

**THE BOARD OF EDUCATION OF
WORCESTER COUNTY**

**FINANCIAL REPORT
JUNE 30, 2021**

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Herbert J. Geary III
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, The Board of Education of Worcester County adopted GASB Statement No. 84, Fiduciary Activities, on July 1, 2020. Our opinion is not modified with respect to that matter.

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, 2021, 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, 2021

Herbert J. Geary III
Roy J. Geiser
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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, 2021, 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, 2021.

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*.

Purpose of this Report

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



Salisbury, Maryland
September 29, 2021

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2021

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, 2021 and a comparison with the results of the fiscal year ended June 30, 2020. 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, 2021 include the following:

- Net position is (\$188,212,177), an decrease of (\$19,709,288) or 11.7% over the prior year.
- Total General Fund balance equals \$4,103,326, an increase of \$2,468,066 from the prior year.
- Unassigned General Fund balance equals \$668,806, an increase of \$6,797 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

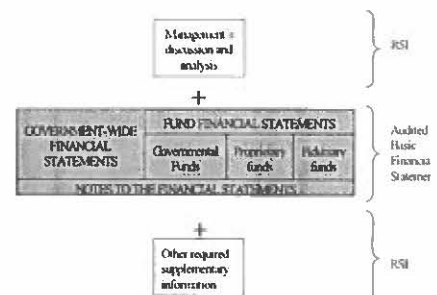
The financial section of the annual report consists of four parts; (1) Independent Auditor's Report, (2) required supplementary information which includes the management's discussion and analysis (this section), (3) the basic financial statements, and (4) supplemental information. The basic financial 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, 2021

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
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, 2021

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/outflow 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, 2021

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 OPEB Trust Fund is also accounted for as fiduciary fund. 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 (\$188,212,177) on June 30, 2021. This represents a decrease of 11.7 percent from the prior year. (See Table 1.)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

**Management's Discussion and Analysis
Year Ended June 30, 2021**

Table 1

THE BOARD OF EDUCATION OF WORCESTER COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2021	2020(1)	2021	2020(1)	2021	2020(1)
Current and Other Assets	\$ 15,021,816	\$ 13,531,459	\$ 390,608	\$ 32,731	\$ 15,412,424	\$ 13,564,190
Capital Assets	202,750,249	201,624,594	17,894	15,517	202,768,143	201,640,111
TOTAL ASSETS	217,772,065	215,156,053	408,502	48,248	218,180,567	215,204,301
Deferred outflows	65,246,893	36,971,744	-	-	65,246,893	36,971,744
LIABILITIES						
Current Liabilities	10,353,362	11,884,842	1,128	21,128	10,354,490	11,905,970
Long-Term Liabilities	436,283,459	379,785,466	-	-	436,283,459	379,785,466
TOTAL LIABILITIES	446,636,821	391,670,308	1,128	21,128	446,637,949	391,691,436
Deferred inflows	25,001,688	28,987,498	-	-	25,001,688	28,987,498
NET POSITION						
Investment in Capital Assets, Net of Related Debt	202,750,249	201,624,594	17,894	15,517	202,768,143	201,640,111
Restricted	1,420,906	53,274	389,480	11,603	1,810,386	64,877
Unrestricted	(392,790,706)	(370,207,877)	-	-	(392,790,706)	(370,207,877)
TOTAL NET POSITION	\$ (188,619,551)	\$ (168,530,009)	\$ 407,374	\$ 27,120	\$ (188,212,177)	\$ (168,502,889)
(1) Net position restated for change in reporting of school activity funds						

Changes in net position. The District's total revenues and other financing sources were \$147,934,958 for the year ended June 30, 2021. (See Table 2.) The county appropriations of \$93,992,139 accounted for approximately 63.5 percent of total revenue for the year. Another 20.5 percent came from federal, state and local grant program revenues of \$30,285,512. This includes contributions to Other Post-Employment Benefits (OPEB) that totaled \$2,968,744. General state aid was \$15,049,161 or 10.2 percent of total funding. Capital contributions of \$6,874,176 represented 4.6 percent of total revenue. The remainder came from charges for services, and investment earnings. The total cost of all programs and services was \$167,644,246. Approximately 79.2 percent of the District's expenses were related to providing direct educational services to students. Administrative activities of the District accounted for approximately 1.8 percent of total expenses. Total expenditures exceeded total revenues, decreasing net position by \$19,709,288 from last year.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

**Management's Discussion and Analysis
Year Ended June 30, 2021**

Governmental Activities

The decrease in net position for governmental activities was \$20,089,542 in 2021. Charts 1 and 2 present a breakdown of the District's revenues for 2021 and 2020. Charts 3 and 4 present a breakdown of the District's expenses for 2021 and 2020.

Table 2

THE BOARD OF EDUCATION OF WORCESTER COUNTY
CHANGES IN NET POSITION
JUNE 30, 2021

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		BOARD OF EDUCATION TOTAL		PERCENT OF CHANGE
	2021	2020	2021	2020	2021	2020	
REVENUES							
Program Revenues:							
Charges for Services	\$ 1,407,866	\$ 100,403	\$ 3,328	\$ 440,820	\$ 1,411,194	\$ 541,223	160.7%
Federal and State Grants	25,166,580	21,178,614	2,150,188	1,962,846	27,316,768	23,141,460	18.0%
OPEB Contributions	2,968,744	6,124,143	-	-	2,968,744	6,124,143	-51.5%
Capital Contributions	6,874,176	31,472,518	-	-	6,874,176	31,472,518	-78.2%
General Revenues:							
County Appropriation	93,992,139	91,028,422	-	-	93,992,139	91,028,422	3.3%
State Formula Aid	15,049,161	14,769,501	-	-	15,049,161	14,769,501	1.9%
Other	(91,840)	129,967	414,616	83,755	322,776	213,722	51.0%
TOTAL REVENUES	145,366,826	164,803,568	2,568,132	2,487,421	147,934,958	167,290,989	-11.6%
EXPENSES							
Instruction and Special Education	132,710,677	119,859,335	-	-	132,710,677	119,859,335	10.7%
Administration	3,029,548	2,986,866	-	-	3,029,548	2,986,866	1.4%
Support Services	29,716,143	28,886,476	2,187,878	2,717,662	31,904,021	31,604,138	0.9%
TOTAL EXPENSES	165,456,368	151,732,677	2,187,878	2,717,662	167,644,246	154,450,339	8.5%
OTHER FINANCING SOURCES	-	-	-	225,738	-	225,738	
INCREASE (DECREASE) IN NET POSITION*	\$ (20,089,542)	\$ 13,070,891	\$ 380,254	\$ (4,503)	\$ (19,709,288)	\$ 13,066,388	

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2021

Chart 2
Board of Education of Worcester County
Revenues - FY2020

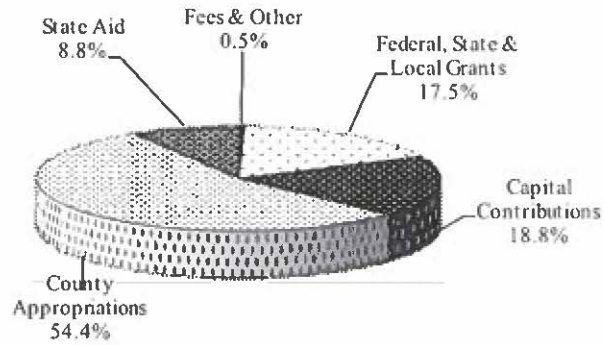
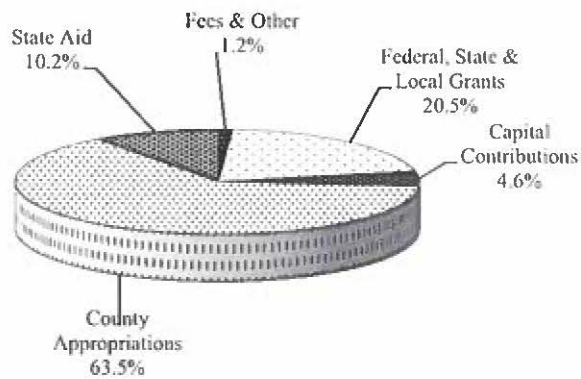


