

**THE BOARD OF EDUCATION OF  
SOMERSET COUNTY**

AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2022

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Education of Somerset County  
Westover, Maryland

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of The Board of Education of Somerset County, a component unit of Somerset County, Maryland ("the Board"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

#### ***Basis for Opinions***

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

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

As discussed in Note 12 to the financial statements, during the year ended June 30, 2022, the Board adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 87, "Leases". Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues and expenditures – budget and actual – general fund, schedule of the proportionate share of the net pension liability, schedule of board contributions – pension plans, schedule of changes in the board's net OPEB liability and related ratios, and notes to required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Board of Education of Somerset County's basic financial statements. The accompanying schedule of appropriations and expenditures – general fund – budgetary basis, schedule of revenues, expenditures and changes in fund net position – proprietary funds – budgetary basis, combining schedule of additions, deductions and changes due to school activities funds – school activities funds and notes to additional supplementary information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of appropriations and expenditures – general fund – budgetary basis, schedule of revenues, expenditures and changes in fund net position – proprietary funds – budgetary basis, combining schedule of additions, deductions and changes due to school activities funds – school activities funds and notes to 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, 2022, on our consideration of The Board of Education of Somerset 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 Somerset 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 Somerset County's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Salisbury, Maryland  
September 30, 2022

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

The Board of Education of Somerset County  
Westover, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of The Board of Education of Somerset County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise The Board of Education of Somerset County's basic financial statements and have issued our report thereon dated September 30, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Board of Education of Somerset County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

The logo for UHY LLP is written in a stylized, cursive script. The letters 'UHY' are larger and more prominent, with 'LLP' in a smaller font size to the right.

Salisbury, Maryland  
September 30, 2022

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

This section of the Board of Education of Somerset County’s annual financial report presents our discussion and analysis of the Board’s financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Board’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year (FY) ended June 30, 2022 include the following:

- Net position for the Governmental Activities totaled \$69,485,575, a decrease of \$4,371,048 or - 5.9% from the prior year.
- General Fund assigned fund balance (subsequent year expenditures) equals \$1,059,425, an increase of \$231,425 from the prior year.
- Unassigned General Fund balance equals \$1,246,825, an increase of \$187,400 from the prior year.
- The Food Service fund had a profit of \$435,024. Excluding depreciation, the fund showed a profit of \$466,942.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the Management’s Discussion and Analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the Board’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Board, reporting the Board’s operations in *more detail* than the government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the Board operates like *businesses*.

**Government-Wide Statements**

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the Board’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS** (Continued)

The two government-wide statements report the Board’s net position and how they have changed. Net position, which is the difference between the Board’s assets and liabilities, is one way to measure the Board’s financial health or *position*.

- Over time, increases or decreases in the Board’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Board, additional non-financial factors such as changes in the condition of school buildings and other facilities must be considered.

In the government-wide financial statement the Board’s activities are shown in two categories:

- *Governmental activities* – Most of the Board’s basic services are included here, such as regular and special education, transportation, administration, school administration and other student services. Local county and state aid finance most of these activities. School activity funds are now included here with the adoption of GASB 84.
- *Business-Type activities* – The Board’s food service operation is included here. The Board operates cafeterias at the schools where breakfast and lunch are served.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Board’s *funds* – focusing on its most significant or “major” funds – not the Board as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g. federal and state grants).

The Board has two kinds of funds:

- *Governmental funds* – Most of the Board’s basic services are included in governmental funds, which generally focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on page 23 which explains the relationship (or differences) between them. In FY2021, the Board implemented the provisions of GASB 84, Fiduciary Activities. School Activity Funds that were formerly reported separately as a Fiduciary Fund are now reported as a governmental fund.
- *Proprietary funds* – The Food Service operation is the only fund accounted for as proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE**

Net Position

The Board's *combined* net position was \$70,244,775 on June 30, 2022. This was an decrease of \$3,936,024 from the prior year.

STATEMENT OF NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	TOTAL
	FY2022	FY 2021	FY2022	FY 2021	FY2022	FY 2021
Current and other assets	\$ 8,078,014	\$ 7,099,067	\$ 685,186	\$ 252,810	\$ 8,763,200	\$ 7,351,877
Capital assets	86,471,006	89,256,255	133,754	155,088	86,604,760	89,411,343
Total assets	<u>94,549,020</u>	<u>96,355,322</u>	<u>818,940</u>	<u>407,898</u>	<u>95,367,960</u>	<u>96,763,220</u>
Deferred outflows	<u>7,733,228</u>	<u>8,110,334</u>	<u>-</u>	<u>-</u>	<u>7,733,228</u>	<u>8,110,334</u>
Current and liabilities	4,735,504	3,690,352	55,946	79,294	4,791,450	3,769,646
Long-term liabilities	22,999,760	25,679,585	3,794	4,428	23,003,554	25,684,013
Total liabilities	<u>27,735,264</u>	<u>29,369,937</u>	<u>59,740</u>	<u>83,722</u>	<u>27,795,004</u>	<u>29,453,659</u>
Deferred inflows	<u>5,061,409</u>	<u>1,239,096</u>	<u>-</u>	<u>-</u>	<u>5,061,409</u>	<u>1,239,096</u>
Investment in capital assets, net of related debt	86,471,006	89,256,255	133,754	155,088	86,604,760	89,411,343
Unrestricted	(16,985,431)	(15,399,632)	625,446	169,088	(16,359,985)	(15,230,544)
Total net position	<u>\$ 69,485,575</u>	<u>\$ 73,856,623</u>	<u>\$ 759,200</u>	<u>\$ 324,176</u>	<u>\$ 70,244,775</u>	<u>\$ 74,180,799</u>

(1) Net Position restated for change in reporting of school activity funds

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE** (Continued)

**Changes in Net Position**

The Board's total revenues were \$63,913,778 for the year ended June 30, 2022. (See Table 2) The State and County general appropriations accounted for approximately 68.5% of total revenue for the year. The remaining funds (31.5%) came from program revenues and investment earnings. The total cost of all programs and services was \$67,849,802. Expenses surpassed revenues, decreasing net position \$3,936,024 from last year.

Table 2

THE BOARD OF EDUCATION OF SOMERSET COUNTY  
STATEMENT OF ACTIVITIES  
June 30, 2022

	REVENUES					
	Governmental Activities		Business- Type Activities		Total	Total
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Program revenues						
Charges for services	\$ 530,403	\$ 195,778	\$ 49,302	\$ -	\$ 579,705	\$ 195,778
Federal and state grants	16,449,766	14,792,331	2,652,853	970,817	19,102,619	15,763,148
Capital contributions	218,992	3,697,500	-	25,000	218,992	3,722,500
General revenues						
County appropriation	10,443,965	10,189,253	-	-	10,443,965	10,189,253
State formula aid	33,319,635	33,713,758	-	-	33,319,635	33,713,758
Other	248,341	194,504	521	81	248,862	194,585
Transfers	-	-	-	657,880	-	657,880
<b>Total revenue</b>	<b><u>61,211,102</u></b>	<b><u>62,783,124</u></b>	<b><u>2,702,676</u></b>	<b><u>1,653,778</u></b>	<b><u>63,913,778</u></b>	<b><u>64,436,902</u></b>
	EXPENSES					
Instruction and special education	35,367,156	33,202,309	-	-	35,367,156	33,202,309
Administration	2,520,883	1,690,051	-	-	2,520,883	1,690,051
Support services	1,568,742	1,862,972	2,267,652	1,458,499	3,836,394	3,321,471
Fixed Charges	13,583,149	1,355,635	-	-	13,583,149	1,355,635
Building Operations and Maintenance	5,207,157	4,397,092	-	-	5,207,157	4,397,092
Transportation	3,377,140	3,077,038	-	-	3,377,140	3,077,038
Other	3,957,923	4,027,012	-	-	3,957,923	4,027,012
<b>Total expenses</b>	<b><u>65,582,150</u></b>	<b><u>49,612,109</u></b>	<b><u>2,267,652</u></b>	<b><u>1,458,499</u></b>	<b><u>67,849,802</u></b>	<b><u>51,070,608</u></b>
Increase (decrease) in net position **	<b><u>\$ (4,371,048)</u></b>	<b><u>\$ 13,171,015</u></b>	<b><u>\$ 435,024</u></b>	<b><u>\$ 195,279</u></b>	<b><u>\$ (3,936,024)</u></b>	<b><u>\$ 13,366,294</u></b>

\*\* excludes transfers from other funds

**Business-Type Activities**

Revenues of the Board's only business-type activity, the food service operation, increased \$1,048,898 to \$2,702,676 and expenses increased by \$809,153. (Refer to Table 2).

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE BOARD'S FUNDS**

The financial performance of the Board as a whole is reflected in its governmental funds as well. As the Board completed the year, its governmental funds reported a general fund balance of \$2,977,753 a decrease of \$136,219 from last year's ending fund balance.

**GENERAL FUND**

The General Fund includes the primary operations of the Board in providing educational services to students from pre-kindergarten through grade 12, including pupil transportation activities and maintenance and operations of all school facilities. See Table 3 for a summary of General Fund revenues and expenditures.

