

**THE BOARD OF EDUCATION OF
WORCESTER COUNTY**

**FINANCIAL REPORT
JUNE 30, 2020**

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Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Craig A. Walter
Mark A. Welsh



INDEPENDENT AUDITOR'S REPORT

The Board of Education of Worcester County
Newark, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Worcester County, Maryland (a component unit of Worcester County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Worcester County, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of The Board of Education of Worcester County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Board of Education of Worcester County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Board of Education of Worcester County's internal control over financial reporting and compliance.



Salisbury, Maryland
September 29, 2020

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
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Craig A. Walter
Mark A. Welsh



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

The Board of Education of Worcester County
Newark, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Board of Education of Worcester County, Maryland (the "Board"), a component unit of Worcester County, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Board in a separate letter dated September 29, 2020.

Purpose of this Report

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

A handwritten signature in black ink that reads "YAM Group LLC". The letters are cursive and somewhat stylized.

Salisbury, Maryland
September 29, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2020

This section of the Board of Education of Worcester County's annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended on June 30, 2020, and a comparison with the results of the fiscal year ended June 30, 2019. Please read this section in conjunction with the District's financial statements, notes to the financial statements, and supplemental information, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year (FY) ended June 30, 2020 include the following:

- Net position is (\$169,649,725), a decrease of \$13,066,388 or 7.15% over the prior year.
- Total General Fund balance equals \$1,635,260, an increase of \$81,002 from the prior year.
- Unassigned General Fund balance equals \$662,009, an increase of \$44,711 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

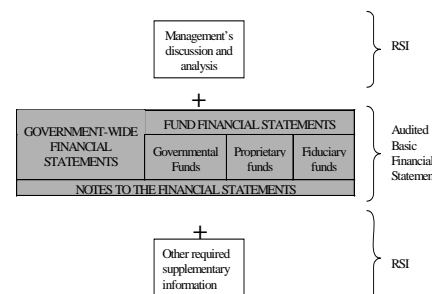
The financial section of the annual report consists of four parts; (1) Independent Auditor's Report, (2) required supplementary information which includes the management's discussion and analysis (this section), (3) the basic financial statements, and (4) supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-and long-term* financial information about the activities the district operates like *businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

As an example Figure 1 shows how the various parts of this annual report are arranged and related to one another. Figure 2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure 1 –
Organization of Board of
Education's Annual Financial Report



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2020

Figure 2

Major Features of the District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, special education and building maintenance, and community education	Activities the district operates similar to private businesses: Food Service Operation	Instances in which the district administers resources on behalf of someone else, such as scholarships and Student Activities Fund
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 revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of net position * Statement of revenue, 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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2020

Figure 2 (Continued)				
Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of asset/liability information	All assets and liabilities, 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 included.	All assets and liabilities, both financial and capital, and 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
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 liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two district-wide statements report the District’s *net position* and any changes. Net position, which is the difference between the District’s assets and liabilities, is one way to measure the District’s financial health or *position*. District-wide statements provide a means to analyze the district’s financial activities as follows:

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the condition of school buildings and other facilities. In the district-wide financial statements the District’s activities are shown in one category.
- *Governmental activities* - Most of the District’s basic services are included here, such as regular and special education, transportation, maintenance and operation of plant, administration, and student services. County and state aid funds most of these activities.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2020

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* - focusing on its most significant or major funds - not the District as a whole. Fund accounting is a method the District uses to keep track of specific sources of funding and spending on particular programs:

- State law requires some funds.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

1. *Governmental funds* - Most of the district's basic services are included in governmental funds, which generally focus on (1) *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
2. *Proprietary funds* - The Food Service operation is the only fund accounted for as proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
3. *Fiduciary funds* - The District is the trustee, or agent, for assets that belong to others, which include several scholarship funds to assist students in continuing their education past high school. The Student Activities Fund and the OPEB Trust Fund are also accounted for as fiduciary funds. The District 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. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's *combined* net position was (\$169,649,725) on June 30, 2020. This represents an increase of 7.15 percent from the prior year. (See Table 1.)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2020

Table 1

THE BOARD OF EDUCATION OF WORCESTER COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 12,384,624	\$ 10,622,640	\$ 32,731	\$ 32,731	\$ 12,417,355	\$ 10,655,371
Capital Assets	201,624,594	171,051,702	15,517	20,020	201,640,111	171,071,722
TOTAL ASSETS	214,009,218	181,674,342	48,248	52,751	214,057,466	181,727,093
Deferred outflows	36,971,744	14,825,403	-	-	36,971,744	14,825,403
LIABILITIES						
Current Liabilities	11,884,842	9,454,729	21,128	21,128	11,905,970	9,475,857
Long-Term Liabilities	379,785,466	353,225,433	-	-	379,785,466	353,225,433
TOTAL LIABILITIES	391,670,308	362,680,162	21,128	21,128	391,691,436	362,701,290
Deferred inflows	28,987,498	16,567,319	-	-	28,987,498	16,567,319
NET POSITION						
Investment in Capital Assets, Net of Related Debt	201,624,594	171,051,702	15,517	20,020	201,640,111	171,071,722
Restricted	53,274	53,097	11,603	11,603	64,877	64,700
Unrestricted	(371,354,713)	(353,852,535)	-	-	(371,354,713)	(353,852,535)
TOTAL NET POSITION	\$ (169,676,845)	\$ (182,747,736)	\$ 27,120	\$ 31,623	\$ (169,649,725)	\$ (182,716,113)

Changes in net position. The District's total revenues and other financing sources were \$167,516,727 for the year ended June 30, 2020. (See Table 2.) The county appropriations of \$91,028,422 accounted for approximately 54.4 percent of total revenue for the year. Another 17.5 percent came from federal, state and local grant program revenues of \$29,265,603. This includes contributions to Other Post-Employment Benefits (OPEB) that totaled \$6,124,143. General state aid was \$14,769,501 or 8.8 percent of total funding. Capital contributions of \$31,472,518 represented 19.1 percent of total revenue. The remainder came from charges for services, and investment earnings. The total cost of all programs and services was \$154,450,339. Approximately 77.6 percent of the District's expenses were related to providing direct educational services to students. Administrative activities of the District accounted for approximately 1.9 percent of total expenses. Total revenues exceeded total expenditures, increasing net position by \$13,066,388 from last year.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2020

Table 2

THE BOARD OF EDUCATION OF WORCESTER COUNTY CHANGES IN NET POSITION JUNE 30, 2020

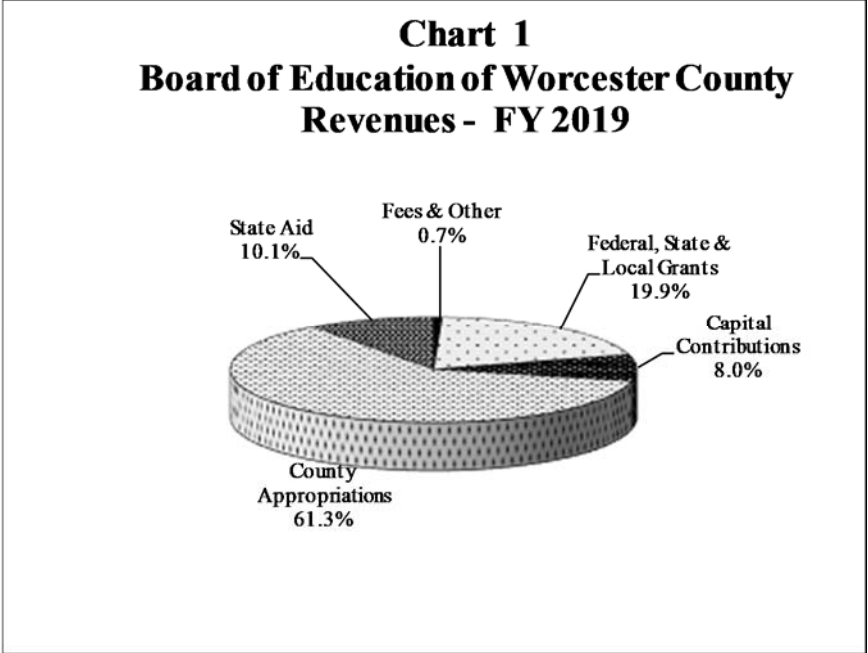
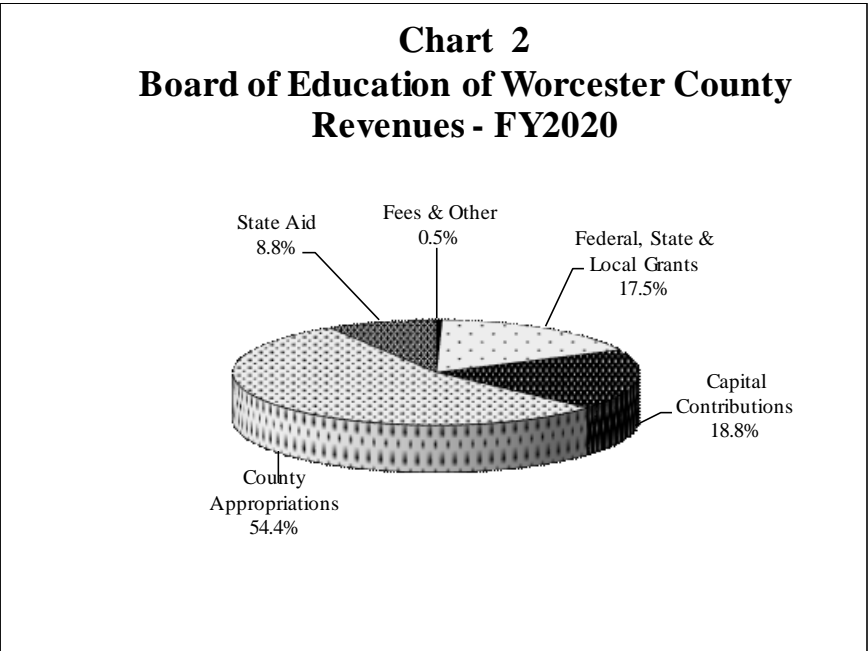
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		BOARD OF EDUCATION TOTAL		PERCENT OF CHANGE
	2020	2019	2020	2019	2020	2019	
REVENUES							
Program Revenues:							
Charges for Services	\$ 100,403	\$ 109,199	\$ 440,820	\$ 621,979	\$ 541,223	\$ 731,178	-26.0%
Federal and State Grants	21,178,614	20,611,596	1,962,846	2,098,573	23,141,460	22,710,169	1.9%
OPEB Contributions	6,124,143	5,385,500	-	-	6,124,143	5,385,500	13.7%
Capital Contributions	31,472,518	11,345,309	-	-	31,472,518	11,345,309	177.4%
General Revenues:							
County Appropriation	91,028,422	86,685,293	-	-	91,028,422	86,685,293	5.0%
State Formula Aid	14,769,501	14,318,153	-	-	14,769,501	14,318,153	3.2%
Other	129,967	216,346	83,755	21,342	213,722	237,688	-10.1%
TOTAL REVENUES	164,803,568	138,671,396	2,487,421	2,741,894	167,290,989	141,413,290	18.3%
EXPENSES							
Instruction and Special							
Education	119,859,335	118,306,958	-	-	119,859,335	118,306,958	1.3%
Administration	2,986,866	2,969,308	-	-	2,986,866	2,969,308	0.6%
Support Services	28,886,476	29,018,974	2,717,662	2,752,544	31,604,138	31,771,518	-0.5%
TOTAL EXPENSES	151,732,677	150,295,240	2,717,662	2,752,544	154,450,339	153,047,784	0.9%
OTHER FINANCING SOURCES	-	-	225,738	-	225,738	-	
INCREASE (DECREASE) IN NET POSITION*	\$ 13,070,891	\$ (11,623,844)	\$ (4,503)	\$ (10,650)	\$ 13,066,388	\$ (11,634,494)	

Governmental Activities

The increase in net position for governmental activities was \$13,070,891 in 2020. Charts 1 and 2 present a breakdown of the District's revenues for 2020 and 2019. Charts 3 and 4 present a breakdown of the District's expenses for 2020 and 2019.