Chart 1
Board of Education of Worcester County
Revenues - FY2021



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2021

Chart 4
Board of Education of Worcester County
Expenditures - FY 2020

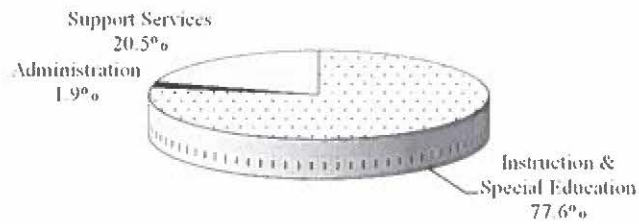
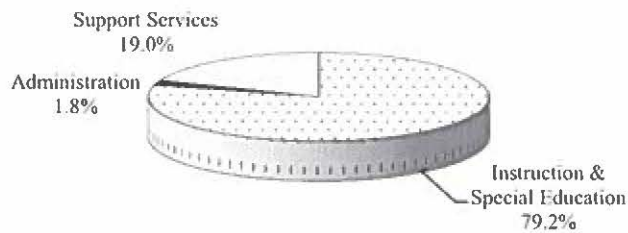


Chart 3
Board of Education of Worcester County
Expenditures - FY 2021



THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2021

Business-type Activities

Revenues of the District's only business-type activity, the food service operation, increased by \$80,711 to \$2,568,132 and expenses decreased by \$529,784 to \$2,187,878. (Refer to Table 2.). This resulted in an operating profit of \$380,254 before revenue from other sources. The profit realized in our food service operations in FY21 was the result of several factors. These factors include reduction in staffing related to less meals being served due to remote learning, a decrease in health insurance rates and \$362,734 in additional revenue received from our County government from their CARES grant. The Board left meal prices unchanged in FY22. (Table 3). The Board will continue to monitor the operations of our food service fund and evaluate the need for additional price increases in FY23.

<u>TABLE 3</u>	School Year 2020-2021 MEAL PRICES		School Year 2021-2022 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 \$5,524,232, an increase of 2,688,862 over last year's ending fund balance. This increase in our combined fund balance was the result of two factors. First, the District had a larger than usual fund balance in our general fund due to less than budgeted expenditures related to limited in-person instruction. The other factor is the implementation of GASB 84. In prior years, our school activity funds had been reported as Trust and Agency Funds. Under GASB 84 guidelines, these funds are now reported as governmental funds. This change in reporting resulted in an additional fund balance of \$1,367,414 in School Activity fund balance being included in our Governmental funds. Revenues for the District's governmental funds were \$140,070,043 a decrease of \$18,609,382 over last year. Total expenditures were \$137,381,181 for the year, a decrease of \$24,414,439 over the prior year.

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.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2021

General fund revenues were up \$4,681,857. Revenue increases include a \$2,788,384 increase in local appropriations to support our FY21 employee salary increase and increased bus contractor increases. Restricted program revenues increased by \$1,401,792 as a result of the additional Federal grants related to addressing the effects of COVID-19 and the impact on student learning. The increases in the majority of the expenditures were the result of the FY21 salary increase. Other Instructional Costs and Transportation expenditures were lower in FY21 due to the school closures and limited in-person learning. Fixed Chargers were lower as a result of a 12% decrease in health insurance rates. Capital Outlay expenditures were down as the \$3.4 million 4-year Apple lease was reported in FY20. Restricted Program expenditures were higher due to the additional COVID-19 related grants.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2021

Table 4

GENERAL FUND REVENUES

REVENUES	Fiscal Year	Fiscal Year	Increase	%
	2021	2020	(Decrease)	Incr. (Decr.)
Worcester County Appropriations	\$ 91,644,719	\$ 88,856,335	\$ 2,788,384	3.1%
Worcester County Retirement & Pension Contribution	2,971,459	2,726,670	244,789	9.0%
State of Maryland	20,134,975	19,807,912	327,063	1.7%
State of Maryland Share of Retirement & Pension Contribution	6,815,130	6,945,815	(130,685)	-1.9%
Restricted Federal, State, & Other Programs	10,041,597	8,639,805	1,401,792	16.2%
Other Sources	280,707	230,193	50,514	21.9%
TOTAL REVENUES	\$ 131,888,587	\$ 127,206,730	\$ 4,681,857	3.7%

GENERAL FUND EXPENDITURES

EXPENDITURES				
Administration	\$ 1,771,529	\$ 1,782,644	\$ (11,115)	-0.6%
Mid-Level Administration	8,019,146	7,818,838	200,308	2.6%
Instructional Salaries	44,927,284	43,249,358	1,677,926	3.9%
Textbooks and Classroom Supplies	2,507,416	2,372,142	135,274	5.7%
Other Instructional Costs	711,266	1,007,305	(296,039)	-29.4%
Special Education	10,997,187	10,759,889	237,298	2.2%
Pupil Personnel Services	365,837	353,713	12,124	3.4%
Health Services	999,946	922,859	77,087	8.4%
Pupil Transportation	6,756,257	6,876,324	(120,067)	-1.7%
Operation of Plant	8,188,969	7,772,671	416,298	5.4%
Maintenance of Plant	1,027,944	1,146,317	(118,373)	-10.3%
Fixed Charges	22,977,799	24,509,490	(1,531,691)	-6.2%
Capital Outlay	341,755	3,665,000	(3,323,245)	-90.7%
Restricted Programs	10,041,597	8,414,067	1,627,530	19.3%
Worcester County Retirement & Pension Contribution	2,971,459	2,726,670	244,789	9.0%
State of Maryland Share of Retirement & Pension Contribution	6,815,130	6,945,815	(130,685)	-1.9%
TOTAL EXPENDITURES	\$ 129,420,521	\$ 130,323,102	\$ (902,581)	-0.7%

DEFICIENCY OF REVENUES OVER EXPENDITURES	2,468,066	(3,116,372)	5,584,438	-179.2%
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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	\$ 2,468,066	\$ 81,002	\$ 2,387,064	
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THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2021

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 2021, the Board received county funding of \$6,873,554. 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, fees related to design and bidding of the Stephen Decatur Middle School addition project, costs for the roof replacement project at Pocomoke Middle School, replacement roof project at Stephen Decatur Middle School and improvements at the Central Office facility. The school system also received \$622 in State school construction funding to fund the State share of safety related projects. The Capital Projects School Construction Fund revenues exceeded FY 2021 expenditures by \$218 resulting in a fund balance of \$53,492 at June 30, 2021.

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 \$380,051 as of June 30, 2021.
- (2) Retiree Benefit Trust Fund (OPEB Trust Fund): Funds held in trust to fund health care costs of retirees. Total assets of \$26,544,826 as of June 30, 2021.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis
Year Ended June 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

Two categories of our FY21 budget had actual expenditures that exceeded the original budget. The category of Instructional Support had higher than planned expenditures due to several factors including higher than planned expenditures in the area of software and in the area of postage. The category of Capital Outlay had higher than planned expenditures due to the Board's decision to utilize a portion of the health insurance savings to complete various capital projects at several of our schools. 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 7, 2021 meeting. Included in our FY21 assigned fund balance is a total of \$1,300,000. This balance will be used to replace the turf field at Pocumoke High School and to install air conditioning at the Stephen Decatur High School gymnasium. The Board ended the year with an unassigned fund balance totaling \$668,806. This balance will be utilized to address future school system budgetary needs and will be assigned by the Board as part of the FY23 budget process. To remain revenue neutral in FY23, \$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 2021, the District has invested over \$285 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 \$5.67 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 25,000 square foot addition to Stephen Decatur Middle School was approved for \$4.8 million in State funding in our FY22 CIP. The construction bids for the project were approved by our Board of Education at their September 21, 2021 meeting. The bids have been forwarded to our County Commissioners for their review and approval at the October 5, 2021 meeting. Following this approval, construction is scheduled to begin in November, 2021 with estimated project completion in December, 2022. Total project cost is estimated to be \$15.2 million. The Pocumoke Middle School roof replacement project is on-going and expected to be completed by October of this year. Future projects included in our FY23 CIP include roof replacement projects at Snow Hill Middle & Cedar Chapel Special School, a replacement Buckingham Elementary School, a roof replacement at Pocumoke Elementary School and a replacement Snow Hill Elementary School.

