

WASHINGTON COUNTY BOARD OF EDUCATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

WASHINGTON COUNTY BOARD OF EDUCATION

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Washington County Board of Education
Hagerstown, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Board of Education ("School System"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School System, 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 (GAAS) 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 School System 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.

Responsibilities of Management for the Financial Statements

The School System's 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 School System's ability to continue as a going concern for one year after the date that the financial statements are issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 School System'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 School System'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.

Adoption of Governmental Accounting Standards Board Statements

As described in Note 1 to the financial statements, in 2022 the School System adopted the provisions of Governmental Accounting Standards Board's Statement No. 87, "Leases", Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", Statement No. 92, "Omnibus 2020", Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32", Statement No. 98, "The Annual Comprehensive Financial Report", and certain provisions of GASB Statement No.99, "Omnibus 2022". Our opinions are not modified with respect to these matters.



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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, the schedule of the School System's OPEB contributions, the schedule of the School System's investment returns for the OPEB Plan, the schedule of the School System proportionate share of the net pension liability – Maryland State Retirement and Pension System, and the schedule of the School System's pension contributions – employee retirement and pension system on pages 4-16 and 71-77 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 School System's basic financial statements. The combining fund financial statements on pages 79-81 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are 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 27, 2022 on our consideration of the School Systems internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 School System's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

September 27, 2022
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Washington County Board of Education's (School System) annual financial report presents a discussion and analysis, prepared by the School System's senior financial management, of the financial performance for the fiscal year ended June 30, 2022. Please read it in conjunction with the basic financial statements that follow this section.

Financial Highlights

- The net financial position of the school system increased \$26.2 million. Overall revenues were \$407.1 million, and expenses were \$380.9 million. The excess revenues over expenses were largely due to a reduction in the other post-employment benefit expense compared to cash contributions, and positive results of operations in both the general fund and the self-insurance fund for healthcare claims.
- The School System continued to use the federal pandemic grants received the prior year to address learning gaps, retain the workforce, and address other needs. Some have grant periods that will extend coverage for pandemic-related costs for about two more fiscal years.
- Beginning governmental activities net position was restated for the effect of implementing GASB #87, Leases, which changed the treatment of leases previously classified as operating leases.
- The total cost of educational programs was \$368.3 million, an increase of 1.2% from the prior year. After related charges, fees, operating and capital grants and contributions, the net cost that required general revenue funding decreased by 1.9% to \$256.8 million.
- The net position of our business-type activities, i.e., School Food Service, increased this year by \$5.0 million. Expenses were \$12.6 million while revenues were \$17.6 million. School was in session the full year, so expenses were up, but revenue was up much more due to an extension of the universal free meals and higher reimbursement rates.
- Capital Projects Fund expenditures of \$12.4 million included renovation of the auditorium at Boonsboro High School, initial work on a renovation and addition at Boyd J. Michael III Technical High School, and various systemic maintenance projects.
- The School System contributed \$6.5 million to a trust fund established exclusively for the purpose of non-pension post-employment benefits and paid, net of contributions from retirees, \$12.8 million for retiree health care expenses.

Overview of the Financial Statements

Figure 1: Organization of the Washington County Public Schools Annual Financial Report

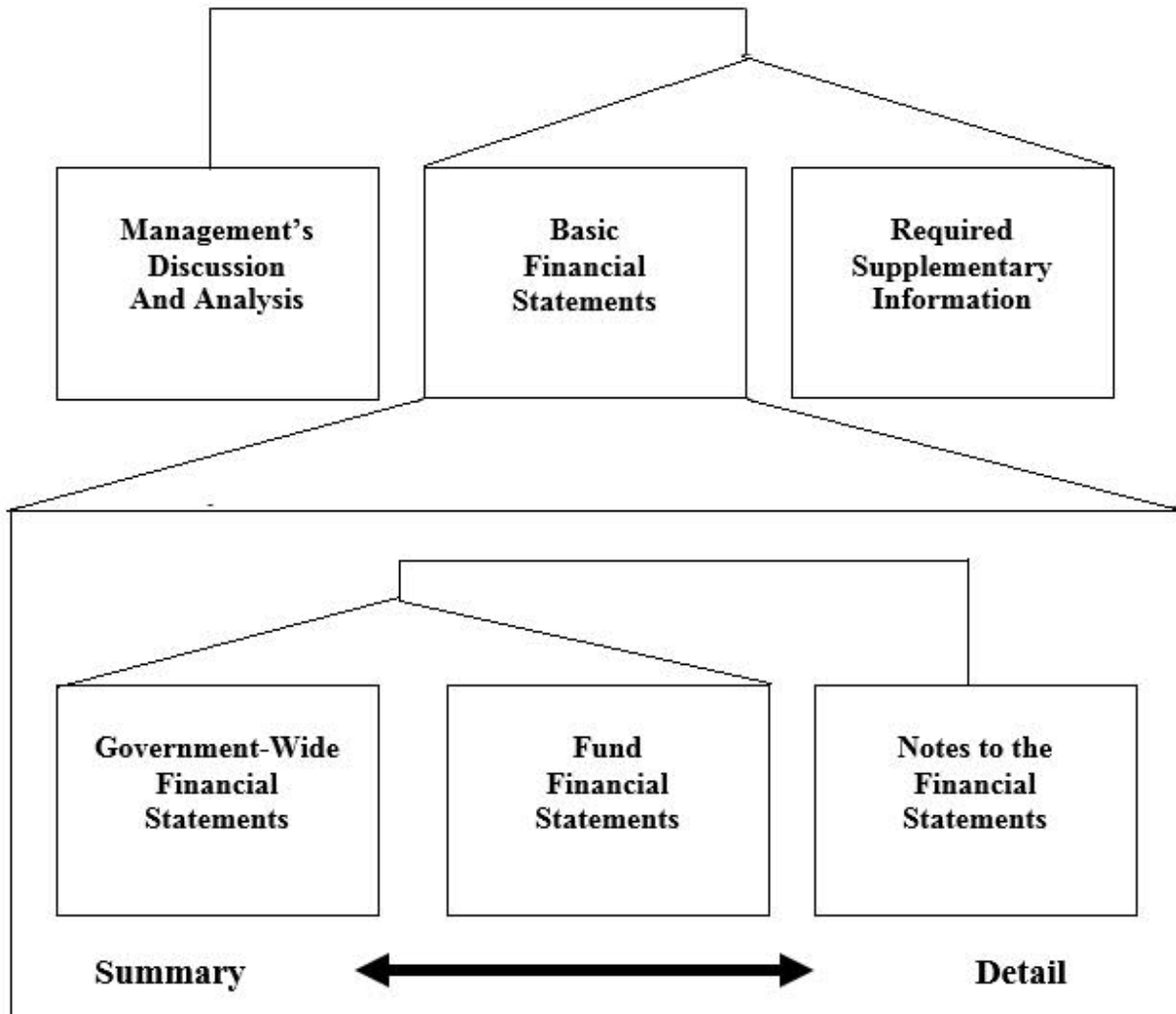


Figure 1 shows how the various parts of this annual report are arranged and related to one another. This annual report consists of several sections. They are: independent auditor's report, management's discussion and analysis (this section), the basic financial statements, required supplementary information, supplementary information, and the Single Audit. The basic financial statements include two kinds of statements that present different views of the School System:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the School System's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School System, reporting the operations in *more detail* than the government-wide statements. The fund financial statements include:
 - The *governmental funds statements* that 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* that offer *short-term* and *long-term* financial information about the activities the School System operates *like businesses*, such as food services and self-insurance.
- *Fiduciary funds statements* that provide information about the financial relationships in which the School System acts solely as a *trustee* or *agent* for the benefit of others.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the School System’s budget for the year.

Figure 2 summarizes the major features of the School System’s financial statements, including the portion of the activities they cover and the types of information they contain.

Figure 2: Major Features of the Government-Wide and Fund Financial Statements

| | Government-wide Statements | Fund Financial Statements | | |
|---|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire School System (except fiduciary funds) | The activities of the School System that are not proprietary or fiduciary, such as special education and building maintenance | Activities the School System operates similar to private businesses: food services and self-insurance | Instances in which the School System administers resources on behalf of someone else such as the retiree health plan trust. |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset, deferred outflows of resources, liability, and deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |

| | Government-wide Statements | Fund Financial Statements | | |
|-------------------------------------|--|--|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Type of inflow/out-flow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

The remainder of this overview section highlights the structure and contents of each of the statements.

Government-Wide Financial Statements

The government-wide statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the School System’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The statement of activities includes all the year’s revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the net position and how they have changed. Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School System’s financial health.

- Over time, increases or decreases in the system’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School System’s overall health, one needs to consider additional non-financial factors such as the condition of school buildings and other facilities.

In the government-wide financial statements, the activities of the School System are divided into two categories:

- *Governmental activities:* Most of the School System’s basic services are included here, such as regular and special education, transportation, operations and maintenance, and administration. County appropriations, state formula aid, and grants finance most of these activities.
- *Business-type activities:* The School System charges fees to help it cover the cost of certain services it provides. School Food Service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the School System's funds, focusing on its most significant or "major" funds, not the School System as a whole. Funds are accounting devices used to keep track of specific funding and spending on particular programs:

- State law mandates certain funds, and
- The School System establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues such as restricted grants.

The School System has three kinds of funds:

- *Governmental funds:* Most of the School System's basic services are included in governmental funds, which generally focus on (1) how 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, subject to various levels of constraints. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School System's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in a reconciliation of the governmental funds balance sheet to the statement of net position and a separate reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances (deficit) to the statement of activities.
- *Proprietary funds:* Services for which the School System charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The School System's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The Food Services Fund is the only enterprise fund of the School System. The School System also uses *internal service funds* (the other type of proprietary fund) to report activities that support other programs and activities. The Self-Insurance Fund is the only internal service fund.
- *Fiduciary funds:* The School System is the trustee, or *fiduciary*, for assets that belong to others, such as the Retiree Health Plan Trust and the Fringe Benefit Fund (Section 125 spending accounts). The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the government-wide financial statements because the assets cannot be used to finance operations.

Financial Analysis of the School System as a Whole (Government-Wide)

Net Position: The School System’s *combined* net position was higher on June 30, 2022, than it was on the previous year’s financial statements, as restated, increasing by \$26.2 million. (See Figure 3).

| Figure 3: Condensed Statement of Net Position (in millions of dollars) | | | | | | |
|---|-------------------------|-------------------|--------------------------|-----------------|---------------------|-------------------|
| | Governmental Activities | | Business-Type Activities | | Total School System | |
| | 2022 | 2021, as Restated | 2022 | 2021 | 2022 | 2021, as Restated |
| Current assets | \$ 93.4 | \$ 85.5 | \$ 7.9 | \$ 3.2 | \$ 101.3 | \$ 88.7 |
| Capital assets | 239.4 | 243.3 | 1.4 | 1.3 | 240.8 | 244.6 |
| Deferred outflows of resources | 75.0 | 78.2 | 2.6 | 2.6 | 77.6 | 80.8 |
| Total Assets and Deferred Outflows of Resources | 407.8 | 407.0 | 11.9 | 7.1 | 419.7 | 414.1 |
| Current liabilities | 36.0 | 36.2 | 0.6 | 0.4 | 36.6 | 36.6 |
| Noncurrent liabilities | 145.0 | 231.0 | 5.4 | 8.1 | 150.4 | 239.1 |
| Deferred inflows of resources | 171.6 | 105.8 | 5.0 | 2.7 | 176.6 | 108.5 |
| Total Liabilities and Deferred Inflows of Resources | 352.6 | 373.0 | 11.0 | 11.2 | 363.6 | 384.20 |
| Net position | | | | | | |
| Net investment in capital assets | 236.7 | 241.0 | 1.4 | 1.3 | 238.1 | 242.3 |
| Restricted | 4.1 | 4.0 | | | 4.1 | 4.0 |
| Unrestricted | (185.6) | (211.0) | (0.5) | (5.4) | (186.1) | (216.4) |
| Total Net Position | \$ 55.2 | \$ 34.0 | \$ 0.9 | \$ (4.1) | \$ 56.1 | \$ 29.9 |

Change in Net Position: The School System’s total revenues were \$407.1 million (See Figure 4). Local funding amounted to 26.5%. State and federal funding amounted to 54.7% and 14.0%, respectively. The remaining 4.8% came from fees charged for services and other miscellaneous sources (See Figure 5).

The total cost of all programs and services was 2.1% higher than last year at \$380.9 million. The School System’s expenses, as shown graphically in Figure 6, are predominately related to instructing, caring for and transporting students (61.6%). Administrative and business activities accounted for 2.2%, while employee benefits, the majority of which are related to personnel who provide direct student services, represented 22.8% of the total cost. Another 11.2% of the total expenditures is used to operate and maintain the School System’s 47 school sites and associated relocatable buildings. Overall, costs were mixed compared to the prior year, as a result of the pandemic and the response thereto. Instructional textbooks and supplies were down substantially due to the technology purchased with federal coronavirus relief funds in fiscal year 2021. Special education costs were up 15.3% due to increased nonpublic placements and special needs. Transportation was up 35.5% due to school being in session the whole year and the effects of inflation on diesel fuel. Maintenance was up 47.1% due to an emphasis on various systemic

projects in place of construction projects. Fixed charges are down 11.5% due to a reduction in the OPEB liability as re-valued this year. Food services increased 37.1% due to school being open all year.

Figure 4: Changes in Net Position from Operating Results (in millions of dollars)

| | Governmental Activities | | Business-Type Activities | | Total School System | |
|--|-------------------------|----------------|--------------------------|----------------|---------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 13.0 | \$ 12.1 | \$ 0.8 | \$ 0.3 | \$ 13.8 | \$ 12.4 |
| Operating grants & contributions | 98.4 | 89.9 | 16.5 | 7.3 | 114.9 | 97.2 |
| Capital grants & contributions | 0.1 | 0.2 | 0.0 | 0.0 | 0.1 | 0.2 |
| General revenues | | | | | | |
| Local appropriation | 107.7 | 104.3 | - | - | 107.7 | 104.3 |
| State aid | 165.6 | 172.4 | - | - | 165.6 | 172.4 |
| Other and Transfers | 4.7 | 1.1 | 0.3 | 1.5 | 5.0 | 2.6 |
| Total Revenues | 389.5 | 380.0 | 17.6 | 9.1 | 407.1 | 389.1 |
| Expenses | | | | | | |
| Instruction & leadership | 198.1 | 195.2 | - | - | 198.1 | 195.2 |
| Student personnel & health services | 8.4 | 6.7 | - | - | 8.4 | 6.7 |
| Administration | 8.3 | 7.2 | - | - | 8.3 | 7.2 |
| Operation & maintenance of plant | 42.7 | 37.1 | - | - | 42.7 | 37.1 |
| Student transportation | 14.9 | 11.0 | - | - | 14.9 | 11.0 |
| Fixed charges (employee benefits) | 86.9 | 98.2 | - | - | 86.9 | 98.2 |
| Food services & other | 0.7 | 0.4 | 12.6 | 9.2 | 13.3 | 9.6 |
| Depreciation & interest | 8.3 | 8.1 | - | - | 8.3 | 8.1 |
| Total Expenses | 368.3 | 363.9 | 12.6 | 9.2 | 380.9 | 373.1 |
| Increase (Decrease) in Net Position | \$ 21.2 | \$ 16.1 | \$ 5.0 | \$- 0.1 | \$ 26.2 | \$ 16.0 |

In fiscal year 2022, GASB #87 was implemented, changing the accounting for leases. Fiscal year 2021 were restated to reflect the change in accounting principle.

