocated	<u>1,491,651</u>
Total depreciation expense	<u>\$ 1,618,543</u>

Note 6. Long-Term Liabilities

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

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due within one year
Capital leases	\$ 843,310	\$ 106,721	\$ 121,944	\$ 828,087	\$ 133,754
Net pension liability (Note 7)	2,701,620	313,074	-	3,014,694	-
Net OPEB liability (Note 9)	25,396,884	4,245,418	-	29,642,302	-
	<u>\$ 28,941,814</u>	<u>\$ 4,665,213</u>	<u>\$ 121,944</u>	<u>\$ 33,485,083</u>	<u>\$ 133,754</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans

Plan Description

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

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

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

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

General Plan Policies

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

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

Significant Plan Benefits and Policies

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

Teachers' and Employees' Retirement Systems

Retirement Benefits:

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

Vested Allowance:

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

Employee Contributions:

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

Teachers' and Employees' Pension Systems

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

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

Employee Contributions:

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

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

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

Employer Contributions:

For the year ended June 30, 2021 the Board's total payroll for all employees was \$18,107,660. Total covered payroll was \$16,547,970. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

During fiscal year 2021, the State of Maryland contributed \$1,672,130 to the Systems on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense in the General Fund.

Teachers' Retirement and Pension Systems:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, during fiscal year 2021, the Board contributed \$658,976 to the Teachers' Retirement and Pension System.

Employees' Retirement and Pension Systems:

During fiscal year 2021, the Board contributed \$158,701 to the Employees' Retirement and Pension System.

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

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

At June 30, 2021, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

	2021
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 3,014,694
State's proportionate share of the net pension liability (Teachers' Systems)	<u>17,970,399</u>
Total	<u><u>\$ 20,985,093</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2020 the Board's proportion of the net pension liability was .013%, which was substantially the same as its proportion measured as of June 30, 2019. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2019 to June 30, 2020 for the net pension liability, deferred financing outflows and deferred financing inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2021, the Board recognized pension expense of \$1,045,417 in the government-wide financial statements. \$817,677 was recognized in the fund financial statements. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 13,778	\$ 57,822
Net difference between projected and actual investment earnings on pension plan investments	224,616	-
Differences between expected and actual experience	-	118,072
Board contributions subsequent to measurement date	158,701	-
Total	\$ 397,095	\$ 175,894

The \$158,701 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.50 to 5.87 years. The net difference in investment earnings are being amortized over a closed five year period. These amounts will be recognized in pension expense as follows as of June 30, 2021:

Year Ending June 30,	Amortization of Pension Expense
2022	\$ (26,382)
2023	10,857
2024	38,933
2025	39,801
2026	(709)
	\$ 62,500

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

Actuarial Assumptions

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.60% general, 3.15% wage
Salary increases	3.10% to 11.60%, including inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	5.20%
Private Equity	13%	6.50%
Rate Sensitive	19%	-0.30%
Credit Opportunity	9%	2.80%
Real Assets	14%	4.30%
Absolute Return	8%	1.80%
Total	<u>100%</u>	

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

Discount rate

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

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

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

	Discount Rate	Board's Net Pension Liability
1% decrease	6.40%	\$ 4,291,906
Current discount rate	7.40%	\$ 3,014,694
1% increase	8.40%	\$ 1,950,898

Note 8. Risk Management

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

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

The Board is a member of the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as a recommended conservative reserve. As of December 21, 2020, the Boards' funds held by ESMEC exceeded the recommended conservative reserve by \$1,039,244. All funds held by ESMEC are restricted to being used only for health care expenses.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits

Plan Description

The Board of Education of Kent County, Maryland administers a single-employer defined benefit healthcare plan, The Kent County Public Schools Retiree Health Plan (“the Plan”), that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees, their spouses and other dependents. The Plan does not issue a publicly available report.