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2021

Long-Term Liabilities

At year-end, the District had \$436,283,459 for amounts due or payable after one year. This amount consists of the following:

- \$866,422 of accrued compensated absences which is an obligation resulting primarily from accrued annual leave which is due and payable to employees upon termination, \$5,846,065 in net pension liability, \$1,711,556 in capital leases and \$427,859,416 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. A major concern to our school system is the potential impact that school closures and on-line learning may have had on student achievement. The Federal government has issued major funding awards to help with student learning recovery. Worcester is using a significant amount of the federal funding to purchase resources that will aid in assessing our students progress and making sure that we have the resources in place to help our students and we do not experience an achievement gap. Other uses of these funds include upgrading our computer and network infrastructure and security and improving indoor air quality in our school buildings.
- (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 \$427,859,416 as of June 30, 2021. 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 is now included in our 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:
 - Roof Replacement Project at Pocomoke Middle School – This project was approved for State funding in our FY21 Capital Improvement Program (CIP). This project was approved for local funding in the fall of 2020. Project construction started in June, 2021 and is expected to be complete in October, 2021.
 - 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

THE BOARD OF EDUCATION OF WORCESTER COUNTY

Management's Discussion and Analysis Year Ended June 30, 2021

Program (CIP). Approval of State funding was requested and approved in our FY22 CIP. The Worcester County Commissioners approved funding for the design development documents and construction documents in our FY21 budget. The Board of Education approved the construction bids at their September 21, 2021 meeting. The bids are scheduled to be reviewed and approved by the County Commissioners on October 5, 2021. Construction is scheduled to begin on November 1, 2021 with project completion scheduled for December, 2022. Estimated total project costs are \$15.2 million.

- Roof Replacements at Snow Hill Middle & Cedar Chapel and Pocomoke Elementary Schools.
- Replacement of Buckingham Elementary School
- Replacement of Snow Hill 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. Estimates to fully implement the recommendations included in this report total almost \$4 billion over the next ten years. The Blueprint for Maryland's Future bill, including the items recommended by the Kirwan Commission passed in the State Legislature and is now law. Our school system feels that many of the recommendations included in the approved Blueprint 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 Blueprint 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

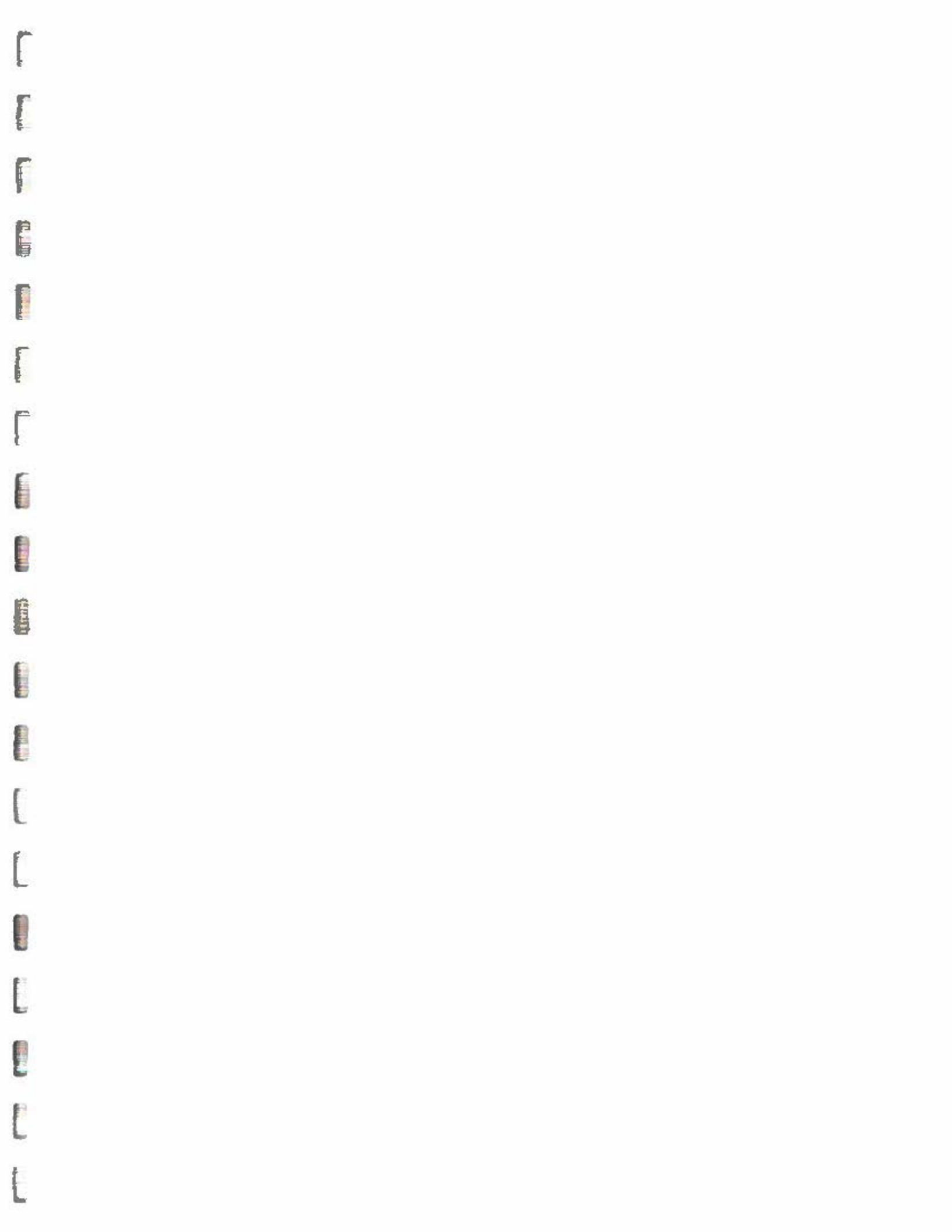
THE BOARD OF EDUCATION OF WORCESTER COUNTY

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,491,081	\$ 470,440	\$ 8,961,521
Investments	1,774,794	-	1,774,794
Accounts receivable:			
Federal, state and other restricted funds	4,314,535	209,308	4,523,843
Miscellaneous	152,266	-	152,266
Internal balances	289,140	(289,140)	-
Non depreciable capital assets	2,619,990	-	2,619,990
Depreciable capital assets, net	200,130,259	17,894	200,148,153
TOTAL ASSETS	217,772,065	408,502	218,180,567
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (see Note 4)	1,091,020	-	1,091,020
Other post employment benefits (OPEB) (see Note 7)	64,155,873	-	64,155,873
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,246,893	-	65,246,893
LIABILITIES			
Accounts payable:			
Vendors	498,784	-	498,784
Others	540,176	1,128	541,304
Payroll deductions and withholdings	5,143,191	-	5,143,191
Payable to external parties	380,051	-	380,051
Unearned revenue	2,888,285	-	2,888,285
Long-term liabilities:			
Portion due or payable within one year:			
Accrued compensated absences	47,097	-	47,097
Capital leases	855,778	-	855,778
Portion due or payable after one year:			
Other post employment benefits	427,859,416	-	427,859,416
Pensions	5,846,065	-	5,846,065
Accrued compensated absences	866,422	-	866,422
Capital leases	1,711,556	-	1,711,556
TOTAL LIABILITIES	446,636,821	1,128	446,637,949
DEFERRED INFLOWS OF RESOURCES			
Pensions (see Note 4)	338,096	-	338,096
Other post employment benefits (OPEB) (see Note 7)	24,663,592	-	24,663,592
TOTAL DEFERRED INFLOWS OF RESOURCES	25,001,688	-	25,001,688
NET POSITION			
Net investment in capital assets	202,750,249	17,894	202,768,143
Restricted for:			
Other purposes (school activity funds)	1,367,414	-	1,367,414
Food service activities	-	389,480	389,480
Capital projects	53,492	-	53,492
Unrestricted	(392,790,706)	-	(392,790,706)
TOTAL NET POSITION	\$ (188,619,551)	\$ 407,374	\$ (188,212,177)