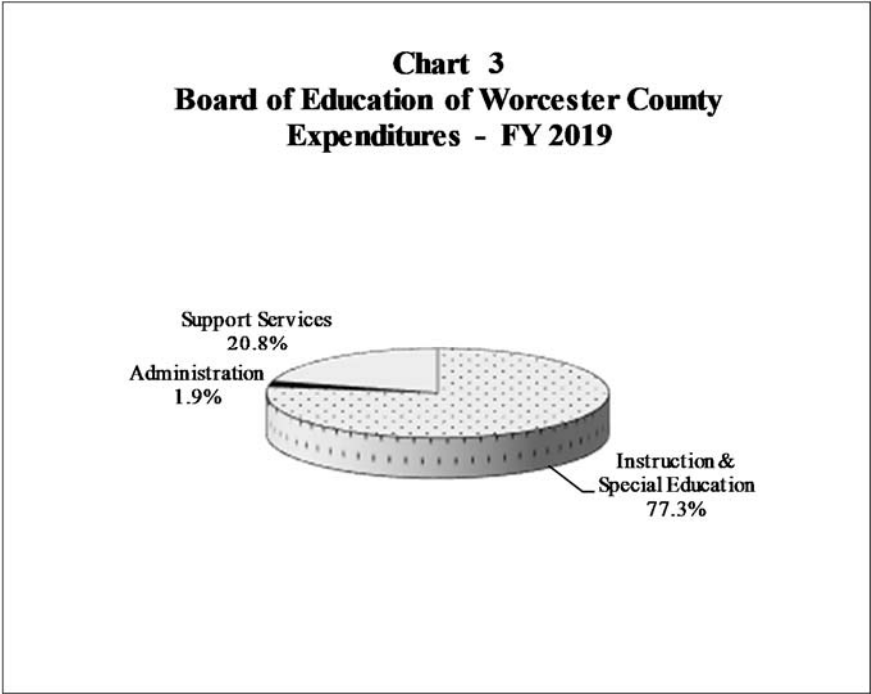
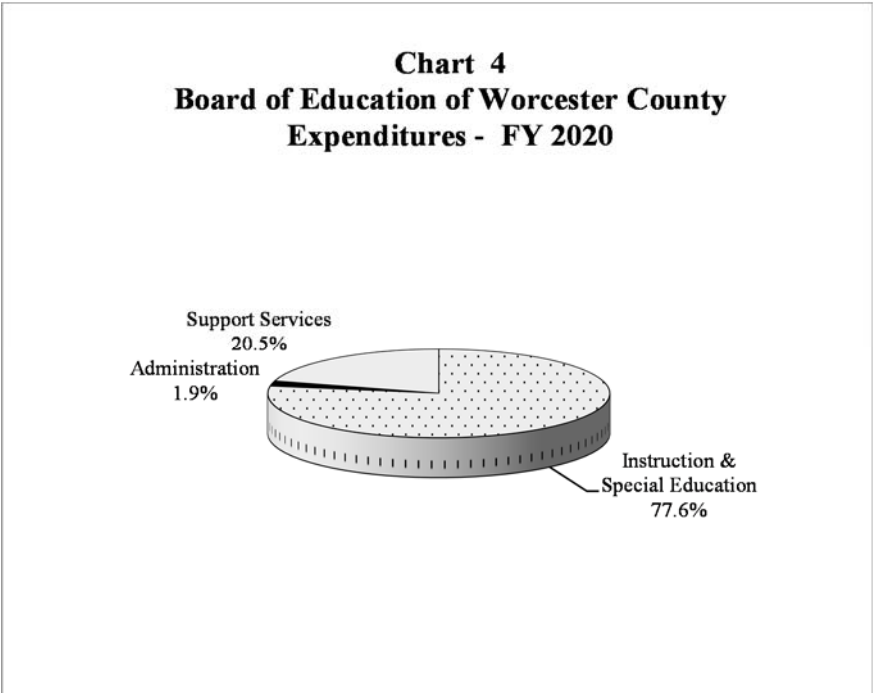
THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2020



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2020



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2020

Business-type Activities

Revenues of the District’s only business-type activity, the food service operation, decreased by \$254,473 to \$2,487,421 and expenses decreased by \$34,882 to \$2,717,662. (Refer to Table 2.). This resulted in an operating loss of \$230,241 before revenue from other sources. Restricted funding from the Federal CARES grant in the amount of \$225,738 resulted in a total net loss of \$4,503 in FY20. Based on the uncertainty of the current economic environment related to COVID-19 and the potential impact on our families, the Board left prices unchanged in FY21. (Table 3). The Board will continue to monitor the operations of our food service fund and evaluate the need for additional price increases in FY21.

<u>TABLE 3</u>	School Year 2019-2020 MEAL PRICES		School Year 2020-2021 MEAL PRICES	
	Elementary	Secondary	Elementary	Secondary
Paid Breakfast	\$ 1.40	\$ 1.40	\$1.40	\$ 1.40
Paid Lunch	2.45	2.85	2.45	2.85
Paid Milk	.55	.55	.55	.55

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As the District completed the year, its governmental funds reported a *combined* fund balance of \$1,688,534, an increase of \$81,179 over last year’s ending fund balance. Revenues for the District’s governmental funds were \$158,679,425 an increase of \$25,393,529 over last year. Total expenditures were \$161,795,620 for the year, an increase of \$28,469,150 over the prior year. General revenues and expenditures were higher due to salary increases and the increased payments to the Other Post-Employment Benefits (OPEB) Trust. The increase in capital projects related to the current construction of the new Showell Elementary replacement school project. The new school opened to students in September 2020.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and maintenance and operations of all school facilities. See Table 4 for a summary of General Fund revenues and expenditures. The school system continues to efficiently manage the funds provided from various funding agencies, predominately our local government (the Worcester County Commissioners) and the State of Maryland. General fund revenues were up \$5,266,150. The majority of this was the \$4,308,201 increase in local

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2020

appropriations to support our FY20 employee salary increase and increased funding to support payments to our OPEB trust. The most significant variance in revenues is under Other Sources. The majority of this is directly related to one-time funds received in FY19 from State Highway Administration for easements on Board owned property needed to complete the Rt. 113 dualization project. The most significant variances under expenditures were in the areas of Fixed Charges and Capital Outlay. Expenditures in the area of Fixed Charges were higher than the previous year largely due to the \$2,500,000 in additional funding provided from our County Commissioners to support the OPEB trust. The expenditures in the area of Capital Outlay were higher due to the 4-year capital lease the Board entered into with Apple, Inc. for the purchase of all new student and teacher devices. The lease period is from FY21 – FY24 and totals \$3,423,111.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2020

Table 4

GENERAL FUND REVENUES

REVENUES	Fiscal Year	Fiscal Year	Increase	%
	2020	2019	(Decrease)	Incr. (Decr.)
Worcester County Appropriations	\$ 88,856,335	\$ 84,548,134	\$ 4,308,201	5.1%
Worcester County Retirement & Pension Contribution	2,726,670	2,668,016	58,654	2.2%
State of Maryland	19,807,912	19,095,629	712,283	3.7%
State of Maryland Share of Retirement & Pension Contribution	6,945,815	6,609,245	336,570	5.1%
Restricted Federal, State, & Other Programs	8,639,805	8,694,018	(54,213)	-0.6%
Other Sources	230,193	325,538	(95,345)	-29.3%
TOTAL REVENUES	\$ 127,206,730	\$ 121,940,580	\$ 5,266,150	4.3%

GENERAL FUND EXPENDITURES

EXPENDITURES				
Administration	\$ 1,782,644	\$ 1,729,209	\$ 53,435	3.1%
Mid-Level Administration	7,818,838	7,476,237	342,601	4.6%
Instructional Salaries	43,249,358	42,123,025	1,126,333	2.7%
Textbooks and Classroom Supplies	2,372,142	2,199,102	173,040	7.9%
Other Instructional Costs	1,007,305	1,018,741	(11,436)	-1.1%
Special Education	10,759,889	10,486,476	273,413	2.6%
Pupil Personnel Services	353,713	348,031	5,682	1.6%
Health Services	922,859	904,534	18,325	2.0%
Pupil Transportation	6,876,324	6,748,411	127,913	1.9%
Operation of Plant	7,772,671	8,084,524	(311,853)	-3.9%
Maintenance of Plant	1,146,317	1,056,025	90,292	8.6%
Fixed Charges	24,509,490	21,589,304	2,920,186	13.5%
Capital Outlay	3,665,000	246,262	3,418,738	1388.3%
Restricted Programs	8,414,067	8,694,018	(279,951)	-3.2%
Worcester County Retirement & Pension Contribution	2,726,670	2,668,016	58,654	2.2%
State of Maryland Share of Retirement & Pension Contribution	6,945,815	6,609,245	336,570	5.1%
TOTAL EXPENDITURES	\$ 130,323,102	\$ 121,981,160	\$ 8,341,942	6.8%
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,116,372)	(40,580)	(3,075,792)	7579.6%
OTHER FINANCING SOURCES				
Transfer to proprietary fund	(225,738)	-	(225,738)	-1.0%
Proceeds from capital leases	3,423,112	-	3,423,112	1.0%
TOTAL OTHER FINANCING SOURCES	3,197,374	-	3,197,374	0.0%
EXCESS (DEFICIENCY) OF REVENUES (USES) OVER EXPENDITURES	\$ 81,002	\$ (40,580)	\$ 121,582	

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management’s Discussion and Analysis
Year Ended June 30, 2020

Capital Projects Fund

All funds for school construction come from either the Worcester County Commissioners or the State of Maryland. Both levels of government either allocate general tax revenue proceeds or provide bond proceeds for specific school construction projects. The Board has no legal authority to borrow funds. During FY 2020, the Board received county funding of \$28,860,817. These funds were used to pay costs related to the construction of the new Showell Elementary School, replacement HVAC units at Pocomoke Middle, Snow Hill Middle and Cedar Chapel Special School, schematic design fees related to the Stephen Decatur Middle School addition project, design fees for the roof replacement project at Pocomoke Middle School and costs related to the new turf field at Stephen Decatur High School. The school system also received \$2,611,701 in State school construction funding to fund the State share of the new Showell Elementary School. The Capital Projects School Construction Fund revenues exceeded FY 2020 expenditures by \$177 resulting in a fund balance of \$53,274 at June 30, 2020.