Plan Administration

A trust account was established and the Board became a member of the Maryland Association of Boards of Education Pooled OPEB Investment Trust (MABE Trust). It is a member owned trust that provides the Board and nine other members a structure to pool assets to reduce investment costs and share administrative expenses. The Board reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to participants, and benefits provided thereunder, or its participation therein, in whole or in part at any time, by resolution of the governing body and upon advance notice to the Trustees of the MABE Trust.

The MABE Trust was established to pool assets of its members for investment purposes only. Each member of the MABE Trust is required to designate a member trustee. The member trustees of the MABE Trust shall ensure that the MABE Trust keep such records as are necessary in order to maintain a separation of the assets of the MABE Trust from the assets of trusts maintained by other government employers. Assets of the member trusts are reported in the respective financial statements using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, if available. The MABE Trust prohibits any part of the trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The MABE Trust provides that in no event will the assets of the trust be transferred to an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

The MABE Trust issues a publicly available audited GAAP-basis report that includes the financial statements and required supplementary information for the MABE Trust. This report may be obtained by writing to the Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401 or by calling (410) 841-5414.

Plan Membership

At January 1, 2020 (valuation date), the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	160
Inactive plan members or beneficiaries entitled but not yet receiving benefits	-
Active plan members	250
	<u>410</u>

NOTES TO FINANCIAL STATEMENTS

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

Benefits Provided

The Plan provides medical, prescription drug, dental, and vision benefits to eligible retirees, their spouses and eligible dependents. Any employee who retires with an unreduced service retirement benefit from the Maryland Retirement System can purchase health insurance from the County. The Board provides a subsidy for employees with at least five years of service with Kent County Public Schools. The Plan provides for the payment of a portion or all of the health insurance premiums for eligible retired employees depending on their position with Kent County Public Schools and length of service. The Board of Education has the authority to establish and amend benefit provisions of the Plan. Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Kent County Public Schools Retiree Health Plan pays 45% of the individual premium for each insured retiree who was a teacher, 55% for administrative and support services employees with under 30 years of service, and 100% for administrative and support services employees with 30 or more years of service. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost of such coverage if they retired on or after January 1, 1998. If they retired prior to January 1, 1998 the Board pays 45% of the premiums.

Participants must meet the eligibility requirements of the Maryland State Teachers'/Employees' pension system (EPS). For members hired before July 1, 2011, the earliest retirement eligibility is age 55 with 15 years of service, age 62 with 5 years of service, age 63 with 4 years of service, age 64 with 3 years of service, age 65 with 2 years of service, or 30 years of service regardless of age. For members hired after July 1, 2011, the earliest eligibility is age 60 with 15 years of service, age 65 with 10 years of service, or age plus service is at least 90 (Rule of 90).

Contributions

The employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon annual approval of the operating budget.

Investment Policy

The MABE Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	54.77%
Fixed income	38.93%
Cash	6.30%
Total	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS

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

Rate of Return

Best estimates of real rates of return for each major asset class included in the target asset allocations as of June 30, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	4.72%
Fixed income	1.60%
Cash	-0.02%

For the year ended June 30, 2020, the total rate of return, net of investment expense, was 23.55%. The total rate of return represents a hypothetical return on capital balance invested in the Trust during the entire year. Actual return rates may vary due to the timing of capital contributions and redemptions.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020. The methods, assumptions, and participant data used are detailed in the fiscal year 2020 valuation report dated July 1, 2020. The discount rate was 3.13% as of June 30, 2019 and 2.45% as of June 30, 2020.

Actuarial Assumptions

Projections of benefits for financial reporting are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of significant valuation methods and assumptions are as follows:

Valuation date	January 1, 2020
Measurement date - GASB 75	June 30, 2020
Actuarial cost method - GASB 75	Entry age normal
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount rate - June 30, 2019	3.13%
Discount rate - June 30, 2020	2.45%
Payroll growth	3.00%
Inflation rate	2.50%
Rate of growth in real income	1.50%
Medical trend	Based on Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions. The model was released in October 2010 and updated in September 2019. The 2020 rate is 4.70% decreasing gradually to 4.00% in 2075.
Mortality	The mortality rates were calculated using the Pub-2010 Teacher Employees, Teacher Retirees and Disabled Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.