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
\$ (1,828,156)	\$ -	\$ (1,828,156)
(8,019,146)	-	(8,019,146)
(52,793,937)	-	(52,793,937)
(9,315,747)	-	(9,315,747)
(365,837)	-	(365,837)
(999,946)	-	(999,946)
(3,351,883)	-	(3,351,883)
(8,415,476)	-	(8,415,476)
(1,027,944)	-	(1,027,944)
(49,860,057)	-	(49,860,057)
-	-	-
6,718,549	-	6,718,549
-	-	-
220,578	-	220,578
-	-	-
<hr/>		
(129,039,002)	-	(129,039,002)
<hr/>		
-	378,373	378,373
<hr/>		
(129,039,002)	378,373	(128,660,629)
<hr/>		
15,049,161	-	15,049,161
93,992,139	-	93,992,139
(271,961)	-	(271,961)
180,121	1,881	182,002
<hr/>		
108,949,460	1,881	108,951,341
<hr/>		
(20,089,542)	380,254	(19,709,288)
<hr/>		
(168,530,009)	27,120	(168,502,889)
<hr/>		
\$ (188,619,551)	\$ 407,374	\$ (188,212,177)

THE BOARD OF EDUCATION OF WORCESTER COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General	Capital Projects	School Activities	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,123,667	\$ -	\$ 1,367,414	\$ 8,491,081
Investments	1,774,794	-	-	1,774,794
Accounts receivable:				
Federal, state and other restricted funds	3,385,398	929,137	-	4,314,535
Other	148,790	3,476	-	152,266
Due from other funds	1,180,414	12,153	-	1,192,567
TOTAL ASSETS	\$ 13,613,063	\$ 944,766	\$ 1,367,414	\$ 15,925,243
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable:				
Vendors	\$ 498,784	\$ -	\$ -	\$ 498,784
Others	540,176	-	-	540,176
Payroll deductions and withholdings	5,190,288	-	-	5,190,288
Due to other funds	392,204	891,274	-	1,283,478
Deferred revenue - Federal, state and other restricted funds	2,888,285	-	-	2,888,285
TOTAL LIABILITIES	9,509,737	891,274	-	10,401,011
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Fund Balance:				
Restricted for fund purposes	-	53,492	-	53,492
Assigned to:				
School activities	-	-	1,367,414	1,367,414
Insurance reserve	22,024	-	-	22,024
Subsequent year's expenditures	567,011	-	-	567,011
Encumbrances- various purposes	1,253,664	-	-	1,253,664
Capital and technology projects	291,821	-	-	291,821
Athletic fields and other capital projects	1,300,000	-	-	1,300,000
Unassigned	668,806	-	-	668,806
TOTAL FUND BALANCES	4,103,326	53,492	1,367,414	5,524,232
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,613,063	\$ 944,766	\$ 1,367,414	\$ 15,925,243

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, 2021

Total fund balances, governmental funds \$ 5,524,232

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. 202,750,249

Deferred outflow of resources - pensions (see Note 4) 1,091,020
Deferred outflow of resources - OPEB (see Note 7) 64,155,873

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.

Accrued compensated absences	(866,422)
Capital leases	(2,567,334)
Net pension liability	(5,846,065)
Other post retirement employment benefits	<u>(427,859,416)</u>

Total long-term liabilities (437,139,237)

Deferred inflow of resources - pensions (see Note 4) (338,096)
Deferred inflow of resources - OPEB (see Note 7) (24,663,592)

Net assets of governmental activities in the Statement of Net Position \$ (188,619,551)

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, 2021

	General	Restricted Grants	Capital Projects	School Activities	Total Governmental Funds
REVENUES					
Worcester County Appropriations	\$ 93,992,139	\$ -	\$ 6,873,554	\$ -	\$ 100,865,693
State of Maryland	20,134,975	-	622	-	20,135,597
On behalf State of Maryland	6,815,130	-	-	-	6,815,130
On behalf County - retirement and pension contribution	624,039	-	-	-	624,039
Restricted Federal, state and other local funds	-	10,041,597	-	-	10,041,597
Other sources	280,707	-	218	-	280,925
School activity revenues	-	-	-	1,307,062	1,307,062
TOTAL REVENUES	121,846,990	10,041,597	6,874,394	1,307,062	140,070,043
EXPENDITURES					
Current:					
Administration	1,771,529	27,099	-	-	1,798,628
Mid-level administration	8,019,146	259,198	-	-	8,278,344
Instructional salaries and wages	44,927,284	3,121,469	-	-	48,048,753
Textbooks and instructional supplies	2,507,416	2,594,569	-	-	5,101,985
Other instructional costs	711,266	976,193	-	-	1,687,459
Student personnel services	365,837	-	-	-	365,837
Health services	999,946	17,983	-	-	1,017,929
Student transportation	6,756,257	140,085	-	-	6,896,342
Operation of plant and equipment	8,188,969	83,086	-	-	8,272,055
Maintenance of plant	1,027,944	85,289	-	-	1,113,233
Fixed charges	25,325,219	923,480	-	-	26,248,699
School activity expenditures	-	-	-	1,086,484	1,086,484
Special education	10,997,187	1,772,029	-	-	12,769,216
Food services	-	16,623	-	-	16,623
Community services	-	24,494	-	-	24,494
On behalf County - retirement and pension contribution	624,039	-	-	-	624,039
On behalf State of Maryland - retirement and pension contribution	6,815,130	-	-	-	6,815,130
Capital outlay	341,755	-	6,874,176	-	7,215,931
TOTAL EXPENDITURES	119,378,924	10,041,597	6,874,176	1,086,484	137,381,181
Net Change in fund balances	2,468,066	-	218	220,578	2,688,862
Fund balances, beginning, as restated	1,635,260	-	53,274	1,146,836	2,835,370
Fund balances, ending	\$ 4,103,326	\$ -	\$ 53,492	\$ 1,367,414	\$ 5,524,232

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, 2021

Net change in fund balances, governmental funds \$ 2,688,862

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	7,060,304	
Depreciation expense	<u>(5,662,687)</u>	
Total		1,397,617

Current year loss on disposal of capital assets (271,961)

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

Decrease in early incentive payment	557,974	
Increase in compensated absences	(536,964)	
Decrease in pension expense due to deferred financing outflow	337,416	
Increase in pension expense due to net pension liability	(514,069)	
Decrease in pension expense due to deferred financing inflows	139,312	
Decrease in post-employment benefits expense due to deferred financing outflow	27,937,733	
Increase in post-employment benefits expense due to net OPEB liability	(56,302,738)	
Decrease in post-employment benefits expense due to deferred financing inflow	<u>3,846,498</u>	
		(24,534,838)

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

630,778

Change in net position of governmental activities \$ (20,089,542)

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, 2021

	Enterprise Fund Food Services
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 470,440
Due from other governments	<u>209,308</u>
Total current assets	<u>679,748</u>
Noncurrent assets:	
Furniture and equipment	263,141
Less: accumulated depreciation	<u>(245,247)</u>
Total noncurrent assets	<u>17,894</u>
TOTAL ASSETS	<u>697,642</u>
LIABILITIES	
Current liabilities:	
Due to general fund	289,140
Accounts payable	<u>1,128</u>
Total current liabilities	<u>290,268</u>
COMMITMENTS AND CONTINGENCIES	
NET POSITION	
Invested in capital assets	17,894
Unrestricted	<u>389,480</u>
TOTAL NET POSITION	<u>\$ 407,374</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, 2021