The excess of expenditures over revenues was \$136,219 for the year ended June 30, 2022 compared to an excess of revenues over expenditures of \$2,040,172 for FY 2021. The major changes in both revenues and expenditures results from the following:

1. State of Maryland revenues decreased by \$394,123. This is a result of a decrease in enrollment at Somerset County Public Schools. State Aid formulas are based on the enrollment count at September 30<sup>th</sup> each year. Many districts, including ours, experienced an enrollment decline as a result of the COVID-19 pandemic.
2. Other Revenues increased by \$58,837. SCPS held a public auction in the Fall of 2021 in order to dispose of unused and old equipment. Auction proceeds totaled \$75,719. The majority of the funds are reserved for SCTHS and its various programs.
3. Instructional Salaries increased by \$1,068,202. Schools reopened as normal in FY22. However, due to the lingering effects of COVID-19 and the resulting quarantines, etc. schools were short staffed. In order to address the staff shortages, teachers and paraprofessionals were paid additional stipends to cover classes for absent staff. Other substitute costs were up from FY21 as well as schools met for in-person learning the entire year. We also reclassified the Learning Support Specialists and Learning Support Teachers from the Student Personnel category to the Instructional Salaries category. This was based on the guidance outlined in the Maryland Public Schools Financial Reporting Manual. Instructional Salaries also increased from FY21 as a result of the negotiated COLA.
4. Other Instructional Costs increased by \$120,086. In FY22, we purchased new chairs and whiteboard tables for all of the math classrooms at Washington High School and at Crisfield High School. We were also able to purchase new stage chairs for Washington High School.
5. Special Education costs increased by \$104,049. As school resumed as normal, we added more one-on-one and paraprofessional positions. We were also able to add an additional Speech Therapist (consultant) position.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE BOARD'S FUNDS** (Continued)

6. Student Personnel category costs decreased by \$436,939. This is the result of reclassifying the Learning Support Specialist and Learning Support Teachers to the Instructional Salaries category (see Instructional Salaries above.)
7. Transportation costs increased by \$258,042. The majority of the increase in Student Transportation costs is the result of the Fuel Adjustment that is part of the Bus Contractor's negotiated agreement. As gas prices rise, a fuel adjustment is added to the contractor's pay. Special Ed Bus Assistant's cost increased as students were back for in-person learning in FY22. Athletic transportation costs also increased as districts returned to full sport seasons.
8. Fixed Charges decreased in FY22 by \$610,201 for several reasons. Accrued compensation payments were down as well as our Perfect Attendance Bonuses. Opt-Out Retirement bonuses were down as fewer employees retired. Health insurance and other fringe costs decreased as many of the new positions that were added were grant funded positions. Therefore, the grant covered the cost of the fringe benefits of those employees. We also did not offer a health insurance premium holiday in FY22. Unemployment costs decreased in FY22 as we did not need to furlough any staff as we did in FY21.

Table 3

## GENERAL FUND REVENUES

	FY 2022	FY 2021	Increase (Decrease)	% of Incr. (Decr.)
REVENUES				
Somerset County Appropriations	\$ 10,443,965	\$ 10,189,253	\$ 254,712	2.5%
State of Maryland	33,319,635	33,713,758	(394,123)	-1.2%
State share of retirement and pension contribution	2,892,406	2,769,536	122,870	4.4%
Other	<u>248,341</u>	<u>194,504</u>	<u>53,837</u>	27.7%
Total Revenues	<u>46,904,347</u>	<u>46,867,051</u>	<u>37,296</u>	0.1%

## GENERAL FUND EXPENDITURES

EXPENDITURES				
Administration	1,608,945	1,548,097	60,848	3.9%
Mid-level Administration	4,783,280	3,887,036	896,244	23.1%
Instructional salaries	15,126,958	14,058,756	1,068,202	7.6%
Textbooks & instructional supplies	893,728	916,619	(22,891)	-2.5%
Other instruction costs	233,109	113,023	120,086	106.2%
Special Education	3,905,035	3,800,986	104,049	2.7%
Student personnel services	358,496	795,435	(436,939)	-54.9%
Health services	455,235	477,461	(22,226)	-4.7%
Transportation of pupils	3,118,383	2,860,341	258,042	9.0%
Operation of plant	3,391,943	2,893,244	498,699	17.2%
Maintenance of plant	1,168,496	991,592	176,904	17.8%
Fixed charges	9,104,552	9,714,753	(610,201)	-6.3%
Capital outlay	-	-	-	0.0%
State share of retirement and pension contribution	<u>2,892,406</u>	<u>2,769,536</u>	<u>122,870</u>	4.4%
Total expenditures	<u>47,040,566</u>	<u>44,826,879</u>	<u>2,213,687</u>	4.9%
Excess/(Deficiency) of revenues over expenditures	<u>\$ (136,219)</u>	<u>\$ 2,040,172</u>	<u>\$ (2,176,391)</u>	

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**RESTRICTED GRANT FUNDS**

These funds are used to account for grants from Federal, State and Local sources. Grants provide a major source of revenue for specific educational programs not funded by the General Fund. Programs include initiatives for Special Education students, programs for adults to earn a GED or another alternative method to obtain a high school diploma for students from families who are socially and economically depressed. Table 4 below reflects an overall increase of \$1,082,473 in grant funds from the prior year. Grant funding will vary as most are subject to availability and qualifications as well as a selection and approval process.

Due to the ongoing Covid 19 pandemic, Congress authorized three relief packages to aid states and municipalities as they recover from the devastating financial impact that Covid 19 has had on the United States. Local Educational Agencies were allocated a portion of these funds to assist in the education of students during the pandemic and to address learning losses that occurred due to the pandemic. These funds can also be used to upgrade or repair ventilation systems, offset losses in FNS programs and to offset other costs that can be attributed to mitigating the spread of Covid 19. SCPS’ allocations are as follows: ESSER I- \$1,347,240, ESSER II- \$6,009,403, and ESSER III - \$13,496,264. These funds are available for use through September 30, 2024. In FY22, SCPS spent \$42,994 in ESSER I funds, \$2,576,676 in ESSER II funds and \$753,043 in ESSER III funds.

Table 4

RESTRICTED GRANT REVENUE

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Increase (Decrease)</u>	<u>% Incr. (Decr.)</u>
<b>REVENUES</b>				
Federal through State	\$ 7,879,197	\$ 9,342,089	\$ (1,462,892)	-15.66%
State of Maryland	5,883,951	3,338,586	2,545,365	76.24%
Reimbursements and Other Income	<u>-</u>	<u>-</u>	<u>-</u>	-100.00%
Total Revenues	<u>\$ 13,763,148</u>	<u>\$ 12,680,675</u>	<u>\$ 1,082,473</u>	8.54%

**CAPITAL PROJECTS FUND**

The Board has no legal authority to borrow funds. During FY 2022, the Board received Lighting Rebate funding of \$9,660 and State funding of \$3,544, which is recorded on these financial statements.



**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**SCHOOL ACTIVITY FUNDS**

The following funds are now accounted for as Governmental funds as a result of the implementation of GASB 84.

During FY 2022 the Board’s nine (9) schools collected revenues and incurred expenditures for various student activities (See Table 5). The Board contracts with an independent Certified Public Accountant to perform an audit of these activity funds on an annual basis. Please refer to the separately issued audited financial statements for the School Activities Fund and schedule for specific details. Revenues and expenditures from school activities decreased in FY22 as the system returned to normal operations after the COVID-19 pandemic.

Table 5

SCHOOL ACTIVITIES FUNDS				
	<u>FY 2022</u>	<u>FY 2021</u>	<u>Increase (Decrease)</u>	<u>% Incr. (Decr.)</u>
Additions	\$ 530,403	\$ 195,778	\$ 334,625	170.92%
Deductions	(460,389)	(214,519)	(245,870)	114.61%
Beginning balance due to school activities funds	<u>319,743</u>	<u>338,484</u>	<u>(18,741)</u>	-5.54%
Ending Balance due to School Activities Fund	<u>\$ 389,757</u>	<u>\$ 319,743</u>	<u>\$ 70,014</u>	21.90%

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board revised the annual operating and capital budgets. These budget amendments, which received both Board and County Commissioner approval for all categorical changes were made to avoid budget overruns. During the year the following amendments were approved to the budget:

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**GENERAL FUND BUDGETARY HIGHLIGHTS, continued**

	<u>Original Approved FY 2022 Budget</u>	<u>Category Increases</u>	<u>Category Transfers</u>	<u>Final Amended FY 2022 Budget</u>
<b>REVENUES</b>				
Somerset County	\$ 10,443,965	\$ -	\$ -	\$ 10,443,965
State of Maryland	33,291,442	-	-	33,291,442
Other	160,000	-	-	160,000
Prior Year's Fund Balance	900,800	-	-	900,800
<b>Total Revenues</b>	<u>44,796,207</u>	<u>-</u>	<u>-</u>	<u>44,796,207</u>
<b>EXPENDITURES</b>				
Administration	1,579,392	35,000	-	1,614,392
Mid-level Administration	3,979,214	345,000	-	4,324,214
Instructional Salaries and Wages	14,685,279	554,000	-	15,239,279
Instructional Textbooks and Supplies	880,071	25,000	-	905,071
Other Instructional Costs	320,023	-	-	320,023
Student Personnel Services	892,600	-	(413,000)	479,600
Health Services	510,602	-	-	510,602
Fixed Charges	10,732,615	-	(1,172,000)	9,560,615
Student Transportation	3,084,891	45,000	-	3,129,891
Operation of Plant	3,090,923	300,000	-	3,390,923
Maintenance of Plant	1,023,266	130,000	-	1,153,266
Special Education	4,017,331	14,000	-	4,031,331
Capital Outlay	-	137,000	-	137,000
<b>Total Expenditures</b>	<u>\$ 44,796,207</u>	<u>\$ 1,585,000</u>	<u>\$ (1,585,000)</u>	<u>\$ 44,796,207</u>

After these revisions, the actual General Fund and Capital expenditures matched the budget. Actual expenditures and encumbrances were under budget by \$1,270,365. Actual revenues exceeded expenditures by \$1,246,825. The Board utilized the FY 2020 fund balance designated for FY 2022 (excess of revenues over expenditures) in the amount of \$900,800. This leaves an unreserved, undesignated fund balance of \$1,246,825 to be carried forward to FY 2024. The excess fund balance from FY 2022 is primarily attributed excess funds in Instructional Salaries, Special Education, Other Instructional Costs, and Fixed Charges categories.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2022, the Board has invested \$130,237,227 in a broad range of capital assets, including land, school buildings, athletic facilities, furniture and equipment. (More detailed information about capital assets can be found in subsequent note to the financial statements.) Total depreciation expense for the year was \$3,042,379 in governmental and business-type activities.