Fiduciary Fund

The following funds are accounted for as Fiduciary Funds:

- (1) Private Purpose Trust Funds: Funds held in trust for specific purposes such as student scholarships and awards total \$372,606 as of June 30, 2020.
- (2) Agency Funds: During FY20 the schools collected revenues and incurred expenditures for various student activities (see Table 5).

Table 5

	<u>SCHOOL ACTIVITIES FUND</u>			
	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	% Incr. (Decr.)
Revenues	\$2,052,517	\$2,575,279	(\$522,762)	-20.3%
Expenditures	(1,806,406)	(2,500,639)	694,233	-27.8%
Beginning Fund Balance	<u>\$900,725</u>	<u>826,085</u>	<u>74,640</u>	<u>9.0%</u>
Ending Fund Balance	\$1,146,836	\$900,725	\$246,111	27.3%

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

Five categories of our FY20 budget had actual expenditures that exceeded the original budget. The category of Administration had higher than planned expenditures due to several factors including higher than planned expenditures in the area of supplies and materials and in the area of memberships, dues and subscriptions. Expenditures under the category of Instructional Support exceeded the original budget due to the increased software costs and increased copier expenses. Student Transportation had expenditures higher than budgeted related to additional routes to address increased enrolment at the Worcester Technical High School, after-school program transportation and increased transportation costs for our homeless students. The Maintenance of Plant category had higher than budgeted expenditures due to the increasing cost of maintaining our buildings. The costs of HVAC and other repairs and supplies continue to escalate. The category of Fixed Charges had higher than planned expenditures due to higher than planned tuition reimbursements for teachers to meet State certification requirements. The inter-category and intra-category budget transfers were approved by our Board at the August meeting. The inter-category budget transfers were approved by our County Commissioners at their September 1, 2020 meeting. The Board ended the year with an unassigned fund balance totaling \$662,009. This balance will be utilized to address future school system budgetary needs and will be assigned by the Board as part of the FY22 budget process. To remain revenue neutral in FY22, \$567,011 of this total will need to be included as a source of revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the District has invested over \$280 million in a broad range of capital assets, including land, school buildings, athletic facilities, furniture and equipment. (More detailed information about capital assets can be found in Note 2 to the financial statements.) Total depreciation expense for the year totaled \$4.3 million.

Construction - Next Five Years

Annually, the Board of Education prepares and submits to the State Interagency Committee for School Construction and our local county government a 5-Year Capital Improvement Program (CIP). Funding for a new Showell Elementary School was approved by the Worcester County Commissioners and the State of Maryland in FY19. The construction bids totaling \$39 million were approved by the Worcester County Commissioners in August, 2018. The Board and the County Commissioners later approved a bid alternate to add 4 additional pre-kindergarten classrooms at a total approximate additional cost of \$1 million. The total cost of the new school is \$48.5 million. Construction of this project began in October 2018. The new school was opened to students and staff in September 2020. Future projects included in our FY22 CIP include roof replacement projects at Stephen Decatur Middle School, Pocomoke Elementary and Snow Hill Middle Schools, an addition at Stephen Decatur Middle School and a replacement Buckingham Elementary School.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2020

Long-Term Liabilities

At year-end, the District had \$379,785,466 for amounts due or payable after one year. This amount consists of the following:

- \$329,458 of accrued compensated absences which is an obligation resulting primarily from accrued annual leave which is due and payable to employees upon termination, \$5,331,996 in net pension liability, \$2,567,334 in capital leases and \$371,556,678 for other post-employment benefits.

FACTORS BEARING ON THE DISTRICTS' FUTURE

- (1) The current global pandemic Coronavirus (COVID-19) has impacted every part of our society including our State and Local economies. As a result, mid-year FY21 funding reductions to local school systems have been discussed at the State level. There are also concerns of future challenges in local funding as the summer season was impacted by the pandemic. At the same time, local school systems are working to address the increased costs associated with COVID-19. These costs include additional cleaning, costs associated with online learning, providing meals to those students not in school and potential increased transportation costs related to a limited number of students allowed on each bus due to social distancing. Worcester will continue to closely monitor these factors for any potential fiscal impact to our school system.
- (2) Worcester County Public Schools (WCPS) provides post-employment health insurance benefits to their retirees. Implementation of GASB Statement No. 75 resulted in a Net OPEB liability on our district-wide financial statements of \$371,556,678 as of June 30, 2020. Our local government has historically funded the cost of health insurance for all school system employees including retirees. As part of this partnership, the Worcester County Government established and funded a trust to pay the costs of retiree health insurance. In support of continuing to address this issue, our County Commissioners voted to increase the County income tax rate in FY20 and to apply the resulting increase in revenue to funding the both the County and WCPS OPEB liability. This resulted in an additional \$2,500,000 in OPEB funding that was included in both our FY20 and FY21 operating budgets. This continued partnership will be crucial as we work to ensure adequate resources are available to continue to meet our obligations to current and future retirees.
- (3) The Board of Education has a growing list of capital projects. The list includes:
 - Replacement of Showell Elementary School – Funding for the new replacement school totaling 48.5 million was approved by our County and State in FY19. Construction of this project started in October 2018. The new school was opened to both staff and students in September 2020.
 - Roof Replacement Project at Pocomoke Middle School – This project was approved for State funding in our FY21 Capital Improvement Program (CIP). Based on local funding approval, this project is scheduled to be bid in the winter of 2021 with estimated project completion in summer of 2021.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2020

- Addition to Stephen Decatur Middle School – The schematic design for the Stephen Decatur Middle School addition was approved by the Board of Education in the spring of FY20. Planning approval of this project was approved by the State in our FY21 Capital Improvement Program (CIP). Approval of State funding is being requested in our FY22 CIP. The Worcester County Commissioners approved funding for the design development documents and construction documents in our FY21 budget. Subject to the approval of State and Local construction funding, the Board of Education plans to bid this project in summer of 2021 with projected construction to begin in November 2021. This project is projected to be completed in December 2022.
- Roof Replacements at Stephen Decatur Middle, Snow Hill Middle and Pocomoke Elementary Schools.
- Replacement of Buckingham Elementary School

As more buildings age, delays in funding projects will compound the costs and logistics of the Capital Program.

- (4) The State of Maryland created the Kirwan Commission in FY18 to study current needs and current funding formulas for public schools in Maryland. This commission met for two years and submitted a preliminary report to the State Legislature in the spring of 2019 with recommendations on how to improve public education in our State. The recommendations include a move to all day universal pre-kindergarten, teacher salary increases, additional funding for students with disabilities, and more resources for supplemental instruction. Preliminary estimates to fully implement the recommendations included in this report total almost \$4 billion over the next ten years. A final Kirwan bill was submitted to and approved by the State Legislature in March of 2020. Our school system feels that many of the recommendations included in the approved Kirwan bill will be beneficial to both students and staff. Our Board is concerned on how it will be funded and that based on current state funding formulas a majority of the funding liability necessary to implement requirements included in the approved legislation will be placed on our local government. Our Board will continue to follow implementation of the Kirwan bill and the impact on our school system.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, at the Board of Education of Worcester County, 6270 Worcester Highway, Newark, Maryland 21841.

AUDITED FINANCIAL STATEMENTS

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,531,466	\$ 463,040	\$ 3,994,506
Investments	1,772,828	-	1,772,828
Accounts receivable:			
Federal, state and other restricted funds	6,558,052	82,726	6,640,778
Miscellaneous	9,243	-	9,243
Internal balances	513,035	(513,035)	-
Non depreciable capital assets	45,450,697	-	45,450,697
Depreciable capital assets, net	156,173,897	15,517	156,189,414
TOTAL ASSETS	214,009,218	48,248	214,057,466
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 4)	753,604	-	753,604
Other post employment benefits (OPEB) (see Note 7)	36,218,140	-	36,218,140
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,971,744	-	36,971,744
LIABILITIES			
Accounts payable:			
Vendors	4,016,728	-	4,016,728
Others	535,145	1,128	536,273
Payroll deductions and withholdings	4,860,851	-	4,860,851
Payable to external parties	385,236	-	385,236
Unearned revenue	854,147	20,000	874,147
Long-term liabilities:			
Portion due or payable within one year:			
Accrued compensated absences	43,983	-	43,983
Capital leases	630,778	-	630,778
Early incentive payment	557,974	-	557,974
Portion due or payable after one year:			
Other post employment benefits	371,556,678	-	371,556,678
Pensions	5,331,996	-	5,331,996
Accrued compensated absences	329,458	-	329,458
Capital leases	2,567,334	-	2,567,334
TOTAL LIABILITIES	391,670,308	21,128	391,691,436
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 4)	477,408	-	477,408
Other post employment benefits (OPEB) (see Note 7)	28,510,090	-	28,510,090
TOTAL DEFERRED INFLOWS OF RESOURCES	28,987,498	-	28,987,498
NET POSITION			
Net investment in capital assets	201,624,594	15,517	201,640,111
Restricted for:			
Food service activities	-	11,603	11,603
Capital projects	53,274	-	53,274
Unrestricted	(371,354,713)	-	(371,354,713)
TOTAL NET POSITION	\$ (169,676,845)	\$ 27,120	\$ (169,649,725)

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Administration	\$ 1,887,497	\$ -	\$ 61,481	\$ -
Mid-Level Administration	8,013,130	-	194,292	-
Instructional services	54,813,491	100,403	4,064,351	-
Special education	12,916,355	-	3,845,938	-
Student personnel services	353,713	-	-	-
Health services	949,246	-	26,387	-
Student transportation	7,195,129	-	3,667,744	-
Operation of plant and equipment	8,195,604	-	249,445	-
Maintenance of plant	1,229,195	-	82,878	-
Fixed charges	48,347,511	-	7,280,866	-
Community services	33,406	-	33,406	-
Capital outlay	2,431	-	-	31,472,518
Food services	295,571	-	295,571	-
State of Maryland and county share of retirement and pension contribution	7,500,398	-	7,500,398	-
Total Governmental Activities	151,732,677	100,403	27,302,757	31,472,518
Business-Type Activities				
Food Services	2,717,662	440,820	1,962,846	81,000
Totals	\$ 154,450,339	\$ 541,223	\$ 29,265,603	\$ 31,553,518

General Revenues

State of Maryland
Worcester County appropriation
Other financing sources
Unrestricted investment earnings and other revenues