	Enterprise Fund Food Services
OPERATING REVENUES	
Food service sales	\$ 3,328
OPERATING EXPENSES	
Salaries and wages	860,082
Fringe benefits	308,982
Contracted services	4,564
Food and food related supplies	831,542
Nonfood supplies	43,996
Value of USDA commodities donated	108,618
Commodity processing	24,826
Depreciation	5,268
TOTAL OPERATING EXPENSES	<u>2,187,878</u>
OPERATING LOSS	<u>(2,184,550)</u>
NONOPERATING REVENUES	
Interest income	1,881
Grant and local revenue	412,735
State of Maryland:	
Reimbursement of food costs	120,301
Equipment grant	19,115
Total State of Maryland	<u>139,416</u>
Federal through state:	
Reimbursement of food costs	1,902,154
Donation of food commodities	108,618
Total Federal through state	<u>2,010,772</u>
TOTAL NONOPERATING REVENUES	<u>2,564,804</u>
Change in net position	380,254
Net position beginning of year	<u>27,120</u>
Net position end of year	<u>\$ 407,374</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, 2021

	<u>Enterprise Fund</u> <u>Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 3,328
Cash payments to employees for services	(860,082)
Cash payments for health and other insurances	(308,982)
Cash payments to suppliers for goods and services	(900,364)
Cash payments for facility use and maintenance	(4,564)
Net cash used in operating activities	<u>(2,070,664)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:	
Purchase of equipment	(7,645)
Net cash used in capital activities	<u>(7,645)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Non operating grants received	2,307,723
Net loans (repayments) to other funds	(223,895)
Net cash provided by noncapital financing activities	<u>2,083,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	1,881
Net change in cash	7,400
Cash and cash equivalents, beginning of year	<u>463,040</u>
Cash and cash equivalents, end of year	<u>\$ 470,440</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (2,184,550)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	5,268
Donated commodities used	108,618
Changes in assets and liabilities:	
Receivables	<u>-</u>
Net cash used in operating activities	<u>\$ (2,070,664)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES	
During the year the board received food commodities from the U.S. Department of Agriculture	<u>\$ 108,618</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, 2021

	Private Purpose Trust Fund	Retiree Benefit Trust Fund
ASSETS		
Cash	\$ -	\$ 439,463
Trust investments:		
Money market funds	-	91,892
Fixed income securities	-	8,486,186
Equities securities	-	17,527,285
Due from other funds	380,051	-
	<hr/>	<hr/>
TOTAL ASSETS	380,051	26,544,826
LIABILITIES		
Due to school activities funds	-	-
	<hr/>	<hr/>
TOTAL LIABILITIES	-	-
NET POSITION		
Held in trust for:		
Other postemployment benefits	-	26,544,826
Scholarships, etc.	380,051	-
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 380,051	\$ 26,544,826

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, 2021

	Private Purpose Trust Fund	Retiree Benefit Trust Fund
ADDITIONS		
Contributions:		
Donations and fees	\$ 55,503	\$ -
Worcester County contributions and other credits	-	5,568,744
Plan member contributions	-	626,076
Total contributions	<u>55,503</u>	<u>6,194,820</u>
Investment earnings:		
Interest	3,215	487
Increase in fair value of investments	-	5,111,007
Total investment earnings	<u>3,215</u>	<u>5,111,494</u>
Total additions	<u>58,718</u>	<u>11,306,314</u>
DEDUCTIONS		
Plan benefit payments	-	6,700,714
Professional fees	-	5,000
Scholarships, etc.	51,273	-
Total deductions	<u>51,273</u>	<u>6,705,714</u>
Change in net position	7,445	4,600,600
Net position held in trust, beginning	<u>372,606</u>	<u>21,944,226</u>
Net position held in trust, ending	<u>\$ 380,051</u>	<u>\$ 26,544,826</u>

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.

School Activity Fund

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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

The Board reports the following 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.

The Board also reports the following fund types:

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 \$4,523,843 at June 30, 2021. These receivables are due primarily from the Maryland State Department of Education and from Worcester County.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Net Position

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

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

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 assigned in the prior year that received County approval to be spent on capital projects.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

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.

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, 2021 that were provided for in the current year's budget for the budgetary basis of accounting but will be accounted for under generally accepted accounting principles in the subsequent year totaled \$1,253,664.

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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At June 30, 2021, the Board's funds were invested as follows:

	CARRYING VALUE
Cash and cash equivalents	\$ 8,961,521
Invested in Maryland Local Government Investment Pool	\$ 1,774,794

Investments of \$1,774,794 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	9,036,925	178,640
Uninsured and Undercollateralized	-	-
TOTAL	\$ 9,286,925	\$ 428,640

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment – Retiree Benefit Trust Fund

Investments of \$26,544,826 in the Retiree Benefit Trust Fund by type and maturity at June 30, 2021 were as follows:

	<u>1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>	<u>Rate</u>
M&T Investments:					
Cash	\$ 439,463	\$ -	\$ -	\$ 439,463	
Money Market	91,892	-	-	91,892	
Fixed Income:					
U.S. Treasury	71,414	741,497	678,205	1,491,116	1.625 - 3.625%
U.S. Government Agency	19	151,139	1,322,183	1,473,341	0.36 - 5%
Other Fixed Income	437,440	474,411	4,609,878	5,521,729	0.65 - 6.2%
Equities	17,527,285	-	-	17,527,285	N/A
Totals	<u>\$18,567,513</u>	<u>\$ 1,367,047</u>	<u>\$ 6,610,266</u>	<u>\$26,544,826</u>	

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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

As of June 30, 2021, the Board had the following recurring fair value measurements:

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Corporate and foreign bonds	\$ -	\$ 1,633,864	\$ -	\$ 1,633,864
Fixed income funds	3,887,865	-	-	3,887,865
	3,887,865	1,633,864	-	5,521,729
Equity Securities:				
Mutual funds	17,527,285	-	-	17,527,285
Other investments:				
Money market	91,892	-	-	91,892
U.S. Treasury	1,491,116	-	-	1,491,116
U.S. Government Agency	1,473,341	-	-	1,473,341
	3,056,349	-	-	3,056,349
Total investment by fair value level	\$24,471,499	\$ 1,633,864	\$ -	\$26,105,363

B. Interfund Receivables - Payables

At June 30, 2021, 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	\$ 289,140	\$ -
Due from/to Capital Projects Fund	891,274	12,153
Due to School Activities Fund	-	-
Due to Trust Fund	-	380,051
Sub-Total	1,180,414	392,204
CAPITAL PROJECTS FUND		
Due from/to General Fund	12,153	891,274
BUSINESS-TYPE ACTIVITIES:		
ENTERPRISE FUND		
Due from/to General Fund	-	289,140
FIDUCIARY NET POSITION		
Due from General Fund	380,051	-
TOTAL ALL FUNDS	\$ 1,572,618	\$ 1,572,618

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Detailed Notes on All Funds (continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction in Progress	43,563,918	559,317	(43,390,024)	733,211
Total Capital Assets, not Being Depreciated	45,450,697	559,317	(43,390,024)	2,619,990
Capital Assets, Being Depreciated:				
Buildings and Improvements	227,199,721	6,439,565	41,412,946	275,052,232
Furniture, Fixtures, Equipment and Vehicles	7,734,928	61,418	(120,678)	7,675,668
Total Capital Assets, being Depreciated	234,934,649	6,500,983	41,292,268	282,727,900
Less Accumulated Depreciation for:				
Buildings	(75,214,931)	(4,808,333)	1,705,117	(78,318,147)
Furniture, Fixtures, Equipment and Vehicles	(3,545,818)	(854,354)	120,678	(4,279,494)
Total Accumulated Depreciation	(78,760,749)	(5,662,687)	1,825,795	(82,597,641)
Total Capital Assets, being Depreciated, Net	156,173,900	838,296	43,118,063	200,130,259
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 201,624,597	\$ 1,397,613	\$ (271,961)	\$ 202,750,249
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Being Depreciated:				
Machinery, Equipment and Vehicles	\$ 255,496	\$ 7,645	\$ -	\$ 263,141
Less Accumulated Depreciation for:				
Machinery, Equipment and Vehicles	(239,979)	(5,268)	-	(245,247)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 15,517	\$ 2,377	\$ -	\$ 17,894

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	\$	56,627
Instruction Services		5,379,553
Operation of Plant		<u>226,507</u>
TOTAL		<u>\$ 5,662,687</u>