Figure 5: Sources of Revenues for FY2022

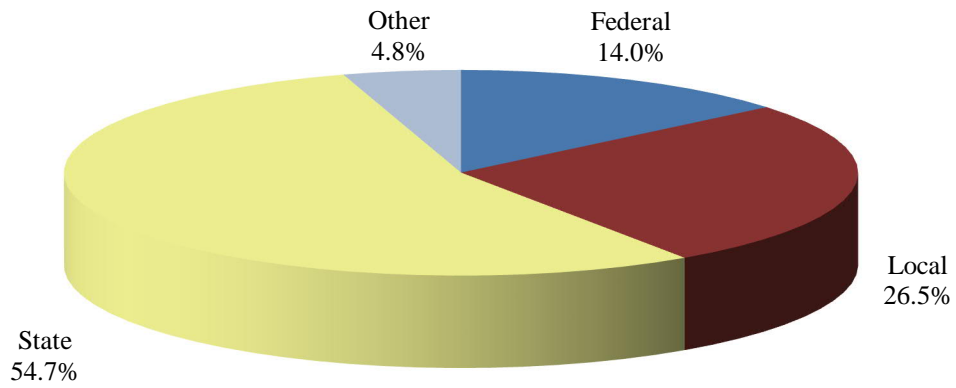
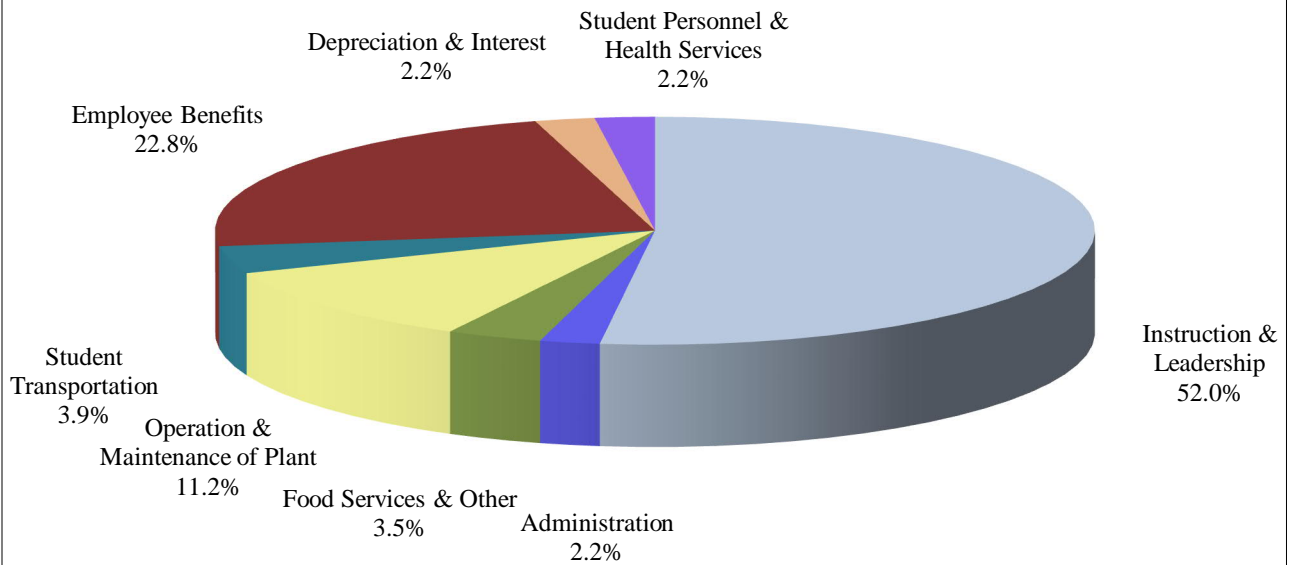


Figure 6: Expenses for FY2022



Governmental Activities

General revenues for the governmental activities remained nearly flat at \$278.0 million, while total expenses, net of charges for services and grants, decreased 1.9% to \$256.8 million. The increase in net position for governmental activities was \$21.2 million and can be largely attributed to a decrease in the OPEB liability and an excess of revenue over expenses in the general fund and the internal service fund.

Figure 7 presents the cost of the eight major School System activities: Instruction and Instructional Leadership, Student Personnel and Health Services, Administration, Operation and Maintenance of Plant, Student Transportation, Employee Benefits, Food Services and Other, and Depreciation and Interest. This table also shows each activity's *net cost* (total cost less fees generated by the activities, less intergovernmental aid such as grants provided for specific programs). The *net cost* shows the financial burden placed upon state and local taxpayers for each of these functions after the above-mentioned intergovernmental grants.

| | Total Cost of Services | | Net Cost of Services | |
|--|------------------------|-----------------|----------------------|-----------------|
| | 2022 | 2022 | 2021 | 2021 |
| Instruction & instructional leadership | 198.1 | 195.2 | \$ 141.0 | \$ 143.6 |
| Student personnel & health services | 8.4 | 6.7 | 5.3 | 5.1 |
| Administration | 8.3 | 7.2 | 6.3 | 6.2 |
| Operation & maintenance of plant | 42.7 | 37.1 | 39.7 | 34.1 |
| Student transportation | 14.9 | 11.0 | 6.3 | 2.8 |
| Employee benefits | 86.9 | 98.2 | 50.0 | 63.2 |
| Food services and other | 0.7 | 0.4 | 0.0 | -1.4 |
| Depreciation & interest | 8.3 | 8.1 | 8.3 | 8.1 |
| Total | \$ 368.3 | \$ 363.9 | \$ 256.8 | \$ 261.7 |

The cost of all governmental activities this year was \$368.3 million. Charges for services amounted to \$13.0 million, which were primarily amounts received from employees and retirees for health insurance premiums. Additionally, certain programs were subsidized to the extent of \$98.4 million by the federal (\$40.9 million), state (\$56.8 million), and local (\$0.2 million) governments, as well as other organizations (\$0.5 million). However, general revenues financed the majority of the costs of governmental activities (\$278.0 million). Total local funding amounted to \$107.9 million, while the state contributed \$222.5 million and federal funding amounted to \$40.9 million. Investment earnings, charges for services, and other miscellaneous sources funded the balance of the governmental activities.

Business-Type Activities

School Food Service is the only business-type activity in the School System. Revenues of this business-type activity were \$17.6 million, including \$0.3 million transferred from Governmental Activities, and expenses were \$12.6 million (See Figure 4). School Food Service's revenues and

transfer were greater than expenses by \$5.0 million. Without depreciation expense, pension adjustments under GASB#68, other post-employment benefit adjustments under GASB#75, and other adjustments to conform to generally accepted accounting principles, the business-type activities would have shown a \$4.5 million increase in net position.

Research indicates that students who are not hungry learn better. Since the pandemic started, all students have received free meals. In addition to the lunch meal, all schools now serve free breakfast.

School Food Services staff continues to make prudent management decisions, taking advantage of all available government commodities, participating in cost-saving buying consortia, and developing marketing and promotion campaigns for products that are healthy yet attractive to our young consumers. Every effort is made to assure that students who qualify for free or reduced meal prices receive that benefit.

Financial Analysis of the School System's Funds

The financial performance of the School System as a whole is reflected in its governmental funds as well. At year-end, its governmental funds reported combined fund balances of \$34.4 million. This is up \$5.5 million from last year's ending fund balance of \$28.9 million, resulting primarily from an excess of revenues over expenditures in the general fund offset by excess expenditures, representing retainage accruals, in the capital projects fund.

Current Expense Fund (Governmental): The current expense (general) funds had \$5.6 million more revenues than expenditures in fiscal year 2021. The resulting unassigned fund balance of \$10.5 million represents just 2.9% or about 1.5 weeks' worth of annual expenditures. The Government Finance Officers Association recommends an unrestricted fund balance level of no less than two months of revenues or expenditures. The surplus is calculated on the modified accrual basis and is different from the \$5.5 million budgetary basis surplus due to the treatment of prior and current year encumbrances and the expenditure of previously committed fund balance.

Capital Projects Fund (Governmental): The Capital Projects Fund experienced an excess of expenditures over revenues of \$0.2 million. This is entirely the result of increased retainages payable on construction in progress for which revenue is not currently recognized. The fund balance deficit of \$0.3 million equals the amount of outstanding retainage due on construction contracts in progress.

Food Service Fund (Proprietary-Enterprise): As previously noted, Food Service experienced a large positive change in net position of \$5.0 million due to increased federal reimbursement rates and volume of meals provided.

Self-Insurance Fund (Proprietary-Internal Service): The self-insurance fund began the year with a fund balance of \$20.4 million. Change in net position totaled \$3.2 million, which was about half the \$6.2 million increase the prior year. In fiscal 2022, there was a 2% premium decrease in the most popular plan and about 9% in the other plan. Administrative costs were up compared to the prior year when there was a substantial reduction due to re-bid, and claims increased 3.8%. The result is a \$23.6 million fund balance at year-end.

General Fund Budgetary Highlights

Over the course of the year, the School System revised the annual operating budget several times. These budget amendments were completed to adjust to revised needs and priorities. Complicating the process this year was the uncertainty and fluctuations as a result of responding to the pandemic and integrating the various federal covid relief grants.

All expense areas of the budget experienced costs lower than revised estimates. These savings can be traced to the pandemic and the related effects of federal grant coverage of expenses, indirect cost recovery, vacancies, and other operating factors.

Capital Assets and Debt Administration

Capital Assets

By the end of fiscal year 2022, the School System had invested \$238.6 million (net of depreciation and related debt) in a broad range of capital assets including school buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, custodial and maintenance equipment, food service equipment, and miscellaneous instructional assets. This amount represents a net decrease of \$3.9 million or 1.8% from last year. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year approximated \$12.0 million, while net increases to buildings, improvements, equipment and furniture amounted to approximately \$7.7 million, including an increase in construction in progress of \$4.5 million.

The School System's enrollment did not recover much from the prior year's decrease due to the pandemic. The latest enrollment projections indicate recovery may take several years, reducing the need for additional classroom space. Because numerous Washington County schools are over forty years old and in need of renovation or replacement, maintenance and systemic project spending were emphasized during the past several years and will continue to be needed.

The fiscal year 2023 capital budget forecasts the School System will spend \$1.7 million more than budgeted the prior year due to increased State funding. There is still insufficient funding for major projects to renovate or replace schools that are getting very old. Budgeted expenditures of \$14.0 million, including \$9.9 million from state funding, for capital projects include the following:

- Various systemic maintenance projects in several aging schools.

Debt

The County, not the School System, reflects debt and annual debt service expenditures for school construction in their financial statements. The School System's debt consists of compensated absences payable, lease liability, and obligations related to capital leases, as well as pension and

other post-employment benefits. See Notes 8, 11 and 12 to the financial statements for more detailed information concerning the current year activity and balances. A trust fund for the management of assets and accounting of financial transactions associated with the provision of retiree health insurance coverage has been established.

Factors Bearing on the School System's Future

At the time these financial statements were prepared and audited, the School System was aware of several existing circumstances that could significantly affect its financial health in the future.

- **School Construction and Maintenance Funding:** Due to the age and condition of certain school facilities, the School System needs to update and improve facilities through renovations or replacements of existing schools. The challenge will be to obtain the needed capital funding, at the local level, to match available state funding for new facilities as well as support necessary major maintenance projects to older buildings. If current local funding levels of capital projects does not increase significantly, it will be impossible to replace or renovate existing facilities that are growing quite old or to gain efficiencies through the consolidation of smaller schools into new larger buildings.
- **Cost-Shifting and Inflation:** In recent years, the County Commissioners have provided only maintenance of effort level funding established by State law, except for a small increase for fiscal year 2019 and an increase in fiscal year 2023. Maintenance of effort provides level funding per student by requiring increased funding for increased enrollment. However, it does not provide for inflation or improvement initiatives. The cost of school health nurses, annual bus purchases, crossing guards, and other items previously funded separately have been absorbed within the existing operating budget without the additional funding. A provision of the maintenance of effort law provides for an increase of up to 2.5%, depending on local or state-wide wealth growth, but that is slated to end in one year under current legislation. There has been significant inflation this year in many items in the School System budget which exceed the 2.5% increase. County budgets increase by a much higher percentage than the allocation to education funding from the county. Minimal revenue increases at the local level, as well as the impact of cost-shifting, will continue to present challenges to the School System's ability to provide desired programs and initiatives in the future.
- **Enrollment Trends:** Future local revenue may be largely dependent upon changes in enrollment. The pandemic has negatively affected enrollment, particularly in preschool and elementary grades and current projections don't predict full recovery for several more years. This could have a devastating effect on revenue for several years to come. State revenue is also affected by our enrollment, as well as poverty levels, and county wealth.

Contacting the School System's Financial Management

This financial report is designed to provide the citizens and taxpayers of Washington County, and the creditors, parents and employees of the Washington County Public Schools with a general overview of the School System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report, please contact the Finance Office, Washington County Public Schools, 10435 Downsville Pike, Hagerstown, Maryland 21740, or call (301) 766-2831.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2022

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 21,008,377 | \$ 17,547 | \$ 21,025,924 |
| Investments | 58,432,802 | - | 58,432,802 |
| Due from Other Governments | 13,359,616 | 5,149,606 | 18,509,222 |
| Internal Balances | (2,073,052) | 2,073,052 | - |
| Accounts Receivable | 421,250 | - | 421,250 |
| Inventories | 92,572 | 633,014 | 725,586 |
| Prepaid items | 2,220,904 | - | 2,220,904 |
| Total Current Assets | 93,462,469 | 7,873,219 | 101,335,688 |
| Noncurrent Assets | | | |
| Capital Assets, not being depreciated | 16,199,688 | - | 16,199,688 |
| Capital Assets, net of accumulated depreciation/amortization | 223,166,922 | 1,409,661 | 224,576,583 |
| Total Noncurrent Assets | 239,366,610 | 1,409,661 | 240,776,271 |
| TOTAL ASSETS | 332,829,079 | 9,282,880 | 342,111,959 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Other Post-employment Benefits (OPEB) | 69,429,374 | 1,561,806 | 70,991,180 |
| Pensions | 5,585,809 | 1,063,963 | 6,649,772 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 75,015,183 | 2,625,769 | 77,640,952 |
| <u>LIABILITIES</u> | | | |
| Current Liabilities | | | |
| Accounts Payable | 5,274,214 | 89,691 | 5,363,905 |
| Accrued Liabilities | 24,066,640 | 80,835 | 24,147,475 |
| Unearned Revenues | 5,263,251 | 425,789 | 5,689,040 |
| Long-term Liabilities | | | |
| Due within one year | | | |
| Compensated Absences | 921,318 | - | 921,318 |
| Lease Liability | 442,942 | - | 442,942 |
| Note Payable | 58,451 | - | 58,451 |
| Total Current Liabilities | 36,026,816 | 596,315 | 36,623,131 |
| Noncurrent Liabilities | | | |
| Compensated Absences | 5,516,970 | 180,906 | 5,697,876 |
| Net OPEB Liability | 124,703,654 | 2,805,194 | 127,508,848 |
| Net Pension Liability | 12,639,710 | 2,407,564 | 15,047,274 |
| Lease Liability | 1,944,309 | - | 1,944,309 |
| Note Payable | 162,591 | - | 162,591 |
| Total Noncurrent Liabilities | 144,967,234 | 5,393,664 | 150,360,898 |
| TOTAL LIABILITIES | 180,994,050 | 5,989,979 | 186,984,029 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Other Post-employment Benefits (OPEB) | 164,583,493 | 3,702,287 | 168,285,780 |
| Pensions | 7,011,992 | 1,335,617 | 8,347,609 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 171,595,485 | 5,037,904 | 176,633,389 |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 236,758,317 | 1,409,661 | 238,167,978 |
| Restricted | 4,082,141 | - | 4,082,141 |
| Unrestricted | (185,585,731) | (528,895) | (186,114,626) |
| TOTAL NET POSITION | \$ 55,254,727 | \$ 880,766 | \$ 56,135,493 |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| Functions/Programs | Program Revenue | | | | Net Revenue (Expense) and Changes in Net Position | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Administration | \$ 8,281,764 | \$ - | \$ 1,999,160 | \$ - | \$ (6,282,604) | \$ - | \$ (6,282,604) |
| Mid-level Administration | 21,253,176 | - | 2,670,096 | - | (18,583,080) | - | (18,583,080) |
| Instructional Salaries | 127,063,353 | - | 29,185,853 | - | (97,877,500) | - | (97,877,500) |
| Instructional Textbooks and Supplies | 11,106,319 | 1,288,079 | 3,482,362 | - | (6,335,878) | - | (6,335,878) |
| Other Instructional Costs | 5,891,256 | - | 1,310,242 | 27,965 | (4,553,049) | - | (4,553,049) |
| Special Education | 32,782,736 | - | 19,184,202 | - | (13,598,534) | - | (13,598,534) |
| Student Personnel Services | 3,522,809 | - | 1,228,001 | - | (2,294,808) | - | (2,294,808) |
| Student Health Services | 4,915,436 | - | 1,904,594 | - | (3,010,842) | - | (3,010,842) |
| Student Transportation Services | 14,852,426 | - | 8,539,142 | - | (6,313,284) | - | (6,313,284) |
| Operation of Plant | 24,625,379 | - | 2,069,637 | - | (22,555,742) | - | (22,555,742) |
| Maintenance of Plant | 18,059,187 | - | 804,087 | 80,054 | (17,175,046) | - | (17,175,046) |
| Fixed Charges | 86,910,073 | 11,713,331 | 25,194,579 | - | (50,002,163) | - | (50,002,163) |
| Food Services | - | - | 292,091 | - | 292,091 | - | 292,091 |
| Community Services | 687,713 | - | 500,383 | - | (187,330) | - | (187,330) |
| Interest on Long-Term Obligations | 126,000 | - | - | - | (126,000) | - | (126,000) |
| Depreciation - Unallocated | 8,202,632 | - | - | - | (8,202,632) | - | (8,202,632) |
| Total Governmental Activities | 368,280,259 | 13,001,410 | 98,364,429 | 108,019 | (256,806,401) | - | (256,806,401) |
| Business-Type Activities: | | | | | | | |
| Food Services | 12,598,758 | 795,903 | 16,534,257 | - | - | 4,731,402 | 4,731,402 |
| Total Primary Government | \$ 380,879,017 | \$ 13,797,313 | \$ 114,898,686 | \$ 108,019 | (256,806,401) | 4,731,402 | (252,074,999) |
| General Revenues: | | | | | | | |
| Unrestricted Grants and Contributions | | | | | | | |
| Local | | | | | 107,697,620 | - | 107,697,620 |
| State | | | | | 165,621,875 | - | 165,621,875 |
| Federal | | | | | - | - | - |
| Investment Earnings | | | | | 117,596 | 8 | 117,604 |
| Other | | | | | 4,719,273 | - | 4,719,273 |
| Gain (Loss) on Disposal of Assets | | | | | 170,272 | (4,551) | 165,721 |
| Transfers | | | | | (292,091) | 292,091 | - |
| Total General Revenues and Transfers | | | | | 278,034,545 | 287,548 | 278,322,093 |
| Changes in Net Position | | | | | 21,228,144 | 5,018,950 | 26,247,094 |
| Net position - beginning of year, As Restated (Note 15) | | | | | 34,026,583 | (4,138,184) | 29,888,399 |
| Net position - end of year | | | | | \$ 55,254,727 | \$ 880,766 | \$ 56,135,493 |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