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Expenses) Revenue
and changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,826,016)	\$ -	\$ (1,826,016)
(7,818,838)	-	(7,818,838)
(50,648,737)	-	(50,648,737)
(9,070,417)	-	(9,070,417)
(353,713)	-	(353,713)
(922,859)	-	(922,859)
(3,527,385)	-	(3,527,385)
(7,946,159)	-	(7,946,159)
(1,146,317)	-	(1,146,317)
(41,066,645)	-	(41,066,645)
-	-	-
31,470,087	-	31,470,087
-	-	-
-	-	-
(92,856,999)	-	(92,856,999)
-	(232,996)	(232,996)
(92,856,999)	(232,996)	(93,089,995)
14,769,501	-	14,769,501
91,028,422	-	91,028,422
-	225,738	225,738
129,967	2,755	132,722
105,927,890	228,493	106,156,383
13,070,891	(4,503)	13,066,388
(182,747,736)	31,623	(182,716,113)
\$ (169,676,845)	\$ 27,120	\$ (169,649,725)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,531,466	\$ -	\$ 3,531,466
Investments	1,772,828	-	1,772,828
Accounts receivable:			
Federal, state and other restricted funds	1,582,796	4,975,256	6,558,052
Other	5,790	3,453	9,243
Due from other funds	1,752,214	11,934	1,764,148
TOTAL ASSETS	\$ 8,645,094	\$ 4,990,643	\$ 13,635,737
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable:			
Vendors	\$ 318,538	\$ 3,698,190	\$ 4,016,728
Others	535,145	-	535,145
Payroll deductions and withholdings	4,904,834	-	4,904,834
Due to other funds	397,170	1,239,179	1,636,349
Deferred revenue - Federal, state and other restricted funds	854,147	-	854,147
TOTAL LIABILITIES	7,009,834	4,937,369	11,947,203
COMMITMENTS AND CONTINGENCIES			
FUND BALANCES			
Fund Balance:			
Restricted for fund purposes	-	53,274	53,274
Assigned to:			
Insurance reserve	22,024	-	22,024
Subsequent year's expenditures	567,011	-	567,011
Capital and technology projects	196,823	-	196,823
Other purposes (encumbrances)	187,393	-	187,393
Unassigned	662,009	-	662,009
TOTAL FUND BALANCES	1,635,260	53,274	1,688,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,645,094	\$ 4,990,643	\$ 13,635,737

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

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

June 30, 2020

Total fund balances, governmental funds \$ 1,688,534

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

Capital assets used in governmental activities are not financial resources and are
therefore not reported in the fund financial statements, but are reported in the
governmental activities of the Statement of Net Position. 201,624,593

Deferred outflow of resources - pensions (see Note 4) 753,604
Deferred outflow of resources - OPEB (see Note 7) 36,218,140

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

Early incentive payment (557,974)
Accrued compensated absences (329,458)
Capital leases (3,198,112)
Net pension liability (5,331,996)
Other post retirement employment benefits (371,556,678)

Total long-term liabilities (380,974,218)

Deferred inflow of resources - pensions (see Note 4) (477,408)
Deferred inflow of resources - OPEB (see Note 7) (28,510,090)

Net assets of governmental activities in the Statement of Net Position \$ (169,676,845)

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General	Restricted Grants	Capital Projects	Total Governmental Funds
REVENUES				
Worcester County Appropriations	\$ 91,028,422	\$ -	\$ 28,860,817	\$ 119,889,239
State of Maryland	19,807,912	-	-	19,807,912
On behalf State of Maryland	6,945,815	-	2,611,701	9,557,516
On behalf County - retirement and pension contribution	554,583	-	-	554,583
Restricted Federal, state and other local funds	-	8,639,805	-	8,639,805
Other sources	230,193	-	177	230,370
TOTAL REVENUES	118,566,925	8,639,805	31,472,695	158,679,425
EXPENDITURES				
Administration	1,782,644	61,481	-	1,844,125
Mid-level administration	7,818,838	194,292	-	8,013,130
Instructional salaries and wages	43,249,358	2,702,280	-	45,951,638
Textbooks and instructional supplies	2,372,142	870,716	-	3,242,858
Other instructional costs	1,007,305	491,355	-	1,498,660
Student personnel services	353,713	-	-	353,713
Health services	922,859	26,387	-	949,246
Student transportation	6,876,324	318,805	-	7,195,129
Operation of plant and equipment	7,772,671	249,445	-	8,022,116
Maintenance of plant	1,146,317	82,878	-	1,229,195
Fixed charges	26,681,577	1,156,723	-	27,838,300
Capital outlay	3,665,000	-	31,472,518	35,137,518
Special education	10,759,889	2,156,466	-	12,916,355
Food services	-	69,833	-	69,833
Community services	-	33,406	-	33,406
On behalf County - retirement and pension contribution	554,583	-	-	554,583
On behalf State of Maryland - retirement and pension contribution	6,945,815	-	-	6,945,815
TOTAL EXPENDITURES	121,909,035	8,414,067	31,472,518	161,795,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,342,110)	225,738	177	(3,116,195)
OTHER FINANCING SOURCES				
Transfer to proprietary fund	-	(225,738)	-	(225,738)
Proceeds from capital leases	3,423,112	-	-	3,423,112
TOTAL OTHER FINANCING SOURCES	3,423,112	(225,738)	-	3,197,374
Net Change in fund balances	81,002	-	177	81,179
Fund balances, beginning	1,554,258	-	53,097	1,607,355
Fund balances, ending	<u>\$ 1,635,260</u>	<u>\$ -</u>	<u>\$ 53,274</u>	<u>\$ 1,688,534</u>

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Net change in fund balances, governmental funds \$ 81,179

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	34,910,086	
Depreciation expense	(4,337,195)	
Total		30,572,891

Proceeds from capital leases are revenues in the governmental funds but
increases in liabilities in the statement of net position (3,423,112)

Some items reported in the Statement of Activities do not require the use of current
financial resources and therefore are not reported as expenditures in governmental
funds. These activities consist of:

Increase in early incentive payment	(118,530)	
Increase in compensated absences	(54,513)	
Decrease in pension expense due to deferred financing outflow	(307,707)	
Increase in pension expense due to net pension liability	(256,568)	
Decrease in pension expense due to deferred financing inflows	101,301	
Increase in post-employment benefits expense due to deferred financing outflow	22,454,048	
Increase in post-employment benefits expense due to net OPEB liability	(23,681,618)	
Increase in post-employment benefits expense due to deferred financing inflow	(12,521,480)	
		(14,385,067)

Repayment of capital lease obligations are expenditures in the governmental
funds, but the repayment reduces long-term liabilities in the statement of net
position. 225,000

Change in net position of governmental activities \$ 13,070,891

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF FUND NET POSITION
 PROPRIETARY FUNDS

June 30, 2020

	<u>Enterprise Fund Food Services</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 463,040
Due from other governments	<u>82,726</u>
Total current assets	<u>545,766</u>
Noncurrent assets:	
Furniture and equipment	255,496
Less: accumulated depreciation	<u>(239,979)</u>
Total noncurrent assets	<u>15,517</u>
TOTAL ASSETS	<u>561,283</u>
LIABILITIES	
Current liabilities:	
Due to general fund	513,035
Accounts payable	1,128
Deferred revenue	<u>20,000</u>
Total current liabilities	534,163
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Invested in capital assets	15,517
Unrestricted	<u>11,603</u>
TOTAL NET POSITION	<u>\$ 27,120</u>

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2020

	<u>Enterprise Fund Food Services</u>
OPERATING REVENUES	
Food service sales	\$ 440,820
OPERATING EXPENSES	
Salaries and wages	1,068,567
Fringe benefits	418,016
Contracted services	3,837
Food and food related supplies	978,858
Nonfood supplies	63,820
Value of USDA commodities donated	174,980
Commodity processing	5,081
Depreciation	4,503
TOTAL OPERATING EXPENSES	<u>2,717,662</u>
OPERATING LOSS	<u>(2,276,842)</u>
NONOPERATING REVENUES	
Interest income	2,755
Grant and local revenue	81,000
State of Maryland:	
Reimbursement of food costs	160,804
Federal through state:	
Reimbursement of food costs	1,627,062
Donation of food commodities	174,980
Total Federal through state	<u>1,802,042</u>
TOTAL NONOPERATING REVENUES	<u>2,046,601</u>
Change in net position before other financing sources	(230,241)
OTHER FINANCING SOURCES	
Transfer from restricted funds	<u>225,738</u>
Change in net position	(4,503)
Net position beginning of year	<u>31,623</u>
Net position end of year	<u>\$ 27,120</u>

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2020

	<u>Enterprise Fund</u> <u>Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 440,820
Cash payments to employees for services	(1,068,567)
Cash payments for health and other insurances	(418,016)
Cash payments to suppliers for goods and services	(1,047,759)
Cash payments for other operating expenses	-
Net cash used in operating activities	<u>(2,097,359)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Non operating grants received	2,094,684
Net loans (repayments) to other funds	3,246
Net cash provided by noncapital financing activities	<u>2,097,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>2,755</u>
Net change in cash	3,326
Cash and cash equivalents, beginning of year	<u>459,714</u>
Cash and cash equivalents, end of year	<u>\$ 463,040</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (2,276,842)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,503
Donated commodities used	174,980
Changes in assets and liabilities:	
Receivables	<u>-</u>
Net cash used in operating activities	<u>\$ (2,097,359)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES	
During the year the board received food commodities from the U.S. Department of Agriculture	<u>\$ 174,980</u>

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2020

	Private Purpose Trust Fund	Retiree Benefit Trust Fund	Agency Fund School Activities Fund
ASSETS			
Cash	\$ -	\$ 438,978	\$ 1,134,206
Trust investments:			
Money market funds	-	268,740	-
Fixed income securities	-	6,611,116	-
Equities securities	-	14,625,392	-
Due from other funds	372,606	-	12,630
TOTAL ASSETS	372,606	21,944,226	1,146,836
LIABILITIES			
Due to school activities funds	-	-	1,146,836
TOTAL LIABILITIES	-	-	1,146,836
NET POSITION			
Held in trust for:			
Other postemployment benefits	-	21,944,226	-
Scholarships, etc.	372,606	-	-
TOTAL NET POSITION	\$ 372,606	\$ 21,944,226	\$ -

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2020

	Private Purpose Trust Fund	Retiree Benefit Trust Fund
ADDITIONS		
Contributions:		
Donations and fees	\$ 66,819	\$ -
Board contribution		2,600,000
Worcester County contributions and other credits	-	6,124,143
Plan member contributions	-	729,169
Total contributions	66,819	9,453,312
Investment earnings:		
Interest	4,956	6,524
Increase in fair value of investments	-	730,470
Total investment earnings	4,956	736,994
Total additions	71,775	10,190,306
DEDUCTIONS		
Plan benefit payments	-	7,306,251
Professional fees	-	1,000
Scholarships, etc.	38,923	-
Total deductions	38,923	7,307,251
Change in net position	32,852	2,883,055
Net position held in trust, beginning	339,754	19,061,171
Net position held in trust, ending	\$ 372,606	\$ 21,944,226

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Board of Education receives substantial appropriations from and is subject to the indirect control of Worcester County, although the Board has its own separate governing board.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

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

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

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

The government reports the following major governmental funds:

General and Restricted Funds

All financial resources appropriated for current operating expenditures, including restricted grant funds, are accounted for in the General and Restricted Funds.