Construction – Next Five Years

Annually, the Board of Education prepares and submits to the State Interagency Commission on School Construction (IAC) and the local county government a 5-year capital improvement plan (CIP). As a part of the ongoing improvement of our facilities one major capital project will be completed in the FY22-23 school year. A building envelope project will be completed at Greenwood Elementary School. All doors and windows will be replaced to improve the efficiency of the HVAC system. This project will be completed as part of the FY22 and FY23 CIP, funded entirely by the IAC program.

In addition ESSER II and ESSER III funds will be used to complete several other projects. All windows will be repaired at Somerset Intermediate School and the HVAC system at Crisfield High school will be replaced. In FY23 we will also be completing a re-wiring of all of our buildings in order to better support the additional devices being used by students in the classrooms. Greenwood Elementary School will receive 2 new portable classrooms to add much needed classroom space.

Over the next five years, the following projects are under consideration: replacement of or renovations to the Princess Anne Elementary School and a systemic renovation of Crisfield High School.

Long-Term Liabilities

- At year-end, the Board had \$23,024,760 in amounts due or payable after one year. This amount consists of accrued compensated absences (\$1,244,815) which is an obligation resulting from accrued annual leave which is due and payable to employees upon retirement. Also included in this amount is the Other Post Employment Benefit (OPEB) liability (\$19,549,286) for future health insurance costs for retirees in compliance with GASB 75 and an amount for the net pension liability required under GASB 68 (\$2,205,659).

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**FACTORS BEARING ON THE BOARD'S FUTURE**

The Board provides post-employment health insurance benefits to their retirees. Implementation of GASB Statement No. 75 resulted in a Net OPEB liability on our district-wide financial statements of \$19,549,286 as of June 30, 2022. The Board currently funds retiree healthcare premiums as described in Note 10 on a pay- as-you -go basis only. In FY19, our retiree's insurance plan was switched to Laborfirst. Moving to Laborfirst's Medicare Supplemental plan enabled SCPS and its retirees to lower their current out of pocket costs. In FY20, contract language was changed to state that SCPS' cost share amount was equal to 50% of the monthly premium cost for each retiree. As the actuarial cost of the plan increased over time, SCPS' costs would have increased instead of being limited to a specific dollar amount. In FY21, the contract language was changed to re-establish a \$3,600 cap per year for each retiree. The change in language served to lower the amount of the Board's future liability. Considering the limited funding available, the Board has opted to not fund any potential liability, instead focusing its funds on instruction. Management plans a continued cooperative effort between the Board and the County Government to fund these benefits in the future. This is particularly critical when considering the economic hardships faced by governments during the current downturn.

In FY 2022 the State contributed \$2,892,406 for teacher retirement which is disclosed as an on behalf payment on the Board's financial statements. The State of Maryland previously funded most of the employee share of retirement costs for employees enrolled in the Teachers Retirement and Pension Systems. Retirement costs for education continue to escalate at the State level primarily due to the salary increases realized during the implementation of the *Bridge to Excellence (Thornton) Funding*.

The Food Service Fund had a \$435,024 profit in FY 2022. On March 13, 2020, schools across the State were shut down by Governor Hogan for what was to be a two week period in response to the COVID 19 pandemic. Ultimately, this resulted in a closure for the rest of the FY20 school year. This closure had a devastating effect on district FNS programs in the state of Maryland as well as throughout the United States. Every FNS program has experienced a reduction in sales revenue and USDA meal reimbursements as the number of meals served was cut dramatically. The USDA issued several waivers that allowed SCPS to operate under the Summer Food Service Program. This changed required meal patterns and the way that meals can be served. The Summer Food Service Program reimbursement is also at a higher rate per meal than the National School Lunch and Breakfast program. In FY22, SCPS was able to re-open at for the entire year for in-person learning. This contributed to a large increase in total of meals served for the year. This, in combination with the higher reimbursement rates, led to the large profit in the Food Service fund. For FY23, SCPS will once again be reimbursed at the lower School Breakfast and Lunch program rates so we do not expect to have as large of a profit in our Food Service fund at the end of the year.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY  
WESTOVER, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2022**

**FACTORS BEARING ON THE BOARD'S FUTURE** (Continued)

The Blueprint for Maryland's Future law was passed by the 2019 Maryland General Assembly. The law was based on policy recommendations outlined in the Interim Report of the Maryland Commission on Innovation and Excellence in Education (the Kirwan Commission). The purpose of the Commission was to review and ultimately, to revise, the current education funding formula for Maryland's school systems. The Blueprint for Maryland's Future defines 5 Pillars as part of the law: Early Childhood Education, High-Quality and Diverse Teachers and Leaders, College and Career Readiness, More Resources for Students to be Successful, and Governance and Accountability.

The new Blueprint funding formula will be used to determine funding for the FY23 school year. For FY23, Washington High School is added to our list of Concentration of Poverty schools. Each of Concentration of Poverty schools will receive a "Personnel" grant as well as a "Per Pupil" grant. This will lead to a significant funding increase at each of those schools over the FY22 amounts. These funds can be spent to address mental and behavioral health issues of students as well as provide supports for our most at-risk students. The Blueprint will also change the way we fund and manage our schools. The Accountability Implementation Board formed as the result of the Blueprint law will oversee the implementation of the plan across the State. Due to the timing of the pandemic, some of the timelines have been shifted into the future. Additional information regarding the Blueprint and the timeline can be found at <https://aib.maryland.gov>.

**CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, Somerset County Board of Education, 7982-A Tawes Campus Drive, Westover, Maryland 21871.

**AUDITED FINANCIAL STATEMENTS**

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## STATEMENT OF NET POSITION June 30, 2022

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,015,804	\$ 1,182,363	\$ 4,198,167
Due from other governmental agencies	3,646,385	898,453	4,544,838
Inventory	-	20,195	20,195
Internal balances	1,415,825	(1,415,825)	-
Land	493,252	-	493,252
Construction in progress	212,715	-	212,715
Depreciable assets, net of accumulated depreciation	85,765,039	133,754	85,898,793
<b>TOTAL ASSETS</b>	<b>94,549,020</b>	<b>818,940</b>	<b>95,367,960</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions (see Note 8)	1,316,700	-	1,316,700
Other post-employment benefits (see Note 10)	6,416,528	-	6,416,528
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,733,228</b>	<b>-</b>	<b>7,733,228</b>
<b>LIABILITIES</b>			
Accounts payable:			
Vendors	1,457,882	55,217	1,513,099
Payroll deductions and withholdings	1,986,911	729	1,987,640
Due to other governments	10,943	-	10,943
Accrued salaries	387,331	-	387,331
Unearned revenue	867,437	-	867,437
Long-term liabilities:			
Due within one year	25,000	-	25,000
Due in more than one year	22,999,760	3,794	23,003,554
<b>TOTAL LIABILITIES</b>	<b>27,735,264</b>	<b>59,740</b>	<b>27,795,004</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions (see Note 8)	1,223,613	-	1,223,613
Other post-employment benefits (see Note 10)	3,837,796	-	3,837,796
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,061,409</b>	<b>-</b>	<b>5,061,409</b>
<b>NET POSITION</b>			
Net investment in capital assets	86,471,006	133,754	86,604,760
Unrestricted	(16,985,431)	625,446	(16,359,985)
<b>TOTAL NET POSITION</b>	<b>\$ 69,485,575</b>	<b>\$ 759,200</b>	<b>\$ 70,244,775</b>

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

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current:				
Administration	\$ 2,520,883	\$ -	\$ 821,323	\$ -
Mid-level administration	5,120,464	-	337,184	-
Instructional services	24,904,911	-	6,246,586	-
Special education	5,341,781	-	1,436,746	-
Student personnel services	931,652	-	573,156	-
Health services	637,090	-	181,855	-
Student transportation	3,377,140	-	258,757	-
Operation of plant and equipment	4,035,163	-	160,944	-
Maintenance of plant	1,171,994	-	3,498	-
Fixed charges	13,583,149	-	2,959,003	-
Community services	578,308	-	578,308	-
Food service	-	-	-	-
School activities	460,389	530,403	-	-
Capital outlay	26,820	-	-	218,992
State of Maryland share of retirement and pension contribution	2,892,406	-	2,892,406	-
<b>Total Governmental Activities</b>	<b>65,582,150</b>	<b>530,403</b>	<b>16,449,766</b>	<b>218,992</b>
<b>Business-Type Activities</b>				
Food services	2,267,652	49,302	2,652,853	-
<b>Totals</b>	<b>\$ 67,849,802</b>	<b>\$ 579,705</b>	<b>\$ 19,102,619</b>	<b>\$ 218,992</b>

### General Revenues

State of Maryland  
Somerset County appropriation  
Reimbursements and other income

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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