| | <u>General Fund</u> | | Total Governmental Funds |
|--|-----------------------------|-----------------------------|-----------------------------|
| | <u>Current Expense Fund</u> | <u>Capital Project Fund</u> | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 21,008,377 | \$ - | \$ 21,008,377 |
| Investments | 33,444,576 | - | 33,444,576 |
| Due From Other Governments | 12,664,081 | 695,535 | 13,359,616 |
| Due from Other Funds | - | 911,745 | 911,745 |
| Accounts Receivable | 412,597 | - | 412,597 |
| Inventories | 92,572 | - | 92,572 |
| Prepaid items | 642,304 | - | 642,304 |
| TOTAL ASSETS | \$ 68,264,507 | \$ 1,607,280 | \$ 69,871,787 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 2,424,304 | \$ 1,843,027 | \$ 4,267,331 |
| Accrued Liabilities | 21,554,118 | - | 21,554,118 |
| Due to Other Funds | 4,421,259 | - | 4,421,259 |
| Unearned Revenue | 5,207,901 | 55,350 | 5,263,251 |
| TOTAL LIABILITIES | 33,607,582 | 1,898,377 | 35,505,959 |
| FUND BALANCES | | | |
| Nonspendable | 734,876 | - | 734,876 |
| Restricted | 4,082,141 | - | 4,082,141 |
| Committed | 8,771,424 | - | 8,771,424 |
| Assigned | 10,513,938 | - | 10,513,938 |
| Unassigned | 10,554,546 | (291,097) | 10,263,449 |
| TOTAL FUND BALANCES | 34,656,925 | (291,097) | 34,365,828 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 68,264,507 | \$ 1,607,280 | \$ 69,871,787 |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2022

Total fund balance - governmental funds \$ 34,365,828

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Those assets consist of:

| | | |
|--------------------------|----------------------|-----------------|
| Cost of capital assets | \$ 456,909,371 | |
| Accumulated depreciation | <u>(217,542,761)</u> | |
| Total Capital Assets | | 239,366,610 |

An internal service fund is used by the school system's management to charge the costs of medical and prescription claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 23,571,218

Long-term liabilities (assets) are not due and payable (receivable) in the current period and therefore are not reported as liabilities (assets) in the funds. Long-term liabilities (assets) at year-end consist of:

| | | |
|----------------------|------------------|-------------|
| Compensated absences | (5,516,970) | |
| Lease Liability | (2,387,251) | |
| Note Payable | <u>(221,042)</u> | |
| | | (8,125,263) |

The net pension liability associated with the school system's proportionate share of the Maryland State Retirement and Pension System is not payable with current financial resources and is not reported in the governmental funds. The other post-employment benefits liability for the school system is not payable with current financial resources and is not reported in the general funds. The activity associated with the school system's share of the net pension liability and the other post-employment benefits liability consist of:

| | | |
|---|----------------------|----------------------|
| Net Pension Liability | (12,639,710) | |
| Deferred Outflows of Resources - Pensions | 5,585,809 | |
| Deferred Inflows of Resources - Pensions | (7,011,992) | |
| Net Other Post-Employment Benefits Liability (OPEB) | (124,703,654) | |
| Deferred Outflows of Resources - OPEB | 69,429,374 | |
| Deferred Inflows of Resources - OPEB | <u>(164,583,493)</u> | |
| | | <u>(233,923,666)</u> |

| | | |
|--|--|----------------------|
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | | <u>\$ 55,254,727</u> |
|--|--|----------------------|

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | General Fund | | Total Governmental Funds |
|--|----------------------------|---------------------------|-----------------------------|
| | Current Expense Fund | Capital Project Fund | |
| REVENUES | | | |
| Local | \$ 106,011,710 | \$ 1,855,910 | \$ 107,867,620 |
| State Maryland | 217,397,909 | 5,062,197 | 222,460,106 |
| Federal Government | 40,894,129 | - | 40,894,129 |
| Tuition | 98,551 | - | 98,551 |
| Investment Income | 73,920 | - | 73,920 |
| Other | 3,627,152 | 2,851,737 | 6,478,889 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 368,103,371 | 9,769,844 | 377,873,215 |
| EXPENDITURES | | | |
| Current | | | |
| Administration | 8,337,780 | - | 8,337,780 |
| Mid-level Administration | 21,253,176 | - | 21,253,176 |
| Instructional Salaries | 127,821,214 | - | 127,821,214 |
| Instructional Textbooks and Supplies | 11,106,319 | - | 11,106,319 |
| Other Instructional Costs | 4,416,389 | - | 4,416,389 |
| Special Education | 32,782,736 | - | 32,782,736 |
| Student Personnel Services | 3,522,809 | - | 3,522,809 |
| Student Health Services | 4,915,436 | - | 4,915,436 |
| Student Transportation Services | 13,447,947 | - | 13,447,947 |
| Operation of Plant | 24,754,818 | - | 24,754,818 |
| Maintenance of Plant | 10,247,000 | 6,953,680 | 17,200,680 |
| Community Services | 687,713 | - | 687,713 |
| Fixed Charges | 94,393,529 | - | 94,393,529 |
| Capital Outlay | 2,364,543 | 5,467,043 | 7,831,586 |
| Debt Service | | | |
| Principal | 474,028 | - | 474,028 |
| Interest | 126,000 | - | 126,000 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 360,651,437 | 12,420,723 | 373,072,160 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <hr/> | <hr/> | <hr/> |
| | 7,451,934 | (2,650,879) | 4,801,055 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers Out | (2,768,095) | - | (2,768,095) |
| Transfers In | - | 2,476,004 | 2,476,004 |
| Lease Financing Proceeds | 501,861 | - | 501,861 |
| Note Payable Proceeds | 252,854 | - | 252,854 |
| Proceeds from Sale of Assets | 197,471 | - | 197,471 |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources | (1,815,909) | 2,476,004 | 660,095 |
| Net Changes in Fund Balance | 5,636,025 | (174,875) | 5,461,150 |
| Fund Balances - Beginning of Year | 29,020,900 | (116,222) | 28,904,678 |
| Fund Balances - End of Year | <hr/> <u>\$ 34,656,925</u> | <hr/> <u>\$ (291,097)</u> | <hr/> <u>\$ 34,365,828</u> |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022

| | | |
|---|------------------|--------------------------|
| Net changes in fund balances - total governmental funds | \$ | 5,461,150 |
| Amounts reported for governmental activities in the statement of activities is different because: | | |
| Capital outlays are reported in governmental funds 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. The amount by which depreciation exceeds capital outlays in the period is as follows: | | |
| Depreciation/Amortization expense | \$ (12,097,276) | |
| Capital outlays | <u>8,173,832</u> | (3,923,444) |
| In the statement of activities, only the gain or loss on the disposition of capital assets is reported whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by costs of the capital assets sold less any accumulated depreciation. | | (27,199) |
| Note payable proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. | | (252,854) |
| Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | 62,463 |
| Lease liability proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. | | (501,861) |
| Repayment of lease liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | 411,565 |
| In the statement of activities, compensated absences are measure by the amounts earned during the year. In governmental funds however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid and accrued). This year, vacation and sick leave earned exceeded the amounts used. | | |
| Decrease in compensated absences | | 757,861 |
| The expense incurred related to other post-employment benefits are recognized in the change in net position in the Statement of Activities while the cash contribution to the Retiree Benefit Trust is recorded in the governmental funds. This represents the difference. | | 15,858,757 |
| An internal service fund is used by the school system's management to charge the costs of medical and prescription claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities. | | 3,198,200 |
| In the government-wide financial statements, activity related to the school system's proportionate share of the Maryland State Retirement and Pension System is recognized when the costs are incurred, adjusted for the actuarial measurement date of the plan. In the governmental funds, expenditures are recognized when current financial resources are used. This year, actual costs of the plan were more than current resources used. | | <u>183,506</u> |
| Change in net position of governmental activities | \$ | <u><u>21,228,144</u></u> |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

| | Enterprise Fund Food Service | Internal Service Fund Self-Insurance |
|---|---------------------------------|---|
| <u>ASSETS</u> | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 17,547 | \$ - |
| Investments | - | 24,988,226 |
| Due from Other Governments | 5,149,606 | - |
| Accounts Receivable | - | 8,653 |
| Inventories | 633,014 | - |
| Due from Other Funds | 2,073,052 | 1,436,462 |
| Prepaid Expenses | - | 1,578,600 |
| Total Current Assets | <u>7,873,219</u> | <u>28,011,941</u> |
| Noncurrent Assets | | |
| Capital Assets, net of accumulated depreciation | <u>1,409,661</u> | - |
| Total Noncurrent Assets | <u>1,409,661</u> | - |
| TOTAL ASSETS | <u>9,282,880</u> | <u>28,011,941</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Other Postemployment Benefits (OPEB) | 1,561,806 | - |
| Pensions | <u>1,063,963</u> | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>2,625,769</u> | - |
| <u>LIABILITIES</u> | | |
| Current Liabilities | | |
| Accounts Payable | 89,691 | 1,006,883 |
| Accrued Liabilities | 80,835 | 3,433,840 |
| Unearned Revenue | <u>425,789</u> | - |
| Total Current Liabilities | <u>596,315</u> | <u>4,440,723</u> |
| Noncurrent Liabilities | | |
| Compensated Absences Payable | 180,906 | - |
| Net Pension Liability | 2,407,564 | - |
| Net OPEB Liability | <u>2,805,194</u> | - |
| Total Noncurrent Liabilities | <u>5,393,664</u> | - |
| TOTAL LIABILITIES | <u>5,989,979</u> | <u>4,440,723</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Other Postemployment Benefits (OPEB) | 3,702,287 | - |
| Pensions | <u>1,335,617</u> | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>5,037,904</u> | - |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | 1,409,661 | - |
| Unrestricted | <u>(528,895)</u> | <u>23,571,218</u> |
| TOTAL NET POSITION | <u>\$ 880,766</u> | <u>23,571,218</u> |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | Enterprise Fund <u>Food Service</u> | Internal Service Fund <u>Self-Insurance</u> |
|---|--|--|
| Operating Revenues | | |
| Food Service Sales | \$ 572,690 | \$ - |
| Medicare Part D Subsidy | - | 488,529 |
| Charges to Other Funds | - | 44,500,286 |
| Charges to Employees and Retirees | - | 11,936,544 |
| Total Operating Revenues | <u>572,690</u> | <u>56,925,359</u> |
| Operating Expenses | | |
| Payroll Costs | 5,825,701 | 80,936 |
| Professional and Contract Services | - | 1,782,686 |
| Supplies and Materials | 6,106,910 | - |
| Depreciation | 295,708 | - |
| Other Post-Employment Benefits Contribution | - | 1,488,529 |
| Insurance Claims | - | 50,418,684 |
| Other Operating Costs | 147,226 | - |
| Total Operating Expenses | <u>12,375,545</u> | <u>53,770,835</u> |
| Operating Income (Loss) | <u>(11,802,855)</u> | <u>3,154,524</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest Income | 8 | 43,676 |
| State Matching and Other | 456,247 | - |
| Federal Grants and Commodities | 16,077,401 | - |
| Other Grants | 609 | - |
| Loss on Disposition of Equipment | (4,551) | - |
| Total Nonoperating Revenues (Expenses) | <u>16,529,714</u> | <u>43,676</u> |
| Interfund Transfers | | |
| Interfund Transfer in | 292,091 | - |
| Change in Net Position | 5,018,950 | 3,198,200 |
| Net Position - Beginning of Year | <u>(4,138,184)</u> | <u>20,373,018</u> |
| Net Position - End of Year | <u>\$ 880,766</u> | <u>\$ 23,571,218</u> |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Enterprise Fund</u> <u>Food Service</u> | <u>Internal Service Fund</u> <u>Self-Insurance</u> |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from User Charges and Other Funds | \$ 725,799 | \$ - |
| Cash Received from Assessments Made to Other Funds | - | 46,129,067 |
| Cash Received from assessments Made to Employees and Retirees | - | 11,936,544 |
| Cash Received from Medicare Part D | - | 488,529 |
| Payments for Other Post-Employment Contributions | - | (1,488,529) |
| Insurance Claims Paid | - | (50,443,233) |
| Payments to Employees for Services | (6,223,800) | (80,936) |
| Payments to Suppliers for Goods and Services | (5,037,195) | (1,782,686) |
| Payments for Other Operating Expenses | 132,807 | - |
| Net Cash Provided by (Used In) Operating Activities | <u>(10,402,389)</u> | <u>4,758,756</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Nonoperating Grants Received | 10,513,223 | - |
| Interfund Transfers | 292,091 | - |
| Net Cash Provided by Noncapital Financing Activities | <u>10,805,314</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Acquisition of Capital Asset | (434,615) | - |
| Proceeds from Sale of Capital Assets | 1,676 | - |
| Net Cash Used in Capital Financing Activities | <u>(432,939)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received | 8 | 123,716 |
| Purchase of Investments | - | (4,882,472) |
| Net Cash Provided by (Used In) Investing Activities | <u>8</u> | <u>(4,758,756)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | (30,006) | - |
| Cash and Cash Equivalents - Beginning of Year | 47,553 | - |
| Cash and Cash Equivalents - End of Year | <u>\$ 17,547</u> | <u>\$ -</u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS: | | |
| Donated Commodities | <u>\$ 1,286,405</u> | <u>\$ -</u> |
| Loss on disposal of capital asset | <u>\$ 6,227</u> | <u>\$ -</u> |
| RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Operating Income (Loss) | \$ (11,802,855) | \$ 3,154,524 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | |
| Depreciation | 295,708 | - |
| Commodities Used | 1,286,405 | - |
| Changes in Assets and Liabilities | | |
| Receivables | - | - |
| Due from Other Funds | 280,033 | 1,628,781 |
| Inventory | (270,869) | - |
| Prepays | - | - |
| Deferred Outflows of Resources | (21,319) | - |
| Accounts Payable | 54,179 | (5,341) |
| Accrued Liabilities | (24,136) | (19,208) |
| Unearned Revenue | 153,109 | - |
| Compensated Absences | 17,733 | - |
| Other Post-Employment Benefits | (1,804,245) | - |
| Net Pension Liability | (929,948) | - |
| Deferred Inflows of Resources | 2,363,816 | - |
| Total Adjustments | <u>1,400,466</u> | <u>1,604,232</u> |
| Net Cash Provided by (Used In) Operating Activities | <u>\$ (10,402,389)</u> | <u>\$ 4,758,756</u> |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

| | <u>Custodial Fund - Fringe Benefit Fund</u> | <u>Fiduciary Component Unit- Retiree Health Plan Trust</u> |
|---|---|--|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 73,841 | \$ - |
| Investments Held in MABE Trust | <u>-</u> | <u>98,386,452</u> |
| TOTAL ASSETS | <u><u>\$ 73,841</u></u> | <u><u>\$ 98,386,452</u></u> |
| LIABILITIES | | |
| Accounts Payable | \$ - | \$ - |
| Due to Student Groups | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> |
| NET POSITION | | |
| Restricted for Retiree Health Plan Benefits | - | 98,386,452 |
| Restricted for Employees | <u>73,841</u> | <u>-</u> |
| TOTAL NET POSITION | <u>73,841</u> | <u>98,386,452</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 73,841</u></u> | <u><u>\$ 98,386,452</u></u> |