NOTES TO FINANCIAL STATEMENTS

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 20-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 2.45% as of June 30, 2020. The rate has been adjusted from 3.13% as of June 30, 2019.

Change in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2019	\$ 26,547,596	\$ 1,150,712	\$ 25,396,884
Changes for the Year			
Service Cost	891,513	-	891,513
Interest	819,833	-	819,833
Changes of Benefit Terms	-	-	-
Experience Losses/Gains	183,953	-	183,953
Trust Contributions - Employer	-	893,676	(893,676)
Net Investment Income	-	33,610	(33,610)
Changes in Assumptions	3,270,908	-	3,270,908
Benefit Payments (net of retiree contributions)	(893,676)	(893,676)	-
Administrative Expense	-	(6,497)	6,497
Net Changes	4,272,531	27,113	4,245,418
Balance as of June 30, 2020	\$ 30,820,127	\$ 1,177,825	\$ 29,642,302

Plan fiduciary net position as a percentage of the total OPEB liability at June 30, 2020 is approximately 3.82%.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

	Discount Rate	Net OPEB Liability
1% decrease	1.45%	\$ 35,527,748
Current discount rate	2.45%	\$ 29,642,302
1% increase	3.45%	\$ 25,001,836

NOTES TO FINANCIAL STATEMENTS

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the net OPEB liability of the Board, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1% point lower or 1% point higher than the current rate:

	Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease	3.00%	\$ 24,328,340
Current healthcare cost trend rate	4.00%	\$ 29,642,302
1% increase	5.00%	\$ 36,665,934

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the Board will recognize OPEB expense in the amount of \$2,314,311 on the government-wide statements. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 3,273,112	\$ 1,348,288
Net difference between projected and actual investment earnings	3,200,136	-
Differences between expected and actual experience	37,370	10,416
Board's contributions subsequent to measurement date	-	-
 Total	 \$ 6,510,618	 \$ 1,358,704

Amounts reported as differences between projected and actual earnings on OPEB plan investments will be amortized and expensed over a closed five-year period. Amounts reported as differences between expected and actual experience will be amortized and expensed over a period equal to the average remaining service lives of all employees that are provided with other post-employment benefits through the plan. Amounts reported as changes in assumptions will be amortized and expensed over a period equal to the average remaining service lives of all employees that are provided with other post-employment benefits through the plan. Amortization expense related to net deferred inflows and outflows of resources over the next five years is expected to be as follows:

Year Ending June 30,	Amortization
2022	\$ 676,791
2023	684,710
2024	685,483
2025	685,798
2026	988,968
Thereafter	1,430,164
	\$ 5,151,914

NOTES TO FINANCIAL STATEMENTS

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

GASB 74 Information

Plan Membership

At January 1, 2021 (valuation date), the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	191
Inactive plan members or beneficiaries entitled but not yet receiving benefits	-
Active plan members	247
	438

Contributions

The employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon annual approval of the operating budget.

Rate of Return

For the year ended June 30, 2021, the total rate of return, net of investment expense, was 2.36%. The total rate of return represents a hypothetical return on capital balance invested in the Trust during the entire year. Actual return rates may vary due to the timing of capital contributions and redemptions.

Actuarial Assumptions

The total OPEB liability is based on January 1, 2020 valuation data rolled forward to June 30, 2020. The methods, assumptions and participant data used are detailed below:

Valuation date	January 1, 2021
Measurement date - GASB 74	June 30, 2021
Actuarial cost method - GASB 74	Entry age normal
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount rate - June 30, 2020	2.45%
Discount rate - June 30, 2021	1.92%
Payroll growth	3.00%
Inflation rate	2.50%
Rate of growth in real income	1.50%
Medical trend	Based on Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions. The model was released in October 2010 and updated in September 2019. The 2020 rate is 4.70% decreasing gradually to 4.00% in 2075.
Mortality	The mortality rates were calculated using the Pub-2010 Teacher Employees, Teacher Retirees and Disabled Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.