Net (Expenses) Revenue  
and changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,699,560)	\$ -	\$ (1,699,560)
(4,783,280)	-	(4,783,280)
(18,658,325)	-	(18,658,325)
(3,905,035)	-	(3,905,035)
(358,496)	-	(358,496)
(455,235)	-	(455,235)
(3,118,383)	-	(3,118,383)
(3,874,219)	-	(3,874,219)
(1,168,496)	-	(1,168,496)
(10,624,146)	-	(10,624,146)
-	-	-
-	-	-
70,014	-	70,014
192,172	-	192,172
-	-	-
(48,382,989)	-	(48,382,989)
-	434,503	434,503
(48,382,989)	434,503	(47,948,486)
33,319,635	-	33,319,635
10,443,965	-	10,443,965
248,341	521	248,862
44,011,941	521	44,012,462
(4,371,048)	435,024	(3,936,024)
73,856,623	324,176	74,180,799
\$ 69,485,575	\$ 759,200	\$ 70,244,775

THE BOARD OF EDUCATION OF SOMERSET COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,638,058	\$ -	\$ -	\$ 377,746	\$ 3,015,804
Due from governmental and other agencies	913,162	2,717,623	3,544	12,056	3,646,385
Due from other funds	3,020,502	-	1,523	-	3,022,025
<b>TOTAL ASSETS</b>	<b>\$ 6,571,722</b>	<b>\$ 2,717,623</b>	<b>\$ 5,067</b>	<b>\$ 389,802</b>	<b>\$ 9,684,214</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable:					
Vendors	\$ 1,091,115	\$ 366,092	\$ 630	\$ 45	\$ 1,457,882
Payroll deductions and withholdings	1,986,911	-	-	-	1,986,911
Due to other funds	1,523	1,604,677	-	-	1,606,200
Due to other government	10,943	-	-	-	10,943
Accrued salaries and payroll taxes	295,120	92,211	-	-	387,331
Unearned revenue	208,357	654,643	4,437	-	867,437
<b>TOTAL LIABILITIES</b>	<b>3,593,969</b>	<b>2,717,623</b>	<b>5,067</b>	<b>45</b>	<b>6,316,704</b>
<b>FUND BALANCES</b>					
Assigned to:					
School activities	-	-	-	389,757	389,757
Subsequent year expenditures	1,059,425	-	-	-	1,059,425
Other purposes (encumbrances)	481,429	-	-	-	481,429
Assigned for other programs	50,000	-	-	-	50,000
Assigned for program expenses	140,074	-	-	-	140,074
Unassigned	1,246,825	-	-	-	1,246,825
<b>TOTAL FUND BALANCES</b>	<b>2,977,753</b>	<b>-</b>	<b>-</b>	<b>389,757</b>	<b>3,367,510</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,571,722</b>	<b>\$ 2,717,623</b>	<b>\$ 5,067</b>	<b>\$ 389,802</b>	<b>\$ 9,684,214</b>

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

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2022

Total fund balances, governmental funds \$ 3,367,510

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 are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 86,471,006

Deferred outflow of resources		
Pensions (see Note 8)	1,316,700	
Other post-employment benefits (see Note 10)	6,416,528	7,733,228

Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:

Accrued compensated absences	(1,269,815)	
Net pension liability	(2,205,659)	
Post-employment benefits	(19,549,286)	(23,024,760)

Deferred inflow of resources		
Pensions (see Note 8)	(1,223,613)	
Other post-employment benefits (see Note 10)	(3,837,796)	(5,061,409)

Net position of governmental activities in the Statement of Net Position \$ 69,485,575

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2022

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
<b>REVENUES</b>					
Somerset County	\$ 10,443,965	\$ -	\$ 9,660	\$ -	\$ 10,453,625
Federal government	-	7,879,197	-	-	7,879,197
State Of Maryland	33,319,635	5,883,951	3,544	-	39,207,130
State Of Maryland on-behalf payments	2,892,406	-	-	-	2,892,406
Reimbursements and other income	248,341	-	-	-	248,341
School activity revenues	-	-	-	530,403	530,403
<b>TOTAL REVENUES</b>	<b>46,904,347</b>	<b>13,763,148</b>	<b>13,204</b>	<b>530,403</b>	<b>61,211,102</b>
<b>EXPENDITURES</b>					
Current:					
Administration	1,608,945	821,323	-	-	2,430,268
Mid-level administrati	4,783,280	337,184	-	-	5,120,464
Instructional salaries and wages	15,126,958	5,003,115	-	-	20,130,073
Textbooks and instructional supplies	893,728	674,451	-	-	1,568,179
Other instructional costs	233,109	569,020	-	-	802,129
Student personnel services	358,496	573,156	-	-	931,652
Health services	455,235	181,855	-	-	637,090
Student transportation	3,118,383	258,757	-	-	3,377,140
Operation of plant and equipment	3,391,943	160,944	-	-	3,552,887
Maintenance of plant	1,168,496	3,498	-	-	1,171,994
Special education	3,905,035	1,436,746	-	-	5,341,781
Fringe benefits on-behalf payments	2,892,406	-	-	-	2,892,406
Fixed charges	9,104,552	2,959,003	-	-	12,063,555
Community services	-	578,308	-	-	578,308
Food service	-	-	-	-	-
School activity expenditures	-	-	-	460,389	460,389
Capital outlay	-	205,788	13,204	-	218,992
<b>TOTAL EXPENDITURES</b>	<b>47,040,566</b>	<b>13,763,148</b>	<b>13,204</b>	<b>460,389</b>	<b>61,277,307</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(136,219)</b>	<b>-</b>	<b>-</b>	<b>70,014</b>	<b>(66,205)</b>
Fund balances, beginning	3,113,972	-	-	319,743	3,433,715
Fund balances, ending	\$ 2,977,753	\$ -	\$ -	\$ 389,757	\$ 3,367,510

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

THE BOARD OF EDUCATION OF SOMERSET COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2022

Net change in fund balances, governmental funds \$ (66,205)

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 and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	225,213	
Depreciation expense	(3,010,461)	
Excess of capital outlay over depreciation expense		(2,785,248)

Some items 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. These activities consist of:

Decrease in pension expense due to deferred financing outflow	734,735	
Decrease in pension expense due to net pension liability	499,633	
Increase in pension expense due to deferred financing inflows	(1,081,239)	
Increase in post-employment benefits expense due to deferred financing outflow	(1,111,841)	
Decrease in post-employment benefits expense due to net OPEB liability	2,366,815	
Increase in post-employment benefits expense due to deferred financing inflow	(2,741,074)	
Increase in accrued compensated absences	(186,624)	
Total		(1,519,595)

Change in net position of governmental activities \$ (4,371,048)

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

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## STATEMENT OF FUND NET POSITION PROPRIETARY FUNDS June 30, 2022

	<u>Enterprise Fund Food Services</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,182,363
Due from other governments	898,453
Inventory of food, at cost	<u>20,195</u>
Total current assets	<u>2,101,011</u>
Noncurrent assets:	
Equipment	1,427,670
Less: accumulated depreciation	<u>(1,293,916)</u>
Total noncurrent assets	<u>133,754</u>
<b>TOTAL ASSETS</b>	<u><b>2,234,765</b></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	55,217
Due to general fund	1,415,825
Accrued payroll	<u>729</u>
Total current liabilities	1,471,771
Long-term liabilities:	
Accrued compensated absences	<u>3,794</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,475,565</b></u>
<b>NET POSITION</b>	
Invested in capital assets	133,754
Unrestricted	<u>625,446</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 759,200</b></u>

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

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS Year Ended June 30, 2022

	<u>Enterprise Fund Food Services</u>
OPERATING REVENUES	
Food Service Sales	<u>\$ 49,302</u>
OPERATING EXPENSES	
Operation Of Plant	3,892
Fixed Charges	255,172
Salaries And Wages	715,737
Contracted Services	6,028
Food and Food Related Supplies	1,250,819
Other Charges	4,086
Depreciation	<u>31,918</u>
TOTAL OPERATING EXPENSES	<u>2,267,652</u>
OPERATING LOSS	<u>(2,218,350)</u>
NONOPERATING REVENUES	
Interest Income	<u>521</u>
State Of Maryland:	
Reimbursement Of Food Costs	<u>125,457</u>
Federal Through State:	
Reimbursement Of Food Costs	2,428,411
Donation Of Food Commodities	<u>98,985</u>
Total Federal Through State	<u>2,527,396</u>
TOTAL NONOPERATING REVENUES	<u>2,653,374</u>
Change in net position	435,024
Net position beginning of year	<u>324,176</u>
Net position end of year	<u><u>\$ 759,200</u></u>

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

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended June 30, 2022

	<u>Enterprise Fund</u> <u>Food Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from user charges	\$ 49,302
Cash payments to employees for services and fringe benefits	(984,580)
Cash payments to suppliers for goods and services	(1,157,069)
Cash payments for other operating expenses	(14,006)
Net cash used for operating activities	<u>(2,106,353)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Non-operating grants received	1,788,227
Proceeds from other funds (net of repayments)	514,792
Net cash provided by noncapital financing activities	<u>2,303,019</u>
<b>CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES</b>	
Purchases of equipment	(10,584)
Interest on investments	521
Net cash provided by investing activities	<u>(10,063)</u>
Net change in cash and cash equivalents	186,603
Cash and equivalents, beginning of year	<u>995,760</u>
Cash and equivalents, end of year	<u>\$ 1,182,363</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Operating loss	\$ (2,218,350)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	31,918
Donated commodities used	98,985
Changes in operating assets and liabilities:	
Inventory of food, at cost	5,076
Accounts payable and accrued liabilities	<u>(23,982)</u>
Net cash used for operating activities	<u>\$ (2,106,353)</u>
<b>NONCASH ACTIVITIES</b>	
During the year the board received food commodities from the U.S. Department of Agriculture	\$ 98,985

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



**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Board of Education of Somerset County is a component unit of Somerset County, Maryland. These separate financial statements are also included within the basic financial statements of Somerset County.