Capital Projects Fund

This fund accounts for financial resources that are restricted to construction of new buildings, additions and alterations and acquisition of equipment. Revenue is recognized from bond issues in the year that funds are either transferred or receivable from Worcester County.

The Board reports the following major proprietary fund:

Food Service Fund

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Board also reports the following fund types:

Agency Fund

Funds of the School Activity Fund are administered by the individual schools in a fiduciary capacity.

Private Purpose Trust Fund

These funds are held by the Board for scholarships and other student awards.

Retiree Benefit Trust Fund

These funds are held in trust by Worcester County, Maryland, on behalf of the Board, for the benefits of retirees.

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

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 in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board are charges for lunch, breakfast and catered meals. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position

Cash and Investments

The Board is authorized to invest any monies in any fund or account over which it has custody or control. The type of investments are specified in accordance with Section 6-222 of the Maryland State Finance and Procurement Article.

Cash in the General Fund and Food Service Funds are pooled into one account in order to maximize investment opportunities. Each fund whose monies are deposited in the account has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash and cash investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements.

Accounts Receivable

The Board has amounts due from governmental agencies of \$6,640,778 at June 30, 2020. These receivables are due primarily from the Maryland State Department of Education and from Worcester County.

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Capital Assets (continued)

Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>ASSETS</u>	<u>YEARS</u>
Improvements	20 - 25
Buildings	50
Vehicles	8
Furniture, Fixtures And Equipment	5 - 15

Compensated Absences

Compensated absences are reported as accrued in the government wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

Accrued Liabilities and Long-Term Obligations

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

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

Estimates

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

Net Position

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Net Position (continued)

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred outflow of resources related to its pension obligation (Note 4) and OPEB liability (Note 7) for changes in assumptions and the net difference between projected and actual investment earnings on plan investments. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items that qualify for reporting in this category. The Board recognizes a deferred inflow of resources related to its pension obligation (Note 4) and OPEB liability (Note 7) for the net difference between projected and actual investment earnings on pension plan investments, changes in assumptions, and differences between expected and actual experience. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

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

Interfund Receivables and Payables

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

Fund Balance

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are reported as assigned fund balance in the governmental fund financial statements. Encumbrances outstanding at June 30, 2020 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled \$187,393.

E. Budgetary Data

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

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

Note 2. Detailed Notes on All Funds

A. Deposits and Investments

Custodial Risk

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

These collateralization requirements are established to reduce custodial risk which is the risk that in the event of a bank failure, the Board's deposits may not be returned to it.

At June 30, 2020, the Board's funds were invested as follows:

	<u>CARRYING VALUE</u>
Cash and cash equivalents	<u>\$ 3,994,506</u>
Invested in Maryland Local Government Investment Pool	<u>\$ 1,772,828</u>

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments of \$1,772,828 reported in the governmental funds consist of U.S. Government Securities made through the State of Maryland Local Government Investment Pool which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAA by Standard and Poors. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, bankers acceptance or money market funds.

The Board's exposure to interest rate and credit risk is minimal, as all investments are in cash and MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities. Cash is invested pursuant to the Annotated Code of Maryland and County Code.

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

	Governmental Activities	Business-Type Activities
Insured	\$ 250,000	\$ 250,000
Uninsured and Collateral Held by Pledging Bank's Trust Department in the Board's Name	5,200,298	171,586
Uninsured and Undercollateralized	-	-
TOTAL	\$ 5,450,298	\$ 421,586

Investment – Retiree Benefit Trust Fund

Investments of \$21,944,226 in the Retiree Benefit Trust Fund by type and maturity at June 30, 2020 were as follows:

	1 Year	1-5 Years	Over 5 Years	Total	Rate
M&T Investments:					
Cash	\$ 438,978	\$ -	\$ -	\$ 438,978	
Money Market	268,740	-	-	268,740	
Fixed Income:					
U.S. Treasury	129,892	686,621	780,186	1,596,699	1.25 - 3.625%
U.S. Government Agency	-	787	929,786	930,573	2.5 - 5%
Other Fixed Income	114,863	568,315	3,400,666	4,083,844	1.45 - 6.2%
Equities	14,625,392	-	-	14,625,392	N/A
Totals	\$15,577,865	\$ 1,255,723	\$ 5,110,638	\$21,944,226	

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

B. Deposits and Investments (continued)

Investments at Fair Value

Government Accounting Standards Board Statement (GASB) No. 72, *Fair Value Measurements and Application*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly (for example, quoted prices in active markets for similar assets or liabilities)
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments. The Board has no Level 3 investments.

As of June 30, 2020, the Board had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Corporate and foreign bonds	\$ -	\$ 1,391,399	\$ -	\$ 1,391,399
Fixed income funds	2,692,445	-	-	2,692,445
	<u>2,692,445</u>	<u>1,391,399</u>	<u>-</u>	<u>4,083,844</u>
Equity Securities:				
Mutual funds	14,625,392	-	-	14,625,392
Other investments:				
Money market	268,740	-	-	268,740
U.S. Treasury	1,596,699	-	-	1,596,699
U.S. Government Agency	930,573	-	-	930,573
	<u>2,796,012</u>	<u>-</u>	<u>-</u>	<u>2,796,012</u>
Total investment by fair value level	<u>\$20,113,849</u>	<u>\$ 1,391,399</u>	<u>\$ -</u>	<u>\$21,505,248</u>

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

B. Interfund Receivables - Payables

At June 30, 2020, the interfund account balances are as follows:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
GOVERNMENTAL ACTIVITIES:		
GENERAL FUND		
Due from/to Food Service Fund	\$ 513,035	\$ -
Due from/to Capital Projects Fund	1,239,179	11,934
Due to School Activities Fund	-	12,630
Due to Trust Fund	-	372,606
Sub-Total	1,752,214	397,170
CAPITAL PROJECTS FUND		
Due from/to General Fund	11,934	1,239,179
BUSINESS-TYPE ACTIVITIES:		
ENTERPRISE FUND		
Due from/to General Fund	-	513,035
FIDUCIARY NET POSITION		
Due from General Fund	385,236	-
TOTAL ALL FUNDS	\$ 2,149,384	\$ 2,149,384

Due to/from other funds represent advances of cash for operating needs. Transfers from the restricted grant fund to the proprietary fund represent grant monies received and recorded in the restricted grant fund for food service related costs/expenses.

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction in Progress	<u>13,256,785</u>	<u>30,472,283</u>	<u>(165,150)</u>	<u>43,563,918</u>
Total Capital Assets, not Being Depreciated	<u>15,143,564</u>	<u>30,472,283</u>	<u>(165,150)</u>	<u>45,450,697</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	226,116,325	918,246	165,150	227,199,721
Furniture, Fixtures, Equipment and Vehicles	<u>4,303,053</u>	<u>3,519,558</u>	<u>(87,683)</u>	<u>7,734,928</u>
Total Capital Assets, being Depreciated	<u>230,419,378</u>	<u>4,437,804</u>	<u>77,467</u>	<u>234,934,649</u>
Less Accumulated Depreciation for:				
Buildings	(71,053,883)	(4,161,048)	-	(75,214,931)
Furniture, Fixtures, Equipment and Vehicles	<u>(3,457,357)</u>	<u>(176,147)</u>	<u>87,683</u>	<u>(3,545,821)</u>
Total Accumulated Depreciation	<u>(74,511,240)</u>	<u>(4,337,195)</u>	<u>87,683</u>	<u>(78,760,752)</u>
Total Capital Assets, being Depreciated, Net	<u>155,908,138</u>	<u>100,609</u>	<u>165,150</u>	<u>156,173,897</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 171,051,702</u>	<u>\$ 30,572,892</u>	<u>\$ -</u>	<u>\$ 201,624,594</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Being Depreciated:				
Machinery, Equipment and Vehicles	\$ 255,496	\$ -	\$ -	\$ 255,496
Less Accumulated Depreciation for:				
Machinery, Equipment and Vehicles	<u>(235,476)</u>	<u>(4,503)</u>	<u>-</u>	<u>(239,979)</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 20,020</u>	<u>\$ (4,503)</u>	<u>\$ -</u>	<u>\$ 15,517</u>

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

Depreciation for governmental activities is allocated as follows:

Administration	\$	43,372
Instruction Services		4,120,335
Operation of Plant		173,488
TOTAL	\$	4,337,195

D. Changes In Long-Term Debt

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due in One Year
Net OPEB liability	\$ 347,875,060	\$ 23,681,618	\$ -	\$ 371,556,678	\$ -
Net pension liability	5,075,428	256,568	-	5,331,996	-
Capital leases	-	3,423,112	225,000	3,198,112	630,778
Retirement Incentive and Severance	439,444	557,974	439,444	557,974	557,974
Long-Term Portion of Accrued Compensated Absences	318,150	98,496	43,205	373,441	43,983
	\$ 353,708,082	\$ 28,017,768	\$ 707,649	\$ 381,018,201	\$ 1,232,735

E. Fiduciary Fund Types

The fund equity at June 30, 2020 consists of the following:

John Postley Fund	\$	78,877
Old Home Prize Fund		17,481
Gladys C. Burbage Scholarship Fund		219,551
John Coleman Scholarship Fund		2,321
Mark Pilchard Scholarship Fund		1,575
Stephen Decatur - Class of 1955 Fund		7,566
Worcester Board of Education - Employees Fund		11,566
Other		21,756
Stephen Decatur - JROTC		11,913
TOTAL	\$	372,606

NOTES TO FINANCIAL STATEMENTS

Note 3. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has joined the Maryland Association of Boards of Education Workers' Compensation Group Insurance Fund (the Fund), a public entity risk pool currently providing workers compensation coverage for participating boards of education in the State of Maryland. The Board pays an annual premium to the Fund calculated based on projected payroll. The agreement for the Fund provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Fund encounter deficits in its casualty and/or property funds, this deficit may be made up from additional assessments of boards participating in the deficit Fund. The Board continues to carry commercial insurance for all other risks of loss, including general liability, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in the last three years.

Note 4. Pension Plans

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

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

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

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

General Plan Policies

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Pension Plans (continued)

Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems (continued)

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

Significant Plan Benefits and Policies

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

Teachers' and Employees' Retirement Systems

Retirement Benefits:

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

Vested Allowance:

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

Employee and Employer Contributions:

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

Teachers' and Employees' Pension System

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1,

NOTES TO FINANCIAL STATEMENTS

Note 4. Pension Plans (continued)

Teachers' and Employees' Pension System (continued)

1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

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

Employee Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2020. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

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

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

Employer Contributions:

For the year ended June 30, 2020 the Board's total payroll for all employees was \$74,017,388. Total covered payroll was \$68,088,033. Covered payroll refers to all compensation paid by the Board to active employees covered by either the Teachers' Systems or Employees' Systems.