NOTES TO FINANCIAL STATEMENTS

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

GASB 74 Information (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 20-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 2.45% as of June 30, 2020. The rate has been adjusted from 3.13% as of June 30, 2019.

Change in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2020	\$ 30,820,127	\$ 1,177,825	\$ 29,642,302
Changes for the Year			
Service Cost	1,133,075	-	1,133,075
Interest	745,291	-	745,291
Changes of Benefit Terms	-	-	-
Experience Losses/Gains	(1,956,360)	-	(1,956,360)
Trust Contributions - Employer	-	733,079	(733,079)
Net Investment Income	-	284,054	(284,054)
Changes in Assumptions	3,091,431	-	3,091,431
Benefit Payments (net of retiree contributions)	(733,079)	(733,079)	-
Administrative Expense	-	(6,645)	6,645
Net Changes	2,280,358	277,409	2,002,949
Balance as of June 30, 2021	\$ 33,100,485	\$ 1,455,234	\$ 31,645,251

Plan fiduciary net position as a percentage of the total OPEB liability at June 30, 2020 is approximately 3.82%.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Board using the discount rate of 23.55%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Net OPEB Liability
1% decrease	0.92%	\$ 38,872,587
Current discount rate	1.92%	\$ 31,645,251
1% increase	2.92%	\$ 26,151,550

NOTES TO FINANCIAL STATEMENTS

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

GASB 74 Information (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the net OPEB liability of the Board, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1% point lower or 1% point higher than the current rate:

	Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease	3.00%	\$ 25,450,905
Current healthcare cost trend rate	4.00%	\$ 31,645,251
1% increase	5.00%	\$ 40,078,666

Note 10. Leases

Operating leases:

The Board leases copy machines for the majority of the educational system and certain vehicles over five year terms.

Expenses under these leases totaled approximately \$121,800 for the year ended June 30, 2021. Approximate future minimum lease commitments are as follows:

2022	\$	207,366
2023		207,366
2024		207,366
2025		77,986
2026		71,487

Capital leases:

The Board has entered into a non-cancelable lease agreement that transfers ownership at the end of the lease, thus the Board has recorded lease obligations and the related assets in the appropriate funds.

Capital lease obligations at June 30, 2021 consist of the following:

Vehicles, bank, interest at 2.31%; payable in annual installments of approximately \$141,425, including interest through 2027	\$	721,366
Vehicle, bank, interest at 3.75%; payable in annual installments of approximately \$12,945, including interest through 2031		106,721
	\$	828,087

NOTES TO FINANCIAL STATEMENTS

Note 10. Leases (Continued)

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

	2022		\$	154,419
	2023			154,419
	2024			154,419
	2025			154,419
	2026			154,419
	2027			134,613
				906,708
				Less amounts representing interest 78,621
			\$	828,087

Interest expense on the above capital lease was approximately \$19,500 for the year ended June 30, 2021.

The cost of items acquired under the capital lease arrangement, as included in capital assets totaled \$1,327,988 and the related accumulated depreciation was \$311,304 at June 30, 2021.

Note 11. Fund Balances

As of June 30, 2021, fund balances are composed of the following:

	Major Fund			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ -	\$ -	\$ -	\$ -
Inventories	-	-	44,115	44,115
	-	-	44,115	44,115
Restricted:				
By Federal law for nonprofit food service fund	-	-	13,107	13,107
By Smith Estate bequest for library expenses	-	-	3,154	3,154
	-	-	16,261	16,261
Committed:				
Budget reserve	1,049,336	-	-	1,049,336
Contingency	500,000	-	-	500,000
	1,549,336	-	-	1,549,336
Assigned:				
School activities	-	-	172,780	172,780
Encumbrances	24,866	-	-	24,866
	24,866	-	172,780	197,646
Unassigned	1,824,467	-	-	1,824,467
Total fund balance	\$ 3,398,669	\$ -	\$ 233,156	\$ 3,631,825

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years.