The Board is the basic level of government which has financial accountability and control over all activities related to public school education in Somerset County, Maryland. The Board of Education receives substantial appropriations from and is subject to the indirect control of Somerset County, although the Board has its own separate governing board.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the Board. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses are of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to recipients who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Grants and other revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, unless labeled otherwise.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 1. Summary of Significant Accounting Policies - continued**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Board reports the following major governmental funds:

General Fund

All financial resources appropriated for current operating expenditures, exclusive of certain restricted funds, are accounted for in the General Fund.

Restricted Funds

These funds are used to account for revenue sources that are legally restricted to expenditure for a specific purpose, such as federal, state and local grants.

Capital Projects Fund

This fund accounts for financial resources that are restricted to construction of new buildings, additions and alterations and acquisitions of equipment. Revenue is recognized from other governmental entities.

School Activities Fund

The School Activities Fund is used to account for revenues and expenditures at the schools for, among other things, student pictures, athletics, clubs and other student activities and principals' miscellaneous expenditures.

The Board reports the following major proprietary fund:

Food Service Fund

This fund accounts for the activity of the Board's Food Service operation which operates cafeterias in the Board's schools.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 1. Summary of Significant Accounting Policies – continued**

Food Service Fund - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board are charges for lunch, breakfast and catered meals. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Budgetary Data**

All funds, other than school activity 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 between categories and those approved by the Board within categories.

**E. Inventories**

Inventories of the Food Service Fund are stated at cost, determined on a FIFO basis. Food received from the USDA is included at values stated by the USDA but is offset by a deferred credit until consumed.

Inventories of material and supplies are charged to expenditures when consumed, rather than when purchased or donated.

**F. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 1. Summary of Significant Accounting Policies - continued**

**F. Capital Assets - continued**

Property, plant and equipment of the Board is depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	20
Buildings and improvements	7 - 50
Equipment	5 - 15
Vehicles	8

**G. Accrued Compensated Absences**

The Board of Education accrues a liability for certain compensated absences (primarily vacation pay) that employees have earned but have not yet been paid. Expenditures in the statement of revenues and expenditures for such items are the amounts paid during the year with expendable available financial resources. All accrued compensated absences are recorded in the government-wide financial statements.

**H. Unearned Revenue**

Unearned revenue consists of federal and state grants and other revenues that have not been expended by the end of the fiscal year.

**I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

**J. Cash and Cash Equivalents**

For purposes of the statement of cash flows for the proprietary fund, the Board considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 1. Summary of Significant Accounting Policies - continued**

**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 obligation (Note 8) and OPEB liability (Note 10) for changes in assumptions 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 obligation (Note 8) and OPEB liability (Note 10) for the net difference between projected and actual investment earnings on pension 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.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 1. 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. Proprietary fund equity is classified the same as in the government-wide statements.

**N. Encumbrance Accounting**

In the fund financial statements, reservations for fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Assigned for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Board but not completed as of the close of the fiscal year. Encumbrances outstanding at June 30, 2022 totaled \$481,429.

**O. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2. Cash, Cash Equivalents, and Investments**

**A. Deposits and Investments**

The Board is authorized to invest monies for which it has custody or control. The types of investments are in accordance with Section 6-222 of the Maryland State Finance and Procurement Article.

**B. Custodial Risk**

The Annotated Code of Maryland (Article 95, Section 22) requires that deposits with financial institutions by local boards of education be collateralized. Collateral for repurchase agreements must be at least 102% of market value of principal and accrued interest. The Board's collateral is held by a custodian in accordance with Section 6-209(c) of the State Finance and Procurement Article of the Annotated Code of Maryland and acceptable collateral is as specified under Section 6-202 of the same document.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2022

**Note 2. Cash, Cash Equivalents, and Investments – continued**

**B. Custodial Risk - continued**

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.

At June 30, 2022, the Board's funds were invested as follows:

	Governmental Activities	Business-Type Activities
Demand deposits	\$ 2,983,614	\$ 1,182,363
Savings deposits	32,190	-
<b>TOTAL</b>	<b>\$ 3,015,804</b>	<b>\$ 1,182,363</b>
<b>CARRYING VALUE</b>	<b>\$ 3,015,804</b>	<b>\$ 1,182,363</b>

The bank balances were exposed to custodial credit risk as follows:

	Governmental Activities	Business-Type Activities
Insured	\$ 250,000	\$ -
Uninsured and collateral held by pledging Bank's trust department in the Board's name	3,361,571	1,182,363
<b>TOTAL</b>	<b>\$ 3,611,571</b>	<b>\$ 1,182,363</b>

**C. Credit Risk**

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 or liquidate below original cost.

**Note 3. Due from Governmental Agencies**

As of June 30, 2022, the Board also has amounts due from governmental agencies of \$3,646,385 and \$898,453 for governmental and business-type activities, respectively. These receivables are due primarily from the Maryland State Department of Education, from Somerset County and from nonprofit agencies located on the Eastern Shore.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2022

**Note 4. Interfund Receivables - Payables**

At June 30, 2022, the interfund account balances, prior to eliminations on the statement of net position - government-wide financial statements, are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
General fund		
Due from food services fund	\$ 1,415,825	\$ -
Due from restricted funds	1,604,677	-
Due to capital projects fund		1,523
Restricted grants		
Due to general fund	-	1,604,677
Capital projects		
Due from general fund	1,523	
<b>BUSINESS-TYPE ACTIVITIES</b>		
Enterprise fund - food service		
Due to general fund	-	1,415,825
<b>TOTAL ALL FUNDS</b>	<u><b>\$ 3,022,025</b></u>	<u><b>\$ 3,022,025</b></u>

**Note 5. Changes in Long-Term Liability Activity**

Long-term liability activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Net OPEB liability	\$ 21,916,102	\$ -	\$ 2,366,816	\$ 19,549,286	\$ -
Net pension liability	2,705,292	-	499,633	2,205,659	-
Accrued Compensated Absences	1,083,191	321,115	134,491	1,269,815	25,000
Total	<u>\$ 25,704,585</u>	<u>\$ 321,115</u>	<u>\$ 3,000,940</u>	<u>\$ 23,024,760</u>	<u>\$ 25,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Accrued Compensated Absences	<u>\$ 4,428</u>	<u>\$ -</u>	<u>\$ 634</u>	<u>\$ 3,794</u>	<u>\$ -</u>

Payments for compensated absences, net pension liability, and other post-employment benefits have typically been liquidated in the General Fund in the prior years.



**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 6. Capital Assets**

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

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 493,252	\$ -	\$ -	\$ 493,252
Construction in progress	15,027	197,688	-	212,715
Total capital assets not being depreciated	508,279	197,688	-	705,967
Capital assets being depreciated:				
Buildings	121,214,874	-	-	121,214,874
Land improvements	3,613,577	-	-	3,613,577
Furniture, fixtures and equipment	3,482,751	33,040	(581,224)	2,934,567
Vehicles	350,572	-	(10,000)	340,572
Total capital assets being depreciated	128,661,774	33,040	(591,224)	128,103,590
Less accumulated depreciation:				
Buildings	(34,557,834)	(2,753,811)	-	(37,311,645)
Land improvements	(3,094,667)	(51,045)	-	(3,145,712)
Furniture, fixtures and equipment	(2,046,932)	(168,731)	579,708	(1,635,955)
Vehicles	(214,365)	(36,874)	6,000	(245,239)
Total accumulated depreciation	(39,913,798)	(3,010,461)	585,708	(42,338,551)
Total capital assets being depreciated, net of accumulated depreciation	88,747,976	(2,977,421)	(5,516)	85,765,039
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 89,256,255</b>	<b>\$ (2,779,733)</b>	<b>\$ (5,516)</b>	<b>\$ 86,471,006</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated:				
Equipment	\$ 1,468,181	\$ 10,584	\$ (51,095)	\$ 1,427,670
Less accumulated depreciation:				
Equipment	(1,313,093)	(31,918)	51,095	(1,293,916)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$ 155,088</b>	<b>\$ (21,334)</b>	<b>\$ -</b>	<b>\$ 133,754</b>

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 6. Capital Assets - continued**

\*Depreciation for governmental activities is allocated as follows:

Administration	\$ 90,615
Operation of plant	482,276
Instruction	<u>2,437,570</u>
 TOTAL	 <u>\$ 3,010,461</u>

**Note 7. 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. The Board is a member of the Maryland Association of Board's of Education Group Insurance Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for fourteen of the twenty-four Boards of Education. The Pool was formed in 1986 when several boards of education through Maryland joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in 2000.

The Board pays an annual premium to the Pool for its property and casualty insurance coverage. It is intended for the Pool to 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 a deficit in its casualty and/or property funds, the deficit may be made up from additional assessments of Boards' participating in the deficit pool year in an amount equal to the ratio of the Board's annual premium to the total annual premium contributed by all Boards in the year in which the deficit occurred.

The Board continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Other than the legal settlement discussed in prior audits, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In 2004, the Board joined the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 12% as a recommended conservative reserve. As of December 21, 2021, the Boards' funds held by ESMEC exceeded the recommended conservative reserve by \$884,318. All funds held by ESMEC are restricted to being used only for health care expenses.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 8. Pension Plans**

The State Retirement Agency (the 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 to State employees, teachers, police, judges, legislators, and employees of participating governmental units. 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](http://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.