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The related payment for fiscal year ending 2020 was \$2,617,511. In addition, the State of Maryland contributed \$6,945,815 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2020, the Board reported expense of \$554,583 related to the Employees' Systems in the fund financial statements. This amount was paid directly by the County and the Board has recognized the County on-behalf payments as both a revenue and expense.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Pension Plans (continued)

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

At June 30, 2020, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

	2020
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 5,331,996
Board's proportionate share of the net pension liability (Teachers' Systems)	<u>66,384,113</u>
Total	<u>\$ 71,716,109</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Boards proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. At June 30, 2019, the Board's proportion was approximately .0258513%, which was substantially the same as its proportion measured as of June 30, 2018. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2018 to June 30, 2019 for the net pension liability, deferred financing outflows and inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2020, the Board recognized pension expense for the employees system of \$1,017,557 in the government wide financial statements and \$554,583 in the fund financial statements. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 81,771	\$ (145,112)
Net difference between projected and actual investment earnings on pension plan investments	117,250	-
Difference between actual and expected experience	-	(332,296)
Board contributions subsequent to measurement date	<u>554,583</u>	<u>-</u>
Total	<u>\$ 753,604</u>	<u>\$ (477,408)</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Pension Plans (continued)

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

In addition, there is \$554,583 of deferred outflows of resources resulting from the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life ranging from 5.68 to 5.87 years. The net difference in investment earnings for 2019, 2018, 2017, 2016 and 2015 are being amortized over a closed five year period. The following table shows the amortization of these balances:

<u>Year End</u> <u>June 30,</u>	
2021	\$ 13,839
2022	(149,734)
2023	(82,739)
2024	(30,808)
2025	<u>(28,944)</u>
Total	<u>\$ (278,387)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years for the State Systems
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.65% general, 3.15% wage
Salary increases	3.10% to 11.6%, including wage inflation
Investment rate of return	7.40%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

NOTES TO FINANCIAL STATEMENTS

Note 4. Pension Plans (continued)

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

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.3%
Private Equity	13%	7.5%
Rate Sensitive	19%	1.3%
Credit Opportunity	9%	3.9%
Real Assets	14%	4.5%
Absolute Return	8%	3.0%
Total	100%	

Discount rate

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

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

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

	<u>Discount Rate</u>	<u>Board's Net Pension Liability</u>
1% decrease	6.40%	\$ 7,717,519
Current discount rate	7.40%	\$ 5,331,996
1% increase	8.40%	\$ 3,345,142

NOTES TO FINANCIAL STATEMENTS

Note 5. Budget Calendar

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

<u>APPROXIMATE DATE</u>	<u>PROCEDURE PERFORMED</u>
September - November	Budget request forms and questionnaires prepared by schools and various departments and then returned to the central office.
December	Public input session is held to assist in preparation of the budget.
December - February	Budget formulation and Superintendent's review.
February - March	Board reviews budget and a second public session is held. The Board then adopts the proposed operating budget.
March	Budget due to County Administrator.
May	In early May, the Board of Education presents the proposed budget to the Worcester County Commissioners. In mid May, the County Commissioners hold a public budget hearing. By the last Tuesday in May, the budget is approved by the County Commissioners.
June	The Board of Education adopts the approved operating budget at the regular monthly Board meeting.

Note 6. Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board entered into a contract for the construction of Showell Elementary School. The contract is for approximately \$48.5 million of which approximately \$35 million had been completed by June 30, 2020. The contract is being funded by Worcester County and the State of Maryland.

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the board.

The Governor of Maryland, in response to the COVID-19 crisis, had closed all schools in the state for a two week period and subsequently, along with the Maryland State Department of Education, schools were to remain closed for the remainder of the academic school year and implement online learning. The potential impacts of the Board's suppliers and customers is unknown at this time. The Board does not anticipate any long-term impacts.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Post-Employment Benefits

Plan Description and benefits provided

The Worcester County Public Schools Post-Retirement Medical Benefits Plan (the “Plan”) is an agent multiple employer defined benefit healthcare plan administered by the Board. The Plan provides medical and prescription drug benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers’ pension system described below:

For members hired before July 1, 2011, 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.

For members hired after July 1, 2011, the earliest retirement eligibility is the earlier of

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

In addition, eligible spouses and dependents desiring coverage through the eligible retiree’s plan must be enrolled in the Plan immediately prior to the retiree’s effective date of retirement.

As of July 1, 2019, the date of the last actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	902
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	958
	1,860

Funding Policy

The Board provides basic major medical insurance (medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees, dependents and spouses hired prior to July 1, 2015 and 80% for employees hired after July1, 2015. The Board’s OPEB Trust currently pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2020, the OPEB Trust paid for coverage of approximately 902 retirees at a total cost of approximately \$7,300,000. For the year ended June 30, 2020, Worcester County Commissioners funded the trust in the amount of \$3,000,000 to fund future benefits and the Board funded the trust in the amount of \$2,600,000 to fund future benefits. The trust also received an additional payment of \$3,124,143 from the County for the Board’s share of any plan refunds.

On behalf of the Board, the Worcester County Commissioners created the Retiree Benefit Trust of the Board of Education of Worcester County (the “Trust”) in order to arrange for the establishment of a reserve to pay promised future health and drug benefits for employee services that have already occurred. The Board intends the contributions to the Trust will qualify as “contributions in relation to the actuarially determined contribution” within the meaning of GASB Statement Number 75 and that the Trust will qualify as a “trust or equivalent arrangement” within the meaning of GASB Statement 75.

Contributions by the Board are solely dependent on the governmental entities that provide funding for the Board. Employee and retiree contributions are not permitted. The trustees of the Trust consist of a five member board who have final authority in all matters pertaining to the Trust.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Post-Employment Benefits (continued)

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to an entity that is not a state, a political subdivision, or an entity the income of which is excluded from taxation under Section 115 of the IRS Code.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

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

Inflation	3.00%
Salary increases	4.00%, average, including inflation
Discount rate	2.852%
Healthcare cost trend rates	5.50% for fiscal year 2020, decreasing .0667% per year to an ultimate rate of 4.50% for fiscal year 2035 and later years
Mortality	PubT.H-2010 Mortality Table - Teachers
Retirement Age	Based on results of actuarial experience study with a Census date of June 2020

Investments

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	1%	0.2%
Fixed income investments	34%	5.3%
Equities	65%	8.0%
Total	<u>100%</u>	

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Post-Employment Benefits (continued)

Discount rate

The discount rate used to measure the total OPEB liability was 2.852% for Fiscal Year 2020. This rate was changed from 2.814% used in Fiscal Year 2019. This is the single equivalent discount rate which represents a blended interest rate based on a long-term rate of return for those payments prior to the Crossover date and a 20-year high grade municipal bond index for all remaining payments after such a crossover date. The rates used are a long-term rate of return of 7.00% and the S & P Municipal Bond 20-year High-Grade rate index as of June 30, 2020 of 2.66%. The projection of cash flows used to determine the discount rate assumed that the Board's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. 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 OPEB liability. The periods of projected benefit payments were fiscal years 2020 through 2030.

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

The Board's net OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board's net OPEB liability, fiduciary net position, and the resulting net OPEB liability as of June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2019	\$ 366,936,231	\$ 19,061,171	\$ 347,875,060
Changes for the year:			
Service cost	14,909,548	-	14,909,548
Interest cost	10,329,992	-	10,329,992
Differences between expected and actual experience	(11,166,696)	(928,393)	-
Changes of assumptions and other inputs	17,070,585	-	17,070,585
Contributions - County and other	-	6,124,143	(6,124,143)
Contributions - Board	-	2,600,000	(2,600,000)
Net investment income	-	736,994	(736,994)
Implicit rate subsidy	(2,256,713)	-	(2,256,713)
Benefit payments	(6,577,082)	(6,577,082)	-
Administrative expense	-	(1,000)	1,000
Other changes	4,255,039	928,393	3,326,646
Net changes	26,564,673	2,883,055	23,681,618
Balances at 6/30/2020	\$ 393,500,904	\$ 21,944,226	\$ 371,556,678

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress

As of July 1, 2019, the most recent actuarial valuation date, the total OPEB liability for benefits was \$393,500,904, with \$21,944,226 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$371,556,678. The covered employee payroll was \$68,088,033, and the ratio of the net OPEB liability to the covered payroll was 545.70%.

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

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The Board selected a June 30, 2020 measurement date for fiscal year-end 2020. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

Sensitivity of the Total and Net OPEB Liability

The following table presents the Board's total and net OPEB liability using the discount rate of 2.852%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Net OPEB Liability
1% decrease	1.852%	\$442,714,634
Current discount Rate	2.852%	\$371,556,678
1% increase	3.852%	\$315,110,793

The following table presents the Board's net OPEB liability using the health care trend rate of 5.5%, decreasing to 4.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate	Board's Net OPEB Liability
1% decrease	4.5% decreasing to 3.5%	\$307,486,536
Current discount Rate	5.5% decreasing to 4.5%	\$371,556,678
1% increase	6.5% decreasing to 5.5%	\$454,992,079

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Inflows/Outflows of Resources related to OPEB

For the fiscal year ended June 30, 2020, the Board recognized an OPEB expense of \$22,473,193 on the government-wide statements. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 18,110,595
Changes of assumptions	35,354,070	10,399,495
Net difference between projected and actual earnings on OPEB Plan Investments	864,070	-
Total	\$ 36,218,140	\$ 28,510,090

Amounts reported as deferred outflows and inflows of resources related to the OPEB plan will be amortized and expensed over the expected average remaining service life of participants as follows:

Year Ended June 30,	
2021	\$ 1,154,753
2022	1,154,753
2023	1,154,753
2024	1,878,126
2025	2,325,537
Thereafter	40,128
	\$ 7,708,050

Changes in assumptions in the most recent actuarial valuation included the discount rate (an increase from 2.814% to 2.852%).

Note 8. Capital Leases

The Board has entered into non-cancelable leases that transfer ownership at the end of the lease, thus the Board has recorded the lease obligation and the related assets in the appropriate funds.

Capital lease obligations at June 30, 2020 consist of the following:

Computer equipment, Apple, Inc., interest at 0%; payable in annual installments of approximately \$856,000, including interest through July 2023.	\$ 3,198,112
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The computer equipment lease is secured by the equipment financed under the related agreement. In the event of nonappropriation of funds in a given year, the lease would be deemed terminated.