D. Changes In Long-Term Debt

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Due in One Year
Net OPEB liability	\$ 371,556,678	\$ 56,302,738	\$ -	\$ 427,859,416	\$ -
Net pension liability	5,331,996	514,069	-	5,846,065	-
Capital leases	3,198,112	-	630,778	2,567,334	855,778
Retirement Incentive and Severance	557,974	395,876	(953,850)	-	-
Long-Term Portion of Accrued Compensated Absences	<u>373,441</u>	<u>584,061</u>	<u>43,983</u>	<u>913,519</u>	<u>47,097</u>
	<u>\$ 381,018,201</u>	<u>\$ 57,796,744</u>	<u>\$ (279,089)</u>	<u>\$ 437,186,334</u>	<u>\$ 902,875</u>

E. Fiduciary Fund Types

The fund equity at June 30, 2021 consists of the following:

John Postley Fund	\$	79,817
Old Home Prize Fund		17,640
Gladys C. Burbage Scholarship Fund		230,895
John Coleman Scholarship Fund		2,342
Mark Pilchard Scholarship Fund		1,589
Stephen Decatur - Class of 1955 Fund		5,407
Worcester Board of Education - Employees Fund		8,588
Other		21,754
Stephen Decatur - JROTC		<u>12,019</u>
TOTAL		<u>\$ 380,051</u>

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, 2021. 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, 2021 the Board's total payroll for all employees was \$74,150,777. Total covered payroll was \$70,502,097. 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 2021 was \$2,675,456. In addition, the State of Maryland contributed \$6,815,130 on behalf of the Board. The Board has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2021, the Board reported expense of \$624,039 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, 2021, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

	2021
Board's proportionate share of the net pension liability (Employees' Systems)	\$ 5,846,065
Board's proportionate share of the net pension liability (Teachers' Systems)	<u>73,218,401</u>
Total	<u>\$ 79,064,466</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2020, the Board's proportion was approximately .025866013%, which was substantially the same as its proportion measured as of June 30, 2019. Due to the proportion remaining substantially the same, the pension expense related to the change in proportion from June 30, 2019 to June 30, 2020 for the net pension liability, deferred financing outflows and inflows is recognized as pension expense in the government-wide financial statements.

For the year ended June 30, 2021, the Board recognized pension expense for the employees system of \$661,380 in the government wide financial statements and \$624,039 in the fund financial statements. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 26,408	\$ (114,119)
Net difference between projected and actual investment earnings on pension plan investments	440,573	-
Difference between actual and expected experience	-	(223,978)
Board contributions subsequent to measurement date	<u>624,039</u>	<u>-</u>
Total	<u>\$ 1,091,020</u>	<u>\$ (338,096)</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 \$624,039 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 5.50 to 5.87 years. The net difference in investment earnings for 2020, 2019, 2018, 2017 and 2016 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>		
2022	\$	(44,456)
2023		22,539
2024		74,470
2025		<u>76,332</u>
Total	\$	<u>128,885</u>

Actuarial Assumptions

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

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years for the State Systems
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.2%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.3%
Credit Opportunity	9%	2.8%
Real Assets	14%	4.3%
Absolute Return	8%	1.8%
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:

	Discount Rate	Board's Net Pension Liability
1% decrease	6.40%	\$ 8,322,819
Current discount rate	7.40%	\$ 5,846,065
1% increase	8.40%	\$ 3,783,160

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:

APPROXIMATE DATE	PROCEDURE PERFORMED
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 is in the process of approving bids for the SDMS addition project, scheduled to break ground in November of 2021. The construction bids for this project are scheduled to be approved by the Board at the September 2021 meeting and by the County Commissioners in October, 2021. The Board awarded the steel bid early at a special Board to Crystal Steel Fabricators, Inc. in the amount of \$718,642. All construction contracts for the SDMS addition, including the steel will be signed in October 2021.

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.

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

The IRS is conducting a Federal Employment Tax Audit of the Board for tax year 2019 with respect to its treatment of its bus contractors as independent contractors. The Board disputes the basis of the Audit of this claim and intends to vigorously defend. The IRS has not made any tax assessments at this point. The Board has also submitted a memo that describes why the Audit should result in no tax liability.

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, 2020, 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	<u>958</u>
	<u>1,860</u>

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 July 1, 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, 2021, the OPEB Trust paid for coverage of approximately 902 retirees at a total cost of approximately \$6,700,000. For the year ended June 30, 2021, Worcester County Commissioners funded the trust in the amount of \$2,968,744 to fund future benefits and the Board funded the trust in the amount of \$2,600,000 to fund future benefits.

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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 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	2.235%
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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 2.235% for Fiscal Year 2021. This rate was changed from 2.852% used in Fiscal Year 2020. 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, 2021 of 2.18%. 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 2021 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, 2021:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2020	\$ 393,500,904	\$ 21,944,226	\$ 371,556,678
Changes for the year:			
Service cost	14,945,774	-	14,945,774
Interest cost	12,070,470	-	12,070,470
Differences between expected and actual experience	-	(3,414,377)	3,414,377
Changes of assumptions and other inputs	43,196,911	-	43,196,911
Contributions - County	-	2,968,744	(2,968,744)
Contributions - Board	-	2,600,000	(2,600,000)
Net investment income	-	5,111,494	(5,111,494)
Implicit rate subsidy	(3,235,179)	-	(3,235,179)
Benefit payments (net)	(6,074,638)	(6,074,638)	-
Administrative expense	-	(5,000)	5,000
Other changes	-	3,414,377	(3,414,377)
Net changes	60,903,338	4,600,600	56,302,738
Balances at 6/30/2021	\$ 454,404,242	\$ 26,544,826	\$ 427,859,416

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress

As of July 1, 2020, the most recent actuarial valuation date, the total OPEB liability for benefits was \$454,404,242, with \$26,544,826 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$427,859,416. The covered employee payroll was \$70,502,097, and the ratio of the net OPEB liability to the covered payroll was 608.87%.

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, 2021 measurement date for fiscal year-end 2021. 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 2.235%, 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	1.235%	\$ 512,847,624
Current discount Rate	2.235%	\$ 427,859,416
1% increase	3.235%	\$ 360,736,241

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%	\$ 351,315,017
Current discount Rate	5.5% decreasing to 4.5%	\$ 427,859,416
1% increase	6.5% decreasing to 5.5%	\$ 528,238,435

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, 2021, the Board recognized an OPEB expense of \$30,087,251, on the government-wide statements. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,869,495
Changes of assumptions	63,510,295	8,056,866
Net difference between projected and actual earnings on OPEB Plan Investments	645,578	2,737,231
Total	\$ 64,155,873	\$ 24,663,592

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 <u>June 30,</u>	
2022	\$ 7,998,302
2023	8,004,031
2024	8,721,676
2025	9,169,086
2026	5,599,186
Thereafter	-
	\$ 39,492,281

Changes in assumptions in the most recent actuarial valuation included the discount rate (a decrease from 2.852% to 2.235%).

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, 2021 consist of the following:

Computer equipment, Apple, Inc., interest at 0%; payable in annual installments of approximately \$856,000, including interest through July 2023.	\$	2,567,334
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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:

2022	\$	855,778
2023		855,778
2024		855,778
		2,567,334
<u>Less amounts representing interest</u>		-
<u>Present value of net minimum lease payments</u>		<u>\$ 2,567,334</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 \$684,622 at June 30, 2021.

Note 9. GASB Statement No. 84 Fiduciary Activities Implementation

During the year ended June 30, 2021, the Board adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by removing the School Activity Funds from being reports as an Agency fund to now being reported as a major governmental fund. Beginning net position and fund balance have been restated to reflect this change.