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

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

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

Note 13. Prior Period Restatement

The Board has determined to restate its Statement of Activities and its Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds at June 30, 2020. The determination was made to restate these financial statements in connection with the fiscal year 2021 implementation of Government Accounting Standards Board’s Statement No. 84, *Fiduciary Activities*. This statement’s objective is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities are reported. The Board determined that based on this guidance, the school activities did not meet the criteria of a fiduciary fund and have included school activities within governmental activities at June 30, 2021.

The following tables are a summary of the effects of this change on net position and fund balance at June 30, 2020.

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	
	Fund Balance
As previously reported	\$ 2,384,954
Adjustment for school activities	170,483
As restated	\$ 2,555,437

Statement of Activities	
	Net Position
As previously reported	\$ (4,576,798)
Adjustment for school activities	170,483
As restated	\$ (4,406,315)

REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES

BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
REVENUES				
Kent County	\$ 18,559,615	\$ 18,559,615	\$ 18,559,623	\$ 8
State of Maryland	9,515,538	9,431,148	9,380,621	(50,527)
United States Government	71,000	71,000	34,610	(36,390)
Restricted federal, state and other	2,139,704	9,544,829	4,035,766	(5,509,063)
Other sources	264,991	264,991	268,152	3,161
TOTAL REVENUES	30,550,848	37,871,583	32,278,772	(5,592,811)
EXPENDITURES AND ENCUMBRANCES				
Administration	1,201,939	1,201,939	1,056,399	145,540
Mid-level administration	1,855,673	1,855,673	1,804,406	51,267
Instructional salaries	9,761,128	9,678,128	9,329,778	348,350
Instructional texts and supplies	199,154	234,154	233,625	529
Instructional other costs	707,492	707,492	634,070	73,422
Special education	3,273,538	3,189,148	2,765,798	423,350
Student personnel services	521,220	521,220	465,584	55,636
Student health services	420,000	468,000	466,583	1,417
Student transportation	1,762,488	1,762,488	1,543,889	218,599
Operation of plant	1,720,487	1,765,487	1,759,868	5,619
Maintenance of plant	601,981	556,981	540,997	15,984
Fixed charges	6,516,445	6,516,445	6,019,778	496,667
Capital outlay	59,991	59,991	53,154	6,837
Restricted programs	2,139,704	9,544,829	4,035,766	5,509,063
TOTAL EXPENDITURES AND ENCUMBRANCES	30,741,240	38,061,975	30,709,695	7,352,280
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES				
	(190,392)	(190,392)	1,569,077	1,759,469
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	190,392	190,392	190,392	-
TOTAL OTHER FINANCING SOURCES (USES)	190,392	190,392	190,392	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ 1,759,469	\$ 1,759,469