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:

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 8. 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 System

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.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 8. Pension Plans - continued**

Teachers' and Employees' Pension System - continued

Vested Allowance:

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

Employee Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2022. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

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

**Teacher's and Employees' Retirement Systems and Teachers' and Employees' Pension Systems**

Employer Contributions:

For the year ended June 30, 2022 the Board's total payroll for all employees was \$35,677,172. Total covered payroll was \$31,246,795. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay 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. The related payment for fiscal year ending 2022 was \$1,107,104. In addition, the State of Maryland contributed \$2,892,406 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

**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.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 8. Pension Plans - continued**

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

At June 30, 2022, the Board reported a liability for its proportionate share of the net pension liability. 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:

	<b>2022</b>
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 2,205,659
Board's proportionate share of the net pension liability (Teachers' Systems)	<u>18,855,898</u>
Total	<u>\$ 21,061,557</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on 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, 2021 the Board's proportion of the net pension liability was .015%, which was substantially the same as its proportion measured as of June 30, 2020. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2020 to June 30, 2021 for the net pension liability, deferred financing outflows and deferred financing inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2022, the Board recognized pension expense for the employees system of \$230,978 in the government-wide financial statements and \$384,107 in the fund financial statements. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 426,925	\$ (47,275)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,007,286)
Differences between expected and actual experience	-	(169,052)
Change in proportion	505,668	-
Board contributions subsequent to measurement date	<u>384,107</u>	<u>-</u>
Total	<u>\$ 1,316,700</u>	<u>\$ (1,223,613)</u>

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2022

**Note 8. Pension Plans - continued**

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

The \$384,107 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, 2023. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.50 to 5.86 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, 2022:

<u>Year Ending June 30,</u>	<u>Deferred Outflows (Inflows)</u>
2023	\$ (111,873)
2024	(77,882)
2025	(76,204)
2026	(120,334)
2027	95,273
Total	<u>\$ (291,020)</u>

***Actuarial Assumptions***

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.25% general, 2.75% wage
Salary increases	Projected range from 0.00% to 8.50% per year
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	Fully generational - PB-2010/MP2018

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2022

**Note 8. Pension Plans - continued**

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

***Investments***

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	<u>8%</u>	2.0%
Total	<u><u>100%</u></u>	

***Discount rate***

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



**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2022

**Note 8. Pension Plans - continued**

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

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

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

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	5.80%	\$ 3,756,546
Current discount rate	6.80%	\$ 2,205,659
1% increase	7.80%	\$ 919,208

**Note 9. Budget Calendar**

The following calendar reflects the anticipated general sequence of events for the preparation and adoption of the operating budget of The Board of Education of Somerset County:

<u>Approximate Date</u>	<u>Procedures Performed</u>
November	Budget packets are sent to A&S staff. Parent, community and staff input is received.
December	Public input session (BOE meeting) School and central office budget conferences begin.
January	School and central office budget conferences continue. Superintendent presents proposed budget to BOE. BOE conducts open budget work sessions.
February	BOE conducts open budget work sessions. BOE adopts budget.
March	Budget submitted to County Commissioners. Non-recurring cost deadline.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 10. Other Post-Employment Benefits**

**Plan Description and Benefits Provided**

The Board of Education of Somerset County administers a single-employer defined benefit healthcare plan ("the Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the Board's group health insurance plan, which covers both active and retired members. Benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are 15 years of service up to age 55 or 10 years of service at age 60. As of June 30, 2022, the date of the last actuarial valuation, approximately 204 retirees and spouses were receiving benefits, and an estimated 428 active employees are potentially eligible to receive future benefits.

**Funding Policy**

The Board will pay for 50% not to exceed \$300 per month of the individual premium for the life of the retiree. Eligible dependents may be covered with the retiree paying 100% of the premium. If the retiree decides to opt out and find insurance elsewhere, the Board will provide a stipend of \$1,500 annually towards the cost of insurance. Also, spouses of employees that retire after 7/1/2018 will not be covered under the plan. The spouse must find coverage elsewhere. Spouses of employees that retired prior to 7/1/2018 are grandfathered into the plan. For fiscal year 2022, the Board contributed \$531,211 to the plan for approximately 204 eligible retirees and spouses.

**Total OPEB Liability**

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

The Board's total OPEB liability of \$19,549,286 was measured as of June 30, 2022, and was determined by an actuarial valuation date of June 30, 2022.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2022

**Note 10. Other Post-Employment Benefits – continued**

**Total OPEB Liability - continued**

The Board’s total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board’s total OPEB liability, fiduciary net position, and the resulting total OPEB liability as of June 30, 2022:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 7/1/2021	\$ 21,916,101	\$ -	\$ 21,916,101
Changes for the year:			
Service cost	977,487	-	977,487
Interest cost	467,681	-	467,681
Differences between expected and actual experience	378,453	-	378,453
Assumption changes	(3,659,225)	-	(3,659,225)
Contributions - employer		531,211	(531,211)
Net investment income	-	-	-
Benefit payments	(531,211)	(531,211)	-
Administrative expense	-	-	-
Plan changes	-	-	-
Net changes	<u>(2,366,815)</u>	<u>-</u>	<u>(2,366,815)</u>
Balances at 6/30/2022	<u>\$ 19,549,286</u>	<u>\$ -</u>	<u>\$ 19,549,286</u>

**Funding Status and Funding Progress**

As of June 30, 2022 the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$19,549,286, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$25,694,485, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 76.08 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of total OPEB liability, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the total OPEB liability is increasing or decreasing over time relative to the total OPEB liability for benefits.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 10. Other Post-Employment Benefits – continued**

***Actuarial Assumptions and Discount Rate***

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date:	June 30, 2022
Actuarial valuation date:	June 30, 2022
Actuarial cost method:	Entry Age Normal
Discount Rate:	The discount rate used to measure the total OPEB liability is 3.54%. As the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2022.
Mortality:	Pub-2010 Teacher Employee Headcount-weighted with fully generational scale MP-2021. The table is based on the most recent mortality study for governmental employees completed by the Society of Actuaries.
Turnover:	T7 Standard Table Based on the actuary's professional judgement.
Salary scale:	3.00% The assumption reflects management expectation of future salary increases.

**Sensitivity of the Total OPEB Liability**

The following table presents the Board's total and total OPEB liability using the discount rate of 3.54%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>Discount Rate</u>	<u>Board's Total OPEB Liability</u>
1% decrease	2.54%	\$ 22,536,765
Current discount Rate	3.54%	\$ 19,549,286
1% increase	4.54%	\$ 17,127,820

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2022

**Note 10. Other Post-Employment Benefits – continued**

**Sensitivity of the Total OPEB Liability – continued**

The following table presents the Board’s total and total OPEB liability using the health care trend rate of 7%, decreasing to 4.5%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	<u>Health Care Cost Trend Rate</u>	<u>Board's Total OPEB Liability</u>
1% decrease	6% to 3.5%	\$ 18,623,253
Current discount Rate	7% to 4.5%	\$ 19,549,286
1% increase	8% to 5.5%	\$ 20,707,929

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

For the year ended June 30, 2022, the Board will recognize OPEB expense in the amount of \$2,017,311 on the government-wide statements. At June 30, 2022, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experier	\$ 303,036	\$ (533,470)
Changes of assumptions	6,113,492	(3,304,326)
Total	<u>\$ 6,416,528</u>	<u>\$ (3,837,796)</u>

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

<u>Year Ended June 30,</u>	<u>Outflows (Inflows)</u>
2023	\$ 572,143
2024	572,143
2025	572,143
2026	459,348
2027	433,232
Thereafter	(30,277)
	<u>\$ 2,578,732</u>

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**Note 11. 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, 2022 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

**Note 12. Intangible Right-to-Use Assets**

The Board implemented the guidance of GASB No. 87, Leases, at July 1, 2021 for accounting and reporting leases that had previously been reported as operating leases. As of June 30, 2021, the Board did not have any long-term contracts that would require a beginning balance adjustment in the financial statements. As of June 30, 2022, the Board did not have any long-term contracts that would require adjustment for future minimum lease payments.

**REQUIRED SUPPLEMENTARY INFORMATION**

THE BOARD OF EDUCATION OF SOMERSET COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
 GENERAL FUND  
 Year Ended June 30, 2022

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Somerset County	\$ 10,443,965	\$ 10,443,965	\$ 10,443,965	\$ -
State Of Maryland:				
Current expense	14,142,068	14,142,068	14,142,068	-
Special education	1,896,874	1,896,874	1,896,874	-
Transportation	2,114,942	2,114,942	2,112,942	(2,000)
Transportation - boat	35,000	35,000	35,000	-
Nonpublic placement	20,000	20,000	50,193	30,193
Compensatory education	10,688,659	10,688,659	10,688,659	-
Limited english proficiency	694,651	694,651	694,651	-
Targeted Aid	702,381	702,381	702,381	-
Other state revenues	985,801	985,801	985,801	-
Guaranteed tax base	2,011,066	2,011,066	2,011,066	-
Total State Of Maryland	33,291,442	33,291,442	33,319,635	28,193
Reimbursements and other income	160,000	160,000	181,067	21,067
<b>TOTAL REVENUES</b>	<b>43,895,407</b>	<b>43,895,407</b>	<b>43,944,667</b>	<b>49,260</b>
<b>EXPENDITURES</b>				
Administration	1,579,392	1,614,392	1,608,945	5,447
Mid-level administration	3,979,214	4,324,214	4,139,428	184,786
Instructional salaries and wages	14,685,279	15,239,279	15,126,958	112,321
Textbooks and instructional supplies	880,071	905,071	878,841	26,230
Other instructional costs	320,023	320,023	201,827	118,196
Student personnel services	892,600	479,600	358,496	121,104
Health services	510,602	510,602	455,235	55,367
Student transportation	3,084,891	3,129,891	3,118,383	11,508
Operation of plant and equipment	3,090,923	3,390,923	3,388,290	2,633
Maintenance of plant	1,023,266	1,153,266	1,146,532	6,734
Special education	4,017,331	4,031,331	3,905,035	126,296
Fixed charges	10,732,615	9,560,615	9,104,552	456,063
Capital outlay	-	137,000	93,320	43,680
<b>TOTAL EXPENDITURES</b>	<b>44,796,207</b>	<b>44,796,207</b>	<b>43,525,842</b>	<b>1,270,365</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(900,800)</b>	<b>(900,800)</b>	<b>418,825</b>	<b>1,319,625</b>
<b>OTHER FINANCING SOURCES</b>				
Designated from June 30, 2021 for June 30, 2022 Expenditures	900,800	900,800	900,800	-
Assigned for future program expenses	-	-	(72,800)	(72,800)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>900,800</b>	<b>900,800</b>	<b>828,000</b>	<b>(72,800)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,246,825</b>	<b>\$ 1,246,825</b>