The notes to the financial statement are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | Custodial Fund - Fringe Benefit Fund | Fiduciary Component Unit- Retiree Health Plan Trust |
|----------------------------------|---|--|
| ADDITIONS | | |
| Contributions | \$ 514,370 | \$ 19,291,401 |
| Investment Income (Loss) | - | (15,036,117) |
| Total Additions | <u>514,370</u> | <u>4,255,284</u> |
| DEDUCTIONS | | |
| Benefits Paid | <u>510,755</u> | <u>12,802,872</u> |
| Total Deductions | <u>510,755</u> | <u>12,802,872</u> |
| Change in Net Position | 3,615 | (8,547,588) |
| Net Position - Beginning of Year | <u>70,226</u> | <u>106,934,040</u> |
| Net Position - End of Year | <u>\$ 73,841</u> | <u>\$ 98,386,452</u> |

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Washington County Board of Education (the "School System") is to operate the local public-school system in accordance with state and community standards.

The School System does not have the authority to levy any taxes or incur debt. Schools are funded with local, state, and federal monies. Washington County, Maryland has oversight responsibility for approval and partial funding of the School System's operating budget.

The School System is a component unit of Washington County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the School System.

Governmental Accounting Standards Board ("GASB") Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*" established the criteria used by the School System to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. The component unit discussed below is included in the School System's reporting entity because of the significance of their operational or financial relationships with the School System.

Fiduciary Component Unit

The School System's Retiree Health Trust Plan (the "Plan") was established to provide postemployment health care and life insurance benefits for retirees of the School System (See Note 12). The Plan is included in the financial reporting entity as a fiduciary fund because the Plan is (1) considered to be a separate legal entity, (2) the School Board functions as the governing board of the plan, and (3) the plan imposes a financial burden on the School System as it is legally obligated to make contributions to the Plan.

The School System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The more significant accounting policies of the School System are described below.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Measurement Focus, Basis of Accounting

The basic financial statements of the School System are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by local contributions and intergovernmental revenues are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, which incorporates noncurrent assets as well as long-term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. United States Department of Agriculture food commodities are recorded as revenue and expense when they are consumed.

The statement of activities demonstrates the degree to which the direct expenses 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 customers or applicants 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. Unrestricted grants and contributions and other items not properly included among program revenues are reported instead as general revenues. The School System does not allocate indirect costs.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

2. Fund Financial Statements

The operations of the School System are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures or expenses, as appropriate.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Governmental Funds

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets, including entering into contracts giving the School System the right to use leased assets, are recorded as expenditures in the year that resources were expended, rather than as fund assets. Issuance of long-term debt and financing through leases are reported as other financing sources.

Proprietary Funds

The School System's Food Service Fund and Internal Service Fund are proprietary funds. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflow of resources, liabilities, and deferred inflow of resources (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's ongoing operations. Operating revenue of the Food Service Fund consist of fees charged to users of food services and operating revenues of the Internal Service Fund consist of charges to other funds, employees, and retirees for medical costs. Operating expenses of the Food Service Fund consist of employee salaries and benefits, supplies material, administrative costs, and depreciation on capital assets. Operating expenses of the Internal Service Fund consist of employee salaries and benefits, purchased services, insurance claims, and administrative costs.

All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses, including state and federal subsidies and grants.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Funds

The School System's Fiduciary Funds are presented in the fund financial statements as a Retiree Health Plan Trust and a Custodial Fund. Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the School System, these funds are not incorporated into the government-wide financial statements. The School System's fiduciary funds are presented on the accrual basis of accounting.

C. Basis of Presentation

The School System reports the following funds:

Governmental Fund Types:

- The General Fund (Current Expense Fund) is the principal operating fund of the School System. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Basis of Presentation (Continued)

Proprietary Fund Types:

- The Food Service Fund accounts for all financial resources associated with the operations of the School System's cafeterias.
- The Internal Service Fund is used to account for the costs of maintaining the School System's group health self-insurance programs. Because the principal users of the internal services are the School System's governmental activities, the net residual balances are consolidated into the governmental activities column when presented in the government-wide financial statements

Additionally, the School System reports the following fiduciary funds:

- Custodial funds are fiduciary in nature. The Fringe Benefit Plan accounts for the activity related to the School System's IRC Section 125 Cafeteria Plan.
- The Retiree Health Plan Trust, a fiduciary component unit, accounts for the assets held in the Maryland Association of Boards of Education Pooled OPEB Investment Trust established exclusively for the purpose of non-pension post-employment benefits.

D. Assets, Liabilities, Net Position or Fund Balances

1. Cash and Cash Equivalents

The School System's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

2. Investments

Governmental Activities investments are carried at amortized cost, which is not materially different than fair value. All other investments are valued at fair market value.

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

3. Inventories

Inventory, which includes donated food commodities, is valued at the lower of average cost or market. Inventory in the General Fund consists of instructional material and custodial supplies. The cost of governmental fund inventory is recorded as expenditures when used or delivered to the schools. Inventory in the Food Service Fund consists of expendable food and supplies held for consumption. The cost of the Food Service Fund inventory is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost (except for intangible right-to-use lease assets). Contributed assets are reported at acquisition value as of the date received. Library books and textbooks are expensed at the time they are purchased. Additions, improvements and other capital outlays that significantly extend the useful life an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-------------------------------|---------------|
| Buildings and Improvements | 25 - 40 Years |
| Furniture and Equipment | 4 - 15 Years |
| Equipment under Capital Lease | 4 - 5 Years |

5. Receivables and Payables

- Interfund Receivables and Payables

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to eliminations upon consolidation in the government-wide financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

6. Long-Term Debt

The School System is not obligated to repay principal or interest on any debt incurred for school construction except for the construction of a school. Bonds and loans are obligations of the county and state governments. The authorization for expenditures related to debt service for school construction is in the County's Operating Budget. The County, not the School System, reflects annual debt service expenditures for school construction in their annual financial statements. However, the School System does reflect long-term debt in their financial statements for lease obligations that transfer ownership at the end of the lease. These obligations are recorded as note payables in the System's financial statements.

7. Compensated Absences

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2022 amounted to \$6,619,194. At June 30, 2022 \$921,318 is considered payable with current resources and is included in accrued liabilities in the governmental fund level financial statements. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2022. The remaining amounts are estimated to be used in subsequent fiscal years, are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

8. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the School System's financial statements. In the School System's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School System has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds balance sheet and revenue is recognized.

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

9. Net Position/Fund Balances

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

- *Nonspendable Fund Balance* – Amounts that are not in a spendable form (such as Inventory) or are required to be maintained intact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – This classification includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the Washington County Board of Education. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.
- *Assigned Fund Balance* – For all governmental funds other than the general fund, this classification includes any remaining positive amounts that are not classified as Nonspendable, Restricted, or Committed. For the General Fund, this classification includes amounts intended to be used for specific purposes that do not meet the criteria to be classified as Restricted or Committed. The assignment of fund balance cannot result in a negative unassigned fund balance. The Board delegates to the Superintendent (and his/her designee) the authority to assign fund balance.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in multiple classifications, the School System's policy is to use restricted resources first and then apply unrestricted resources in the following order: Committed, Assigned, and Unassigned. Committed or Assigned resources would only be used upon specific authorization by the School Board or the Superintendent (and his/her designee), respectively.

The School System has established an Unassigned General Fund Balance guideline of between 45-60 days of the revenue it receives from all sources except the county government. For the Internal Service Fund (Self-Insurance) a goal of ten (10) times the specific stop loss retention level before insurance coverage has been established. At June 30, 2022, the specific stop loss level was \$400,000 then 50% of the next \$200,000.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

9. Net Position/Fund Balances (Continued)

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the School System, not restricted for any project or other purpose.

When an expense is incurred for purposes for which restricted and unrestricted net position is available, the School System is to apply restricted net position first.

10. Accounting Estimates

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

11. Deferred Outflows / Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The School System has two items that qualify for reporting in these categories: deferred outflows and inflows related to pensions and deferred outflows and inflows related to other postemployment benefits.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

11. Deferred Outflows / Inflows of Resources (Continued)

Deferred outflows and inflows of resources related to pensions are described further in Note 11 and deferred outflows and inflows of resources related to other postemployment benefits are described further in Note 12. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension/OPEB expense over a closed period, which reflects the weighted average remaining service life of all MSRPS/OPEB members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

12. Pensions

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

13. Post-employment Health Care and Life Insurance Benefits

In addition to providing the pension benefits described, the School System provides post-employment health care and life insurance benefits (OPEB) for retired employees, their spouses and dependents, and surviving spouses and dependents. On April 15, 2008, the Board created the Retiree Benefit Trust of the Board of Education of Washington County (the "Trust") in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The Trust is affiliated with Maryland Association of Boards of Education Pooled OPEB Investment Trust, an agent multiple-employer public employee retirement system established by the Maryland Association of Boards of Education ("MABE"). The Board reserves the right to establish and amend the provisions of the trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees. The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

14. Leases

The School System is a lessee for noncancellable leases of equipment and buildings. The School System recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School System recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the School System initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the School System determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School System uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School System generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School System is reasonably certain to exercise.

The School System monitors changes in circumstance that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Adoption of Governmental Accounting Standards Board Statements

The School System adopted the provisions of GASB Statement No. 87, “Leases”. The adoption of this statement resulted in the restatement of previously reported amounts as the System recorded an intangible right to use lease asset and a corresponding lease liability (See Note 15).

The School System adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The adoption of this statement had no effect on previously reported amounts.

The School System adopted the provisions of GASB issued Statement No. 92, “Omnibus 2020”. The adoption of this statement had no effect on previously reported amounts.

The School System adopted the provisions of GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The adoption of this statement had no effect on previously reported amounts.

The School System adopted the provision of GASB issued statement No. 98, *The Annual Comprehensive Financial Report*. The adoption of this statement had not effect on previously reported amounts.

F. Pending Changes in Accounting Principles

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The School System is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements*. The School System is required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The School System is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

The Governmental Accounting Standards Board has issued GASB Statement No. 99, *Omnibus 2022*. The provisions related to leases, PPP’s, and SBITA’s to be adopted by the School System for its fiscal year 2023 statements, while the provisions relating to financial guarantees and the classification and reporting of derivative instruments are required to be adopted by the School System for its fiscal year ending 2024 statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections an Amendment of GASB Statement No.62*. The School System is required to adopt this statement for its fiscal year 2024 financial statements.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Pending Changes in Accounting Principles (Continued)

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The School System is required to adopt this statement for its fiscal year 2025 financial statements.

The School System has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The School System generally follows these procedures in establishing the budgetary data reflected in the required supplementary information:

Operating Budget

Unrestricted Current Expense Fund

1. Budget meetings with program and department management are held to review the current budget annually, seeking input on changes for the upcoming year. The requests are based upon needs identified in the School System's approved five-year Master Plan.
2. The proposed budget is made available to the public and the County Government in February/March.
3. Public hearings are held to obtain comments from the community.
4. The proposed operating budget is submitted to the County Commissioners in late March or early April.
5. After approval or adjustment by the County Commissioners, the final operating budget is generally approved by the School System in June.
6. Budgets are adopted on a basis consistent with GAAP except for: (1) the inclusion of encumbrances and operating transfers as expenditures, (2) annual debt service requirements on leases which are recognized as a current expense in the General Fund, (3) capital lease proceeds and corresponding acquisition costs which are not recognized as another financing source and current expense, (4) occasionally the inclusion of the previous years' unexpended budgetary appropriations as revenue, (5) retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense, and (6) the value of donated fixed assets is not recognized as revenue and current expense.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Unrestricted Current Expense Fund (Continued)

7. Requests for transfers between major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.

Budgetary comparisons presented in the required supplementary information are on a non-GAAP budgetary basis.

Restricted Current Expense Fund

The restricted current expense fund accounts for certain federal and state programs, student activity programs, and the School System's scholarship programs, which are not part of the operating budget. For the federal and state programs, revenues are recognized at the same time as the related expenditures.

Capital Budget

Capital Projects Fund

School construction is budgeted on a project basis with funds primarily provided by the State of Maryland and Washington County bonds. Revenues from the bond proceeds and grants are earned when all significant terms of the proceeds have been met. Such terms are generally met at the time of expenditure. Annual budgetary comparisons to actual expenditures are not presented in the required supplementary information for the Capital Projects Fund.

NOTE 3: DEPOSIT AND INVESTMENT RISK

Cash

Custodial Credit Risk

Maryland State Law prescribes that local government units, such as the School System, must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. Any cash deposit exceeding the FDIC insurance level will require collateralization. The FDIC coverage limits are applied to total noninterest-bearing accounts separately from interest-bearing accounts.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Compliance is summarized as follows:

| | Governmental and Business-Type Activities | Fiduciary Responsibilities | Total |
|---|---|-------------------------------|---------------|
| Carrying amount of cash deposits | \$ 21,025,924 | \$ 73,841 | \$ 21,099,765 |
| Bank balance of cash deposits | 23,304,254 | 73,841 | \$ 23,378,095 |
| Amount covered by FDIC | 1,514,011 | 73,841 | 1,587,852 |
| Amount collateralized with securities held by an agent of the pledging financial institution in the School System's name. | 21,790,243 | - | 21,790,243 |

Investments

Credit Risk

Maryland statutes authorize the School System to invest in obligations of the United States government or agency obligations. As of June 30, 2022, the School System's operating investments in U.S Government Agencies were rated AAA (\$51,842,979) and AA+ (6,512,521) by Standard & Poor's. The School System's operating investments in fixed income mutual funds was not rated (\$77,302) The School System's fiduciary investments in fixed income mutual funds, U.S Government Agencies, and corporate bonds were not rated as of June 30, 2022.

Interest and Custodial Risk

Investments are made in Federal government securities without risk of loss due to market conditions. The Board's investments, which include uninsured and unregistered investments, are held by a bank's trust department or agent in the School System's name. The Board's policy is generally to require delivery of the investments to a third-party custodian.

Foreign Currency Risk

Maryland law does not permit the School System to have or hold any type of international investment vehicle.