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

As of June 30, Measurement date:	Fiscal Year									
	2012 6/30/2012	2013 6/30/2013	2014 6/30/2014	2015 6/30/2015	2016 6/30/2016	2017 6/30/2017	2018 6/30/2018	2019 6/30/2019	2020 6/30/2020	2021 6/30/2021
Total OPEB liability										
Service cost						\$ 753,715	\$ 638,329	\$ 655,921	\$ 891,513	\$ 1,133,075
Interest						629,260	727,068	753,845	819,833	745,291
Changes of benefit terms						-	-	-	-	-
Differences between expected and actual experience						-	82,431	3,983,544	183,953	(1,956,360)
Changes of assumptions						(2,500,064)	(157,212)	548,092	3,270,908	3,091,431
Benefit payments						(620,000)	(768,569)	(568,072)	(893,676)	(733,079)
Net change in OPEB liability						(1,737,089)	522,047	5,373,330	4,272,531	2,280,358
Total OPEB liability - beginning						22,389,308	20,652,219	21,174,266	26,547,596	30,820,127
Total OPEB liability - ending (a)						<u>\$ 20,652,219</u>	<u>\$ 21,174,266</u>	<u>\$ 26,547,596</u>	<u>\$ 30,820,127</u>	<u>\$ 33,100,485</u>
Plan fiduciary net position										
Contributions - employer						\$ 620,000	\$ 768,569	\$ 568,072	\$ 893,676	\$ 733,079
Net investment income						103,414	74,466	76,954	33,610	284,054
Benefit payments						(620,000)	(768,569)	(568,072)	(893,676)	(733,079)
Administrative expenses						(7,642)	(5,938)	(6,132)	(6,497)	(6,645)
Net change in plan fiduciary net position						95,772	68,528	70,822	27,113	277,409
Plan fiduciary net position - beginning						915,590	1,011,362	1,079,890	1,150,712	1,177,825
Plan fiduciary net position - ending (b)						<u>\$ 1,011,362</u>	<u>\$ 1,079,890</u>	<u>\$ 1,150,712</u>	<u>\$ 1,177,825</u>	<u>\$ 1,455,234</u>
Board's net OPEB liability - ending (a) - (b)						<u>\$19,640,857</u>	<u>\$20,094,376</u>	<u>\$25,396,884</u>	<u>\$29,642,302</u>	<u>\$31,645,251</u>
Plan fiduciary net position as a percentage of the total OPEB liability						4.90%	5.10%	4.33%	3.82%	4.40%
Covered employee payroll						13,848,985	17,303,337	17,862,417	16,742,974	16,547,970
Board's net OPEB liability as a percentage of covered employee payroll						141.82%	116.13%	142.18%	177.04%	191.23%
Expected Average Remaining Service Years of All Participants						8	8	8	8	8

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

SCHEDULE OF INVESTMENT RETURNS

	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment						10.46%	6.77%	6.56%	2.36%	23.55%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Board's Proportion of the NPL (Percentage) A	Board's Proportionate Share of the NPL B	State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Payroll D	Board's Proportionate Share as a Percentage of Covered Payroll (B / D)	Plan's Total Fiduciary Net Position E	Plan's Total Pension Liability F	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (E / F)
2012										
2013										
2014										
2015	June 30, 2014	0.0113256%	\$ 2,009,929	\$16,219,599	\$ 18,229,528	\$ 13,696,066	14.68%	\$45,339,988,000	\$63,086,719,000	71.87%
2016	June 30, 2015	0.0122061%	\$ 2,536,630	\$18,627,177	\$ 21,163,807	\$ 14,025,709	18.09%	\$45,789,840,000	\$66,571,552,000	68.78%
2017	June 30, 2016	0.0124563%	\$ 2,938,934	\$24,758,151	\$ 27,697,085	\$ 13,848,985	21.22%	\$45,365,927,000	\$68,959,954,000	65.79%
2018	June 30, 2017	0.0121455%	\$ 2,626,298	\$19,958,700	\$ 22,584,998	\$ 17,303,337	15.18%	\$48,987,184,000	\$70,610,885,000	69.38%
2019	June 30, 2018	0.0121397%	\$ 2,547,095	\$17,219,703	\$ 19,766,798	\$ 17,862,417	14.26%	\$51,827,233,000	\$72,808,833,000	71.18%
2020	June 30, 2019	0.0130984%	\$ 2,701,620	\$17,366,822	\$ 20,068,442	\$ 16,742,974	16.14%	\$53,943,420,000	\$74,569,030,000	72.34%
2021	June 30, 2020	0.0133386%	\$ 3,014,694	\$17,970,399	\$ 20,985,093	\$ 16,547,970	18.22%	\$54,586,037,000	\$77,187,397,000	70.72%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Measurement Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Board's Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
		A	B	(A - B)	C	(B / C)
2012						
2013						
2014						
2015	June 30, 2014	\$ 257,272	\$ 257,272	\$ -	\$ 13,696,066	1.88%
2016	June 30, 2015	\$ 242,658	\$ 242,658	\$ -	\$ 14,025,709	1.73%
2017	June 30, 2016	\$ 247,202	\$ 247,202	\$ -	\$ 13,848,985	1.78%
2018	June 30, 2017	\$ 242,074	\$ 242,074	\$ -	\$ 17,303,337	1.40%
2019	June 30, 2018	\$ 268,975	\$ 268,975	\$ -	\$ 17,862,417	1.51%
2020	June 30, 2019	\$ 285,986	\$ 285,986	\$ -	\$ 16,742,974	1.71%
2021	June 30, 2020	\$ 158,701	\$ 158,701	\$ -	\$ 16,547,970	0.96%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Comparison Schedule

The Board of Education annually adopts a budget for the General Fund (Current Expense Fund). All appropriations are legally controlled at the categorical level for the General Fund.