THE BOARD OF EDUCATION OF SOMERSET COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
(AS OF MEASUREMENT DATE)**

June 30, 2022

Measurement Date	Board's Proportion (Percentage) of the NPL A	Board's Proportionate Share of the NPL B	Board's Share of State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Employee Payroll D	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)
June 30, 2014	0.0062365%	\$ 1,106,790	\$ 19,938,634	\$ 21,045,424	\$ 21,896,044	5.05%	\$45,339,988,000	\$63,086,719,000	71.87%
June 30, 2015	0.0084590%	\$ 1,757,925	\$ 25,096,984	\$ 26,854,909	\$ 23,159,421	7.59%	\$45,789,840,000	\$66,571,552,000	68.78%
June 30, 2016	0.0086191%	\$ 2,033,593	\$ 30,644,320	\$ 32,677,913	\$ 24,019,259	8.47%	\$45,365,927,000	\$68,959,954,000	65.79%
June 30, 2017	0.0082411%	\$ 1,782,031	\$ 28,922,278	\$ 30,704,309	\$ 25,112,246	7.10%	\$48,987,184,000	\$70,610,885,000	69.38%
June 30, 2018	0.0102052%	\$ 2,141,214	\$ 27,085,498	\$ 29,226,712	\$ 26,646,713	8.04%	\$51,827,233,000	\$72,808,833,000	71.18%
June 30, 2019	0.0113864%	\$ 2,348,514	\$ 26,619,595	\$ 28,968,109	\$ 27,501,384	8.54%	\$53,943,420,000	\$74,569,030,000	72.34%
June 30, 2020	0.0119696%	\$ 2,705,292	\$ 29,916,101	\$ 32,621,393	\$ 29,411,104	9.20%	\$54,586,037,000	\$77,187,397,000	70.72%
June 30, 2021	0.0147021%	\$ 2,205,659	\$ 18,855,898	\$ 21,061,557	\$ 28,816,529	7.65%	\$67,604,500,000	\$82,606,805,000	81.84%

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.

THE BOARD OF EDUCATION OF SOMERSET COUNTY

REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF BOARD CONTRIBUTIONS - PENSION PLANS**  
**(AS OF FISCAL YEAR)**  
 June 30, 2022

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	\$924,085	\$924,085	\$0	\$23,159,421	3.99%
2016	\$1,073,414	\$1,073,414	\$0	\$24,019,259	4.47%
2017	\$1,093,442	\$1,093,442	\$0	\$25,112,246	4.35%
2018	\$1,191,144	\$1,191,144	\$0	\$26,646,713	4.47%
2019	\$1,254,795	\$1,254,795	\$0	\$27,501,384	4.56%
2020	\$1,329,561	\$1,329,561	\$0	\$29,411,104	4.52%
2021	\$1,414,450	\$1,414,450	\$0	\$28,816,529	4.91%
2022	\$1,491,211	\$1,491,211	\$0	\$31,246,795	4.77%

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.

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE BOARD'S OPEB LIABILITY AND RELATED RATIOS

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total OPEB liability					
Service cost	\$ 552,635	\$ 580,267	\$ 627,943	\$ 1,964,988	\$ 977,487
Interest cost	712,837	730,419	713,182	751,523	467,681
Differences between expected and actual experience	-	-	(893,923)	-	378,453
Assumption changes	-	901,093	9,583,766	(511,905)	(3,659,225)
Benefit payments	(854,007)	(767,522)	(648,821)	(504,746)	(531,211)
Other changes	-	-	4,176,163	(14,040,307)	-
Net change in total OPEB liability	\$ 411,465	\$ 1,444,257	\$ 13,558,310	\$ (12,340,447)	\$ (2,366,815)
Total OPEB liability, beginning of year,	18,842,517	19,253,982	20,698,239	34,256,549	21,916,101
Total OPEB liability, end of year (a)	<u>\$ 19,253,982</u>	<u>\$ 20,698,239</u>	<u>\$ 34,256,549</u>	<u>\$ 21,916,102</u>	<u>\$ 19,549,286</u>
Covered employee payroll	\$ 22,620,341	\$ 22,620,341	\$ 22,715,700	\$ 24,451,244	\$ 25,694,485
Total OPEB liability as of % of payroll	85.12%	91.50%	150.81%	89.63%	76.08%

*Schedule is intended to provide 10-year trend information. Additional years will be displayed as available*

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**Note 1. Budget**

The original budget, subsequent supplements and major transfers are approved by the Somerset County Council. Appropriations are for one year and lapse at year end.

A legally adopted budget is prepared for the General Fund only. Amendments to the budget can be made with approval from Somerset County and the Board for intercategory transfers, and by approval of the Board for intracategory transfers. By law, actual expenditures for each category may not materially exceed budgeted expenditures. The budgeted amounts presented on page 53 include all budget revisions.

	Revenues	Expenditures	Assigned/Unassigned Fund Balances
	General	General	General
	June 30, 2022	June 30, 2022	June 30, 2022
GAAP basis	\$ 46,904,347	\$ 47,040,566	\$ 2,977,753
On-behalf payments	(2,892,406)	(2,892,406)	-
June 30, 2022 fund balance assigned for June 30, 2023 expenditures	(67,274)	-	(1,249,499)
Expenditures of amounts encumbered during year ended June 30, 2021	-	(1,103,747)	-
Amounts encumbered and assigned (GAAP) at June 30, 2022 but recognized as expenditures for budgetary purposes	-	481,429	(481,429)
Budgetary basis	<u>\$ 43,944,667</u>	<u>\$ 43,525,842</u>	<u>\$ 1,246,825</u>

**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 change in the 2021 valuation:

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

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**Note 2. Pension Plans - continued**

**Method and Assumptions used in Calculations of Actuarially Determined Contributions:**

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years for the State Systems,
Asset valuation method	Five-year smoothed market; 20% collar
Inflation	In the 2021 actuarial valuation, 2.25% general, 2.75% wage. In the 2020 actuarial valuation, 2.60% general, 3.10% wage.
Salary increases	In the 2021 actuarial valuation, projected range from 0.00% to 8.50% per year. In the 2020 actuarial valuation, 3.10% to 11.60%.
Investment rate of return	In the 2021 actuarial valuation, 6.80%. In the 2020 actuarial valuation, 7.40%.
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

**Note 3. Post-Employment Health Care Benefits**

**Changes in Benefit Terms**

There were no benefit changes during the year.

**Changes in Assumptions**

1. The discount rate was changed from 2.16% at June 30, 2021 to 3.54% at June 30, 2022.
2. Mortality tables changed from RP-2014 Total Dataset Headcount-weighted table with scale MP-2020 to Pub-2010 Teachers Headcount-weighted with fully generational scale MP-2021.
3. The Healthcare cost trend assumption was updated to 7.50% for 2022 decreasing by 0.25% per year until it reaches 4.50%.

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**Note 3. Post-Employment Health Care Benefits- continued**

**Method and Assumptions used in Calculations of Actuarially Determined Contributions**

Measurement date: June 30, 2022

Actuarial valuation date: June 30, 2022

Actuarial cost method: Entry Age Normal

Discount Rate: The discount rate used to measure the total OPEB liability is 3.54%. As the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2022.

Mortality: Pub-2010 Teacher Employee Headcount-weighted with fully generational scale MP-2021. The table is based on the most recent mortality study for governmental employees completed by the Society of Actuaries.

Turnover: T7 Standard Table Based on the actuary's professional judgement.

Salary scale: 3.00%  
 The assumption reflects management expectation of future salary increases.

Retirement age: Retirement rates are set based on the professional judgment of the actuary according to the following table:

	Probability of Retirement
Age 60-64 & 10+ years of service	20%
Age 65	100%

Utilization: 75%

Valuation of assets: N/A

Per Capita Claims: Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The retiree pre-65 premium was \$7,259 annually and \$5,119 post-65.

Trend: Medical costs were assumed to increase by 7.5% for FY2022 decreasing linearly by 0.25% to an ultimate trend rate of 4.5%.

Marriage Assumption: 25% married with husbands assumed to be 3 years older than wives. For current retirees actual spousal information and coverage was used.