Retiree Health Plan Trust Investments

The investments of the MABE Trust are stated at fair value, are deposited with Fidelity, and are managed by GYL Financial Synergies, LLC. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. Although all investments of the MABE Trust are considered Level 1 and Level 2, the School System's membership in the MABE Trust is considered Level 2. As of June 30, 2022, the pooled net position of the MABE Trust was \$537,118,008 in total, of which the School System's allocated investment balance was \$98,386,452. The School System's allocated investments consist of the following:

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (CONTINUED)

Retiree Health Plan Trust Investments (Continued)

| | Balance at June 30, 2022 |
|---------------------------|-----------------------------|
| Cash and Cash Equivalents | \$ 5,872,485 |
| Interest Receivable | 117,864 |
| Corporate Bonds | 14,002,871 |
| Fixed Income Mutual Funds | 8,217,638 |
| Equity Securities | 32,644,452 |
| Mutual Funds | 24,206,575 |
| U.S. Government Agency | 13,324,567 |
| | <u>\$ 98,386,452</u> |

The School System may terminate its membership in the MABE Trust and withdraw its allocated investment balance by providing written notification six months prior to the intended date of withdrawal.

Concentration of Credit Risk

The School System does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer. More than 5% of the School System's Governmental Activities investments are investments in the Federal Home Loan Mortgage Corp. This investment is 11%, respectively, of the Governmental Activities investments. More than 5% of the School System's General Fund investments are investments in the Federal Home Loan Mortgage Corp. This investment is 20% of the General Fund investments.

Market Risk

The School System's investments are exposed to various risks, such as interest rate, market, currency, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported on the financial statements. Agency bonds are not backed by the full faith and credit of the United States Government.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (CONTINUED)

As of June 30, 2022, the School System had the following investments and maturities:

| | Governmental Activities | Business-Type Activities | Fiduciary Responsibilities | Total |
|--|----------------------------|-----------------------------|-------------------------------|-----------------------|
| United States Treasury Note - .125% matures December 31, 2022 | \$ 6,749,642 | \$ - | \$ - | \$ 6,749,642 |
| United States Treasury Bill - .000% matures August 4, 2022 | 5,986,653 | - | - | 5,986,653 |
| United States Treasury Note - .125% matures February 28, 2023 | 7,271,623 | - | - | 7,271,623 |
| United States Treasury Note - .250% matures April 15, 2023 | 6,019,219 | - | - | 6,019,219 |
| United States Treasury Note - .125% matures May 31, 2023 | 4,989,453 | - | - | 4,989,453 |
| United States Treasury Note - 1.250% matures July 31, 2023 | 4,947,580 | - | - | 4,947,580 |
| United States Treasury Note - .125% matures August 31, 2023 | 5,954,297 | - | - | 5,954,297 |
| United States Treasury Note - 1.625% matures October 31, 2023 | 4,938,593 | - | - | 4,938,593 |
| United States Treasury Note - .250% matures November 15, 2023 | 4,985,938 | - | - | 4,985,938 |
| Federal Home Loan Mortgage Corp - .250% matures June 26, 2023 | 6,512,502 | - | - | 6,512,502 |
| Income Fund of America | 77,302 | - | - | 77,302 |
| Retiree Health Plan Trust | - | - | 98,386,452 | 98,386,452 |
| | <u>\$ 58,432,802</u> | <u>\$ -</u> | <u>\$ 98,386,452</u> | <u>\$ 156,819,254</u> |

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|---|----------------------|----------------------------------|----------------------|-------------|----------------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| U.S. Agencies | \$ 58,355,500 | \$ 37,529,092 | \$ 20,826,408 | \$ - | \$ - |
| Income Fund of America | 77,302 | 77,302 | - | - | - |
| Retiree Health Plan Trust - Debt Securities | 35,545,076 | 8,217,638 | 14,002,872 | - | 13,324,566 |
| | <u>\$ 93,977,878</u> | <u>\$ 45,824,032</u> | <u>\$ 34,829,280</u> | <u>\$ -</u> | <u>\$ 13,324,566</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (CONTINUED)

Investments and Fair Value – Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, “*Fair Value Measurement and Application*”. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School System has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value of assets measured on a recurring basis at June 30, 2022 are as follows:

| | Value | in Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|------------------------------|----------------------|--|-----------------------------------|-------------------------------------|
| Government Agency Securities | \$ 58,355,500 | \$ - | \$ 58,355,500 | \$ - |
| Mutual Fund - Income Fund | <u>77,302</u> | <u>77,302</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 58,432,802</u> | <u>\$ 77,302</u> | <u>\$ 58,355,500</u> | <u>\$ -</u> |

Mutual funds are valued using prices quoted in active markets for those securities. U.S. government agency securities are valued using quoted market prices for similar securities.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 4: RECEIVABLES AND PAYABLES

Receivables and payables at June 30, 2022 consist of the following:

| | Governmental Activities | | | Business-Type Activities | Total |
|---|-------------------------|---------------------|---------------------|-----------------------------|----------------------|
| | General | Capital Projects | Internal Service | | |
| <u>Due From Other Governments</u> | | | | | |
| County | \$ - | \$ 579,143 | \$ - | \$ - | \$ 579,143 |
| State | 3,934,296 | 116,392 | - | 8,522 | 4,059,210 |
| Federal | 8,520,668 | - | - | 5,141,084 | 13,661,752 |
| Other MD School Systems | 209,117 | - | - | - | 209,117 |
| | <u>\$ 12,664,081</u> | <u>\$ 695,535</u> | <u>\$ -</u> | <u>\$ 5,149,606</u> | <u>\$ 18,509,222</u> |
| <u>Other Receivables</u> | | | | | |
| Account | \$ 350,061 | \$ - | \$ 738 | \$ - | \$ 350,799 |
| School Loans | 20,000 | - | - | - | 20,000 |
| Interest | 42,536 | - | 7,915 | - | 50,451 |
| | <u>\$ 412,597</u> | <u>\$ -</u> | <u>\$ 8,653</u> | <u>\$ -</u> | <u>\$ 421,250</u> |
| <u>Accounts Payable</u> | | | | | |
| Vendor | \$ 2,332,195 | \$ 1,342,834 | \$ 1,006,883 | \$ 89,691 | \$ 4,771,603 |
| Contractor Retainages | 92,109 | 500,193 | - | - | 592,302 |
| | <u>\$ 2,424,304</u> | <u>\$ 1,843,027</u> | <u>\$ 1,006,883</u> | <u>\$ 89,691</u> | <u>\$ 5,363,905</u> |
| <u>Accrued Liabilities</u> | | | | | |
| Payroll and Payroll Taxes | \$ 21,554,118 | \$ - | \$ 3,781 | \$ 80,835 | \$ 21,638,734 |
| Pending Insurance Claims | - | - | 3,430,059 | - | 3,430,059 |
| Current portion of Compensated Absences reclassified in Statement of Net Position | (921,318) | - | - | - | (921,318) |
| | <u>\$ 20,632,800</u> | <u>\$ -</u> | <u>\$ 3,433,840</u> | <u>\$ 80,835</u> | <u>\$ 24,147,475</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 5: CAPITAL ASSETS

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

| | Balance July 1, 2021 (as restated, Note 15) | Additions | Disposals | Balance June 30, 2022 |
|---|--|-----------------------|---------------------|--------------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Capital Assets not Being Depreciated (cost): | | | | |
| Land | \$ 9,749,615 | \$ - | \$ - | \$ 9,749,615 |
| Facilities under Construction | 1,929,598 | 5,253,824 | (733,349) | 6,450,073 |
| Total Capital Assets not Being Depreciated | <u>11,679,213</u> | <u>5,253,824</u> | <u>(733,349)</u> | <u>16,199,688</u> |
| Capital Assets Being Depreciated: | | | | |
| Building and Building Improvements | 384,923,699 | 1,752,365 | (28,910) | 386,647,154 |
| Leased Building and Improvements | 437,113 | - | - | 437,113 |
| Furniture and Equipment | 50,851,365 | 1,146,277 | (2,872,546) | 49,125,096 |
| Leased Furniture and Equipment | 3,694,177 | 501,861 | - | 4,196,038 |
| Financed Equipment | 51,428 | 252,854 | - | 304,282 |
| Total Capital Assets Being Depreciated | <u>439,957,782</u> | <u>3,653,357</u> | <u>(2,901,456)</u> | <u>440,709,683</u> |
| Less Accumulated Depreciation for: | | | | |
| Building and Building Improvements | (172,171,990) | (8,045,677) | 23,791 | (180,193,876) |
| Leased Buildings and Improvements | (114,290) | (43,711) | - | (158,001) |
| Furniture and Equipment | (34,111,638) | (3,582,763) | 2,850,466 | (34,843,935) |
| Lease Furniture and Equipment | (1,896,200) | (375,438) | - | (2,271,638) |
| Financed Equipment | (25,624) | (49,687) | - | (75,311) |
| Total Accumulated Depreciation | <u>(208,319,742)</u> | <u>(12,097,276)</u> | <u>2,874,257</u> | <u>(217,542,761)</u> |
| Capital Assets Being Depreciated, Net | <u>231,638,040</u> | <u>(8,443,919)</u> | <u>(27,199)</u> | <u>223,166,922</u> |
| Governmental Activities, Capital Assets, Net | <u>\$ 243,317,253</u> | <u>\$ (3,190,095)</u> | <u>\$ (760,548)</u> | <u>\$ 239,366,610</u> |
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | |
| Capital Assets Being Depreciated: | | | | |
| Furniture and Equipment | \$ 5,158,081 | \$ 434,615 | \$ (136,739) | \$ 5,455,957 |
| Less Accumulated Depreciation for: | | | | |
| Furniture and Equipment | <u>(3,881,100)</u> | <u>(295,708)</u> | <u>130,512</u> | <u>(4,046,296)</u> |
| Business-Type Activities, Capital Assets, Net | <u>\$ 1,276,981</u> | <u>\$ 138,907</u> | <u>\$ (6,227)</u> | <u>\$ 1,409,661</u> |

Depreciation/Amortization Expense was charged to governmental activities as follows:

| | |
|---------------------------------|----------------------|
| Other Instructional Costs | \$ 1,825,761 |
| Student Transportation Services | 1,831,439 |
| Operation of Plant | 237,444 |
| Depreciation - Unallocated | <u>8,202,632</u> |
| | <u>\$ 12,097,276</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 6: UNEARNED REVENUE

General Fund

Unearned revenue consists of revenues received under restricted programs in excess of the expenditures under those programs.

Enterprise Fund

Unearned revenue includes commodities donated by the Federal Government and included in inventory. Unearned revenues also include student lunch ticket sales collected in advance which will be consumed by students in the subsequent fiscal year.

NOTE 7: INTERFUND BALANCES AND TRANSFERS

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

| | Interfund Payable | Interfund Receivable |
|-------------------------------|----------------------|-------------------------|
| Governmental Activities | | |
| General Fund - Unrestricted | \$ 2,199,212 | \$ - |
| General Fund - Restricted | 2,222,047 | - |
| Capital Projects Fund | - | 911,745 |
| Total Governmental Activities | <u>4,421,259</u> | <u>911,745</u> |
| Business-Type Activities | | |
| Food Service Fund | - | 1,436,462 |
| Self-Insurance Fund | - | 2,073,052 |
| | <u>-</u> | <u>3,509,514</u> |
| Total Interfund Balances | <u>\$ 4,421,259</u> | <u>\$ 4,421,259</u> |

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made. Interfund receivables and payables are not interest-bearing and are normally settled in the subsequent period.

The School System approved interfund transfers of \$292,091 from the current expense fund to the food service fund for the year ended June 30, 2022, to pay for summer school meals, certain outdoor school meals, food service employees' salaries and benefits, and adjustments to delinquent school accounts. The School System also approved interfund transfers of \$2,476,004 from the current expense fund to the capital project fund for the year ended June 30, 2022 to pay for capital projects.

NOTE 8: LONG-TERM LIABILITIES

General long-term liabilities consist of lease obligations, note payables, accumulated compensated absences payable, net pension liability, and the net OPEB liability. The interest rate on the note payables are 7.17% and 2.35%, with a maturity dates ranging from 2024 to 2026. The note payables are secured by the equipment under lease.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in the School System's long-term liabilities for the year ended June 30, 2022:

| | Balance July 1, 2021 as Restated, Note 15 | Additions | Maturities/ Deductions | Balance June 30, 2022 | Amounts Due Within One Year |
|--|---|----------------------|---------------------------|--------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | | | |
| Notes Payable | \$ 30,651 | \$ 252,854 | \$ (62,463) | \$ 221,042 | \$ 58,451 |
| Lease Liability | 2,296,955 | 501,861 | (411,565) | 2,387,251 | 442,942 |
| | <u>2,327,606</u> | <u>754,715</u> | <u>(474,028)</u> | <u>2,608,293</u> | <u>501,393</u> |
| Other Long-Term Liabilities | | | | | |
| Compensated Absences | 6,741,553 | 3,815,941 | (4,119,206) | 6,438,288 | 921,318 |
| Net Pension Liability | 17,521,938 | 2,205,905 | (7,088,133) | 12,639,710 | - |
| Other Post-Employment Benefits | 204,910,535 | 14,647,040 | (94,853,921) | 124,703,654 | - |
| | <u>229,174,026</u> | <u>20,668,886</u> | <u>(106,061,260)</u> | <u>143,781,652</u> | <u>921,318</u> |
| Governmental Activities | | | | | |
| Long-Term Liabilities | <u>\$ 231,501,632</u> | <u>\$ 21,423,601</u> | <u>\$ (106,535,288)</u> | <u>\$ 146,389,945</u> | <u>\$ 1,422,711</u> |
| <u>Business-Type Activities</u> | | | | | |
| Other Long-Term Liabilities | | | | | |
| Compensated Absences | \$ 163,173 | \$ 84,668 | \$ (66,935) | \$ 180,906 | \$ - |
| Net Pension Liability | 3,337,512 | 49,622 | (979,570) | 2,407,564 | - |
| Other Post-Employment Benefits | 4,609,439 | 2,789,912 | (4,594,157) | 2,805,194 | - |
| Business-type Long-term liabilities | <u>\$ 8,110,124</u> | <u>\$ 2,924,202</u> | <u>\$ (5,640,662)</u> | <u>\$ 5,393,664</u> | <u>\$ -</u> |

Compensated absences and the net pension liability are paid from the General Fund and the Food Service Fund. The net OPEB liability is paid from the General Fund, Food Service Fund, and the Internal Service Fund.

The School System's Note Payable is for various leased equipment. Below are future principal and interest payments.

| Year | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|-------------------|------------------|-------------------|
| 2023 | \$ 58,451 | \$ 6,209 | \$ 64,660 |
| 2024 | 60,316 | 4,345 | 64,661 |
| 2025 | 50,544 | 2,402 | 52,946 |
| 2026 | 51,731 | 1,215 | 52,946 |
| | <u>\$ 221,042</u> | <u>\$ 14,171</u> | <u>\$ 235,213</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 9: FUND BALANCES / NET POSITION

The financial statements present fund balances / net position based on classifications that comprise a hierarchy that is based primarily on the extent to which the School System is bound to honor constraints on the specific purposes for which amounts in the respective funds can be spent. The classifications used in the financial statements are as follows:

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|---------------------|----------------------|-----------------------------|--------------------------------|
| Nonspendable | | | |
| Inventory | \$ 92,572 | \$ - | \$ 92,572 |
| Prepays | 642,304 | - | 642,304 |
| Total Nonspendable | <u>734,876</u> | <u>-</u> | <u>734,876</u> |
| Restricted - | | | |
| Scholarships | 147,552 | - | 147,552 |
| Student Activities | 3,934,589 | - | 3,934,589 |
| Total Restricted | <u>4,082,141</u> | <u>-</u> | <u>4,082,141</u> |
| Committed | | | |
| School loans | 422,075 | - | 422,075 |
| Facilities | 8,349,349 | - | 8,349,349 |
| Total Committed | <u>8,771,424</u> | <u>-</u> | <u>8,771,424</u> |
| Assigned | | | |
| Encumbrances | <u>10,513,938</u> | <u>-</u> | <u>10,513,938</u> |
| Unassigned | | | |
| | <u>10,554,546</u> | <u>(291,097)</u> | <u>10,263,449</u> |
| | <u>\$ 34,656,925</u> | <u>\$ (291,097)</u> | <u>\$ 34,365,828</u> |

| | Governmental Activities | Business-Type Activities/Food Service Fund |
|---|----------------------------|--|
| Government-Wide Activities | | |
| Capital Assets, net of Accumulated Depreciation | \$ 239,366,610 | \$ 1,409,661 |
| Lease Liability | (2,387,251) | - |
| Notes Payable | <u>(221,042)</u> | <u>-</u> |
| Net Investment in Capital Assets | <u>\$ 236,758,317</u> | <u>\$ 1,409,661</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: RISK MANAGEMENT

The School System is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disasters. The School System is one of seventeen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The School System pays an annual premium to the Pool for its property, liability, and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole based on loss data and are allocated to members based on student enrollment, number, and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$3 million per School System per year.