	<u>Statement of Activities</u>
Net position, as previously reported at July 1, 2020	(169,676,845)
Restatement	1,146,836
Net position, as restated, at July 1, 2020	<u>(168,530,009)</u>

	<u>Governmental Funds</u>
Net position, as previously reported at July 1, 2020	1,688,534
Restatement	1,146,836
Net position, as restated, at July 1, 2020	<u>2,835,370</u>

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, 2021

	UNRESTRICTED			VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
UNRESTRICTED REVENUES				
County Appropriation	\$ 93,992,139	\$ 93,992,139	\$ 93,992,139	\$ -
State of Maryland and Federal	20,134,975	20,134,975	20,134,975	-
Other Sources	225,452	225,452	280,707	55,255
TOTAL UNRESTRICTED REVENUES	114,352,566	114,352,566	114,407,821	55,255
UNRESTRICTED EXPENDITURES				
Administration	1,745,489	1,772,426	1,771,529	897
Instructional Support Services	7,880,347	8,019,122	8,019,121	1
Instructional Salaries	46,011,547	46,011,547	44,927,284	1,084,263
Textbooks and Instructional Supplies	2,502,738	2,556,367	2,507,416	48,951
Other Instruction Costs	1,165,917	965,917	913,485	52,432
Student Personnel Services	366,208	366,208	365,837	371
Health Services	1,000,574	1,000,574	999,946	628
Student Transportation	6,938,669	6,938,669	6,934,043	4,626
Operation of Plant and Equipment	8,453,246	8,461,796	8,456,306	5,490
Maintenance of Plant	1,115,698	1,115,698	1,108,432	7,266
Fixed Charges	26,289,780	25,893,995	25,325,219	568,776
Capital Outlay	224,483	592,377	592,373	4
Special Education	11,224,881	11,224,881	11,085,035	139,846
TOTAL UNRESTRICTED EXPENDITURES	114,919,577	114,919,577	113,006,026	1,913,551
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(567,011)	(567,011)	1,401,795	1,968,806
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	\$ -	\$ -	\$ 1,968,806	\$ 1,968,806

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 of the NPL (Percentage) 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%
2021	June 30, 2020	0.0258660%	\$ 5,846,065	\$ 73,218,401	\$ 79,064,466	\$ 70,502,097	8.29%	\$ 54,586,037,000	\$ 77,187,399,000	70.72%

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

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	\$ 3,241,551	\$ 3,241,551	\$ -	\$ 68,088,033	4.76%
2021	June 30, 2020	\$ 3,299,496	\$ 3,299,496	\$ -	\$ 70,502,097	4.68%

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**

	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 14,629,936	\$ 15,559,700	\$ 14,909,548	\$ 14,945,774
Interest cost	9,394,241	9,957,831	10,329,992	12,070,470
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	43,196,911
Implicit rate subsidy	-	-	(2,256,713)	(3,235,179)
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)	(6,074,638)
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>	<u>\$ 60,903,338</u>
Total OPEB liability, beginning of year	<u>335,432,205</u>	<u>337,164,602</u>	<u>366,936,231</u>	<u>393,500,904</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>	<u><u>\$ 454,404,242</u></u>
Plan fiduciary net position				
Differences between expected and actual experience	\$ 28,645	\$ (221,355)	\$ (929,393)	\$ (3,414,377)
Contributions	2,500,000	5,385,500	8,724,143	5,568,744
Net investment income	1,582,921	1,075,295	736,994	5,111,494
Benefit payments	(5,974,464)	(6,457,472)	(6,577,082)	(6,074,638)
Administrative expense	(1,150)	(3,400)	(1,000)	(5,000)
Other changes	(28,645)	221,355	928,393	3,414,377
Net change in fiduciary net position	<u>\$ (1,892,693)</u>	<u>\$ (77)</u>	<u>\$ 2,883,055</u>	<u>\$ 4,600,600</u>
Fiduciary net position, beginning of year	<u>20,953,941</u>	<u>19,061,248</u>	<u>19,061,171</u>	<u>21,944,226</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>	<u><u>\$ 26,544,826</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>	<u><u>\$ 427,859,416</u></u>
Fiduciary net position as a % of total OPEB liability	5.65%	5.19%	5.58%	5.84%
Covered employee payroll	\$ 62,892,100	\$ 65,337,722	\$ 68,088,033	\$ 70,502,097
Net OPEB liability as of % of payroll	505.79%	532.43%	545.70%	606.87%
Expected average remaining service in years	6.69	6.38	6.02	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, 2021	June 30, 2021	June 30, 2021
GAAP Basis	\$ 121,846,990	\$ 119,378,924	\$ 4,103,326
Increase (Decrease):			
State Share of Retirement and Pension Contribution	(6,815,130)	(6,815,130)	-
County Share of Retirement and Pension Contribution	(624,039)	(624,039)	-
Capital lease	-	-	-
Net Effect of Utilization of Encumbrances:			
Reversal of June 30, 2020 Balances	-	(187,393)	-
Recording of Balances at June 30, 2021	-	1,253,664	(1,253,664)
Insurance Reserve and other	-	-	(22,024)
Budgetary basis	\$ 114,407,821	\$ 113,006,026	\$ 2,827,638

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 2020 valuation:

- Inflation assumption changed from 2.65% to 2.60% for general and from 3.15% to 3.10% for wage
- Salary increase assumption remained the same at 3.10% - 11.60%, including inflation
- Investment rate of return assumption remained the same at 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	18 years for the State Systems
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% 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 2020 valuation:

- Discount rate changed from 2.852% to 2.235%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Other Post Employment Benefits (continued)

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed period
Amortization period	5.74 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- 2021	2.235%
Discount rate- 2020	2.852%
Mortality	PubT.H-2010 Mortality Table - Teachers

Retirement rates

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

Withdrawal rates

Table T-1 from the Pension Actuary's Handbook

Age	BOE
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	
	Retiree	Spouse	Retiree	Spouse
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, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
UNRESTRICTED LOCAL FUNDS				
County appropriation	\$ 93,992,139	\$ 93,992,139	\$ 93,992,139	\$ -
STATE OF MARYLAND FUNDS				
Current expense	7,060,853	7,060,853	7,060,853	-
Transportation	3,404,374	3,404,374	3,404,374	-
Handicapped children	1,681,440	1,681,440	1,681,440	-
Compensatory education	7,558,634	7,558,634	7,558,634	-
Limited english proficiency	429,674	429,674	429,674	-
TOTAL STATE OF MARYLAND FUNDS	20,134,975	20,134,975	20,134,975	-
OTHER FUNDS				
Tuition	70,000	70,000	100,804	30,804
Interest and other	80,000	80,000	156,947	76,947
Reimbursement from restricted Programs	75,452	75,452	22,956	(52,496)
TOTAL OTHER FUNDS	225,452	225,452	280,707	55,255
TOTAL UNRESTRICTED REVENUES	114,352,566	114,352,566	114,407,821	55,255
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	\$ 114,919,577	\$ 114,919,577	\$ 114,974,832	\$ 55,255

THE BOARD OF EDUCATION OF WORCESTER COUNTY
 SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
ADMINISTRATION				
Salaries and wages	\$ 1,491,053	\$ 1,451,511	\$ 1,451,510	\$ 1
Contracted services	177,242	196,095	196,095	-
Supplies and materials	30,382	82,802	81,906	896
Other charges	45,710	42,018	42,018	-
Land, buildings and equipment	1,102	-	-	-
TOTAL ADMINISTRATION	1,745,489	1,772,426	1,771,529	897
INSTRUCTIONAL SUPPORT SERVICES				
Salaries and wages	7,591,347	7,429,562	7,429,562	-
Contracted services	85,263	124,334	124,334	-
Supplies and materials	137,537	401,929	401,929	-
Other charges	61,200	62,380	62,380	-
Land, buildings and equipment	5,000	917	916	1
TOTAL INSTRUCTIONAL SUPPORT SERVICES	7,880,347	8,019,122	8,019,121	1
INSTRUCTIONAL SALARIES AND WAGES	46,011,547	46,011,547	44,927,284	1,084,263
TEXTBOOKS AND CLASSROOM SUPPLIES AND MATERIALS	2,502,738	2,556,367	2,507,416	48,951
OTHER INSTRUCTIONAL COSTS				
Contracted services	723,647	390,501	338,072	52,429
Other charges	306,875	373,440	373,439	1
Land, buildings and equipment	85,395	112,154	112,153	1
Outgoing transfers	50,000	89,822	89,821	1
TOTAL OTHER INSTRUCTIONAL COSTS	1,165,917	965,917	913,485	52,432
STUDENT PERSONNEL SERVICES				
Salaries and wages	363,285	361,653	361,315	338
Contracted services	750	750	750	-
Supplies and materials	1,890	3,772	3,772	-
Other charges	283	33	-	33
TOTAL STUDENT PERSONNEL SERVICES	366,208	366,208	365,837	371
HEALTH SERVICES				
Salaries and wages	990,454	957,393	957,268	125
Contracted services	252	8,873	8,872	1
Supplies and materials	8,118	29,851	29,850	1
Other charges	750	3,957	3,956	1
Land, buildings and equipment	1,000	500	-	500
TOTAL HEALTH SERVICES	\$ 1,000,574	\$ 1,000,574	\$ 999,946	\$ 628