NOTES TO FINANCIAL STATEMENTS

Note 8. Capital Leases (continued)

Future minimum lease payments under this capital lease, which will be funded from the General fund and partially from an appropriation from Worcester County, are as follows:

2021	\$	630,778
2022		855,778
2023		855,778
2024		855,778
		<hr/>
		3,198,112
<u>Less amounts representing interest</u>		<u>-</u>
<u>Present value of net minimum lease payments</u>		<u>\$ 3,198,112</u>

The cost of items acquired under capital lease arrangements, as included in capital assets, totaled \$3,423,112, and the related accumulated depreciation was \$0 at June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 GENERAL FUND - BUDGETARY BASIS
 YEAR ENDED JUNE 30, 2020

	UNRESTRICTED			VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
UNRESTRICTED REVENUES				
County Appropriation	\$ 91,028,422	\$ 91,028,422	\$ 91,028,422	\$ -
State of Maryland and Federal	19,810,056	19,810,056	19,807,912	(2,144)
Other Sources	225,452	225,452	230,193	4,741
TOTAL UNRESTRICTED REVENUES	111,063,930	111,063,930	111,066,527	2,597
UNRESTRICTED EXPENDITURES				
Administration	1,709,939	1,782,649	1,782,644	5
Instructional Support Services	7,715,927	7,818,866	7,818,863	3
Instructional Salaries	44,359,118	43,782,008	43,249,358	532,650
Textbooks and Instructional Supplies	2,436,344	2,386,343	2,372,142	14,201
Other Instruction Costs	965,917	965,917	945,663	20,254
Student Personnel Services	357,350	357,350	353,713	3,637
Health Services	936,061	936,061	922,859	13,202
Student Transportation	6,607,183	6,876,326	6,876,324	2
Operation of Plant and Equipment	8,249,912	7,919,912	7,852,459	67,453
Maintenance of Plant	1,097,895	1,144,356	1,144,354	2
Fixed Charges	26,215,720	26,681,578	26,681,577	1
Capital Outlay	221,973	221,973	217,142	4,831
Special Education	10,757,602	10,757,602	10,754,431	3,171
TOTAL UNRESTRICTED EXPENDITURES	111,630,941	111,630,941	110,971,529	659,412
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(567,011)	(567,011)	94,998	662,009
OTHER FINANCING SOURCES				
Appropriation from Fund Balance	567,011	567,011	567,011	-
TOTAL OTHER FINANCING SOURCES	567,011	567,011	567,011	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ -	\$ 662,009	\$ 662,009

See Accompanying Notes To Financial Statements.

THE BOARD OF EDUCATION OF WORCESTER COUNTY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Board's Proportion (Percentage) of the NPL A	Board's Proportionate Share of the NPL B	Board's Share of State's Proportionate Share of the NPL C	Total (B+C)	Board's Covered Payroll D	Proportionate Share as a Percentage of Covered Payroll (B / D)	Plan's Total Fiduciary Net Position E	Plan's Total Pension Liability F	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (E / F)
2015	June 30, 2014	0.0215328%	\$ 3,821,376	\$ 51,503,242	\$ 55,324,618	\$ 59,107,236	6.47%	\$ 45,339,988,000	\$ 63,086,719,000	71.87%
2016	June 30, 2015	0.0236638%	\$ 4,917,743	\$ 64,079,160	\$ 68,996,903	\$ 60,120,207	8.18%	\$ 45,789,840,000	\$ 66,571,552,000	68.78%
2017	June 30, 2016	0.0237966%	\$ 5,614,576	\$ 78,792,130	\$ 84,406,706	\$ 60,937,473	9.21%	\$ 45,365,927,000	\$ 68,959,954,000	65.79%
2018	June 30, 2017	0.0215827%	\$ 4,666,979	\$ 73,617,121	\$ 78,284,100	\$ 62,892,100	7.42%	\$ 48,987,184,000	\$ 70,610,885,000	69.38%
2019	June 30, 2018	0.0241899%	\$ 5,075,428	\$ 70,212,964	\$ 75,288,392	\$ 65,337,722	7.77%	\$ 51,827,233,000	\$ 72,808,833,000	71.18%
2020	June 30, 2019	0.0258513%	\$ 5,331,996	\$ 66,384,113	\$ 71,716,109	\$ 68,088,033	7.83%	\$ 53,943,420,000	\$ 74,569,030,000	72.34%

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF BOARD CONTRIBUTIONS - PENSION PLANS

Fiscal Year	Measurement Date	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	June 30, 2014	\$ 2,554,208	\$ 2,554,208	\$ -	\$ 59,107,236	4.32%
2016	June 30, 2015	\$ 2,834,217	\$ 2,834,217	\$ -	\$ 60,120,207	4.71%
2017	June 30, 2016	\$ 2,790,974	\$ 2,790,974	\$ -	\$ 60,937,473	4.58%
2018	June 30, 2017	\$ 3,037,678	\$ 3,037,678	\$ -	\$ 62,892,100	4.83%
2019	June 30, 2018	\$ 3,073,056	\$ 3,073,056	\$ -	\$ 65,337,722	4.70%
2020	June 30, 2019	\$ 3,172,095	\$ 3,172,095	\$ -	\$ 68,088,033	4.66%

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

THE BOARD OF EDUCATION OF WORCESTER COUNTY
REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 14,629,936	\$ 15,559,700	\$ 14,909,548
Interest cost	9,394,241	9,957,831	10,329,992
Differences between expected and actual experience	(15,957,568)	-	(11,166,696)
Changes of assumptions and other inputs	199,538	10,366,756	17,070,585
Implicit rate subsidy	-	-	(2,256,713)
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)
Other changes	(559,286)	344,814	4,255,039
Net change in total OPEB liability	<u>\$ 1,732,397</u>	<u>\$ 29,771,629</u>	<u>\$ 26,564,673</u>
Total OPEB liability, beginning of year	<u>335,432,205</u>	<u>337,164,602</u>	<u>366,936,231</u>
Total OPEB liability, end of year (a)	<u><u>\$ 337,164,602</u></u>	<u><u>\$ 366,936,231</u></u>	<u><u>\$ 393,500,904</u></u>
Plan fiduciary net position			
Differences between expected and actual experience	\$ 28,645	\$ (221,355)	\$ (928,393)
Contributions	2,500,000	5,385,500	8,724,143
Net investment income	1,582,921	1,075,295	736,994
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)
Administrative expense	(1,150)	(3,400)	(1,000)
Other changes	(28,645)	221,355	928,393
Net change in fiduciary net position	<u>\$ (1,892,693)</u>	<u>\$ (77)</u>	<u>\$ 2,883,055</u>
Fiduciary net position, beginning of year	<u>20,953,941</u>	<u>19,061,248</u>	<u>19,061,171</u>
Fiduciary net position, end of year (b)	<u><u>\$ 19,061,248</u></u>	<u><u>\$ 19,061,171</u></u>	<u><u>\$ 21,944,226</u></u>
Net OPEB Liability (a-b)	<u><u>\$ 318,103,354</u></u>	<u><u>\$ 347,875,060</u></u>	<u><u>\$ 371,556,678</u></u>
Fiduciary net position as a % of total OPEB liability	5.65%	5.19%	5.58%
Covered employee payroll	\$ 62,892,100	\$ 65,337,722	\$ 68,088,033
Net OPEB liability as of % of payroll	505.79%	532.43%	545.70%
Expected average remaining service in years	6.69	6.38	6.02

*Schedule is intended to provide 10-year trend information. Additional years will be displayed as available.
GASB No. 75 was implemented in fiscal year 2018.*

THE BOARD OF EDUCATION OF WORCESTER COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	2018	2019	2020
Annual money-weighted rate of return, net of investment	0.50%	0.50%	0.20%
Cash and Cash Equivalents	5.7% - 8.1%	5.7% - 8.1%	5.3% - 8.0%
Fixed Income and Equities			

*Schedule is intended to provide 10-year trend information. Additional years will be displayed as available.
 GASB No. 75 was implemented in fiscal year 2018.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budget

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

A legally adopted budget is prepared for the General Fund only. Amendments to the budget can be made with approval from Worcester County and the Board for intercategory transfers, and by approval of the Board for intracategory transfers. By law, actual expenditures for each category and for each account within categories may not exceed budgeted expenditures.

The Board of Education prepares its budget and accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP basis). Thus, there are two statements of revenues and expenditures in these financial statements for the general fund; the first is prepared in accordance with generally accepted accounting principles and the second is prepared on the budgetary basis in order to compare revenues and expenditures with the budget. One of the differences between the two statements is that increases (decreases) in asset account balances for prepaid expenditures and inventories are accounted for as expenditure reductions or sources (increases or uses) on the GAAP basis financial statements, but not on the budgetary financial statements. In addition, the appropriation from prior year fund balance is accounted for as additional sources for budgetary purposes. Encumbrances are recorded as expenditures for budgetary purposes but as an assignment of fund balance in the GAAP basis financial statements. Finally, the State's share of the pension and retirement fund contribution is recorded as a revenue and expenditure on the GAAP basis financial statements, but is not included on the budgetary financial statements.

Adjustments necessary to convert revenues, expenditures and other financing uses at the end of the year on the GAAP basis to the budgetary basis are as follows:

	Revenues	Expenditures	Balances
	General	General	General
	June 30, 2020	June 30, 2020	June 30, 2020
GAAP Basis	\$ 118,566,925	\$ 121,909,035	\$ 1,635,260
Increase (Decrease):			
State Share of Retirement and Pension Contribution	(6,945,815)	(6,945,815)	-
County Share of Retirement and Pension Contribution	(554,583)	(554,583)	-
Capital lease	-	(3,423,112)	-
Net Effect of Utilization of Encumbrances:			
Reversal of June 30, 2019 Balances	-	(201,389)	-
Recording of Balances at June 30, 2020	-	187,393	(187,393)
Insurance Reserve and other	-	-	(22,024)
	\$ 111,066,527	\$ 110,971,529	\$ 1,425,843
Budgetary basis	\$ 111,066,527	\$ 110,971,529	\$ 1,425,843

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Pensions

Change in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2019 valuation:

- Inflation assumption changed from 2.60% to 2.65% for general and from 3.10% to 3.15% for wage
- Salary increase assumption changed from 3.10% - 9.10% to 3.10% - 11.6%, including inflation
- Investment rate of return assumption changed from 7.45% to 7.40%

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years for the State Systems
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.65% general, 3.15% wage
Salary increases	3.10% to 11.6%, including wage inflation
Investment rate of return	7.40%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Note 3. Other Post Employment Benefits

Change in Benefit Terms

There were no significant benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2019 valuation:

- Discount rate changed from 2.814% to 2.852%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Other Post Employment Benefits (continued)

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed period
Amortization period	6.02 years
Inflation	3.00%
Healthcare cost trend rates	5.50% for fiscal year 2020, decreasing .0667% per year to an ultimate rate of 4.50% for fiscal year 2035 and later years
Salary increases	4.00%, average, including inflation
Discount rate- 2020	2.852%
Discount rate- 2019	2.814%
Mortality	PubT.H-2010 Mortality Table - Teachers

Retirement rates

<u>Age</u>	<u>BOE</u>
55 - 59	15%
60 - 61	20%
62 -64	35%
65	25%
66 - 69	35%
70+	100%

Withdrawal rates

Table T-1 from the Pension Acutary's Handbook

<u>Age</u>	<u>BOE</u>
20	5.47%
25	4.77%
30	3.54%
35	2.24%
40	1.14%
45	0.57%
50	0.72%
55	1.13%
60	1.69%

Retiree contributions

	Pre-Medicare		Medicare Eligible	
	<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
Pre 7/1/15 hires	\$ 841	\$ 1,463	\$ 749	\$ 749
7/1/15 & Subsequent hires	1,682	2,926	1,498	1,498
Spouse pay-all		14,629		7,489