Additionally, the School System is one of seventeen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). The Fund was established as a public entity risk pool organized to provide worker's compensation indemnity and medical benefits coverage for participating school boards. The Fund is operated under regulations promulgated by the State's Worker's Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll, according to the standard classifications, with an experience modification applied. Premiums billed to the Fund members are determined on an actuarial basis. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and may distribute 50% of the declared surplus as dividends or rate stabilization to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. Members dedicate the remaining 50% of the surplus each year to a surplus fund until it reaches 75% net annual premium. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverage, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation claim.

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

The School System also offers a program of self-insured health, dental, and vision benefits to its employees and retirees. Charges are made to other funds, employees, and retirees for their respective share of the costs in amounts planned to match the estimated claims, the cost of insurance premiums for coverage in excess of self-insured amounts, and the administrative costs in providing the program. Such costs are also offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses. Administrative costs directly related to the program are borne by the Self-Insurance Fund.

In accordance with the Governmental Standards Board's Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$44,500,286 for the year ended June 30, 2022.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: RISK MANAGEMENT (CONTINUED)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2022 and 2021. This estimate is prepared based upon the School System's experience and other relevant facts. The liability is recorded as an accrued liability in the Government-Wide and Proprietary Statements of Net Position. Changes in the Fund's claims liability amount for the years ended June 30, 2022 and 2021, were as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Liability at Beginning of Year | \$ 3,449,841 | \$ 2,939,000 |
| Claims and changes in estimates during the year | 50,418,684 | 48,587,283 |
| Claims paid | <u>(50,438,466)</u> | <u>(48,076,442)</u> |
| Liability at End of Year | <u>\$ 3,430,059</u> | <u>\$ 3,449,841</u> |

NOTE 11: PENSION PLAN

Plan Description

The employees of the Board are covered by the Maryland State Retirement and Pension System (the System), which is a multiple-employer cost sharing employer defined benefit public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The Plans are administered by the State Retirement Agency. 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 System issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>. The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. The School System participates in the Maryland Teachers' Retirement System (TRS), the Maryland Teachers' Pension System (TPS), the Maryland State Employee's Retirement System (ERS), and the Maryland State Employee's Pension System (EPS). Eligible professional and clerical personnel are covered under TRS or TPS. Eligible maintenance, custodial, and food service personnel are covered under ERS or EPS.

Benefits Provided*Maryland Teacher's Retirement System (TRS)*

Under TRS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is 1/55th of average final compensation for the three highest years as a member for each year of creditable service. Creditable service is based on a full normal working time for teachers – ten months equals one year. TRS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.005 for each month that date of retirement precedes the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: PENSION PLAN (CONTINUED)

Benefits Provided (CONTINUED)

Maryland Teacher's Retirement System (TRS) (CONTINUED)

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is 1/55th of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than 1/55th of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. TRS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions, but cannot be greater than the average final compensation.

To be eligible for death benefits under the TRS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

Maryland Teacher's Pension System (TPS)

Under TPS, there are two membership classes. All employees who were members on or before June 30, 2011, participate in the Alternate Contributory Pension Selection (ACPS) and all employees who enroll after July 1, 2011 participate in the Reformed Contributory Pension Benefit (RCPB). ACPS members qualify for normal retirement benefits upon (a) completing 30 years of eligible service, (b) reaching 62 with 5 years of eligible service, (c) reaching age 63 with 4 years of eligible service, (d) reaching age 64 with 3 years of eligible service, or (e) reaching age 65 or older with 2 years of eligible service. ACPS members are eligible for early retirement benefits after attainment of the age 55 with at least 15 years of eligible service. RCPB members qualify for normal retirement benefits when they attain a combined age and eligibility service of 90 years or after reaching age 65 with 10 years of eligible service. RCPB members are eligible for early retirement after attaining the age of 60 with at least 15 years of eligible service. Benefits are generally equal to 0.8%-1.5% of the member's final average salary multiplied by the number of years of credited service, depending upon membership class.

Participants are eligible for ordinary disability retirement benefits after completing five years of service. The benefit allowance is computed on the basis that the service continues until age 62 without any change in rate of earnable compensation. If disability occurs after age 62 (age 65 for RCPB), the benefit is based on creditable service at time of retirement. Participants are eligible for accidental disability retirement benefits if the disability occurred in the actual performance of the employee's duty.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: PENSION PLAN (CONTINUED)

Benefits Provided (CONTINUED)

Maryland Teacher's Pension System (TPS) (CONTINUED)

The accidental disability benefits is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions, but cannot be greater than the average final compensation.

To be eligible for death benefits under the TPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

Maryland Employee's Retirement System (ERS)

Under ERS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is 1/55th of average final compensation for the three highest years as a member for each year of creditable service. ERS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.005 for each month that date of retirement proceeds the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is 1/55th of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than 1/55th of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. ERS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions, but cannot be greater than the average final compensation.

To be eligible for death benefits under the ERS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: PENSION PLAN (CONTINUED)

Benefits Provided (CONTINUED)

Maryland Employee's Pension System (EPS)

Under the EPS plan, members are eligible for full service pension allowance upon accumulating 30 years of eligibility regardless of age. Absent 30 years of eligible service, members must meet one of the following conditions to be eligible for full service pension allowance: (a) age 62 with 5 years of eligible service, (b) age 63 with 4 years of eligible service, (c) age 64 with 3 years of eligible service, or (d) age 65 or older with 2 years of eligible service. Members are eligible for early service pension liability upon attaining age 55 with at least 15 years of service or attaining age 60 with 15 years of service, depending on plan. Allowances for both normal and early retirement are based on membership class.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The benefit is the service retirement allowance computed on the basis that service continues until age 62 (age 65 for RCPB) without any change in the rate of earnable compensation. EPS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years (five years for RCPB) as a member plus the annuity provided by accumulated member contributions, but cannot be greater than the average final compensation.

To be eligible for death benefits under the EPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

Contributions

The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and the Teachers' Retirement System are required to contribute between 5-7% annually (depending on the plan). Members of the Employees' Pension System and Employees' Retirement System are required to contribute 2-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System, which for the year ended June 30, 2022 was \$8,784,498. The State's contributions on behalf of the Board for the year ended June 30, 2022 was \$17,058,121. The fiscal 2022 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 11: PENSION PLAN (CONTINUED)

Contributions (CONTINUED)

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2022, was 10.56% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2022 of \$2,255,527.

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

At June 30, 2022, the School System reported a liability for its proportionate share of the pension liability that reflected a reduction for state pension support provided to the School System. The amount recognized by the School System 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 School System were as follows:

| | Teachers' Retirement and Pension System | Employees' Retirement and Pension System |
|--|---|--|
| School System's proportionate share of net pension liability | \$ - | \$ 15,047,274 |
| State's proportionate share of net pension liability associated with the School System | 110,420,501 | - |
| Total | <u>\$ 110,420,501</u> | <u>\$ 15,047,274</u> |
| Split of Net Pension Liability | | |
| Governmental Activities | | \$ 12,639,710 |
| Business-Type Activities | | <u>2,407,564</u> |
| Total | | <u>\$ 15,047,274</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 School System's proportion of the net pension liability was based on a projection of the School System's long-term share of contributions to the pension plan relative to the projected contributions of all participating School Systems, Libraries and the State, actuarially determined. As of June 30, 2021, the School System's proportionate share was .1002997%, which is an increase of .0080068% from its proportion measured as of June 30, 2020.

Since the State of Maryland pays the unfunded liability and the School System pays the normal cost for the TPS and TRS plans, the local Boards of Education are not required to record their share of the unfunded pension liability but instead, that liability is to be recorded by the State of Maryland.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2022, the School System recognized pension expense of \$730,591. As of June 30, 2022, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual investment earnings | \$ - | \$ 6,871,805 |
| Difference between expected and actual experience | - | 1,153,289 |
| Change in proportion | 1,481,716 | - |
| Change in assumptions | 2,912,529 | 322,515 |
| Contributions subsequent to the measurement date | 2,255,527 | - |
| Total | <u>\$ 6,649,772</u> | <u>\$ 8,347,609</u> |

Split of Deferred Outflows / Inflows of Resources

| | | |
|--------------------------|---------------------|---------------------|
| Governmental Activities | \$ 5,585,809 | \$ 7,011,992 |
| Business-Type Activities | 1,063,963 | 1,335,617 |
| Total | <u>\$ 6,649,772</u> | <u>\$ 8,347,609</u> |

\$2,255,527 is reported as deferred outflows of resources related to pensions resulting from the School System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | Governmental Activities | Business-Type Activities | Total |
|---------------------|----------------------------|-----------------------------|-----------------------|
| 2023 | \$ (1,006,969) | \$ (191,804) | \$ (1,198,773) |
| 2024 | (812,179) | (154,701) | (966,880) |
| 2025 | (802,568) | (152,870) | (955,438) |
| 2026 | (1,055,459) | (201,040) | (1,256,499) |
| 2027 | 356,353 | 67,873 | 424,226 |
| Total | <u>\$ (3,320,822)</u> | <u>\$ (632,542)</u> | <u>\$ (3,953,364)</u> |

Actuarial Methods and Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2021 measurement date:

| | |
|---------------------------|-------------------------------------|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Inflation | 2.25% general, 2.75% wage |
| Salary Increases | 2.75% including inflation |
| Investment Rate of Return | 6.80% |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (CONTINUED)

Retirement age was based on an experience-based table of rates that are specific to the type of eligibility condition and was last updated for the 2018 valuation pursuant to an experience study for the period July 1, 2014 to June 30, 2018. Mortality rates were based on Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (fully generational) mortality improvement scale. Inflation changed from 2.60% to 2.25% and the discount rate decreased from 7.40% to 6.80% for the June 30, 2021 measurement date.

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 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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------|-------------------|--|
| Public Equity | 37.0% | 4.7% |
| Private Equity | 13.0% | 6.5% |
| Rate Sensitive | 19.0% | -0.4% |
| Credit Opportunity | 9.0% | 2.6% |
| Real Assets | 14.0% | 4.2% |
| Absolute Return | 8.0% | 2.0% |
| | 100.0% | |

Discount Rate

The single discount rate of 6.80% was used to measure the total pension liability. This 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 the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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.

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 11: PENSION PLAN (CONTINUED)

Sensitivity of the School System's proportionate share of the net pension liability to change in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.80% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

| | 1% Decrease 5.80% | Current discount rate 6.80% | 1% Increase 7.80% |
|--|----------------------|-----------------------------------|----------------------|
| School System's proportionate share of the net pension liability - EPS and ERS | \$ 25,627,617 | \$ 15,047,274 | \$ 6,270,950 |

Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021.

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description

In addition to providing the pension benefits described, the School System provides post-employment health care and life insurance benefits (OPEB) for retired employees, their spouses and dependents, and surviving spouses and dependents. On April 15, 2008, the Board created the Retiree Benefit Trust of the Board of Education of Washington County (the "Trust") in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The Trust is affiliated with the Maryland Association of Boards of Education Pooled OPEB Investment Trust, and agent multiple-employer public employee retirement system established by the Maryland Association of Boards of Education ("MABE"). The Board reserves the right to establish and amend the provisions of the trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees. The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Plan Description (CONTINUED)

Eligible participants include employees, former employees, or beneficiaries of Washington County Public Schools who are receiving pensions. Participants must meet the retirement eligibility requirements of the State of Maryland Employees' and Teachers' Pension System (EPS). Under EPS, members hired on or after July 1, 2011 are in the Reformed Contributory Pension System. The earliest retirement eligibility under the Reformed Contributory Pension System is the earlier of:

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service, or
- Age 60 with 15 years of service.

For other members of EPS, the earliest retirement eligibility is the earlier of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service,
- Age 65 with 2 years of service, or
- 30 years of service (regardless of age).

Under EPS, there are two types of disability benefits, ordinary and accidental. Ordinary disability under EPS requires five (5) years of eligibility service. There is no service credit requirement for accidental disability.

Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their post-retirement medical insurance based on points (Age + Service). A minimum of 66 points (with 5 years of service) is required to receive a subsidy. The maximum subsidy of 85% is reached at 85 points (note this is a blended subsidy percentage based on the subsidy for each plan and the current enrollment distribution). Retirees with less than 66 points are allowed access, but must pay 100% of the published rates.

Contributions

The School System will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2022. Because of the sponsor's funding policy, it is anticipated the sponsor's cash requirement will increase as time goes on. For the year ended June 30, 2022 and 2021, the School System's average contribution rate was 10.35% and 9.56%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$16,672,754 of which \$3,869,882 was reimbursed through contributions received from retirees for the year ended June 30, 2022. In addition, the School System contributed \$6,488,529 to the MABE Trust for the year ended June 30, 2022. Total claims paid on behalf of retirees amounted to \$15,531,704 of which \$3,802,919 was reimbursed through contributions received from retirees for the year ended June 30, 2021.

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Employees Covered by Benefit Terms

The School System partially supports the group insurance plan for retired employees. Eligibility is determined by a point system based on a retiree's age at the date of retirement and the number of years of service with the School System. The School System pays up to a maximum of 85% of the premium of the standard plan, based on the points earned. There were 3,061 active employees and 1,402 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2021 measurement date.

Investments

The MABE Trust's policy in regards to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust is pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time span. The following is the MABE Trust's adopted asset allocation policy as of June 30, 2022 and 2021:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|---------------------|--------------------------|
| US Equity | 33% |
| Non US Equity | 21% |
| Fixed Income | 34% |
| Non US Fixed Income | 2% |
| Real Estate | 5% |
| Cash | 5% |
| Total | <u>100%</u> |

Rate of Return

For the year ended June 30, 2022 and 2021, the annual money-weighted rate of return on investments, net of investment expense, was -13.35% and 24.52%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment in External Investment Pool

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

The MABE Trust is audited annually by an independent CPA firm. The audit report is usually issued by September 1st of each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, MD 21401-1112.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Net OPEB Liability

The OPEB liabilities for the School System as of June 30, 2022 are calculated using a measurement date of June 30, 2021. Therefore, plan information for the year ended June 30, 2021 is utilized.

The net OPEB liability as of June 30, 2021 measurement date (liability recorded on the Statement of Net Position as of 6/30/2022) and June 30, 2022 (for plan disclosure) was as follows:

2021

| | |
|---|-----------------------|
| Total OPEB Liability | \$ 234,442,888 |
| Plan Fiduciary Net Position | <u>106,934,040</u> |
| Net OPEB Liability | <u>\$ 127,508,848</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 45.61% |

2022

| | |
|---|-----------------------|
| Total OPEB Liability | \$ 278,633,325 |
| Plan Fiduciary Net Position | <u>98,386,452</u> |
| Net OPEB Liability | <u>\$ 180,246,873</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 35.31% |

Actuarial Methods and Assumptions

The Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of the June 30, 2021 measurement date and June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are based on the current HCA Consulting trend study and are applied in a select and ultimate basis. Select trends are reduced 0.25% each year until reaching the ultimate trend rate.

| <u>Expense Type</u> | <u>Select</u> | <u>Ultimate</u> |
|--------------------------------------|---------------|-----------------|
| Pre-Medicare Medical and Rx Benefits | 7.0% | 4.0% |
| Medicare Benefits | 6.0% | 4.0% |
| Stop-Loss Fees | 7.0% | 4.0% |
| Administrative Fees | 4.0% | 4.0% |

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Mortality rates were based of the Pub-2010 mortality table projected generationally using scale MP-2021. The inflation rate used for used was 2.5%. The discount rate changed from 4.88% to 5.88% for the June 30, 2021 measurement date. The actuarial assumptions used in the June 30, 2021 and 2022 valuations were based on historical results, as a recent experience study was not completed.