The budget is integrated into the accounting system, and the budgetary data compares the expenditures with the amended budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Schedule of Revenues, Expenditures and Encumbrances – Budget and Actual for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

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

	June 30, 2021		
	Revenues and other financing sources	GENERAL FUND Expenditures and other financing uses	Fund Balance
GAAP BASIS	\$ 34,132,668	\$ 33,039,107	\$ 3,398,669
Encumbrances at June 30, 2020	(59,263)	(559,645)	-
Encumbrances at June 30, 2021	162,890	187,756	(24,866)
Proceeds from capital leases	(106,721)	(106,721)	
Payments made on-behalf of the Board by Kent County	(178,672)	(178,672)	-
Payments made on-behalf of the Board by the State of Maryland	(1,672,130)	(1,672,130)	-
BUDGETARY BASIS	\$ 32,278,772	\$ 30,709,695	\$ 3,373,803

Note 2. Pension Plans

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

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

- Inflation assumption changed from 2.60% to 2.65% for general and from 3.10% to 3.15% for wage

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Pension Plans (Continued)

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years for State system
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.15% wage
Salary increases	3.10% to 11.60%, including inflation
Investment rate of return	7.40%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Note 3. Post-Employment Health Care Benefits

Changes in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

- The discount rate was changed from 3.13% at June 30, 2019 to 2.45% at June 30, 2020 to 1.92% at June 30, 2021.
- The claims assumptions were updated to include the most recent plan experience.
- Medicare claims and total costs are based on the fully insured rates for 2021.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Post-Employment Health Care Benefits (Continued)

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Valuation date	January 1, 2020
Measurement date - GASB 75	June 30, 2020
Actuarial cost method - GASB 75	Entry age normal
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount rate - June 30, 2019	3.13%
Discount rate - June 30, 2020	2.45%
Payroll growth	3.00%
Inflation rate	2.50%
Rate of growth in real income	1.50%
Medical trend	Based on Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions. The model was released in October 2010 and updated in September 2019. The 2020 rate is 4.70% decreasing gradually to 4.00% in 2075.
Mortality	The mortality rates were calculated using the Pub-2010 Teacher Employees, Teacher Retirees and Disabled Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.