**ADDITIONAL SUPPLEMENTARY INFORMATION**

THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL FUND - BUDGETARY BASIS  
 Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>ADMINISTRATION</b>				
Salaries and wages	\$ 1,162,742	\$ 1,162,742	\$ 1,181,474	\$ (18,732)
Contracted services	188,150	203,650	216,142	(12,492)
Materials and supplies	103,300	127,950	116,299	11,651
Other charges	125,200	119,050	95,030	24,020
Capital outlay	-	1,000	-	1,000
<b>TOTAL ADMINISTRATION</b>	<b>1,579,392</b>	<b>1,614,392</b>	<b>1,608,945</b>	<b>5,447</b>
<b>MID-LEVEL ADMINISTRATION</b>				
Salaries and wages	3,671,735	3,816,735	3,723,990	92,745
Contracted services	-	234,479	231,286	3,193
Materials and supplies	50,500	50,500	51,948	(1,448)
Other charges	186,979	72,500	41,509	30,991
Capital outlay	70,000	150,000	90,695	59,305
<b>TOTAL MID-LEVEL ADMINISTRATION</b>	<b>3,979,214</b>	<b>4,324,214</b>	<b>4,139,428</b>	<b>184,786</b>
<b>INSTRUCTIONAL SALARIES</b>				
Salaries and wages	14,685,279	15,239,279	15,126,958	112,321
<b>TOTAL INSTRUCTIONAL SALARIES</b>	<b>14,685,279</b>	<b>15,239,279</b>	<b>15,126,958</b>	<b>112,321</b>
<b>INSTRUCTIONAL TEXTBOOKS AND SUPPLIES</b>	<b>880,071</b>	<b>905,071</b>	<b>878,841</b>	<b>26,230</b>
<b>OTHER INSTRUCTIONAL COSTS</b>				
Contracted services	33,500	80,583	34,036	46,547
Other charges	172,733	181,650	99,604	82,046
Capital outlay	113,790	57,790	52,311	5,479
Outgoing transfers	-	-	15,876	(15,876)
<b>TOTAL OTHER INSTRUCTIONAL COSTS</b>	<b>320,023</b>	<b>320,023</b>	<b>201,827</b>	<b>118,196</b>
<b>STUDENT PERSONNEL SERVICES</b>				
Salaries and wages	856,350	443,350	344,844	98,506
Contracted services	19,050	19,050	162	18,888
Materials and supplies	7,000	7,000	8,757	(1,757)
Other charges	10,200	10,200	4,733	5,467
<b>TOTAL STUDENT PERSONNEL SERVICES</b>	<b>892,600</b>	<b>479,600</b>	<b>358,496</b>	<b>121,104</b>
<b>HEALTH SERVICES</b>				
Salaries and wages	496,102	496,102	447,552	48,550
Contracted services	-	2,500	241	2,259
Materials and supplies	6,000	6,000	4,744	1,256
Other charges	4,500	2,000	1,030	970
Capital outlay	4,000	4,000	1,668	2,332
<b>TOTAL HEALTH SERVICES</b>	<b>510,602</b>	<b>510,602</b>	<b>455,235</b>	<b>55,367</b>
<b>FIXED CHARGES</b>				
Insurance and employee benefits	10,732,615	9,560,615	9,104,552	456,063
<b>TOTAL FIXED CHARGES</b>	<b>10,732,615</b>	<b>9,560,615</b>	<b>9,104,552</b>	<b>456,063</b>



THE BOARD OF EDUCATION OF SOMERSET COUNTY

STATEMENT OF APPROPRIATIONS AND EXPENDITURES (CONTINUED)

GENERAL FUND - BUDGETARY BASIS

Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>STUDENT TRANSPORTATION</b>				
Salaries and wages	\$ 183,981	\$ 183,981	\$ 179,114	\$ 4,867
Contracted services	2,644,860	2,681,260	2,686,423	(5,163)
Materials and supplies	28,800	37,400	32,681	4,719
Other charges	217,250	217,250	212,590	4,660
Capital outlay	10,000	10,000	7,575	2,425
<b>TOTAL STUDENT TRANSPORTATION</b>	<b>3,084,891</b>	<b>3,129,891</b>	<b>3,118,383</b>	<b>11,508</b>
<b>OPERATION OF PLANT</b>				
Salaries and wages	1,471,123	1,531,123	1,450,727	80,396
Contracted services	317,500	316,000	428,532	(112,532)
Materials and supplies	127,000	178,500	173,887	4,613
Other charges	1,139,800	1,329,800	1,325,496	4,304
Capital outlay	35,500	35,500	9,648	25,852
<b>TOTAL OPERATION OF PLANT</b>	<b>3,090,923</b>	<b>3,390,923</b>	<b>3,388,290</b>	<b>2,633</b>
<b>MAINTENANCE OF PLANT</b>				
Salaries and wages	426,366	426,366	390,186	36,180
Contracted services	477,500	587,500	576,196	11,304
Materials and supplies	116,550	137,250	162,995	(25,745)
Other charges	2,850	2,150	2,778	(628)
Capital outlay	-	-	14,377	(14,377)
<b>TOTAL MAINTENANCE OF PLANT</b>	<b>1,023,266</b>	<b>1,153,266</b>	<b>1,146,532</b>	<b>6,734</b>
<b>SPECIAL EDUCATION</b>				
Salaries and wages	3,405,446	3,405,446	3,358,439	47,007
Contracted services	355,485	369,485	338,217	31,268
Materials and supplies	67,460	67,460	51,153	16,307
Other charges	35,740	188,940	157,226	31,714
Outgoing transfers	153,200	-	-	-
<b>TOTAL SPECIAL EDUCATION</b>	<b>4,017,331</b>	<b>4,031,331</b>	<b>3,905,035</b>	<b>126,296</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>-</b>	<b>137,000</b>	<b>93,320</b>	<b>43,680</b>
<b>TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES</b>	<b>\$ 44,796,207</b>	<b>\$ 44,796,207</b>	<b>\$ 43,525,842</b>	<b>\$ 1,270,365</b>

# THE BOARD OF EDUCATION OF SOMERSET COUNTY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS-BUDGETARY BASIS Year Ended June 30, 2022

	<u>Enterprise Fund Food Services</u>
OPERATING REVENUES	
Food service sales	<u>\$ 49,302</u>
OPERATING EXPENSES	
Operation of plant	3,892
Fixed charges	255,172
Salaries and wages	715,737
Contracted services	6,028
Food and food related supplies	1,250,819
Other charges	4,086
Capital outlay	10,584
TOTAL OPERATING EXPENSES	<u>2,246,318</u>
OPERATING LOSS	<u>(2,197,016)</u>
NONOPERATING REVENUES	
Interest income	<u>521</u>
State Of Maryland:	
Reimbursement of food costs	<u>125,457</u>
Federal through state:	
Reimbursement of food costs	2,428,411
Donation of food commodities	98,985
Total federal through state	<u>2,527,396</u>
TOTAL NONOPERATING REVENUES	<u>2,653,374</u>
CHANGE IN NET POSITION	<u>\$ 456,358</u>

THE BOARD OF EDUCATION OF SOMERSET COUNTY  
SCHOOL ACTIVITIES FUNDS

COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS  
AND CHANGES IN DUE TO SCHOOL ACTIVITIES FUNDS  
Year Ended June 30, 2022

	Due to School Activities Funds				Due to School
	Balance June 30, 2021	Additions	Deductions	Transfers	Activities Funds Balance June 30, 2022
<b>ELEMENTARY SCHOOLS</b>					
Deal Island (Pre-K To 5th Grades)	\$ 8,641	\$ 23,988	\$ 20,377	\$ -	\$ 12,252
Woodson (Pre-K To 5th Grades)	13,880	64,837	52,385	-	26,332
Princess Anne (Pre-K To 5th Grades)	6,138	27,192	17,384	-	15,946
Greenwood (Pre-K To 5th Grades)	12,350	60,615	60,446	-	12,519
<b>TOTAL ELEMENTARY SCHOOLS</b>	<b>41,009</b>	<b>176,632</b>	<b>150,592</b>	<b>-</b>	<b>67,049</b>
<b>INTERMEDIATE SCHOOLS - 6TH TO 7TH GRADES</b>					
Somerset 6/7 Intermediate	12,075	41,324	31,632	-	21,767
<b>HIGH SCHOOLS - 8TH TO 12TH GRADES</b>					
Crisfield	76,024	111,598	92,980	-	94,642
Washington	83,861	118,668	103,190	-	99,339
<b>TOTAL HIGH SCHOOLS</b>	<b>159,885</b>	<b>230,266</b>	<b>196,170</b>	<b>-</b>	<b>193,981</b>
<b>SPECIALIZED SCHOOLS</b>					
Ewell Elementary Middle School (Pre-K To 7th grade)	2,091	-	692	-	1,399
Somerset County Technical High School	104,683	82,181	81,303	-	105,561
<b>TOTAL SPECIALIZED SCHOOLS</b>	<b>106,774</b>	<b>82,181</b>	<b>81,995</b>	<b>-</b>	<b>106,960</b>
<b>TOTAL SCHOOL ACTIVITY</b>	<b>\$ 319,743</b>	<b>\$ 530,403</b>	<b>\$ 460,389</b>	<b>\$ -</b>	<b>\$ 389,757</b>

**THE BOARD OF EDUCATION OF SOMERSET COUNTY**  
**NOTES TO ADDITIONAL SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**Note 1. Budget**

A budget is adopted for the Food Service Fund for internal purposes only.

	Revenues	Expenditures	Fund Balances
	Proprietary	Proprietary	Proprietary
	June 30, 2022	June 30, 2022	June 30, 2022
GAAP basis	\$ 2,702,676	\$ 2,267,652	\$ 759,200
Depreciation	-	(31,918)	-
Capitalized costs (net of capital equipment contributed)	-	10,584	-
Effect of accrued compensated absences and other	-	-	3,794
Invested in capital assets at June 30, 2022	-	-	(133,754)
Budgetary basis	<u>\$ 2,702,676</u>	<u>\$ 2,246,318</u>	<u>\$ 629,240</u>