Plan Participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 100% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.

Best estimates of the arithmetic real rates of return including inflation for each major asset class included in the target asset allocation as of June 30, 2022 (see the discussion of the MABE Trust's investment policy) are summarized in the following table:

| Asset Class | Rate of Return |
|---------------------|----------------|
| US Equity | 7.6% |
| Non US Equity | 9.4% |
| Fixed Income | 3.6% |
| Non US Fixed Income | 4.9% |
| Real Estate | 7.6% |
| Cash | 2.1% |

The discount rate used to determine the total OPEB liability was 5.71% and 5.88% for the year ended June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The expected long term rate of return on trust assets, to the extent the net fiduciary position is projected to be sufficient to provide benefits.

Changes of Assumptions. Since the prior valuation, the discount rate was updated from 4.88% to 5.88%. The retirement and termination rates were updated to June 30, 2021 Maryland State Retirement and Pension System Actuarial valuation. The trend rates were rest to an initial rate of 7.00% (6.00% for post Medicare) grading down by .25% per year until reaching the ultimate rate of 4.00%. The mortality projection scale was updated to MP-2021 to reflect the Society of Actuaries recent mortality study.

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Change in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|-----------------------------|------------------------------------|-----------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a-b) |
| Total OPEB Liability - Beginning of Year (based on 6/30/2020 measurement date) | \$ 290,651,840 | \$ 81,131,866 | \$ 209,519,974 |
| Changes for the year | | | |
| Service cost | 9,436,460 | - | 9,436,460 |
| Interest cost | 14,434,482 | - | 14,434,482 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (23,880,183) | - | (23,880,183) |
| Changes in assumptions or other inputs (Other changes, separately identified if significant) | (44,670,926) | - | (44,670,926) |
| Contributions - employer | - | 17,436,952 | (17,436,952) |
| Net investment income | - | 19,910,121 | (19,910,121) |
| Benefit payments | (11,528,785) | (11,528,785) | - |
| Administrative expense | - | (16,114) | 16,114 |
| Net change in total OPEB liability | <u>(56,208,952)</u> | <u>25,802,174</u> | <u>(82,011,126)</u> |
| Total OPEB Liability - End of Year (based on 6/30/2021 measurement date) | <u>\$ 234,442,888</u> | <u>\$ 106,934,040</u> | <u>\$ 127,508,848</u> |

Sensitivity of the net OPEB liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School System at June 30, 2021, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.88%) or 1-percentage-point higher (6.88%) than the current discount rate:

| | 1% Decrease 4.88% | Current Discount Rate 5.88% | 1% Increase 6.88% |
|----------------------|-----------------------|--------------------------------|----------------------|
| Total OPEB Liability | <u>\$ 165,685,000</u> | <u>\$ 127,508,848</u> | <u>\$ 96,864,000</u> |

The following represents the sensitivity of the net OPEB liability at June 30, 2022:

| | 1% Decrease 4.71% | Current Discount Rate 5.71% | 1% Increase 6.71% |
|----------------------|-----------------------|--------------------------------|-----------------------|
| Total OPEB Liability | <u>\$ 226,836,000</u> | <u>\$ 180,246,873</u> | <u>\$ 142,850,000</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Sensitivity of the net OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the School System at June 30, 2021, as well as what the School System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower, or 1-percentage-point higher than the current healthcare cost trend rate:

| | <u>1% Decrease</u> | <u>Medical Trend Rate</u> | <u>1% Increase</u> |
|----------------------|----------------------|---------------------------|-----------------------|
| Total OPEB Liability | <u>\$ 91,506,000</u> | <u>\$ 127,508,848</u> | <u>\$ 174,242,000</u> |

The following represents the sensitivity of the net OPEB liability at June 30, 2022:

| | <u>1% Decrease</u> | <u>Medical Trend Rate</u> | <u>1% Increase</u> |
|----------------------|-----------------------|---------------------------|-----------------------|
| Total OPEB Liability | <u>\$ 136,311,000</u> | <u>\$ 180,246,873</u> | <u>\$ 237,279,000</u> |

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the School System recognized OPEB expense of \$4,373,324. As of June 30, 2022, the School System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual investment earnings | \$ - | \$ 11,639,223 |
| Difference between expected and actual experience | 1,374,231 | 102,228,907 |
| Change in assumptions | 50,120,065 | 54,212,167 |
| Change in proportion | 205,483 | 205,483 |
| Contributions subsequent to the measurement date | 19,291,401 | - |
| Total | <u>\$ 70,991,180</u> | <u>\$ 168,285,780</u> |

Split of Deferred Outflows / Inflows of Resources

| | | |
|--------------------------|----------------------|-----------------------|
| Governmental Activities | \$ 69,429,374 | \$ 164,583,493 |
| Business-Type Activities | 1,561,806 | 3,702,287 |
| | <u>\$ 70,991,180</u> | <u>\$ 168,285,780</u> |

\$19,291,401 is reported as deferred outflows of resources related to OPEB resulting from the School System contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

| Year ended June 30: | Governmental Activities | Business-Type Activities | Total |
|---------------------|----------------------------|-----------------------------|-------------------------|
| 2023 | \$ (14,065,324) | \$ (358,419) | \$ (14,423,743) |
| 2024 | (13,905,707) | (354,829) | (14,260,536) |
| 2025 | (13,752,931) | (351,392) | (14,104,323) |
| 2026 | (14,150,521) | (360,336) | (14,510,857) |
| 2027 | (8,727,602) | (238,348) | (8,965,950) |
| Thereafter | (49,172,442) | (1,148,150) | (50,320,592) |
| Total | <u>\$ (113,774,527)</u> | <u>\$ (2,811,474)</u> | <u>\$ (116,586,001)</u> |

NOTE 13: COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, there are various claims and suits pending against the School System. Management is of the opinion that these matters will not have a material adverse effect on the School System's financial position at June 30, 2022.

School Construction and Major Repairs

As of June 30, 2022, the School System entered into various school construction commitments that will be funded by the State of Maryland or County sources, totaling approximately \$18,128,552 and a portion of these commitments are included in encumbrances.

Encumbrances

As of June 30, 2022, the School System had outstanding purchase orders and contracts of \$27,766,189. These amounts are partially included in assigned fund balance in the appropriate funds.

| | |
|-------------------------------------|---------------|
| Current expense fund – unrestricted | \$ 10,513,938 |
| Current expense fund – restricted | 5,624,483 |
| Capital projects fund | 11,233,860 |
| Food services fund | 393,908 |

WASHINGTON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 13: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grants

The School System is party to various grants with Federal and State agencies, which are subject to program and compliance audits by the grantors or under the Single Audit Act Amendments of 1996. School System officials believe that any audit adjustments resulting from final settlements will be immaterial in relation to the School System's financial resources.

NOTE 14: RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the School System's operations and financial results are uncertain at this time.

NOTE 15: RESTATEMENT OF NET POSITION

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 87, "Leases". This GASB requires the recognition of intangible right to use assets and liabilities for certain leases, including those that previously were classified as operating leases. This change for governmental activities is reported as a change in accounting principle and is reflected as a restatement of beginning Net Position in the governmental activities column in the statement of net position.

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Net Position 7/1/2021 | \$ 34,202,738 |
| Inclusion of Right-to use assets at 7/1/2021, net of amortization | \$ 2,120,800 |
| Lease Liability recorded at 7/1/2021 | <u>(2,296,955)</u> |
| Restated Net Position 7/1/2021 | <u>\$ 34,026,583</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 16: LEASES

Pertinent information regarding leases is presented below:

| <u>Date of Issue</u> | <u>Initial Liability</u> | <u>Purpose</u> | <u>Outstanding Liability Balance 6/30/22</u> | <u>Asset Value 6/30/22</u> | <u>Accumulated Amortization 6/30/22</u> |
|----------------------|--------------------------|---|--|--------------------------------|---|
| Various | \$ 1,712,452 | The School System entered into 12-year bus contracts with various contractors. Monthly payments range from \$737 to \$1,182. These payments are the per vehicle allotment (PVA), which is the School System's payment to use the bus. The lease(s) have an interest rate of 5%. | \$ 1,888,840 | \$ 3,901,808 | \$ 2,183,369 |
| 12/31/2020 | 229,507 | The School System entered into a lease agreement for 2 digital presses. There is one yearly payment made of \$64,723. The lease bears an interest rate of 5%. | 176,259 | 294,230 | 88,269 |
| 10/11/2019 | 324,351 | The School System entered into a lease agreement to lease space from The Maryland Theatre. For 2022, the semi-annual payment was \$20,049. This payment increases from year to year. The leases bears an interest rate of 5%. | 300,171 | 358,219 | 97,515 |
| 11/1/2014 | 30,645 | The School System entered into a lease agreement to lease space from N&R Realty. The monthly payment is \$833. The lease bears an interest rate of 5%. | 21,981 | 78,894 | 60,486 |
| | | Total | <u>\$ 2,387,251</u> | <u>\$ 4,633,151</u> | <u>\$ 2,429,639</u> |

The future principal and interest lease payments as of June 30, 2022, were as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2023 | \$ 442,942 | \$ 62,261 | \$ 505,203 |
| 2024 | 422,847 | 98,553 | 521,400 |
| 2025 | 351,648 | 79,584 | 431,232 |
| 2026 | 283,225 | 62,242 | 345,467 |
| 2027 | 285,593 | 47,997 | 333,590 |
| 2028-2032 | 600,996 | 95,686 | 696,682 |
| | <u>\$ 2,387,251</u> | <u>\$ 446,323</u> | <u>\$ 2,833,574</u> |

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 17: DEFINED CONTRIBUTION PLANS

The School System has 2 defined contribution plans. A 403(b) plan and a 457 deferred compensation plan. Eligible employees are permitted to make contributions up to applicable Internal Revenue Code limits. There are no employer contribution made for either plan. For the year ended June 30, 2022, participant contributions totaled \$761,890 for the 457 plan and \$3,191,093 for the 403(b) plan.

Participants are immediately vested in all contributions and earnings on those contributions. For June 30, 2022 the 457 plan had outstanding loans of \$86,474 and the 403(b) plan had outstanding loans of \$642,367. There were no forfeitures from the plans during June 30, 2022. The School System had no liability to the Plans at June 30, 2022.

REQUIRED
SUPPLEMENTARY
INFORMATION

WASHINGTON COUNTY BOARD OF EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 UNRESTRICTED CURRENT EXPENSE FUND
 FOR THE YEAR ENDED JUNE 30, 2022

| REVENUES | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------------------|---|
| | Original | Final | | |
| Local | \$ 105,841,710 | \$ 105,841,710 | \$ 105,841,710 | \$ - |
| State Maryland | 191,343,612 | 191,285,612 | 191,757,470 | 471,858 |
| Federal Government | 30,000 | - | - | - |
| Tuition | 95,500 | 95,000 | 98,551 | 3,551 |
| Investment Income | 100,000 | 35,000 | 77,322 | 42,322 |
| Other | 651,965 | 840,465 | 880,798 | 40,333 |
| Total Revenues | 298,062,787 | 298,097,787 | 298,655,851 | 558,064 |
| EXPENDITURES | | | | |
| Administration | 7,200,155 | 6,628,345 | 6,359,139 | 269,206 |
| Mid-level Administration | 18,434,848 | 18,845,528 | 18,578,789 | 266,739 |
| Instructional Salaries | 112,070,485 | 111,752,203 | 111,389,586 | 362,617 |
| Instructional Textbooks and Supplies | 6,298,145 | 6,327,003 | 6,237,756 | 89,247 |
| Other Instructional Costs | 3,010,234 | 3,275,234 | 3,032,785 | 242,449 |
| Special Education | 24,006,879 | 23,981,444 | 23,909,202 | 72,242 |
| Student Personnel Services | 2,416,564 | 2,310,809 | 2,291,693 | 19,116 |
| Student Health Services | 4,154,255 | 3,297,375 | 3,013,712 | 283,663 |
| Student Transportation Services | 13,001,340 | 13,497,342 | 13,228,643 | 268,699 |
| Operation of Plant | 23,422,046 | 23,669,555 | 22,657,754 | 1,011,801 |
| Maintenance of Plant | 9,054,182 | 9,269,806 | 8,498,574 | 771,232 |
| Fixed Charges | 70,952,853 | 70,183,838 | 69,162,420 | 1,021,418 |
| Capital Outlay | 4,010,801 | 5,059,305 | 4,786,657 | 272,648 |
| Food Service Transfers | 30,000 | - | - | - |
| Total Expenditures | 298,062,787 | 298,097,787 | 293,146,710 | 4,951,077 |
| Excess of Revenues Over (Under) Expenditures | - | - | 5,509,141 | 5,509,141 |
| Net Changes in Fund Balance | \$ - | \$ - | \$ 5,509,141 | \$ 5,509,141 |

*The School System does not complete an annual budget for the restricted portion of the Current Expense Fund.

WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Total OPEB liability | | | | | | |
| Service cost | \$ 7,943,000 | \$ 8,379,863 | \$ 6,863,015 | \$ 8,233,749 | \$ 9,436,460 | \$ 7,478,578 |
| Interest | 14,681,000 | 16,370,275 | 17,123,084 | 15,557,733 | 14,434,482 | 13,909,986 |
| Changes of benefit terms | - | - | - | - | - | - |
| Differences between expected and actual experience | 3,092,000 | - | (77,616,007) | (27,147,099) | (23,880,183) | 29,057,957 |
| Changes of assumptions or other inputs | (25,134,000) | (3,300,186) | 31,393,017 | 31,506,966 | (44,670,926) | 6,546,788 |
| Benefit payments | (9,107,020) | (9,809,436) | (10,493,958) | (10,224,179) | (11,528,785) | (12,802,872) |
| Net change in total OPEB liability | (8,525,020) | 11,640,516 | (32,730,849) | 17,927,170 | (56,208,952) | 44,190,437 |
| Total OPEB liability - beginning | 302,340,000 | 293,815,003 | 305,455,519 | 272,724,670 | 290,651,840 | 234,442,888 |
| Total OPEB liability - ending | \$ 293,814,980 | \$ 305,455,519 | \$ 272,724,670 | \$ 290,651,840 | \$ 234,442,888 | \$ 278,633,325 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions-employer | \$ 13,884,583 | \$ 13,971,146 | \$ 14,716,200 | \$ 17,546,185 | \$ 17,436,952 | \$ 19,291,401 |
| Net Investment Income | 6,509,385 | 4,206,475 | 4,724,786 | 2,457,658 | 19,910,121 | (15,019,872) |
| Benefit Payments | (9,107,020) | (9,809,436) | (10,493,958) | (11,679,053) | (11,528,785) | (12,802,872) |
| Admin Expense | - | - | - | - | (16,114.00) | (16,245.00) |
| Net Change in Plan Fiduciary Net Position | 11,286,948 | 8,368,185 | 8,947,028 | 8,324,790 | 25,802,174 | (8,547,588) |
| Plan Fiduciary Net Position - Beginning | 44,204,912 | 55,491,863 | 63,860,048 | 72,807,076 | 81,131,866 | 106,934,040 |
| Plan Fiduciary Net Position - Ending | \$ 55,491,860 | \$ 63,860,048 | \$ 72,807,076 | \$ 81,131,866 | \$ 106,934,040 | \$ 98,386,452 |
| School System's Net OPEB Liability - Ending | \$ 238,323,120 | \$ 241,595,471 | \$ 199,917,594 | \$ 209,519,974 | \$ 127,508,848 | \$ 180,246,873 |
| Plan Fiduciary Net Position as Percentage of the Total OPEB Liability | 18.89% | 20.91% | 26.70% | 27.91% | 45.61% | 35.31% |
| Covered payroll | N/A | \$ 158,314,895 | \$ 160,838,194 | \$ 164,729,874 | \$ 165,086,208 | \$ 165,875,945 |
| School System's net OPEB liability as a percentage of covered payroll | N/A | 152.60% | 124.30% | 127.19% | 77.24% | 108.66% |

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For recording the net OPEB liability in the School System's Statement of Net Position, the measurement period year-end is one year prior to the fiscal year-end.