ADDITIONAL SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES

GENERAL FUND
Year Ended June 30, 2021

KENT COUNTY FUNDS	
Annual appropriation	\$ 18,559,623
On-behalf payments	178,672
Total Kent County Funds	<u>18,738,295</u>
STATE OF MARYLAND FUNDS	
Compensatory education	2,867,558
State share of basic current expenses	2,274,148
On-behalf payments	1,672,130
Student transportation	1,718,555
Supplemental grant	1,003,414
Handicapped children - formula	730,764
Declining enrollment	99,016
Geographic cost of ED IDX	131,976
ESL program	226,450
Supplemental Pre K	147,799
Net taxable adjustment	120,473
Aging schools	5,250
Maryland Blue Print	55,218
Total State of Maryland Funds	<u>11,052,751</u>
UNITED STATES GOVERNMENT	34,610
OTHER SOURCES	
Miscellaneous	98,270
Out of county living	89,669
E-rate reimbursement	37,212
Interest income	6
MABE grant	19,332
Sports events	2,411
WKHS	20,402
Lease of building space	850
Total Other Sources	<u>268,152</u>
TOTAL REVENUES	<u><u>\$ 30,093,808</u></u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	<u>FOOD SERVICES</u>	<u>SCHOOL ACTIVITIES</u>	<u>SMITH ESTATE</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$ 81,434	\$ 172,780	\$ 3,129	\$ 257,343
Accounts receivable:			-	
Federal funds from State of Maryland	73,775	-	-	73,775
Other receivables	341	-	-	341
Other Board of Education funds	-	-	25	25
Inventories, at cost	44,115	-	-	44,115
TOTAL ASSETS	<u>\$ 199,665</u>	<u>\$ 172,780</u>	<u>\$ 3,154</u>	<u>\$ 375,599</u>
LIABILITIES AND FUND BALANCES				
Accounts payable:				
Vendors	\$ 8,553	\$ -	\$ -	\$ 8,553
Other Board of Education funds	120,839	-	-	120,839
Accrued payroll	12,021	-	-	12,021
Unearned revenue - USDA commodities	1,030	-	-	1,030
TOTAL LIABILITIES	<u>142,443</u>	<u>-</u>	<u>-</u>	<u>142,443</u>
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Nonspendable				
Inventory	44,115	-	-	44,115
Restricted				-
Fund purpose	13,107		3,154	16,261
Assigned to:				
School activities	-	172,780	-	172,780
TOTAL FUND BALANCES	<u>57,222</u>	<u>172,780</u>	<u>3,154</u>	<u>233,156</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 199,665</u>	<u>\$ 172,780</u>	<u>\$ 3,154</u>	<u>\$ 375,599</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2021

	<u>FOOD</u> <u>SERVICES</u>	<u>SCHOOL</u> <u>ACTIVITIES</u>	<u>SMITH</u> <u>ESTATE</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES				
State of Maryland	\$ 45,077	\$ -	\$ -	\$ 45,077
Federal sources	944,765	-	-	944,765
Other sources:				
Sales of food	2,178	-	-	2,178
School activity revenues	-	66,081	-	66,081
Other	25,401	-	1	25,402
TOTAL REVENUES	<u>1,017,421</u>	<u>66,081</u>	<u>1</u>	<u>1,083,503</u>
EXPENDITURES				
Food services	1,036,892	-	-	1,036,892
School activity expenditures	-	63,784	-	63,784
TOTAL EXPENDITURES	<u>1,036,892</u>	<u>63,784</u>	<u>-</u>	<u>1,100,676</u>
Net change in fund balances	(19,471)	2,297	1	(17,173)
Fund balances, beginning	<u>76,693</u>	<u>170,483</u>	<u>3,153</u>	<u>250,329</u>
Fund balances, ending	<u>\$ 57,222</u>	<u>\$ 172,780</u>	<u>\$ 3,154</u>	<u>\$ 233,156</u>

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES

FOOD SERVICE FUND
Year Ended June 30, 2021

REVENUES

Cafeteria sales	\$ 2,178
Federal assistance	944,765
State assistance	45,077
Other	<u>25,401</u>
TOTAL REVENUES	<u>1,017,421</u>

EXPENDITURES

Salaries and wages	519,737
Contracted services	34,600
Supplies and materials	441,092
Other charges	<u>41,463</u>
TOTAL EXPENDITURES	<u>1,036,892</u>

EXCESS OF EXPENDITURES OVER REVENUES \$ (19,471)

BOARD OF EDUCATION OF KENT COUNTY, MARYLAND
SCHOOL ACTIVITIES AGENCY FUND

STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCE - SCHOOL ACTIVITIES FUND

For the Year Ended June 30, 2021

	Balance July 1, 2020	Receipts	Disbursements	Balance June 30, 2021
Galena Elementary School	\$ 10,139	\$ 3,201	\$ 6,077	\$ 7,263
H.H. Garnett Elementary School	2,869	4,021	5,114	1,776
Rock Hall Elementary School	7,376	11,168	10,167	8,377
Kent County Middle School	24,073	2,766	3,620	23,219
Kent County High School	126,026	44,925	38,806	132,145
Total	\$ 170,483	\$ 66,081	\$ 63,784	\$ 172,780