ADDITIONAL SUPPLEMENTARY INFORMATION

THE BOARD OF EDUCATION OF WORCESTER COUNTY

UNRESTRICTED GENERAL FUND REVENUES AND
OTHER FINANCING SOURCES - BUDGETARY BASIS

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
UNRESTRICTED LOCAL FUNDS				
County appropriation	\$ 91,028,422	\$ 91,028,422	\$ 91,028,422	\$ -
STATE OF MARYLAND FUNDS				
Current expense	6,925,988	6,925,988	6,925,988	-
Transportation	3,348,939	3,348,939	3,348,939	-
Handicapped children	1,691,616	1,691,616	1,689,472	(2,144)
Compensatory education	7,444,750	7,444,750	7,444,750	-
Limited english proficiency	398,763	398,763	398,763	-
TOTAL STATE OF MARYLAND FUNDS	19,810,056	19,810,056	19,807,912	(2,144)
OTHER FUNDS				
Tuition	70,000	70,000	100,403	30,403
Interest and other	80,000	80,000	107,023	27,023
Reimbursement from restricted Programs	75,452	75,452	22,767	(52,685)
TOTAL OTHER FUNDS	225,452	225,452	230,193	4,741
TOTAL UNRESTRICTED REVENUES	111,063,930	111,063,930	111,066,527	2,597
OTHER FINANCING SOURCES				
Appropriation from Fund balance - capital projects	-	-	-	-
Appropriation from Fund balance	567,011	567,011	-	(567,011)
TOTAL OTHER FINANCING SOURCES	567,011	567,011	-	(567,011)
TOTAL UNRESTRICTED REVENUES AND OTHER FINANCING SOURCES	\$ 111,630,941	\$ 111,630,941	\$ 111,066,527	\$ (564,414)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
ADMINISTRATION				
Salaries and wages	\$ 1,454,604	\$ 1,460,088	\$ 1,460,087	\$ 1
Contracted services	177,242	190,449	190,448	1
Supplies and materials	31,281	54,930	54,929	1
Other charges	45,710	77,180	77,180	-
Land, buildings and equipment	1,102	2	-	2
TOTAL ADMINISTRATION	1,709,939	1,782,649	1,782,644	5
INSTRUCTIONAL SUPPORT SERVICES				
Salaries and wages	7,323,419	7,297,944	7,297,943	1
Contracted services	85,263	124,364	124,363	1
Supplies and materials	241,045	362,887	362,888	(1)
Other charges	61,200	31,164	31,162	2
Land, buildings and equipment	5,000	2,507	2,507	-
TOTAL INSTRUCTIONAL SUPPORT SERVICES	7,715,927	7,818,866	7,818,863	3
INSTRUCTIONAL SALARIES AND WAGES	44,359,118	43,782,008	43,249,358	532,650
TEXTBOOKS AND CLASSROOM SUPPLIES AND MATERIALS	2,436,344	2,386,343	2,372,142	14,201
OTHER INSTRUCTIONAL COSTS				
Contracted services	523,647	352,478	352,477	1
Other charges	306,875	429,622	429,621	1
Land, buildings and equipment	85,395	68,814	48,562	20,252
Outgoing transfers	50,000	115,003	115,003	-
TOTAL OTHER INSTRUCTIONAL COSTS	965,917	965,917	945,663	20,254
STUDENT PERSONNEL SERVICES				
Salaries and wages	354,427	351,583	347,947	3,636
Contracted services	750	750	750	-
Supplies and materials	1,890	4,147	4,147	-
Other charges	283	870	869	1
TOTAL STUDENT PERSONNEL SERVICES	357,350	357,350	353,713	3,637
HEALTH SERVICES				
Salaries and wages	925,941	898,807	886,780	12,027
Contracted services	252	21,116	21,116	-
Supplies and materials	8,118	14,388	14,387	1
Other charges	750	750	576	174
Land, buildings and equipment	1,000	1,000	-	1,000
TOTAL HEALTH SERVICES	\$ 936,061	\$ 936,061	\$ 922,859	\$ 13,202

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - CONTINUED
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
STUDENT TRANSPORTATION				
Salaries and Wages	\$ 334,937	\$ 335,194	\$ 335,194	\$ -
Contracted Services	6,169,526	6,403,148	6,403,148	-
Supplies and Materials	9,636	5,897	5,896	1
Other Charges	93,084	116,202	116,202	-
Land, Buildings and Equipment	-	15,885	15,884	1
TOTAL STUDENT TRANSPORTATION	6,607,183	6,876,326	6,876,324	2
OPERATION OF PLANT				
Salaries and Wages	3,558,017	3,646,162	3,646,162	-
Contracted Services	322,270	541,969	539,591	2,378
Supplies and Materials	311,607	673,824	673,824	-
Other Charges	4,015,718	2,935,718	2,880,611	55,107
Land, Buildings and Equipment	42,300	122,239	112,271	9,968
TOTAL OPERATION OF PLANT	8,249,912	7,919,912	7,852,459	67,453
MAINTENANCE OF PLANT				
Salaries and Wages	736,402	630,672	630,672	-
Contracted Services	93,738	177,078	177,077	1
Supplies and Materials	229,360	333,789	333,789	-
Other Charges	650	870	870	-
Land, Buildings and Equipment	37,745	1,947	1,946	1
TOTAL MAINTENANCE OF PLANT	1,097,895	1,144,356	1,144,354	2
FIXED CHARGES				
Insurance and Employee Benefits	26,215,720	26,681,578	26,681,577	1
CAPITAL OUTLAY				
Salaries and Wages	119,665	108,653	108,653	-
Contracted Services	450	13,290	13,290	-
Supplies and Materials	1,552	1,552	(399)	1,951
Other Charges	306	306	-	306
Land, Buildings and Equipment	100,000	98,172	95,598	2,574
TOTAL CAPITAL OUTLAY	221,973	221,973	217,142	4,831
SPECIAL EDUCATION				
Salaries and Wages	9,979,591	10,005,689	10,005,688	1
Contracted Services	403,000	513,085	513,085	-
Supplies and Materials	185,000	159,350	159,109	241
Other Charges	40,011	68,882	68,882	-
Land, Buildings and Equipment	22,000	6,596	5,400	1,196
Outgoing Transfers	128,000	4,000	2,267	1,733
TOTAL SPECIAL EDUCATION	10,757,602	10,757,602	10,754,431	3,171
TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES				
	\$ 111,630,941	\$ 111,630,941	\$ 110,971,529	\$ 659,412

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHOOL ACTIVITIES FUND OPERATIONS
Year Ended June 30, 2020

	Balance June 30, 2019	Receipts	Disbursements	Balance June 30, 2020
ELEMENTARY				
Buckingham	\$ 30,758	\$ 110,558	\$ 89,101	\$ 52,215
Ocean City	30,404	68,367	62,686	36,085
Pocomoke	28,690	55,298	36,320	47,668
Showell	53,042	33,453	36,857	49,638
Snow Hill	44,439	44,408	43,847	45,000
TOTAL ELEMENTARY	187,333	312,084	268,811	230,606
MIDDLE SCHOOL				
Berlin	85,709	131,804	122,501	95,012
Pocomoke	14,717	95,680	77,716	32,681
Snow Hill	47,906	71,058	58,851	60,113
Stephen Decatur	83,102	84,128	59,094	108,136
TOTAL MIDDLE SCHOOL	231,434	382,670	318,162	295,942
HIGH SCHOOL				
Pocomoke	68,451	243,693	172,462	139,682
Snow Hill	82,909	253,658	209,558	127,009
Stephen Decatur	244,244	648,034	625,425	266,853
TOTAL HIGH SCHOOL	395,604	1,145,385	1,007,445	533,544
SPECIALIZED SCHOOL				
Cedar Chapel	6,873	24,727	25,058	6,542
Vocational	79,481	187,651	186,930	80,202
TOTAL SPECIALIZED SCHOOL	86,354	212,378	211,988	86,744
TOTAL SCHOOL ACTIVITY FUND OPERATION	\$ 900,725	\$ 2,052,517	\$ 1,806,406	\$ 1,146,836
EXCESS OF DISBURSEMENTS OVER RECEIPTS		\$ 246,111		

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOOD SERVICE FUND - BUDGETARY BASIS

Year Ended June 30, 2020

	Budget	Actual	Variance With Budget Favorable (Unfavorable)
REVENUES			
Federal and State:			
Reimbursement for food	\$ 2,170,964	\$ 1,962,846	\$ (208,118)
Other Revenues:			
Grant and donation revenues	-	21,000	21,000
County assistance	-	60,000	60,000
Catering income	5,500	1,466	(4,034)
Lunches sold	633,136	437,812	(195,324)
Interest income and other	1,200	2,755	1,555
Rebates - food	3,000	1,542	(1,458)
Total Other Revenues	<u>642,836</u>	<u>524,575</u>	<u>(118,261)</u>
TOTAL REVENUES	<u>2,813,800</u>	<u>2,487,421</u>	<u>(326,379)</u>
EXPENDITURES			
Food and food related supplies	1,326,700	1,153,838	172,862
Commodity processing and storage	17,500	5,081	12,419
Nonfood supplies and other expense	41,800	63,820	(22,020)
Salaries and wages	1,000,000	1,068,567	(68,567)
Fringe benefits	424,300	418,016	6,284
Contracted services	3,500	3,837	(337)
TOTAL EXPENDITURES	<u>2,813,800</u>	<u>2,713,159</u>	<u>100,641</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	(225,738)	(225,738)
OTHER FINANCING SOURCES			
Transfer from restricted funds	-	225,738	225,738
	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
 COMBINED RESTRICTED AND UNRESTRICTED

Year Ended June 30, 2020

REVENUES		
County Appropriation	\$ 91,028,422	
State of Maryland	21,630,524	
Restricted Federal Funds	6,513,471	
Other Sources	<u>608,521</u>	119,780,938
TOTAL REVENUES		
OTHER FINANCING SOURCES		
Appropriation from Fund Balance		<u>567,011</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 120,347,949
EXPENDITURES		
Administration	1,844,125	
Mid-Level Administration	8,013,155	
Instructional Salaries and Wages	45,951,638	
Textbooks and Classroom Supplies	3,242,858	
Other Instructional Costs	1,509,680	
Pupil Personnel Services	353,713	
Health Services	949,527	
Pupil Transportation	7,195,129	
Operation of Plant	8,103,567	
Maintenance of Plant	1,227,232	
Fixed Charges	27,838,300	
Special Education	12,910,897	
Food Services	295,571	
Community Services	33,406	
Capital Planning	<u>217,142</u>	
TOTAL EXPENDITURES		<u>119,685,940</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		<u>\$ 662,009</u>

NOTES TO ADDITIONAL SUPPLEMENTARY INFORMATION

Note 1. Budget

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

	Revenues	Other Financing Sources	Expenditures	Change in Fund Balances
	Proprietary	Proprietary	Proprietary	Proprietary
	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
GAAP basis	\$ 2,487,421	\$ 225,738	\$ 2,717,662	\$ (4,503)
Depreciation	-	-	(4,503)	4,503
Budgetary basis	\$ 2,487,421	\$ 225,738	\$ 2,713,159	\$ -