*The School System adopted GASB 75 on a prospective basis in 2017; therefore, only six years is presented in the above schedule.
N/A - Information not available

Notes to Schedule

Benefit changes: none

Changes of Assumptions:

FY 2021 measurement date changes:

- The discount rate was updated from 4.88% to 5.88%.
- The retirement and termination rates were updated to June 30, 2021 Maryland State Retirement and Pension System Actuarial valuation.
- The trend rates were reset to an initial rate of 7.0% grading down by .25% per year to an ultimate rate of 4.00%
- The mortality projection scale was updated to MP-2021 to reflect the Society of Actuaries recent mortality study

FY 2020 measurement date changes:

- The discount rate was updated from 5.64% to 4.88%.

FY 2019 measurement date changes:

- The discount rate was updated from 5.58% to 5.64%.
- The retirement and termination rates were updated to the rates from the June 30, 2019 Maryland State Retirement and Pension System Actuarial valuation.
- The initial trend rate was updated to 7.0% for pre-65 and 6.0% for post-65, grading down by 0.50% each year until reaching the ultimate rate of 4.50%.
- The mortality assumption was updated to Pub-2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries recent mortality study.

Discount Rate:

6/30/2017 - 5.50%
6/30/2018 - 5.58%
6/30/2019 - 5.64%
6/30/2020 - 4.88%
6/30/2021 - 5.88%
6/30/2022 - 5.71%

WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S OPEB CONTRIBUTIONS

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|---------------|----------------|---------------------|---------------------|---------------------|-----------------------|
| Actuarially determined contribution | \$ 13,884,583 | \$ 13,971,146 | \$ 19,399,000 | \$ 17,015,000 | \$ 22,213,753 | \$ 15,739,140 |
| Contributions in relation to the actuarially determined contribution | 13,884,583 | 13,971,146 | 14,716,200 | 17,546,185 | 17,436,952 | 19,291,401 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,682,800</u> | <u>\$ (531,185)</u> | <u>\$ 4,776,801</u> | <u>\$ (3,552,261)</u> |
| Covered payroll | N/A | \$ 158,314,895 | \$ 160,838,194 | \$ 164,729,874 | \$ 165,086,208 | \$ 165,875,945 |
| Contributions as a percentage of covered payroll | 8.77% | 8.82% | 9.15% | 10.65% | 10.56% | 11.63% |

The School System adopted GASB 75 on a prospective basis in 2017; therefore, only six years are presented in the above schedule.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Experience/Assumptions gains and losses |
| Remaining amortization period | 13.1 years |
| Asset valuation method | Market value of assets |
| Inflation | 2.5% |
| Healthcare cost trend rates | Trend rates ranging from 6.75% to 4.0%, reduced by .25% each year until reaching the ultimate trend rate of 4.0%. |
| Investment rate of return | 5.71%, net of OPEB plan investment expense, including inflation |
| Mortality | Pub-2010 mortality table with generational scale MP-2021 |

WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S INVESTMENT RETURNS FOR THE OPEB PLAN

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 3.32% | 7.55% | 7.52% | 2.91% | 24.52% | -13.35% |

The School System adopted GASB 75 on a prospective basis in 2017; therefore, only six years are presented in the above schedule.

WASHINGTON COUNTY BOARD OF EDUCATION
 SCHEDULE OF THE SCHOOL SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM

Employee Retirement and Pension System

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| School System's proportion of the net pension liability | 0.0811% | 0.0885% | 0.0848% | 0.0737% | 0.0875% | 0.0898% | 0.0923% | 0.1003% |
| School System's proportionate share of the net pension liability | \$ 14,395,785 | \$ 18,386,392 | \$ 20,007,483 | \$ 15,951,949 | \$ 18,360,969 | \$ 18,526,969 | \$ 20,859,450 | \$ 15,047,274 |
| School System's covered payroll | N/A | \$ 19,299,035 | \$ 19,748,847 | \$ 19,393,397 | \$ 20,385,666 | \$ 20,603,127 | \$ 21,026,643 | \$ 21,349,817 |
| School System's proportionate share of the net pension liability as a percentage of its covered payroll | N/A | 95.27% | 101.31% | 82.25% | 90.07% | 89.92% | 99.20% | 70.48% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.87% | 68.78% | 65.79% | 69.38% | 71.18% | 72.34% | 70.72% | 81.84% |

Teacher's Retirement and Pension System

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| School System's proportion of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| State's proportionate share of the net pension liability | \$ 131,873,740 | \$ 164,126,551 | \$ 197,254,642 | \$ 174,161,097 | \$ 172,486,537 | \$ 161,969,534 | \$ 177,794,499 | \$ 110,420,501 |
| School System's covered payroll | \$ 135,148,647 | \$ 137,189,948 | \$ 138,921,228 | \$ 140,452,528 | \$ 140,868,952 | \$ 143,236,689 | \$ 153,128,551 | \$ 158,189,031 |
| School System's proportionate share of the net pension liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.87% | 68.78% | 65.79% | 69.38% | 71.18% | 72.34% | 70.72% | 81.84% |
| School System's Contribution | \$ 5,017,296 | \$ 5,768,524 | \$ 5,888,821 | \$ 6,278,228 | \$ 6,203,704 | \$ 8,356,744 | \$ 8,601,323 | \$ 8,784,498 |

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For MSRPS, the measurement period year-end is one year prior to the fiscal year-end.

*The School System adopted GASB 68 on a prospective basis in 2015; therefore, only eight years are presented in the above schedule. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

N/A - Information not available

WASHINGTON COUNTY BOARD OF EDUCATION
 SCHEDULE OF SCHOOL SYSTEM'S PENSION CONTRIBUTIONS
 MARYLAND STATE RETIREMENT AND PENSION SYSTEM
 EMPLOYEE RETIREMENT AND PENSION SYSTEM

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 1,864,791 | \$ 1,651,954 | \$ 1,501,485 | \$ 1,745,013 | \$ 1,844,557 | \$ 1,978,818 | \$ 2,210,130 | \$ 2,255,527 |
| Contributions in relation to the contractually required contribution | 1,864,791 | 1,651,954 | 1,501,485 | 1,745,013 | 1,844,557 | 1,978,818 | 2,210,130 | 2,255,527 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School System's covered payroll | 19,299,035 | 19,748,847 | 19,393,397 | 20,385,666 | 20,603,127 | 21,026,643 | 21,349,817 | 23,596,566 |
| Contributions as a percentage of covered payroll | 9.66% | 8.36% | 7.74% | 8.56% | 8.95% | 9.41% | 10.35% | 9.56% |

Notes:

*The School System adopted GASB 68 on a prospective basis in 2015; therefore, only eight years are presented in the above schedule. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1: RECONCILIATION OF BUDGETARY BASIS TO GAAP

Actual results of operations are presented in the Budgetary Comparison Schedule on the budgetary basis of accounting, in order to provide a meaningful comparison of actual results with budgetary estimates. Under the budgetary basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only an assignment of fund balance as on GAAP basis. With respect to capital leases, the School System recognizes the annual debt service requirements as a current expense for budgetary purposes. Capital lease proceeds and the retirement contributions made by the State on behalf of the School System, and donations of fixed assets received are not recognized as revenue and current expense on budget basis.

| | Revenues and Other Financing Sources | Expenditures, Encumbrances, and Transfers | Current Year Effect on Fund Balance |
|---|--|---|---|
| <hr/> | | | |
| Unrestricted Current Expense Fund | | | |
| Budgetary Basis | \$ 298,655,851 | \$ 293,146,710 | \$ 5,509,141 |
| <hr/> | | | |
| Budget to GAAP Reconciliation | | | |
| Prior year encumbrances expended during current year | - | 8,069,241 | (8,069,241) |
| Adjust for prior year encumbrances | - | (71,062) | 71,062 |
| Retirement contribution made by the state on behalf of the School System | 17,058,121 | 17,058,121 | - |
| Increase in reserve for school loans | 4,364 | - | 4,364 |
| On-behalf contributions for student health services | 511,733 | 511,733 | - |
| Donations fixed assets and materials received | 39,592 | 39,592 | - |
| Proceeds from sale of capital assets | (197,471) | - | (197,471) |
| Lease financing proceeds | - | 501,861 | (501,861) |
| Proceeds from notes payable | - | 252,854 | (252,854) |
| Current year encumbrances outstanding, June 30, 2022 | - | (10,514,704) | 10,514,704 |
| Revenues from restricted current expense fund | 52,031,181 | - | 52,031,181 |
| Expenditures from restricted current expense fund | - | 51,657,091 | (51,657,091) |
| | <hr/> | <hr/> | <hr/> |
| Total Reconciling Items | 69,447,520 | 67,504,727 | 1,942,793 |
| | <hr/> | <hr/> | <hr/> |
| Current Expense Fund - GAAP Basis | \$ 368,103,371 | \$ 360,651,437 | \$ 7,451,934 |

OTHER
SUPPLEMENTARY
INFORMATION

WASHINGTON COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET - GENERAL FUND
 JUNE 30, 2022

| | Current Expense | | Elimination | Combined |
|--|----------------------|----------------------|-------------------|----------------------|
| | Unrestricted | Restricted | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 16,968,366 | \$ 4,040,011 | \$ - | \$ 21,008,377 |
| Investments | 33,367,274 | 77,302 | - | 33,444,576 |
| Due From Other Governments | 2,898,172 | 9,765,909 | - | 12,664,081 |
| Due from Other Funds | - | 9,405 | (9,405) | - |
| Accounts Receivable | 317,282 | 95,315 | - | 412,597 |
| Inventories | 92,572 | - | - | 92,572 |
| Prepaid items | 642,304 | - | - | 642,304 |
| TOTAL ASSETS | \$ 54,285,970 | \$ 13,987,942 | \$ (9,405) | \$ 68,264,507 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,111,746 | \$ 312,558 | \$ - | \$ 2,424,304 |
| Accrued Liabilities | 19,400,228 | 2,153,890 | - | 21,554,118 |
| Due to Other Funds | 2,199,212 | 2,231,452 | (9,405) | 4,421,259 |
| Unearned Revenue | - | 5,207,901 | - | 5,207,901 |
| TOTAL LIABILITIES | 23,711,186 | 9,905,801 | (9,405) | 33,607,582 |
| FUND BALANCES | | | | |
| Nonspendable | 734,876 | - | - | 734,876 |
| Restricted | - | 4,082,141 | - | 4,082,141 |
| Committed | 8,771,424 | - | - | 8,771,424 |
| Assigned | 10,513,938 | - | - | 10,513,938 |
| Unassigned | 10,554,546 | - | - | 10,554,546 |
| TOTAL FUND BALANCES | 30,574,784 | 4,082,141 | - | 34,656,925 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 54,285,970 | \$ 13,987,942 | \$ (9,405) | \$ 68,264,507 |

WASHINGTON COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022

| | Current Expense | | Elimination | Combined |
|--|--------------------|-------------------|-------------|--------------------|
| | Unrestricted | Restricted | | |
| REVENUES | | | | |
| Local | \$ 106,011,710 | \$ - | \$ - | \$ 106,011,710 |
| State Maryland | 209,092,151 | 8,305,758 | - | 217,397,909 |
| Federal Government | - | 40,894,129 | - | 40,894,129 |
| Tuition | 98,551 | - | - | 98,551 |
| Investment Income/(Loss) | 77,322 | (3,402) | - | 73,920 |
| Other | 792,456 | 2,834,696 | - | 3,627,152 |
| Total Revenues | 316,072,190 | 52,031,181 | - | 368,103,371 |
| EXPENDITURES | | | | |
| Current | | | | |
| Administration | 6,338,620 | 1,999,160 | - | 8,337,780 |
| Mid-level Administration | 18,592,818 | 2,660,358 | - | 21,253,176 |
| Instructional Salaries | 111,389,592 | 16,431,622 | - | 127,821,214 |
| Instructional Textbooks and Supplies | 5,803,993 | 5,302,326 | - | 11,106,319 |
| Other Instructional Costs | 3,013,726 | 1,402,663 | - | 4,416,389 |
| Special Education | 23,999,840 | 8,782,896 | - | 32,782,736 |
| Student Personnel Services | 2,294,808 | 1,228,001 | - | 3,522,809 |
| Student Health Services | 3,521,458 | 1,393,978 | - | 4,915,436 |
| Student Transportation Services | 12,835,920 | 612,027 | - | 13,447,947 |
| Operation of Plant | 22,680,499 | 2,074,319 | - | 24,754,818 |
| Maintenance of Plant | 9,420,592 | 826,408 | - | 10,247,000 |
| Community Services | - | 687,713 | - | 687,713 |
| Fixed Charges | 86,217,963 | 8,175,566 | - | 94,393,529 |
| Capital Outlay | 2,284,489 | 80,054 | - | 2,364,543 |
| Debt Service | | | | |
| Principal | 474,028 | - | - | 474,028 |
| Interest | 126,000 | - | - | 126,000 |
| Total Expenditures | 308,994,346 | 51,657,091 | - | 360,651,437 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 7,077,844 | 374,090 | - | 7,451,934 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 8,850 | (8,850) | - |
| Transfers Out | (2,484,854) | (292,091) | 8,850 | (2,768,095) |
| Lease Financing Proceeds | 501,861 | - | - | 501,861 |
| Note Payable Proceeds | 252,854 | - | - | 252,854 |
| Proceeds from Sale of Assets | 197,471 | - | - | 197,471 |
| Total Other Financing Sources | (1,532,668) | (283,241) | - | (1,815,909) |
| Net Changes in Fund Balance | 5,545,176 | 90,849 | - | 5,636,025 |
| Fund Balances - Beginning of Year | 25,029,608 | 3,991,292 | - | 29,020,900 |
| Fund Balances - End of Year | \$ 30,574,784 | \$ 4,082,141 | \$ - | \$ 34,656,925 |

WASHINGTON COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022

| | Current Expense | | Elimination | Combined |
|--|---------------------|-------------------|-------------|---------------------|
| | Unrestricted | Restricted | | |
| REVENUES | | | | |
| Local | \$ 105,841,710 | \$ - | \$ - | \$ 105,841,710 |
| State Maryland | 191,757,470 | 8,621,969 | - | 200,379,439 |
| Federal Government | - | 43,660,239 | - | 43,660,239 |
| Tuition | 98,551 | - | - | 98,551 |
| Investment Income | 77,322 | - | - | 77,322 |
| Other | 880,798 | 1,910,674 | - | 2,791,472 |
| Total Revenues | 298,655,851 | 54,192,882 | - | 352,848,733 |
| EXPENDITURES | | | | |
| Current | | | | |
| Administration | 6,359,139 | 1,942,976 | - | 8,302,115 |
| Mid-level Administration | 18,578,789 | 2,669,219 | - | 21,248,008 |
| Instructional Salaries | 111,389,586 | 16,371,979 | - | 127,761,565 |
| Instructional Textbooks and Supplies | 6,237,756 | 4,632,943 | - | 10,870,699 |
| Other Instructional Costs | 3,032,785 | 2,167,150 | - | 5,199,935 |
| Special Education | 23,909,202 | 8,753,690 | - | 32,662,892 |
| Student Personnel Services | 2,291,693 | 1,228,001 | - | 3,519,694 |
| Student Health Services | 3,013,712 | 1,392,861 | - | 4,406,573 |
| Student Transportation Services | 13,228,643 | 588,273 | - | 13,816,916 |
| Operation of Plant | 22,657,754 | 2,555,964 | - | 25,213,718 |
| Maintenance of Plant | 8,498,574 | 2,930,762 | - | 11,429,336 |
| Community Services | - | 503,571 | - | 503,571 |
| Fixed Charges | 69,162,420 | 8,136,454 | - | 77,298,874 |
| Capital Outlay | 4,786,657 | 35,698 | - | 4,822,355 |
| Total Expenditures | 293,146,710 | 53,909,541 | - | 347,056,251 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 5,509,141 | 283,341 | - | 5,792,482 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 8,750 | - | 8,750 |
| Transfers Out | - | (292,091) | - | (292,091) |
| Total Other Financing Sources | - | (283,341) | - | (283,341) |
| Net Changes in Fund Balance | \$ 5,509,141 | \$ - | \$ - | \$ 5,509,141 |