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - CONTINUED
 GENERAL FUND - BUDGETARY BASIS
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
STUDENT TRANSPORTATION				
Salaries and Wages	\$ 349,325	\$ 384,603	\$ 384,602	\$ 1
Contracted Services	6,486,624	6,217,380	6,212,757	4,623
Supplies and Materials	9,636	23,690	23,690	-
Other Charges	93,084	122,754	122,753	1
Land, Buildings and Equipment	-	190,242	190,241	1
TOTAL STUDENT TRANSPORTATION	6,938,669	6,938,669	6,934,043	4,626
OPERATION OF PLANT				
Salaries and Wages	3,771,838	3,772,025	3,772,025	-
Contracted Services	322,270	674,762	674,761	1
Supplies and Materials	301,120	915,829	915,828	1
Other Charges	4,015,718	2,758,600	2,753,113	5,487
Land, Buildings and Equipment	42,300	340,580	340,579	1
TOTAL OPERATION OF PLANT	8,453,246	8,461,796	8,456,306	5,490
MAINTENANCE OF PLANT				
Salaries and Wages	754,205	618,856	618,759	97
Contracted Services	93,738	231,948	231,947	1
Supplies and Materials	229,360	257,599	257,598	1
Other Charges	650	650	128	522
Land, Buildings and Equipment	37,745	6,645	-	6,645
TOTAL MAINTENANCE OF PLANT	1,115,698	1,115,698	1,108,432	7,266
FIXED CHARGES				
Insurance and Employee Benefits	26,289,780	25,893,995	25,325,219	568,776
CAPITAL OUTLAY				
Salaries and Wages	122,175	111,164	111,163	1
Contracted Services	450	50,836	50,835	1
Supplies and Materials	1,552	81	81	-
Other Charges	306	1	-	1
Land, Buildings and Equipment	100,000	430,295	430,294	1
TOTAL CAPITAL OUTLAY	224,483	592,377	592,373	4
SPECIAL EDUCATION				
Salaries and Wages	10,446,870	10,364,629	10,259,550	105,079
Contracted Services	403,000	538,853	538,852	1
Supplies and Materials	185,000	256,388	256,388	-
Other Charges	40,011	40,011	28,772	11,239
Land, Buildings and Equipment	22,000	22,000	1,473	20,527
Outgoing Transfers	128,000	3,000	-	3,000
TOTAL SPECIAL EDUCATION	11,224,881	11,224,881	11,085,035	139,846
TOTAL UNRESTRICTED APPROPRIATIONS AND EXPENDITURES	\$ 114,919,577	\$ 114,919,577	\$ 113,006,026	\$ 1,913,551

THE BOARD OF EDUCATION OF WORCESTER COUNTY

SCHOOL ACTIVITIES FUND OPERATIONS

Year Ended June 30, 2021

	Balance June 30, 2020	Receipts	Disbursements	Balance June 30, 2021
ELEMENTARY				
Buckingham	\$ 52,215	\$ 52,083	\$ 63,146	\$ 41,152
Ocean City	36,085	42,608	34,316	44,377
Pocomoke	47,668	36,623	35,554	48,737
Showell	49,638	33,875	32,979	50,534
Snow Hill	45,000	39,016	38,304	45,712
TOTAL ELEMENTARY	230,606	204,205	204,299	230,512
MIDDLE SCHOOL				
Berlin	95,012	52,701	58,696	89,017
Pocomoke	32,681	60,288	54,140	38,829
Snow Hill	60,113	41,634	39,475	62,272
Stephen Decatur	108,136	53,369	40,788	120,717
TOTAL MIDDLE SCHOOL	295,942	207,992	193,099	310,835
HIGH SCHOOL				
Pocomoke	139,682	104,818	92,636	151,864
Snow Hill	127,009	121,195	99,359	148,845
Stephen Decatur	266,853	373,372	292,183	348,042
TOTAL HIGH SCHOOL	533,544	599,385	484,178	648,751
SPECIALIZED SCHOOL				
Cedar Chapel	6,542	14,261	9,903	10,900
Vocational	80,202	281,219	195,005	166,416
TOTAL SPECIALIZED SCHOOL	86,744	295,480	204,908	177,316
TOTAL SCHOOL ACTIVITY FUND OPERATION	\$ 1,146,836	\$ 1,307,062	\$ 1,086,484	\$ 1,367,414
EXCESS OF RECEIPTS OVER DISBURSEMENTS		\$ 220,578		

THE BOARD OF EDUCATION OF WORCESTER COUNTY

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

Year Ended June 30, 2021

	Budget	Actual	Variance With Budget Favorable (Unfavorable)
REVENUES			
Federal and State:			
Reimbursement for food	\$ 2,134,600	\$ 2,131,073	\$ (3,527)
Equipment grant	-	19,115	19,115
Other Revenues:			
Grant and donation revenues	20,000	50,000	30,000
County assistance	-	362,735	362,735
Catering income	3,150	-	(3,150)
Lunches sold	620,400	3,328	(617,072)
Interest income and other	1,350	1,881	531
Rebates - food	700	-	(700)
Total Other Revenues	645,600	417,944	(227,656)
TOTAL REVENUES	2,780,200	2,568,132	(212,068)
EXPENDITURES			
Food and food related supplies	1,279,917	954,350	325,567
Commodity processing and storage	12,600	10,636	1,964
Nonfood supplies and other expense	57,700	32,526	25,174
Salaries and wages	1,009,400	860,082	149,318
Fringe benefits	417,683	308,982	108,701
Contracted services	2,900	4,564	(1,664)
Additional equipment	-	19,115	(19,115)
TOTAL EXPENDITURES	2,780,200	2,190,255	589,945
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 377,877	\$ 377,877

THE BOARD OF EDUCATION OF WORCESTER COUNTY

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

Year Ended June 30, 2021

REVENUES		
County Appropriation	\$ 93,992,139	
State of Maryland	22,532,553	
Restricted Federal Funds	8,727,930	
Other Sources	<u>415,280</u>	125,667,902
TOTAL REVENUES		
OTHER FINANCING SOURCES		
Appropriation from Fund Balance		<u>567,011</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 126,234,913
EXPENDITURES		
Administration	1,798,628	
Mid-Level Administration	8,278,319	
Instructional Salaries and Wages	48,048,753	
Textbooks and Classroom Supplies	5,101,985	
Other Instructional Costs	3,092,069	
Pupil Personnel Services	365,837	
Health Services	1,017,648	
Pupil Transportation	7,074,128	
Operation of Plant	8,529,005	
Maintenance of Plant	1,196,681	
Fixed Charges	26,248,699	
Special Education	12,880,865	
Food Services	16,623	
Community Services	24,494	
Capital Planning	<u>592,373</u>	
TOTAL EXPENDITURES		<u>124,266,107</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES		<u>\$ 1,968,806</u>

NOTES TO ADDITIONAL SUPPLEMENTARY INFORMATION

Note 1. Budget

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

	Revenues	Expenditures	Change in Fund
	Proprietary	Proprietary	Balances
	June 30, 2021	June 30, 2021	Proprietary
	June 30, 2021	June 30, 2021	June 30, 2021
GAAP basis	\$ 2,568,132	\$ 2,187,878	\$ 380,254
Capital outlay	-	7,645	(7,645)
Depreciation	-	(5,268)	5,268
Budgetary basis	<u>\$ 2,568,132</u>	<u>\$ 2,190,255</u>	<u>\$ 377,877</u>